9M | 2019

Hapag-Lloyd AG

Quarterly financial report

1 January to
30 September 2019

SUMMARY OF HAPAG-LLOYD KEY FIGURES QUARTERLY FINANCIAL REPORT 9M 2019

		1.7.– 30.9. 2019	1.7.– 30.9. 2018	1.1.– 30.9. 2019	1.1.– 30.9. 2018	Change absolute
Key operating figures [1]						
Total vessels		231	222	231	222	9
Aggregate capacity of vessels	TTEU	1,670	1,596	1,670	1,596	74
Aggregate container capacity	TTEU	2,556	2,553	2,556	2,553	2
Freight rate (average for the period)	USD/TEU	1,084	1,055	1,075	1,032	43
Transport volume	TTEU	3,045	3,052	9,011	8,900	111
Revenue	million EUR	3,244	3,055	9,482	8,486	996
EBITDA	million EUR	554	385	1,511	812	699
EBIT	million EUR	253	208	643	299	344
Group profit/loss	million EUR	150	113	297	13	284
Earnings per share	EUR	0.85	0.64	1.63	0.03	1.60
Cash flow from operating activities	million EUR	652	318	1,537	730	807
Key return figures [1]						
EBITDA margin (EBITDA/revenue)	%	17.1	12.6	15.9	9.6	6.4 ppt
EBIT margin (EBIT/revenue)	%	7.8	6.8	6.8	3.5	3.3 ppt
ROIC (Return on Invested Capital)[2]	%	7.6	6.8	6.5	3.1	3.4 ppt
Key balance sheet figures as at 30 September [1]						
Balance sheet total	million EUR	16,695	15,301	16,695	15,301	1,393
Equity	million EUR	6,713	6,259	6,713	6,259	454
Equity ratio (equity/balance sheet total)	%	40.2	40.9	40.2	40.9	–0.7 ppt
Borrowed capita	million EUR	9,981	9,042	9,981	9,042	940
Key financial figures as at 30 September [1]						
Financial debt	million EUR	6,756	6,018	6,756	6,018	738
Cash and cash equivalents	million EUR	581	657	581	657	–76

For computational reasons, rounding differences may occur in some of the tables and charts of this quarterly financial report.

Note: Due to the first-time application of IFRS 16 “Leases” as at January 1, 2019, the figures regarding the group earnings, financial and net asset positions for the first half of 2019 are only comparable with the previous year to a limited extent. Unless stated otherwise, prior-year figures refer to the regulations for leasing agreements in accordance with IAS 17. Additionally, as a result of the change in presentation of the consolidated income statement, the previous year’s values have been adjusted.

[1] Key operating figures and return figures refer to the respective reporting period. The comparison of the balance sheet key figures as well as the financial key figures relates to the balance sheet date 31 December 2018.

[2] Return on invested capital (ROIC) is calculated as the ratio between operating profit after tax (NOPAT) and invested capital (total assets excluding cash and cash equivalents less liabilities excluding financial liabilities and lease obligations). The ratio is calculated on an annualised basis and in US dollars.

MAIN DEVELOPMENTS IN 9M 2019

- Transport volume rises by 1.2% in the first 9 months of 2019 compared with the previous year
- Positive freight rate development: The freight rate is USD 1,075 / TEU, which is 4.2% higher than in the previous year (9M 2018: USD 1,032 / TEU)
- A small rise in average bunker consumption prices[1] of USD 19 to USD 425 per tonne (9M 2018: USD 406 per tonne) leads to an increase in fuel expenses of 10.6%
- Transport expenses rise by 3.5% compared with the previous year, which is related to the higher bunker consumption price, a stronger US dollar compared to the euro and an increase in charter costs. By contrast, the first-time application of IFRS 16 leads to a reduction in transport expenses
- Clearly positive EBITDA of EUR 1,510.5 million in the first 9 months of 2019 (9M 2018: EUR 812.0 million). This includes a positive effect from the first-time application of IFRS 16 in the amount of approximately EUR 341.2 million. EBITDA margin of 15.9% in the first 9 months of 2019 (9M 2018: 9.6%)
- The first-time application of IFRS 16 increases depreciation and amortisation in the first 9 months of the year by 69.2% to EUR 867.7 million (9M 2018: EUR 512.9 million)
- Operating result (EBIT) of EUR 642.8 million (including IFRS 16 effect of around EUR 22.8 million) is also significantly higher than in the previous year (9M 2018: EUR 299.1 million)
- Group net result of EUR 296.7 million (including IFRS 16 effect of around EUR –26.9 million) is substantially higher than in the previous year (9M 2018: EUR 12.5 million)
- Strong operating cash flow of EUR 1,536.9 million (9M 2018: EUR 729.5 million), positively affected by the first-time application of IFRS 16 in the amount of approximately EUR 355.0 million
- Overall positive earnings effect of the stronger US dollar against the euro
- Liquidity reserve totalled EUR 1,098.7 million as at 30 September 2019
- Early redemption of the EUR 450 million bond due in 2022 as part of the debt repayment plan
- Balance sheet total increases to EUR 16,694.7 million compared with 31 December 2018, primarily as a result of the first-time application of IFRS 16
- Equity ratio decreases slightly to 40.2% (31 December 2018: 40.9%) due to IFRS 16

[1] Weighted average MFO & MDO

For computational reasons, rounding differences may occur in some of the tables and charts of this report.

This quarterly financial report was published on 14 November 2019

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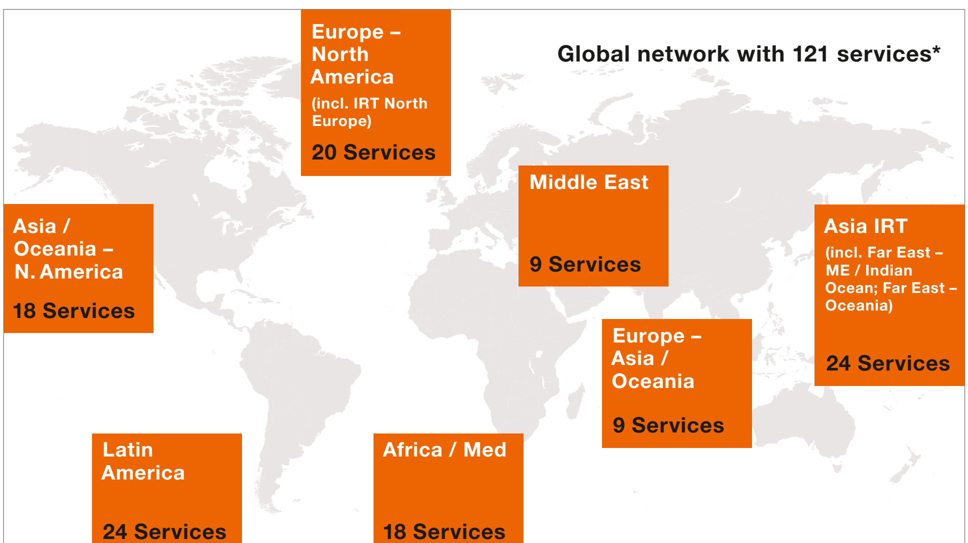
INTERIM GROUP MANAGEMENT REPORT

BUSINESS ACTIVITIES

The Hapag-Lloyd Group is Germany's largest container liner shipping company and is one of the world's leading container liner shipping companies in terms of global market coverage. The Group's core business is the shipping of containers by sea, but also encompasses transport services from door to door.

The Hapag-Lloyd fleet comprises 231 container ships as at 30 September 2019 (30 September 2018: 222). The Group currently has 392 sales offices in 129 countries and offers its customers worldwide access to a network of 121 liner services. In the first 9 months of 2019, Hapag-Lloyd served approximately 27,800 customers around the world.

Network of Hapag-Lloyd services



Source: Company data; Note: *FP1 Service counted twice (Asia – North America / Europe – Asia)

Since 1 April 2017, Hapag-Lloyd has been operating THE Alliance together with Kawasaki Kisen Kaisha Ltd. (Japan) ("K" Line), Mitsui O.S.K. Lines Ltd. (Japan) (MOL), Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (NYK) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). The Japanese alliance partners merged their container shipping activities on 1 April 2018 and have been operating as Ocean Network Express (ONE) since then.

As at 30 September 2019, THE Alliance covers all East–West trades with around 250 container ships.

Hapag-Lloyd conducts its container liner shipping business in an international business environment. Transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities and the corresponding financing of investments. The functional currency of Hapag-Lloyd AG and its main subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For reporting purposes, the assets and liabilities of the Hapag-Lloyd Group are translated into euros using the mean exchange rate on the balance sheet date (closing rate). The cash flows listed in the consolidated statement of cash flows and the expenses, income and result shown in the consolidated income statement are translated at the average exchange rate for the reporting period. The resulting differences are recognised in other comprehensive income.

Changes to the composition of the Hapag-Lloyd AG Executive Board

On 17 December 2018, the Supervisory Board passed a resolution to appoint Dr Maximilian Rothkopf as a new Executive Board member with effect from 1 May 2019. As the successor of Anthony J. Firmin, who retired on 30 June 2019, Dr Rothkopf holds the position of COO.

Shareholder structure of Hapag-Lloyd AG

The shareholder structure of Hapag-Lloyd AG is dominated by its 5 major shareholders, which together hold around 95.5% of the Company's share capital. These are CSAV Germany Container Holding GmbH (CSAV), Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV) and Kühne Maritime GmbH together with Kühne Holding AG (Kühne) and Qatar Holding LLC on behalf of the Qatar Investment Authority (QIA) and Public Investment Fund Saudi Arabia (PIF). CSAV, HGV and Kühne Maritime GmbH have also agreed under a shareholders' agreement to exercise their voting rights from the shares in Hapag-Lloyd AG by issuing a common voting proxy, thereby making important decisions together. During the third quarter of 2019, CSAV increased its share in Hapag-Lloyd to a total of 27.8% and Kühne increased its share to 29.2%.

The shareholder structure of Hapag-Lloyd AG as at 30 September 2019 is as follows:

in %	
Kühne Holding AG and Kühne Maritime GmbH	29.2
CSAV Germany Container Holding GmbH	27.8
Qatar Holding Germany GmbH	14.5
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	13.9
The Public Investment Fund of the Kingdom of Saudi Arabia	10.2
Free float	4.5
Total	**100.0**

CORPORATE OBJECTIVES AND STRATEGY

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth measured on the basis of developments in the transport volume and the key performance indicators of EBITDA, EBIT and return on invested capital (ROIC).

The growing global demand for container transportation is the very foundation of the organic growth which Hapag-Lloyd hopes to achieve.

IHS Markit (September 2019) has forecast a rise in global container shipments of 1.9% to around 145 million TEU in 2019. Generally, Hapag-Lloyd intends to increase the transport volume organically in line with market growth.

The key internal performance indicators for the Company's operating activities are earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT). The performance of these key financial indicators is outlined in the section "Group earnings, financial and net asset position". EBITDA is an important indicator of the achievement of sustainable company results and gross cash flows. It has a special significance for capital-intensive companies. Hapag-Lloyd uses EBITDA as an important parameter for investment decisions.

The main factors influencing the development of the operating result indicators are transport volume, freight rate, the US dollar exchange rate against the euro and operating costs including bunker price.

The generation of sustainable cash flows, solid corporate financing, and therefore in particular a sufficient liquidity and equity base, are once again key cornerstones of the Hapag-Lloyd Group's corporate strategy in the 2019 financial year. As at 30 September 2019, the Hapag-Lloyd Group has a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 1,098.7 million (31 December 2018: EUR 1,133.0 million).

Strategy 2023

The Executive Board of Hapag-Lloyd AG first reported on the Group's new strategy ("Strategy 2023") at a capital market day in November 2018. Strategy 2023 is also described in detail on pages 62 ff. of the Group management report in the 2018 annual report.

The 3 core objectives of Strategy 2023 are:

- Becoming number one for quality
- Remain a global player
- Profitability throughout the entire economic cycle

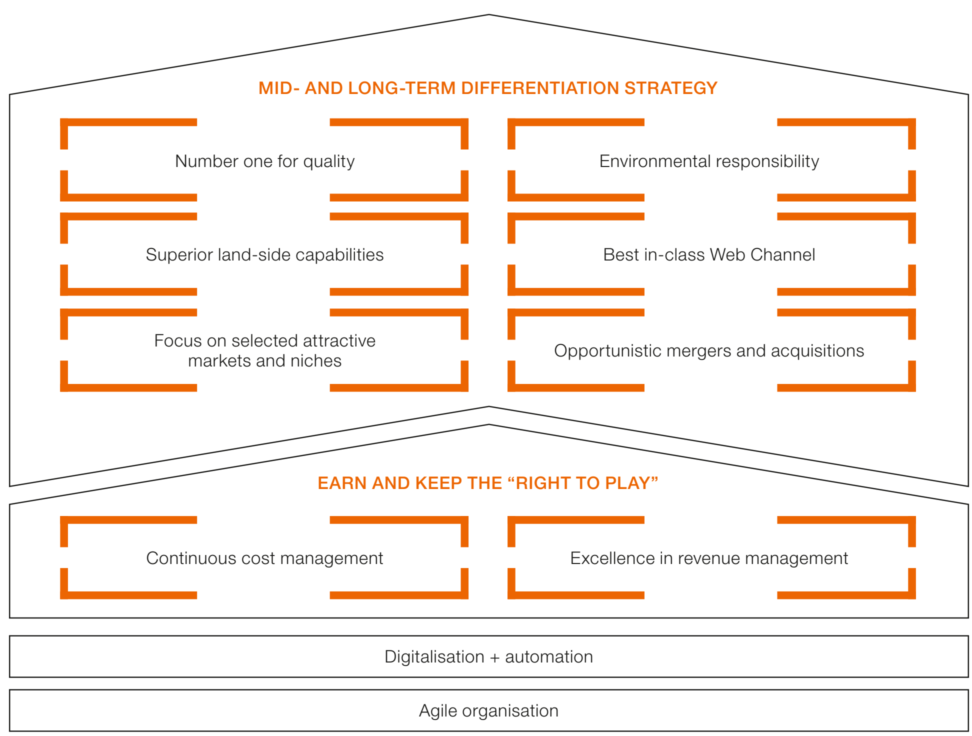
The focus of Strategy 2023 is on quality leadership and profitable growth based on continuous, consistent cost and revenue management. Internal processes will be improved through increased agility and the exploitation of technological opportunities such as digitalisation and automation.

Hapag-Lloyd has already launched a number of projects to ensure that its total cost structure is competitive. Thanks to improved cost structures, it is expected that an earnings contribution of between USD 350 and 400 million per year can be achieved by 2021. The Executive Board of Hapag-Lloyd AG has made a positive assessment of the cost savings achieved so far and is confident that a triple-digit million euro figure can be achieved by the end of 2019.

In the area of revenue management, Hapag-Lloyd has identified the key places in which optimisations can be made and has launched initial measures. In addition, initial digitalisation measures such as the web channel with Quick Quotes have already been implemented.

The planning period for Strategy 2023 will run until the end of the year 2023. Although further implementation will take place in 2019, most of the measures and their effects on earnings will be seen in the subsequent years.

The most important elements of Strategy 2023 are presented in the following illustration. The focus here is on clearly differentiating the Company from its competitors.



The Hapag-Lloyd Group’s key financial indicators will continue to be EBITDA and EBIT. Hapag-Lloyd is also aiming to be profitable throughout the entire economic cycle, i. e. to achieve a return on invested capital (ROIC) that is at least equal to the Company’s weighted average cost of capital (WACC). The reduction of debt remains a priority, and the Company’s target is to achieve a ratio of net debt to EBITDA of 3.0x or less by the end of 2023. Furthermore, Hapag-Lloyd is aiming for an equity ratio of over 45% and a liquidity reserve of around USD 1.1 billion.

In addition to the key financial indicators, the following new non-financial goals have been set:

Quality leadership is to be measured using a Net Promoter Score (NPS). In addition, the Company intends to improve reliability, i. e. punctuality, to clearly define its pledge on punctuality and to put in place the technical requirements for measuring and reporting on punctuality on a standardised basis.

Hapag-Lloyd aims to increase the percentage of door-to-door business to over 40% by 2023. This cargo type requires additional services which Hapag-Lloyd offers customers and which enable it to generate higher revenue and a higher margin.

Hapag-Lloyd is aiming for a global market share (worldwide, excluding Intra-Asia) of more than 10%. To achieve this goal, Hapag-Lloyd wants to increase its presence in attractive growth markets and in the area of special cargo as well as reefer cargo. Hapag-Lloyd already sees its strength in these areas today.

The success of Hapag-Lloyd's digitalisation strategy is to be measured by whether it increases the volume of cargo booked via the web channel to 15% of total volume by 2023.

As a company with a tradition of environmental awareness, it is a matter of course for Hapag-Lloyd that the Company complies with the stricter environmental requirements, such as IMO 2020, and that it implements the necessary technical and organisational changes with the greatest care and attention. In the context of the International Maritime Organization's (IMO) requirements to reduce sulphur dioxide emissions starting in 2020, Hapag-Lloyd will install exhaust gas cleaning systems (EGCS) on 10 larger container ships and test the use of liquid gas (LNG) by converting one of its large vessels. The Company will primarily use low-sulphur fuel.

Strategy 2023, including the aforementioned targets and goals, will become even more concrete as the strategy is implemented and it will be flexibly adapted to the changing operating environment if necessary.

In the 2019 financial year the focus lies on:

- Strategy 2023
- Achieving further cost savings, which are expected to reach USD 350 – 400 million p. a. by 2021
- Further implementing measures to improve revenue quality
- Enhancing Hapag-Lloyd´s partnership within THE Alliance
- Technical and organisational preparations for the IMO´s new exhaust gas standards

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include EBITDA, EBIT, the transport volume and freight rates. Transport volume and freight rates are important factors influencing revenue development. The development of the financial performance indicators in the first 9 months of 2019 is presented in the section “Group earnings position”. Since the 2015 financial year, the return on invested capital (ROIC) has also been used as a performance indicator.

ROIC compares net operating profit after tax (NOPAT), defined as EBIT less income taxes, with invested capital as at the reporting date. Invested capital is defined as assets excluding cash and cash equivalents less liabilities excluding financial debt and lease obligations. To facilitate comparison with other international shipping companies, the return on invested capital is calculated and presented exclusively on the basis of the functional currency, the US dollar.

Calculation of the return on invested capital is as follows:

	million EUR		million USD	
	9M 2019	9M 2018	**9M 2019**	9M 2018
Non-current assets	14,213.5	12,757.3	15,524.2	14,775.6
Inventory	215.3	269.5	235.1	312.1
Accounts receivables	1,290.0	721.9	1,409.0	836.1
Other assets	394.5	750.5	430.9	869.2
Assets	**16,113.3**	**14,499.2**	**17,599.2**	**16,793.0**
Provisions	785.3	573.3	857.7	664.1
Accounts payable	1,835.7	1,718.2	2,004.9	1,990.0
Other liabilities	604.3	336.6	660.2	389.9
Liabilities	**3,225.2**	**2,628.1**	**3,522.8**	**3,044.0**
Invested Capital	**12,888.1**	**11,871.1**	**14,076.4**	**13,749.0**
EBIT	642.8	299.1	722.2	357.4
Taxes	30.3	28.3	34.0	33.8
Net Operating Profit after Tax (NOPAT)	**612.5**	**270.8**	**688.2**	**323.6**
Return on Invested Capital (ROIC)			**6.5%**	**3.1%**

ROIC in USD, rounded, aggregated and calculated on an annualised basis. As a result of the change in presentation of the consolidated income statement, the previous year’s values have been adjusted.

IMPORTANT NON-FINANCIAL PRINCIPLES

The optimum utilisation of the available ship and container capacities has a substantial influence on whether Hapag-Lloyd achieves long-term profitable growth. Sustainable and quality-conscious corporate governance and highly qualified and motivated employees are also important for Hapag-Lloyd's targeted profitable growth.

Flexible fleet and capacity development
As at 30 September 2019, Hapag-Lloyd's fleet comprises a total of 231 container ships (31 December 2018: 227 vessels). All of the vessels are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate.

The majority of the vessels are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet as at 30 September 2019 stands at 1,670,417 TEU and is therefore virtually unchanged compared to 31 December 2018 (1,643,371 TEU). The share of vessels chartered by Hapag-Lloyd is approximately 37% as at 30 September 2019 based on TEU capacity (31 December 2018: approximately 36%).

As at 30 September 2019, the average age of Hapag-Lloyd's total fleet (capacity-weighted) is 8.6 years. The average ship size within the Hapag-Lloyd Group fleet is 7,231 TEU, which is approximately 18% above the comparable average figure for the 10 largest container liner shipping companies (30 September 2019: 6,116 TEU) and around 71% above the average ship size in the global fleet (30 September 2019: 4,237 TEU).

As at 30 September 2019, Hapag-Lloyd owned or rented 1,557,700 containers (31 December 2018: 1,554,423) with a capacity of 2,555,867 TEU for shipping cargo (31 December 2018: 2,559,316 TEU). The capacity-weighted share of leased containers is around 46% as at 30 September 2019 (31 December 2018: 48%). To facilitate further growth in the strategically important reefer segment, Hapag-Lloyd ordered 13,420 new reefer containers in June 2019. Around 7,000 reefer containers had been delivered by 30 September 2019. The remaining containers are scheduled for delivery by the end of November 2019. In connection with this, Hapag-Lloyd is also launching a programme to fit its entire fleet of reefer containers with the latest IOT monitoring technology (Internet of Things). The resulting customer products will be marketed under the name Hapag-Lloyd LIVE and include a real-time GPS, information on the temperature inside the container and a notification system / alarm management system.

Hapag-Lloyd's service network comprises 121 services as at 30 September 2019 (31 December 2018: 119 services).

Structure of Hapag-Lloyd's container ship fleet

	30.9.2019	31.12.2018	30.9.2018
Number of vessels	231	227	222
thereof			
Own vessels[1]	112	112	112
Chartered vessels	119	115	110
Aggregate capacity of vessels (TTEU)	1,670	1,643	1,596
Aggregate container capacity (TTEU)	2,556	2,559	2,553
Number of services	121	119	118

[1] Including 17 lease agreements with purchase option / obligation at maturity. Previous year´s figures have been adjusted accordingly.

Bunker consumption totalled approximately 3.3 million tonnes in the first 9 months of 2019 and was therefore on a par with the previous year (9M 2018: approximately 3.3 million tonnes). Around 15% (9M 2018: approximately 12%) of this comprised bunkers with a low proportion of sulphur (MFO low sulphur [0.1%], MDO). The efficiency of the container ship fleet is also reflected in the bunker consumption data per slot (as measured by the average annual container storage space) of 2.6 tonnes (9M 2018: 2.8 tonnes). In terms of transported TEU, bunker consumption was reduced to 0.36 tonnes per TEU compared to the previous year (9M 2018: 0.37 tonnes per TEU).

Since the merger with UASC, Hapag-Lloyd has had a very young and efficient fleet. The existing fleet, additional chartered ships and cooperation with the partners in THE Alliance will make it possible to utilise the short-term expansion opportunities resulting from market growth and to realise economies of scale in ship operations. However, in order to remain competitive in the medium term, the Executive Board of Hapag-Lloyd AG believes that the Group will invest in new ship systems again at the appropriate time. In the context of the International Maritime Organization's (IMO) requirements to reduce sulphur dioxide emissions starting in 2020, Hapag-Lloyd will install exhaust gas cleaning systems (EGCS) on 10 larger container ships and test the use of liquid gas (LNG) by converting one of its large vessels.

Customers

Long-term, close business relations with customers are also important in driving value for corporate development. A global key account team manages relationships with major customers. This enables the Company to establish and maintain sustainable customer relationships.

In the first 9 months of the 2019 financial year, Hapag-Lloyd completed transport contracts for approximately 27,800 customers (9M 2018: approximately 27,100).

Employees

The Hapag-Lloyd Group employed 12,953 people as at 30 September 2019 (30 September 2018: 12,661). Of this total, 10,627 were shore-based employees (30 September 2018: 10,437), while 2,076 people were sea-based (30 September 2018: 1,963). Hapag-Lloyd also employed 250 apprentices as at 30 September 2019 (30 September 2018: 261).

Number of employees

	30.9.2019	31.12.2018	30.9.2018
Marine personnel	2,076	1,970	1,963
Shore-based personnel	10,627	10,561	10,437
Apprentices	250	234	261
Total	**12,953**	**12,765**	**12,661**

ECONOMIC REPORT

General economic conditions

The experts at the International Monetary Fund (IMF) anticipate global economic growth of 3.0% and 3.4% in 2019 and 2020 respectively (IMF, World Economic Outlook, October 2019). The IMF has lowered its growth prediction for 2019 by 0.2 percentage points and for 2020 by 0.1 percentage points compared to its forecast published in July 2019. According to the IMF's statement, this is the lowest growth rate since the financial crisis of 2008–2009. The current forecast takes account of the global increase in trade restrictions and the generally rising uncertainty regarding global trade and ongoing geopolitical tensions. The expected revival in 2020 is largely based on an economic recovery in newly industrialised countries such as Turkey, Argentina, Iran, Brazil and Saudi Arabia.

Based on its current forecast, the IMF predicts that the volume of global trade, which is key to the demand for container shipping services, will grow by 1.1% in 2019 compared with the previous year. The institute has therefore cut its forecast from April 2019 substantially once again by 1.4 percentage points. Growth of 3.2% is expected in 2020 (July forecast: 3.7%).

Developments in global economic growth (GDP) and world trade volume

in %	2020e	2019e	2018	2017	2016	2015	2014
Global economic growth	3.4	3.0	3.6	3.8	3.4	3.4	3.6
Industrialised countries	1.7	1.7	2.2	2.4	1.7	2.3	2.1
Developing and newly industrialised countries	4.6	3.9	4.5	4.8	4.6	4.3	4.7
World trade volume (goods and services)	3.2	1.1	3.7	5.5	2.2	2.8	3.9

Source: IMF, October 2019

Sector-specific conditions

Based on the current forecasts, the global container transport volume could rise to approximately 146 million TEU in 2019 (IHS Markit, September 2019). IHS Markit therefore expects the global container shipping volume to increase by 1.9% in 2019, once again outpacing the forecast rate of growth for global trade. IHS has lowered its forecast considerably by 1.9 percentage points compared to its last one, published in May 2019. However, the institute has once again changed its forecasting method in its publication and therefore has adjusted the previous year's value as well. The figure is thus only comparable with previous publications to a limited degree. For the period 2020 to 2024, IHS Markit is currently predicting annual growth of 3.4% on average in the global container shipping volume. As a result, container shipping will continue to be a growth industry.

Development of world trade volume

in %	2020e	2019e	2018	2017	2016	2015	2014
million TEU	149	146	143	140	133	131	131
Growth rate in %	2.6	1.9	1.9	5.4	1.4	0.3	–

Source: IHS Markit (September 2019). IHS methodology changed compared to May 2019. Limited comparability with previous publications.

At the beginning of 2019, the aggregate capacity of the global container ship fleet was approximately 22.0 million TEU (Drewry Container Forecaster Q3 2019, October 2019). Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 0.8 million TEU in 2019 and around 0.9 million TEU in 2020 (Drewry Container Forecaster Q3 2019, October 2019). This includes the expected delays of deliveries in the current financial year and the expected scrapping. The tonnage of the commissioned container ships of approximately 2.3 million TEU (MDS Transmodal, October 2019) is equivalent to around 10% of the present global container fleet's capacity (approximately 23 million TEU as at October 2019). It therefore remains well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 16%).

In the period from January to September 2019, orders were placed for the construction of 45 container ships with a transport capacity totalling approximately 0.3 million TEU (FY 2018: capacity of approximately 1.2 million TEU [Clarksons Research, October 2019]).

Expected development of global container fleet capacity

million TEU	2020e	2019e	2018	2017
Existing fleet (beginning of the year)	22.9	22.0	20.8	20.1
Planned deliveries	1.4	1.1	1.5	1.5
Expected scrappings	0.4	0.2	0.1	0.4
Postponed deliveries and other changes	0.1	0.1	0.2	0.4
Net capacity growth	**0.9**	**0.8**	**1.2**	**0.7**

Source: Drewry Container Forecaster Q3 2019, October 2019. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded. Rounding differences may be the result of changes in the databases.

While net capacity growth is forecast at 0.8 million TEU (Drewry Container Forecaster Q3, October 2019), the global container shipping volume is expected to increase by 2.7 million TEU in 2019 (IHS Markit, September 2019).

The actual growth in the global container ship fleet's transport capacity is regularly lower than the projected nominal increase, as old and inefficient vessels are scrapped and deliveries of newbuilds are postponed. Based on figures from MDS Transmodal, a total of 102 container ships with a transport capacity of approximately 0.8 million TEU were placed into service in the first 9 months of 2019 (9M 2018: 133 ships with a transport capacity of approximately 1.0 million TEU). At 0.1 million TEU, the scrapping of inefficient vessels was significantly lower in 2018 than in previous years (2017: 0.4 million TEU; 2016: 0.7 million TEU). According to Drewry (Container Forecaster Q3, October 2019), however, the figure is expected to rise again slightly in 2019 to approximately 0.2 million TEU. At the start of the year, Drewry expected scrapping to increase to around 0.5 million TEU (Drewry Container Forecaster 4Q 2018). According to Clarksons, around 0.1 million TEU was scrapped in the first 9 months of 2019.

Idle capacity was around 0.8 million TEU at the end of September 2019 (Alphaliner Weekly, October 2019), accounting for approximately 3.3% of the global fleet. The majority of idle vessels have a capacity of up to 5,100 TEU.

Consolidation of the industry and alliances

The following 3 alliances have existed since the start of the second quarter of 2017: the "2M Alliance" consists of the two market leaders – Maersk Line (Denmark) (Maersk) and Mediterranean Shipping Company S.A. (Switzerland) (MSC) – which started operating in early 2015. The "Ocean Alliance" consists of CMA CGM S.A. (France), including its subsidiary APL (Singapore), China COSCO Shipping (China) (COSCO), including Orient Overseas (International) Limited (Hong Kong) (OOIL), which was taken over by COSCO in July 2018, and Evergreen Marine Corp. Ltd. (Taiwan) (Evergreen). Hapag-Lloyd operates THE Alliance in partnership with Ocean Network Express (Singapore) (ONE) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). ONE was created on 1 April 2018 from the merger of the 3 Japanese alliance partners Kawasaki Kisen Kaisha Ltd. (Japan) ("K" Line), Mitsui O.S.K. Lines Ltd. (Japan) (MOL) and Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (NYK). On 19 June 2019 in Taipei, the members of THE Alliance agreed to establish a new partnership of four members, with a term ending in 2030. Subject to the necessary approval of the regulatory authorities, the South Korean liner shipping company Hyundai Merchant Marine (HMM) will become a new member of THE Alliance on 1 April 2020. HMM's order book currently comprises 12 large vessels which have a transport capacity of 23,000 TEU each and are scheduled for delivery from the second quarter of 2020 onwards. The 23,000 TEU newbuilds are to be used in Far East–Northern Europe trades and will further strengthen the service portfolio and competitiveness of THE Alliance. Furthermore, 8 newbuilds of 15,000 TEU each will be added to the HMM fleet from the second quarter of 2021 onwards.

Capacity share of alliances based on selected trades

in %	Far East trade	Transpacific trade	Atlantic trade
2M	39%	21%	45%
Ocean Alliance	35%	42%	14%
THE Alliance	**24%**	**26%**	**36%**
Other	2%	11%	5%

Source: Alphaliner, October 2019

There has been significant consolidation within the container shipping industry in recent years. As a result, the 10 biggest container liner shipping companies accounted for around 84% of the total capacity of the global container ship fleet as at 30 September 2019, up from around 61% in 2013 (MDS Transmodal, October 2019 and Drewry Container Forecaster Q3, October 2019). This consolidation was driven by Hapag-Lloyd's mergers with the container shipping activities of Compañía Sud Americana de Vapores (CSAV) in 2014 and United Arab Shipping Company Ltd. (UASC) in 2017, the merger between China COSCO Shipping (COSCO) and China Shipping Container Lines Company Limited (CSCL) in 2016, the acquisition of Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft ApS & Co (Hamburg Süd) by Maersk Line A/S (Maersk) (2017), the joint venture involving the container liner activities of the 3 Japanese shipping companies Kawasaki Kisen Kaisha Ltd. ("K" Line), Mitsui O.S.K. Lines Ltd. (MOL) and Nippon Yusen Kabushiki Kaisha Ltd. (NYK) to form Ocean Network Express (ONE) in 2018, the acquisition of Orient Overseas (International) Limited (OOIL) by China COSCO Shipping (COSCO) in 2018 and the insolvency of Hanjin Shipping Co. Ltd. (Hanjin) in 2016, which was the world's eighth-largest container liner shipping company at the time.

GROUP EARNINGS, FINANCIAL AND NET ASSET POSITION

Due to the first-time application of IFRS 16 "Leases" as at 1 January 2019, the presentation of the group earnings, financial and net asset positions is only comparable with that of the corresponding prior year period to a limited degree. Unless stated otherwise, the figures for the first 9 months of the 2018 financial year refer to the regulations for leases pursuant to IAS 17.

To increase transparency and standardise the externally communicated structure of the income statement in line with the management perspective, Hapag-Lloyd changed the presentation of the consolidated income statement since 1 January 2019. As a result, the previous period's values have been adjusted in line with the new presentation. The change in presentation has led to modifications within the income statement compared to the values reported in the quarterly financial report as at 30 September 2018.

Group earnings position

Earnings developments in the first 9 months of 2019 were clearly positive and in the upper range of the Executive Board's expectations. By contrast, the increase in transport volume was 1.2%, which was lower than had been expected at the start of the year.

Compared to the first 9 months of the 2018 financial year, the development of the average freight rate, the increase in the transport volume and a strengthening of the US dollar against the euro have had a positive effect on the earnings position. At USD 1.12 / EUR, the average US dollar / euro exchange rate was stronger than in the prior year period (USD 1.20 / EUR). By contrast, increased fuel costs compared to the previous year and higher charter costs reduced earnings in the first 9 months of the 2019 financial year. Hapag-Lloyd generated earnings before interest and taxes (EBIT) of EUR 642.8 million in the first 9 months of 2019 (prior year period: EUR 299.1 million) and a Group profit of EUR 296.7 million (prior year period: EUR 12.5 million).

Consolidated income statement[1]

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Revenue	3,244.0	3,055.2	9,482.1	8,486.4
Transport expenses	2,461.4	2,487.1	7,286.7	7,043.4
Personnel expenses	172.5	151.3	504.3	468.2
Depreciation, amortisation and impairment	300.9	176.4	867.7	512.9
Other operating result	–67.0	–49.5	–209.6	–195.7
Operating result	**242.2**	**191.0**	**613.8**	**266.2**
Share of profit of equity-accounted investees	10.2	6.8	27.7	22.3
Result from investments and securities	1.1	10.5	1.3	10.5
Earnings before interest and tax (EBIT)	**253.4**	**208.5**	**642.8**	**299.1**
Interest result	–93.0	–87.4	–317.9	–260.1
Other financial items	3.0	3.6	2.1	1.7
Income taxes	13.0	11.4	30.3	28.3
Group profit / loss	**150.4**	**113.4**	**296.7**	**12.5**
thereof profit / loss attributable to shareholders of Hapag-Lloyd AG	148.9	112.4	286.8	4.4
thereof profit / loss attributable to non-controlling interests	1.5	1.0	9.9	8.1
Basic / diluted earnings per share (in EUR)	0.85	0.64	1.63	0.03
EBITDA	**554.4**	**384.8**	**1,510.5**	**812.0**
EBITDA margin (%)	**17.1**	**12.6**	**15.9**	**9.6**
EBIT	**253.4**	**208.5**	**642.8**	**299.1**
EBIT margin (%)	**7.8**	**6.8**	**6.8**	**3.5**

[1] Due to the change in presentation of the consolidated income statement, the previous year's values have been adjusted. As a result EBIT for the first 9 months of 2018 decreased by EUR 1.7 million, from EUR 300.8 million to EUR 299.1 million.

The average freight rate in the first 9 months of the 2019 financial year was USD 1,075 / TEU, which was USD 43 / TEU up on the prior year period (USD 1,032 / TEU).

Compared with the first 9 months of the 2018 financial year, freight rate increases in particular on the Atlantic, Transpacific, Intra-Asia, Latin America and EMA trades had a positive effect on the average freight rate in the reporting period and therefore on earnings. However, the freight rate decreases on the Far East and Middle East trades had the opposite effect.

Freight rates per trade[1]

USD/TEU	Q3 2019	Q3 2018	9M 2019	9M 2018
Atlantic	1,411	1,357	1,374	1,318
Transpacific	1,357	1,268	1,328	1,243
Far East	912	978	922	940
Middle East	733	750	748	770
Intra-Asia	552	519	543	514
Latin America	1,146	1,119	1,156	1,113
EMA (Europe – Mediterranean – Africa)	1,072	1,000	1,047	955
Total (weighted average)	**1,084**	**1,055**	**1,075**	**1,032**

[1] Due to organisational changes, the transport volumes to/from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to/from Oceania have been assigned to the Far East trade (previously EMAO). The previous year's values have been adjusted accordingly.

With its balanced positioning on the relevant trades, Hapag-Lloyd was able to increase its transport volume by 111 TTEU to 9,011 TTEU (prior year period: 8,900 TTEU), representing a rise of 1.2% in the first 9 months of 2019 compared to the first 9 months of the 2018 financial year. This means that the growth in transport volume in the first 9 months of the 2019 financial year was below the company's expectations at the start of the year.

Transport volume increases, on the Atlantic, Far East, Latin America and EMA trades, had a positive impact on the transport volume in the reporting period. However, transport volume decreases, particularly on the Middle East and Intra-Asia trades, had a negative effect on the transport volume. The decrease in transport volume on the Intra-Asia trade resulted from actively reduced capacity in the first 9 months of 2019 financial year as part of the strategic realignment of Hapag-Lloyd in the context of Strategy 2023.

Transport volume per trade[1]

TTEU	Q3 2019	Q3 2018	9M 2019	9M 2018
Atlantic	489	468	1,472	1,382
Transpacific	512	520	1,456	1,459
Far East	593	595	1,771	1,711
Middle East	335	346	1,030	1,071
Intra-Asia	230	257	666	776
Latin America	722	719	2,112	2,072
EMA (Europe – Mediterranean – Africa)	163	146	505	430
Total	**3,045**	**3,052**	**9,011**	**8,900**

[1] Due to organisational changes, the transport volumes to/from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to/from Oceania have been assigned to the Far East trade (previously EMAO). The previous year's values have been adjusted accordingly.

The Hapag-Lloyd Group's revenue rose by EUR 995.7 million to EUR 9,482.1 million in the first 9 months of the 2019 financial year (prior year period: EUR 8,486.4 million), representing an increase of 11.7%. The main reasons for this were the rise in average freight rates, the increased transport volumes and the strengthening of the US dollar against the euro. Adjusted for exchange rate movements, revenue would have risen by EUR 456.4 million (5.1%).

The EUR 56.0 million increase in revenues not assigned to trades was mainly due to higher revenues from the rent of container slots (slot charter).

Revenue per trade [1]

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Atlantic	620.4	544.7	1,799.8	1,524.2
Transpacific	624.4	564.7	1,721.1	1,517.3
Far East	580.3	452.1	1,452.4	1,214.2
Middle East	221.2	223.6	685.6	690.2
Intra-Asia	114.1	114.4	321.6	333.8
Latin America	744.6	690.3	2,173.2	1,929.4
EMA (Europe – Mediterranean – Africa)	63.1	171.2	471.0	475.8
Revenue not assigned to trades	275.9	294.0	857.4	801.4
Total	**3,244.0**	**3,055.2**	**9,482.1**	**8,486.4**

[1] Due to organisational changes, the transport volumes to / from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to / from Oceania have been assigned to the Far East trade (previously EMAO). The previous year's values have been adjusted accordingly. As a result of the change in presentation of the consolidated income statement, revenue for 9M 2018 increased by EUR 58.4 million, from EUR 8,428.0 million to EUR 8,486.4 million, and for Q3 2018 by EUR 19.6 million, from EUR 3,035.5 million to EUR 3,055.2 million.

Transport expenses rose by EUR 243.3 million in the first 9 months of the 2019 financial year to EUR 7,286.7 million (prior year period: EUR 7,043.4 million). This represents an increase of 3.5% that is due to the increased transport volume, a stronger US dollar against the euro, a higher bunker price, an increase in charter capacities and a rise in charter rates.

At USD 1.12 / EUR, the average US dollar / euro exchange rate was 6.0% stronger than in the prior year period (USD 1.20 / EUR). The conversion of transport expenses from the functional currency, the US dollar, into the reporting currency, the euro, resulted in an increase in transport expenses due to the strengthening of the US dollar in the first 9 months of the 2019 financial year compared to the prior year period.

The increase in fuel expenses of EUR 118.2 million (10.6%) to EUR 1,233.7 million primarily results from the slightly higher bunker price in the current reporting period. In the first 9 months of the 2019 financial year, the average bunker consumption price for Hapag-Lloyd was USD 425 per tonne, up USD 19 per tonne (4.7%) on the figure of USD 406 per tonne for the prior year period. In addition, the stronger US dollar led to a rise in the bunker expenses reported in euros.

The first-time application of IFRS 16 “Leases” had a positive effect on the development of transport expenses in the first 9 months of the 2019 financial year. As a result of the application of the standard, expenses for leases which were previously classified as operating leases (essentially medium and long-term charter expenses for vessels and container rental) are no longer recognised within the transport expenses position but rather as amortisation on right of use of leased assets and interest expenses for lease liabilities. As a result, the transport expenses recognised in the first 9 months of the 2019 financial year decreased year-on-year by the amount of the lease expenses previously reported under IAS 17. A year-on-year increase in container repositioning costs and higher repair costs had the opposite effect in the first 9 months of the 2019 financial year.

Personnel expenses rose by EUR 36.1 million (7.7%) to EUR 504.3 million in the first 9 months of the 2019 financial year (prior year period: EUR 468.2 million). The strengthening of the US dollar against the euro was the main reason for the increase in expenses.

Depreciation and amortisation came to EUR 867.7 million in the first 9 months of the 2019 financial year (prior year period: EUR 512.9 million). The year-on-year increase in depreciation and amortisation was primarily due to the effects of the first-time recognition of leased assets in accordance with IFRS 16. The amortisation of rights of use relating to leased and first-time recognised assets (essentially vessels, containers, buildings) led to additional amortisation of EUR 319.1 million (prior year period: EUR 0.0 million).

The other operating result comprised the net balance of other operating expenses and income. The other operating expenses included in this item totalled EUR 243.7 million for the first 9 months of the 2019 financial year (prior year period: expenses of EUR 220.2 million). This included mainly IT expenses (EUR 111.7 million), administrative expenses (EUR 30.9 million) and consultancy fees (EUR 24.1 million).

Operating expenses [1]

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Transport expenses	**2,461.4**	**2,487.1**	**7,286.7**	**7,043.4**
thereof:				
Bunker	411.5	422.4	1,233.7	1,115.6
Handling & haulage	1,252.6	1,241.2	3,692.2	3,556.6
Equipment and repositioning	317.9	317.6	898.9	906.2
Vessel & voyage (excluding bunker)	476.6	529.4	1,468.8	1,457.7
Pending transport expenses	2.8	–23.5	–6.9	7.3
Personnel expenses	172.5	151.3	504.3	468.2
Depreciation, amortisation and impairments	300.9	176.4	867.7	512.9
Other operating result	–67.0	–49.5	–209.6	–195.7
Total operating expenses	**2,867.8**	**2,765.3**	**8,868.3**	**8,220.2**

1 As a result of the change in presentation of the consolidated income statement, the previous year’s values have been adjusted.

In the reporting period, earnings before interest and taxes (EBIT) amounted to EUR 642.8 million (including a positive effect from the first-time application of IFRS 16 in the amount of approximately EUR 22.8 million). They were therefore well above the corresponding figure in the prior year period (EUR 299.1 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 1,510.5 million in the first 9 months of the 2019 financial year (prior year period: EUR 812.0 million). This includes a positive effect from the first-time application of IFRS 16 in the amount of approximately EUR 341.2 million. The annualised return on invested capital (ROIC) for the first 9 months of the 2019 financial year amounted to 6.5% (prior year period: 3.1%). Basic earnings per share in the reporting period came to EUR 1.63 per share (prior year period: EUR 0.03 per share).

Earnings indicators[1]

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Revenue	3,244.0	3,055.2	9,482.1	8,486.4
EBIT	253.4	208.4	642.8	299.1
EBITDA	554.4	384.8	1,510.5	812.0
EBIT margin (%)	7.8	6.8	6.8	3.5
EBITDA margin (%)	17.1	12.6	15.9	9.6
Basic earnings per share (in EUR)	0.85	0.64	1.63	0.03
Return on invested capital (ROIC) annualised (%)[2]	7.6	6.8	6.5	3.1

1 Due to the change in presentation of the consolidated income statement, the previous year's values have been adjusted. This decreased EBIT for the first 9 months of 2018 by EUR 1.7 million, from EUR 300.8 million to EUR 299.1 million.
2 The calculation of the return on invested capital is based on the functional currency USD.

The interest result for the first 9 months of the 2019 financial year was EUR –317.9 million (prior year period: EUR –260.1 million). The increase in interest expenses compared to the first 9 months of the 2018 financial year was primarily due to the first-time application of IFRS 16. Interest expenses for the new lease liabilities which must now be included in accordance with IFRS 16 totalled EUR 49.7 million in the first 9 months of 2019 (prior year period: EUR 0.0 million). The early repayment of a bond also resulted in one-off effects totalling EUR –22.2 million as a result of redemption charges, the disposal of associated embedded derivatives and other associated transaction costs. By contrast, the valuation of the embedded derivatives of the bonds resulted in income of EUR 18.8 million (prior year period: income of EUR 4.4 million), which had a positive impact on the interest result in the first 9 months of the reporting year.

A Group profit of EUR 296.7 million was achieved in the first 9 months of 2019 (prior year period: EUR 12.5 million).

Group financial position

Condensed statement of cash flows

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Cash flow from operating activities	652.1	318.4	1,536.9	729.5
Cash flow from investment activities	–99.9	–139.8	–217.2	–184.9
Free cash flow	**552.2**	**178.6**	**1,319.7**	**544.6**
Cash flow from financing activities	–446.7	–138.6	–1,424.0	–572.4
Changes in cash and cash equivalents	**105.5**	**40.0**	**–104.3**	**–27.8**

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of EUR 1,536.9 million in the first 9 months of the 2019 financial year (prior year period: EUR 729.5 million). The increase in cash flow from operating activities was positively affected by the application of IFRS 16 as the repayment and interest portion of the lease payments is disclosed as cash flow from financing activities instead of cash flow from operating activities according to IFRS 16.

Cash flow from investing activities

In the first 9 months of the 2019 financial year, the cash outflow from investing activities totalled EUR 217.2 million (prior year period: EUR 184.9 million) and related to payments for investments of EUR 278.6 million (prior year period: EUR 254.0 million), primarily in containers and ship equipment. These included payments in the amount of EUR 94.6 million for containers acquired in the previous year. This was compensated by cash inflows of EUR 31.5 million (prior year period: EUR 20.9 million), which were primarily due to the sale of containers.

Cash flow from financing activities

Overall, there was a cash outflow from financing activities in the current reporting period in the amount of EUR 1,424.0 million (prior year period: EUR 572.4 million) which mainly comprised interest and redemption payments of EUR 2,119.4 million (prior year period: EUR 1,102.0 million).

Interest and redemption payments in the first 9 months of the 2019 financial year include the partial repayment of the ABS programme in the amount of EUR 394.3 million, the repayment of group financings of EUR 372.7 million and for the first time interest and repayments for lease liabilities in accordance with IFRS 16 in the amount of EUR 365.0 million. In February 2019 and June 2019, Hapag-Lloyd completely repaid a bond in the amount of EUR 450.0 million before its 2022 due date. There were also cash outflows from the realisation of derivative financial instruments used to hedge financial debt in the amount of EUR 101.6 million (prior year period: cash inflow of EUR 17.7 million).

The cash outflows were offset by cash inflows of EUR 825.0 million (prior year period: EUR 614.0 million). A new revolving credit facility in the amount of EUR 100.0 million was utilised in connection with the early repayment of the bond. Other significant cash inflows resulted from the financing of containers using Japanese operating leases (JOLs) in the amount of EUR 193.6 million, drawdowns under the existing ABS programme in the amount of EUR 323.1 million, loans to refinance vessels in the amount of EUR 167.4 million and the payment for an unsecured term loan in the amount of EUR 40.3 million.

Developments in cash and cash equivalents

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Cash and cash equivalents at beginning of period	**452.7**	**552.4**	**657.1**	**604.9**
Changes due to exchange rate fluctuations	23.1	7.1	28.6	22.4
Net changes	105.5	40.0	–104.3	–27.8
Cash and cash equivalents at end of period	**581.4**	**599.5**	**581.4**	**599.5**

Overall, cash outflow totalled EUR –104.3 million in the first 9 months of the 2019 financial year. After accounting for exchange rate-related effects in the amount of EUR 28.6 million, cash and cash equivalents of EUR 581.4 million were reported at the end of the reporting period on 30 September 2019 (30 September 2018: EUR 599.5 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item “Cash and cash equivalents”. In addition, there are available credit facilities of EUR 517.3 million (30 September 2018: EUR 405.8 million). The liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) therefore totalled EUR 1,098.7 million (30 September 2018: EUR 1,005.3 million).

Financial solidity

million EUR	30.9.2019	31.12.2018
Financial debt and lease liabilities	6,756.3	6,017.9
Cash and cash equivalents	581.4	657.1
Restricted cash (other assets)	–	6.4
Net debt	**6,174.9**	**5,354.4**
Gearing (%) [1]	**92.0**	**85.5**
Unused credit lines	**517.3**	**475.9**
Equity ratio (%)	**40.2**	**40.9**

[1] Ratio net debt to equity

Restricted cash and cash equivalents (other assets) decreased to EUR 0.0 million (31 December 2018: EUR 6.4 million), as there was a decrease in cash and cash equivalents which served as collateral for existing financial debt.

The Group’s net debt amounted to EUR 6,174.9 million as at 30 September 2019. This was a rise of EUR 820.5 million compared to net debt of EUR 5,354.4 million as at 31 December 2018.

The increase was essentially due to the application of the reporting standard IFRS 16 from 1 January 2019. The recognition of the lease liability associated with the first-time recognition of rights of use relating to leases (primarily for medium and long-term charter expenses for vessels and for container leasing) led to an increase of EUR 947.6 million in financial debt as at 1 January 2019.

The equity ratio decreased by 0.7 percentage points, from 40.9% as at 31 December 2018 to 40.2%, which was mainly due to the first-time application of the reporting standard IFRS 16 and the corresponding increase in financial debt. Gearing – the ratio of net debt to balance sheet equity – increased from 85.5% to 92.0% as a result.

Group net asset position

Changes in the asset structure

million EUR	30.9.2019	31.12.2018
Assets		
Non-current assets	14,213.5	12,845.0
of which fixed assets	14,149.1	12,789.8
Current assets	2,481.2	2,456.3
of which cash and cash equivalents	581.4	657.1
Total assets	**16,694.7**	**15,301.3**
Equity and liabilities		
Equity	6,713.2	6,259.3
Borrowed capital	9,981.5	9,042.0
of which non-current liabilities	5,925.3	5,665.3
of which current liabilities	4,056.2	3,376.7
of which financial debt and lease liabilities	6,756.3	6,017.9
of which non-current financial debt and lease liabilities	5,492.4	5,301.6
of which current financial debt and lease liabilities	1,263.9	716.4
Total equity and liabilities	**16,694.7**	**15,301.3**
Net debt	6,174.9	5,354.4
Equity ratio (%)	40.2	40.9

As at 30 September 2019, the Group’s balance sheet total was EUR 16,694.7 million, which is EUR 1,393.4 million higher than the figure at year-end 2018. The main reason for the increase in the balance sheet total is the first-time application of IFRS 16 from 1 January 2019. Further reasons for this change included exchange rate effects as at the reporting date due to the stronger US dollar against the euro. The US dollar / euro exchange rate was quoted at 1.09 on 30 September 2019 (31 December 2018: 1.15).

Within non-current assets, the carrying amounts of fixed assets increased by a total of EUR 1,359.3 million to EUR 14,149.1 million (31 December 2018: EUR 12,789.8 million). This rise was primarily due to the first-time application of IFRS 16 and the associated recognition of the right of use relating to lease contracts in the amount of EUR 858.2 million as at 1 January 2019 (31 December 2018: EUR 0.0 million). The increase of non-current assets in the first 9 months of 2019 also resulted from additional rights of use for leased assets in the amount of EUR 524.0 million as well as further investments totalling EUR 253.2 million relating primarily to containers and ship equipment. Exchange rate effects of EUR 637.3 million at the reporting date contributed to the increase in fixed assets.

Depreciation and amortisation of EUR 867.7 million in the first 9 months of 2019 had an opposite effect (prior year period: EUR 512.9 million). This figure includes an amount of EUR 319.1 million for additional amortisations of the rights of use according to the newly implemented standard IFRS 16.

Cash and cash equivalents of EUR 581.4 million decreased by EUR 75.7 million compared to the end of 2018 (EUR 657.1 million).

On the liabilities side, equity (including non-controlling interests) grew by EUR 453.9 million to a total of EUR 6,713.2 million. This increase is mainly due to the Group profit of EUR 296.7 million and the unrealised gains from currency translation recognised in other comprehensive income amounting to EUR 298.2 million. This was compensated by the payment of a dividend by Hapag-Lloyd AG for the 2018 financial year in the amount of EUR 26.4 million, the measurement of pension provisions through other comprehensive income in the amount of EUR –70.8 million due to the lower interest rate, and the adjustment of opening balance sheet values due to the first-time application of IFRS 16 as at 1 January 2019 in the amount of EUR –17.4 million. The equity ratio was 40.2% as at 30 September of the current year (31 December 2018: 40.9%).

The Group’s borrowed capital has risen by EUR 939.5 million to EUR 9,981.5 million since the 2018 financial statements were prepared, which was mainly due to an increase in financial debt and lease liabilities of EUR 738.4 million to EUR 6,756.3 million as at 30 September 2019. The main reason for the increase in financial debt and lease liabilities was the first-time application of IFRS 16, which led to the recognition of additional lease liabilities of EUR 947.6 million as at 1 January 2019. Payments for new financings, the recognition of lease liabilities and exchange rate effects relating to financial debt and lease liabilities in the amount of EUR 281.0 million also caused borrowed capital to increase. Redemption payments totalling EUR 1,806.7 million including the early repayment of a bond in the amount of EUR 450 million and including redemption payments for liabilities from finance lease contracts amounting to EUR 338.8 million reduced financial debt.

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 30 September 2019 was EUR 6,174.9 million (31 December 2018: EUR 5,354.4 million).

For further information on significant changes to specific balance sheet items, please refer to the Notes to the consolidated statement of financial position, which can be found in the condensed Notes to the consolidated financial statements.

Executive Board's statement on overall expected developments
Compared with the prior year period, the increased freight rates and volumes had a positive impact on the earnings position, as did the strengthening of the US dollar against the euro. The higher transport expenses which resulted from increased bunker prices and increased ship operation costs in particular had the opposite effect.

The development of earnings in the first 9 months of the 2019 financial year was in the upper range of the Executive Board's expectations at the start of the year. This was due to the slight increase in freight rates, the fall in bunker prices compared with the second half of previous year and the strengthening of the US dollar against the euro. By contrast, the increase in transport volume was slightly lower than had been expected at the start of the year. The main reason for this development is the general deterioration of the global economic climate, in particular due to geopolitical uncertainties. The development of earnings in the 2019 financial year will continue to depend largely on the growth in transport volume as well as the development of freight rates and the price of bunker.

RISK AND OPPORTUNITY REPORT

Please refer to the 2018 annual report for details of significant opportunities and risks, an assessment of these and an evaluation of their probability of occurrence. The existing global macroeconomic uncertainties and ongoing stiff competition could have a significant negative impact on the development of transport volumes and freight rates again in the further course of 2019.

The risks detailed in the 2018 annual report include the risks caused by general political conditions and protectionism. Attention is also drawn to the possible negative effects that ongoing tensions in the trade dispute between the USA and China as well as the USA and the EU will have on developments in the container shipping industry. The escalation of political tensions on and close to the Arabian Peninsula could have a negative impact on the price of oil, and therefore the bunker price, as a result of restrictions on oil production and transportation. The risks detailed could thus have an adverse effect on transport volumes, freight rates and costs, thereby impacting earnings negatively.

In addition, the main risks regarding the Group's expected performance for the rest of the financial year are currently classified as follows:

Risk	Probability of occurence	Potential impact
Decrease in transport volume growth	Low	Medium
Decrease in average freight rate	Low	Medium
Decline in USD vs. EUR	Low	Low
Rise in bunker consumption prices	Low	Low
Liquidity [1]	Low	High
Lower earnings contribution of efficiency programs	Low	Low

[1] The assessment related to the impact on the covenants to be complied with and on the liquidity situation.

At the time of reporting on the first 9 months of 2019, there were no risks which threatened the continued existence of the Hapag-Lloyd Group.

OUTLOOK

The general economic and sector-specific conditions which are of importance to container shipping are presented and analysed in the 2018 annual report (Economic report). A summary of the most important external factors is given below.

In its latest economic outlook (October 2019), the International Monetary Fund (IMF) expects global economic growth to reach 3.0% in the current year. As such, expected economic growth is down by 0.2 percentage points on the previous forecast (July 2019). As per the current forecast, the global economy is expected to grow at a significantly slower rate in 2019 than in the previous year (+3.6%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 1.1% in 2019 (2018: +3.7%). The institute has therefore cut its forecast from July 2019 substantially once again by 1.4 percentage points. According to the IMF, global trade volume will thus grow much more slowly than the global economy in 2019. IHS Markit (September 2019) is forecasting that the global container shipping volume will increase by 1.9% to approximately 145 million TEU in 2019 (2018: 1.9%). IHS has lowered its forecast significantly by 1.9 percentage points compared to its last one, published in May 2019. However, the institute has once again changed its forecasting method in its last publication and therefore adjusted the previous year's value as well. The figures are thus only comparable with previous publications to a limited degree. Nevertheless, the expected rise in worldwide transport volumes in container shipping for 2019 is in line with the rate of growth for global trade volume.

Following a rise in transport capacities (including scrapping and delays in deliveries) of approximately 1.2 million TEU to 22.0 million TEU in 2018, Drewry forecasts a nominal increase in transport capacities of up to approximately 0.8 million TEU for the current year. In relation to the total capacity of the global trading fleet, this represents an increase of around 3.7%. At the start of the year, Drewry expected an increase of around 0.5 million TEU (approximately 2.2%) based on the assumption of a higher scrapping rate.

Hapag-Lloyd now expects the transport volume in 2019 to be on par with the previous year (start of year: slight increase in transport volume). The main reason for this development is the general deterioration of the global economic climate, in particular due to geopolitical uncertainties. In addition, Hapag-Lloyd actively reduced capacity in the Intra-Asia trade lane in the first 9 months of 2019 as part of the strategic realignment of Hapag-Lloyd in the context of Strategy 2023. Based on these assumptions, and combined with a smaller increase in the global transport capacity than in the previous year, Hapag-Lloyd's average freight rate in 2019 is likely to increase slightly compared with the previous year. Based on the development of the average bunker consumption price in the first 9 months of 2019 and the current expectation for its development over the rest of the year, Hapag-Lloyd expects the average bunker consumption price for 2019 to be at the previous year's level (start of year: moderate increase in average bunker consumption price).

Hapag-Lloyd expects a Group EBITDA in the range of EUR 1.6 – 2.0 billion and a Group EBIT in the range of EUR 0.5 – 0.9 billion for 2019. Based on the business development in the first 9 months of 2019, it can currently be assumed that Group EBITDA and Group EBIT will be in the upper part of the guided ranges.

This includes a currently expected earnings effect from the first-time application of IFRS 16 on EBITDA of EUR 370 – 470 million and on EBIT of EUR 10 – 50 million. The effects of the first-time application of IFRS 16 are also currently expected to be in the upper part of the guided ranges.

The expected effects of the first-time application of IFRS 16 on the statement of financial position and the income statement are described in detail on page 40 ff. of the condensed Notes to the consolidated financial statements. Not accounted for here are impairments on goodwill, other intangible assets and property, plant and equipment, which, although not expected at present, cannot be ruled out given current geopolitical developments and other factors. The earnings forecast is based on the assumption of unchanged exchange rates.

Key benchmark figures for the 2019 outlook

Global economic growth (IMF)	3.0%
Increase in global trade (IMF)	1.1%
Increase in global container transport volume (IHS)	1.9%
Transport volume, Hapag-Lloyd	On previous year's level
Average bunker consumption prices, Hapag-Lloyd	On previous year's level
Average freight rate, Hapag-Lloyd	Slightly increasing
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	EUR 1.6–2.0 billion
Earnings before interest and taxes (EBIT)	EUR 0.5–0.9 billion

The benchmark figure for the 2019 outlook, which relates to the average freight rate therefore remains unchanged on the forecast published in the 2018 annual report. By contrast, the forecasts for the expected development of the transport volume and average bunker consumption prices were adjusted slightly, as outlined above.

Business developments at Hapag-Lloyd are subject to far-reaching risks in an industry environment dominated by volatile freight rates and stiff competition. The general risks are described in detail in the risk report in the Group management report of the 2018 annual report (page 100 ff.). Risks that may have an impact on the forecast for business development are also described in detail in the risk report. Any variations from the 2018 annual report are explained in the risk and opportunity report of this quarterly financial report. Significant risks for the Group's revenue and earnings development include in particular a slowdown in global economic and trade volume growth, a significant and lasting rise in bunker prices extending beyond the average bunker consumption price level in 2018, a sharp and persistent increase in the euro against the US dollar and a lasting reduction in the average freight rate.

The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the business development of Hapag-Lloyd in the remaining months of 2019, which could also lead to impairments on goodwill, other intangible assets and property, plant and equipment.

NOTE ON SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

The notes on relationships and transactions with related parties can be found in the disclosures on page 56 of the Notes to the condensed interim consolidated financial statements.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

of Hapag-Lloyd AG for the period 1 January to 30 September 2019[1]

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Revenue	3,244.0	3,055.2	9,482.1	8,486.4
Transport expenses	2,461.4	2,487.1	7,286.7	7,043.4
Personnel expenses	172.5	151.3	504.3	468.2
Depreciation, amortisation and impairment	300.9	176.4	867.7	512.9
Other operating result	–67.0	–49.5	–209.6	–195.7
Operating result	**242.2**	**191.0**	**613.8**	**266.2**
Share of profit of equity-accounted investees	10.2	6.8	27.7	22.3
Result from investments and securities	1.1	10.5	1.3	10.5
Earnings before interest and taxes (EBIT)	**253.4**	**208.4**	**642.8**	**299.1**
Interest income and similar income	2.6	2.8	10.1	14.0
Interest expenses and similar expenses	95.6	90.1	328.0	274.0
Other financial items	3.0	3.6	2.1	1.7
Earnings before taxes	**163.4**	**124.8**	**327.0**	**40.8**
Income taxes	13.0	11.4	30.3	28.3
Group profit / loss	**150.4**	**113.4**	**296.7**	**12.5**
thereof attributable to shareholders of Hapag-Lloyd AG	148.9	112.4	286.8	4.4
thereof attributable to non-controlling interests	1.5	1.0	9.9	8.1
Basic / diluted earnings per share (in EUR)	**0.85**	**0.64**	**1.63**	**0.03**

[1] Due to the adjustment of the structure of the consolidated income statement, the items in the consolidated income statement have changed. The comparability of the previous year's values are thus limited. For better comparability with the current reporting period, the previous year's values have been adjusted, see also "Change of presentation in the consolidated income statement".

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hapag-Lloyd AG for the period 1 January to 30 September 2019

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Group profit/loss	**150.4**	**113.4**	**296.7**	**12.5**
Items which will not be reclassified to profit and loss:				
Remeasurements from defined benefit plans after tax	–25.8	5.0	–70.8	4.3
Remeasurements from defined benefit plans before tax	–25.9	4.9	–71.0	4.5
Tax effect	0.1	0.1	0.2	–0.2
Cash flow hedges (no tax effect)	–	3.3	–	27.9
Effective share of the changes in fair value	–	3.5	–	27.4
Currency translation differences	–	–0.2	–	0.5
Cost of hedging (no tax effect)	–4.4	–4.9	–8.4	–7.7
Changes in fair value	–4.1	–4.8	–8.1	–7.7
Currency translation differences	–0.3	–0.1	–0.4	–
Currency translation differences (no tax effect)	263.4	34.3	298.2	203.7
Items which may be reclassified to profit and loss:				
Cash flow hedges (no tax effect)	–2.6	2.9	–17.5	5.7
Effective share of the changes in fair value	–31.5	–3.7	–54.5	–33.5
Reclassification to profit or loss	29.5	6.6	37.5	38.9
Currency translation differences	–0.6	0.0	–0.5	0.3
Cost of hedging (no tax effect)	–0.8	0.6	–1.1	0.9
Changes in fair value	–6.3	–7.4	–21.9	–19.8
Reclassification to profit or loss	5.5	8.0	20.8	20.7
Other comprehensive income after tax	**229.8**	**41.2**	**200.4**	**234.8**
Total comprehensive income	**380.2**	**154.6**	**497.0**	**247.3**
thereof attributable to shareholders of Hapag-Lloyd AG	378.2	153.8	486.5	238.8
thereof attributable to non-controlling interests	2.0	0.8	10.5	8.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 30 September 2019

Assets

million EUR	30.9.2019	31.12.2018
Goodwill	1,644.8	1,568.8
Other intangible assets	1,788.4	1,773.2
Property, plant and equipment	10,389.6	9,119.7
Investments in equity-accounted investees	326.2	328.1
Other assets	8.8	10.5
Derivative financial instruments	13.1	4.5
Income tax receivables	4.8	4.2
Deferred tax assets	37.8	36.0
Non-current assets	**14,213.5**	**12,845.0**
Inventories	215.3	238.1
Trade accounts receivable	1,290.0	1,217.7
Other assets	357.5	300.8
Derivative financial instruments	13.4	3.6
Income tax receivables	23.6	39.0
Cash and cash equivalents	581.4	657.1
Current assets	**2,481.2**	**2,456.3**
Total assets	**16,694.7**	**15,301.3**

Equity and liabilities

million EUR	30.9.2019	31.12.2018
Subscribed capital	175.8	175.8
Capital reserves	2,637.4	2,637.4
Retained earnings	3,356.8	3,117.4
Cumulative other equity	526.8	318.1
Equity attributable to shareholders of Hapag-Lloyd AG	**6,696.8**	**6,248.7**
Non-controlling interests	16.4	10.6
Equity	**6,713.2**	**6,259.3**
Provisions for pensions and similar obligations	340.9	265.2
Other provisions	50.4	75.6
Financial debt	4,742.0	5,241.2
Lease liabilities [1]	750.4	60.4
Other liabilities	5.3	9.1
Derivative financial instruments	28.9	8.5
Deferred tax liabilities	7.4	5.3
Non-current liabilities	**5,925.3**	**5,665.3**
Provisions for pensions and similar obligations	8.8	8.3
Other provisions	385.2	343.5
Income tax liabilities	52.6	52.3
Financial debt	748.5	677.7
Lease liabilities [1]	515.3	38.6
Trade accounts payable	1,835.7	1,774.1
Contract liabilities	360.4	260.3
Other liabilities	124.2	157.9
Derivative financial instruments	25.4	64.0
Current liabilities	**4,056.2**	**3,376.7**
Total equity and liabilities	**16,694.7**	**15,301.3**

[1] Under the first-time application of IFRS 16, from the first half of 2019 lease liabilities are shown as a separate balance sheet item and no longer as part of financial debt. Financial debt has been reduced accordingly. The previous year's values reported in the new balance sheet items relate to lease liabilities in accordance with IAS 17.

CONSOLIDATED STATEMENT OF CASH FLOWS

of Hapag-Lloyd AG for the period 1 January to 30 September 2019

million EUR	Q3 2019	Q3 2018[1]	9M 2019	9M 2018[2]
Group profit/loss	150.4	113.4	296.7	12.5
Income tax expenses (+)/income (–)	13.0	11.4	30.3	28.3
Other finacial Items	–3.0	–3.6	–2.1	–1.7
Interest result	93.0	87.3	317.9	260.0
Depreciation, amortisation and impairment (+)/write-backs (–)	300.9	176.4	867.7	512.9
Impairment (+)/write-backs (–) of financial assets	–	–2.4	–	–2.4
Profit (–)/loss (+) from disposals of non-current assets	–6.2	–4.1	–15.0	–6.2
Income (–)/expenses (+) from equity accounted investees and dividends from other investments	–10.4	–7.0	–28.0	–22.5
Other non-cash expenses (+)/income (–)	–4.1	–13.5	–1.2	–26.0
Increase (–)/decrease (+) in inventories	44.5	–11.6	33.4	–74.2
Increase (–)/decrease (+) in receivables and other assets	36.5	–4.7	–59.6	–64.3
Increase (+)/decrease (–) in provisions	25.6	–6.0	29.5	–45.4
Increase (+)/decrease (–) in liabilities (excl. financial debt)	7.9	–6.9	76.7	174.7
Payments received from (+)/made for (–) income taxes	2.4	–10.6	–14.1	–19.0
Payments received for interest	1.6	0.3	4.6	2.8
Cash inflow (+)/outflow (–) from operating activities	**652.1**	**318.4**	**1,536.9**	**729.5**
Payments received from disposals of property, plant and equipment and intangible assets	11.9	10.0	31.5	20.9
Payments received from dividends	1.0	0.6	29.9	33.1
Payments received from the disposal of assets held for sale	–	0.5	–	15.1
Payments made for investments in property, plant and equipment and intangible assets	–112.9	–150.6	–278.6	–254.0
Net cash Inflow (+)/outflow (–) from acquisition	–	–0.3	–	–
Cash inflow (+)/outflow (–) from investing activities	**–99.9**	**–139.8**	**–217.2**	**–184.9**

1 Due to the new structure of the consolidated income statement (see chapter “Change in presentation of the consolidated income statement”) the previous year’s values for Q3 2018 in the consolidated statement of cash flows for other financial items have been adjusted from the previous EUR 0.0 million by EUR –3.6 million, and other non-cash expenses (+)/income (–) from the previous EUR –21.2 million by EUR 7.7 million. The item profit (–)/loss (+) from hedging transactions for financial debt is no longer presented (previously EUR 4.1 million) as this is now included in position other financial items.

2 Due to the new structure of the consolidated income statement (see chapter “Change in presentation of the consolidated income statement”) the previous year’s values for 9M 2018 in the consolidated statement of cash flows for other financial items have been adjusted from the previous EUR 0.0 million by EUR –1.7 million, and other non-cash expenses (+)/income (–) from the previous EUR 8.7 million by EUR –34.7 million. The item profit (–)/loss (+) from hedging transactions for financial debt is no longer presented (previously EUR –36.4 million) as this is now included in position other financial items.

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Payments received from capital increases	–	0.2	–	0.2
Payments made for capital increases	–	0.0	–	–1.9
Payments made for dividends	–2.6	–103.6	–34.6	–113.7
Payments received from raising financial debt	182.1	453.0	825.0	614.0
Payments made for the redemption of financial debt	–353.5	–373.0	–1,467.9	–833.1
Payments made for the redemption of lease liabilities[3]	–128.6	–7.5	–338.8	–21.7
Payments made for interest and fees	–95.2	–96.3	–312.7	–247.2
Payments received (+) and made (–) from hedges for financial debt	–48.9	–15.0	–101.6	17.7
Change in restricted cash	0.0	3.6	6.6	13.3
Cash inflow (+)/outflow (–) from financing activities	**–446.7**	**–138.6**	**–1,424.0**	**–572.4**
Net change in cash and cash equivalents	**105.5**	**40.0**	**–104.3**	**–27.8**
Cash and cash equivalents at beginning of period	**452.7**	**552.4**	**657.1**	**604.9**
Change in cash and cash equivalents due to exchange rate fluctuations	23.1	7.1	28.6	22.4
Net change in cash and cash equivalents	105.5	40.0	–104.3	–27.8
Cash and cash equivalents at end of period	**581.4**	**599.5**	**581.4**	**599.5**

[3] Under the first-time application of IFRS 16, from the first half of 2019 the payment made for redemption of lease liabilities is shown as a separate balance sheet item. The item payments made for the redemption of financial debt has been reduced accordingly. The previous year's value recognised in the new item relates to payments made for the redemption of finance lease liabilities in accordance with IAS 17.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Hapag-Lloyd AG for the period 1 January to 30 September 2019

	Equity attributable to shareholders		
million EUR	Subscribed capital	Capital reserves	Retained earnings
As at 1.1.2018	**175.8**	**2,637.4**	**3,174.9**
Effect from the initial application of IFRS 9	–	–	10.3
Restated as at 1.1.2018	**175.8**	**2,637.4**	**3,185.2**
Total comprehensive income	**–**	**–**	**4.4**
thereof			
Group profit / loss	–	–	4.4
Other comprehensive income	–	–	–
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–103.7**
thereof			
Distribution to shareholders	–	–	–100.2
Anticipated acquisition of shares from non-controlling interests	–	–	–
Capital increase for non-controlling interests	–	–	–
Distribution to non-controlling interests	–	–	–3.2
Disposal of shares and other transactions with non-controlling interests	–	–	–0.3
As at 30.9.2018	**175.8**	**2,637.4**	**3,085.9**
As at 1.1.2019	**175.8**	**2,637.4**	**3,117.4**
Effect from the initial application of IFRS 16	–	–	–17.4
Adjusted as at 1.1.2019	**175.8**	**2,637.4**	**3,100.0**
Total comprehensive income	**–**	**–**	**286.8**
thereof			
Group profit / loss	–	–	286.8
Other comprehensive income	–	–	–
Hedging gains and losses transferred to the cost of inventory	**–**	**–**	**–**
Transactions with shareholders	**–**	**–**	**–29.9**
thereof			
Distribution to shareholders	–	–	–26.4
Distribution to non-controlling interests	–	–	–3.6
As at 30.9.2019	**175.8**	**2,637.4**	**3,356.8**

of Hapag-Lloyd AG								
Remeasurements from defined benefit plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put-options on non-controlling interests	Cumulative other equity	Total	Non-controlling interests	Total equity
–118.8	**11.0**	**–1.0**	**167.5**	**–1.0**	**57.7**	**6,045.8**	**12.5**	**6,058.3**
–	–	–	–	–	–	10.3	–	10.3
–118.8	**11.0**	**–1.0**	**167.5**	**–1.0**	**57.7**	**6,056.1**	**12.5**	**6,068.6**
4.3	**33.6**	**–6.8**	**203.3**	**–**	**234.4**	**238.8**	**8.5**	**247.3**
–	–	–	–	–	–	4.4	8.1	12.5
4.3	33.6	–6.8	203.3	–	234.4	234.4	0.4	234.8
–	**–19.4**	**8.5**	**–**	**–**	**–10.9**	**–10.9**	**–**	**–10.9**
–	**–**	**–**	**–**	**0.5**	**0.5**	**–103.2**	**–10.0**	**–113.2**
–	–	–	–	–	–	–100.2	–	–100.2
–	–	–	–	0.5	0.5	0.5	–	0.5
–	–	–	–	–	–	–	0.2	0.2
–	–	–	–	–	–	–3.2	–10.3	–13.5
–	–	–	–	–	–	–0.3	0.1	–0.2
–114.5	**25.2**	**0.7**	**370.8**	**–0.5**	**281.7**	**6,180.8**	**11.0**	**6,191.8**
–112.6	**–0.8**	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,248.7**	**10.6**	**6,259.3**
–	–	–	–	–	–	–17.4	–	–17.4
–112.6	**–0.8**	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,231.3**	**10.6**	**6,241.9**
–70.8	**–17.5**	**–9.5**	**297.5**	**–**	**199.7**	**486.5**	**10.5**	**497.0**
–	–	–	–	–	–	286.8	9.9	296.7
–70.8	–17.5	–9.5	297.5	–	199.7	199.7	0.6	200.4
–	**–**	**9.0**	**–**	**–**	**9.0**	**9.0**	**–**	**9.0**
–	**–**	**–**	**–**	**–**	**–**	**–29.9**	**–4.7**	**–34.6**
–	–	–	–	–	–	–26.4	–	–26.4
–	–	–	–	–	–	–3.6	–4.7	–8.3
–183.4	**–18.2**	**–8.3**	**737.2**	**–0.5**	**526.8**	**6,696.8**	**16.4**	**6,713.2**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

Hapag-Lloyd is an international group whose primary purpose is to provide ocean container liner shipping activities, logistical services and all other associated business operations and services.

Hapag-Lloyd Aktiengesellschaft (Hapag-Lloyd AG), domiciled in Hamburg, Ballindamm 25, Germany, is the parent company of the Hapag-Lloyd Group and a listed company in accordance with German law. The Company is registered in commercial register B of the district court in Hamburg under the number HRB 97937. The Company's shares are traded on the Frankfurt and Hamburg Stock Exchanges.

The interim consolidated financial statements cover the period 1 January to 30 September 2019 and are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated. In individual cases, rounding differences may occur in the tables and charts of these interim consolidated financial statements for computational reasons.

On 13 November 2019, the Executive Board approved the condensed interim consolidated financial statements for publication.

Accounting principles

The consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee (IFRIC), as they are to be applied in the European Union (EU). This interim report as at 30 September 2019 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and the interim Group management report of Hapag-Lloyd AG have not been subject to an audit review nor have they been reviewed in accordance with Section 317 of the German Commercial Code (HGB).

The standards and interpretations valid in the EU since 1 January 2019 were applied during the preparation of the interim consolidated financial statements. As regards the possible effects of standards and interpretations that have already been adopted, but that are not yet mandatory, we refer to the explanations in the Notes to the consolidated financial statements as at 31 December 2018, which remain valid and have not changed. The interim consolidated financial statements as at 30 September 2019 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2018. With the exception of the changes outlined in the "New accounting standards" section, the interim consolidated financial statements were prepared in compliance with the same accounting and measurement principles that formed the basis for the consolidated financial statements as at 31 December 2018. Estimates and discretionary decisions were made in the same manner as in the previous year, with the exception of new discretionary decisions outlined in the "New accounting standards" section in connection with IFRS 16. The actual values may differ from the estimated values.

The functional currency of Hapag-Lloyd AG and all of its main subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For reporting purposes, the assets and liabilities of the Hapag-Lloyd Group are translated into euros using the mean exchange rate on the balance sheet date (closing rate). The cash flows listed in the consolidated statement of cash flows and the expenses, income and result shown in the consolidated income statement are translated at the average exchange rate for the reporting period. The resulting differences are recognised in other comprehensive income.

As at 30 September 2019, the closing US dollar / euro exchange rate was quoted as USD 1.0922 / EUR (31 December 2018: USD 1.1451 / EUR). For the first 9 months of 2019, the average US dollar / euro exchange rate was USD 1.1236 / EUR (prior year period: USD 1.1950 / EUR).

New accounting standards

The following describes the significant changes for the Hapag-Lloyd Group resulting from the first-time application of standard IFRS 16 in the 2019 financial year.

The remaining standards, which are to be adopted for the first time in the 2019 financial year, have no significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

IFRS 16 Leases

i. General

IFRS 16 Leases was published by the IASB in January 2016 and adopted by the EU into European law on 31 October 2017. Application of IFRS 16 has been mandatory since 1 January 2019. For companies that report in accordance with IFRS as applicable in the EU, IFRS 16 establishes the recognition, measurement, presentation and disclosure requirements of leases. IFRS 16 replaces IAS 17 Leases as well as the associated interpretations IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease.

IFRS 16 comprises different regulations for lessees and lessors. For lessees, the standard provides a single accounting model. Differentiation between finance leases and operating leases is no longer required. With regard to leases, rights of use for the leased object and the corresponding lease liabilities that represent the payment obligation will in future be recognised in the statement of financial position. Lessors will continue to differentiate between finance leases and operating leases for accounting purposes. The accounting model of IFRS 16 does not differ significantly from that of IAS 17 in this regard.

Hapag-Lloyd applies the modified retrospective approach as at 1 January 2019. For this reason, the cumulative effect of applying IFRS 16 is recognised as an adjustment to the opening values for retained earnings as at 1 January 2019. No adjustments were made to the comparable information for 2018. The previous year’s figures are presented in accordance with the provisions of IAS 17 and the aforementioned interpretations.

The new regulations affect Hapag-Lloyd's recognition and measurement of rented and leased objects which were previously classified as operating leases. This relates to the following asset classes:

(1) rented container ships,
(2) rented containers,
(3) rented office buildings, office space and parking spaces,
(4) leased vehicles and
(5) other rented business equipment.

As with the Group's own assets, the rights of use for the above asset classes are recognised in the statement of financial position under property, plant and equipment.

ii. Main accounting principles

Hapag-Lloyd uses the simplification rule to retain the definition of a lease in the changeover to IFRS 16. The Group therefore applies IFRS 16 at the point of first-time application to the agreements which were previously classified as leases using IAS 17 and IFRIC 4. The definition of a lease under IFRS 16 is applied to agreements which were concluded or changed on or after 1 January 2019.

The single accounting model pursuant to IFRS 16 requires that all assets and liabilities relating to leases be recognised in the statement of financial position unless (in each case an option) (1) the lease term is 12 months or less or (2) the underlying asset has a low value. If the lessee makes use of one of the two practical expedients outlined above, the presentation in the statement of financial position is the same as with the previous operating leases.

Hapag-Lloyd recognises a right of use asset under property, plant and equipment and a lease liability under financial debt in the statement of financial position at the point when the leased object is made available. At the beginning, the right of use is measured at cost of acquisition. The subsequent measurement occurs at cost of acquisition less cumulative depreciation, amortisation, impairment and certain remeasurements of the lease liability due to modifications. The lease liability is measured at the beginning at the fair value of the future lease payments. The lease payments are discounted using the interest rate implicitly specified in the leases or, in most cases, the incremental interest rate.

Hapag-Lloyd takes account of unilateral and bilateral rights of termination in the agreements examined in accordance with IFRS 16. In the case of unilateral rights of termination which may exist for Hapag-Lloyd, particularly for container ship agreements and rented office buildings, office space and parking spaces, the probability of exercising the existing option is assessed while taking account of economic factors and on an individual basis in order to determine the term of the agreement.

Bilateral rights of termination essentially exist for a large number of container leases. These rights of termination can be exercised by both parties on a flexible and independent basis. When determining the term of these container leases for accounting purposes, Hapag-Lloyd must assess in accordance with IFRS 16.B34 whether significant penalties may be incurred when containers are returned or if these container leases are terminated. Hapag-Lloyd also assesses possible economic disadvantages in this regard. If Hapag-Lloyd also believes from an economic perspective that termination of these agreements will not result in any significant disadvantages, the term of the agreement is determined while taking account of the termination notice period in the respective agreement and a possible transition period in accordance with IFRS 16. If Hapag-Lloyd believes that there are significant disadvantages, this is taken into account when assessing the term of the agreement and the term extended until such time as the disadvantages have been resolved. This assessment will affect the amount of the lease liabilities and the right of use assets significantly.

For lease agreements which include a lease, Hapag-Lloyd separates a lease component and non-lease component and allocates the contractual consideration of each lease and non-lease component based on their relative stand-alone price. Hapag-Lloyd does not make use of the practical expedient that removes the obligation to separate the lease and non-lease component.

iii. Transition date
As lessee, Hapag-Lloyd recognises a lease liability for leases in all asset classes which were previously classified as operating leases under IAS 17 and for which it did not make use of any practical expedient at the point of first-time application. This lease liability is measured at the fair value of the remaining lease payments and discounted using the incremental borrowing rate as at 1 January 2019. As lessee, Hapag-Lloyd also recognises a right of use for leases in all asset classes which were previously classified as operating leases under IAS 17.

As a rule, Hapag-Lloyd measures the right of use from the lease liability individually and in the asset classes (1), (2), (3) and (4) at the amount of the lease liability which has been adjusted by the amount of the lease payments paid in advance or deferred, which in turn were recognised in the consolidated statement of financial position as at 31 December 2018. For asset classes (1) and (2), Hapag-Lloyd uses the carrying amount in certain cases to measure the right of use as if the standard had already been applied since the date of transition and this amount discounted using the incremental borrowing rate at the point of first-time application. At this stage, there is a cumulative effect of applying the new standard for the first time, which is offset against retained earnings directly in equity at the point of first-time application.

On the transition date as at 1 January 2019, Hapag-Lloyd also made use of the following practical expedients:

Hapag-Lloyd applies IFRS 16 to a portfolio of similarly structured container leases.

At the point of first-time application, Hapag-Lloyd applies a discount rate which is dependent on the asset class, term and securitisation to a portfolio of similarly structured leases. The discount rate corresponds to the incremental borrowing rate applicable to the 5 defined asset classes at the transition point. In addition to the rented container ships, which are essentially combined according to a similar remaining term, this assumption affects the container leases which are combined according to container type and remaining term and the rented office buildings, office space and parking spaces as well as the leased vehicles.

Hapag-Lloyd makes use of the practical expedient in the case of leases which are onerous agreements pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and adjusts the right of use as at 1 January 2019 by the amount which was recognised as a provision for onerous agreements in the statement of financial position as at 31 December 2018.

At the point of first-time acquisition, Hapag-Lloyd treats leases for all asset classes whose term ends within 12 months of 1 January 2019 as short-term leases pursuant to IFRS 16. The corresponding expenses, which essentially result from container ship agreements expiring in 2019, are reported in the disclosures for the expenses for short-term leases for the 2019 financial year.

Initial direct costs were not taken into account at the point of first-time application when calculating the amount of the right of use.

There are no material effects on the Hapag-Lloyd Group's existing finance leases. As lessee, Hapag-Lloyd recognises as at 1 January 2019 the carrying amount of the right of use and of the lease liability for leases which were previously classified as finance leases under IAS 17 at the amount of the carrying amount which results from measuring the leased asset and the lease liability pursuant to IAS 17 as at 31 December 2018. From 1 January 2019, the provisions of IFRS 16 are applied to these leases.

Adjustments were made to all finance agreements that contain lending conditions as regards the required minimum equity ratio at Group level (financial covenant). The Group does not expect that the application of IFRS 16 will have any effect on its ability to meet the lending conditions of the required minimum equity ratio at Group level.

iv. Hapag-Lloyd as lessor

Since Hapag-Lloyd only operates as a lessor to a limited extent, IFRS 16 has no significant effects on the Group's net asset, financial and earnings position.

v. Effect of first-time application of IFRS 16

The changes to the accounting method affect the following balance sheet items as at 1 January 2019 as follows:

million EUR	1.1.2019
Right of use assets reported under property, plant and equipment	858.2
Adjustment recognised in retained earnings	–17.4
Liabilities from lease contracts reported under financial debt	947.6
Other liabilities	–41.2
Other provisions	–30.7

The reported rights of use assets and lease liabilities do not include any assets and liabilities that were accounted for under finance leases in accordance with IAS 17 until 31 December 2018. The finance leases accounted for in accordance with IAS 17 until 31 December 2018 resulted in carrying amounts of EUR 172.1 million for right of use assets and EUR 99.0 million for lease liabilities as at 1 January 2019.

Based on the operating lease requirements as at 31 December 2018, the following reconciliation with the opening value for lease liabilities existed as at 1 January 2019:

million EUR	1.1.2019
Obligations from operating leases reported as at 31 December 2018 (undiscounted)	**1,102.9**
Discounting	–149.5
Obligations from operating leases reported as at 31 December 2018 (discounted)	**953.4**
Plus liabilities from finance leases recognised as at 31 December 2018	99.0
(less) leases in accordance with IFRS 16.4 for other intangible assets	–157.0
(less) short-term leases recognised as an expense on a straight-line basis	–146.1
(less) contracts reassessed as service contracts	–126.8
(less) leases of low-value assets recognised as an expense on a straight-line basis	–0.3
Plus terminable operating leases	291.4
Plus adjustments due to different estimates of contract options	100.2
Plus other adjustments	32.8
Lease liabilities recognised as at 1 January 2019	**1,046.6**

The lease liabilities were discounted using the incremental borrowing rate as at 1 January 2019. The weighted average interest rate was 6.0%.

For the first half of 2019 respective as at 30 June 2019, the figures were presented in the consolidated statement of financial position and the consolidated income statement as follows:

Leases in the consolidated statement of financial position

million EUR	30.9.2019
Right of use assets reported under property, plant and equipment	1,245.8
Liabilities from lease contracts	1,265.7

Leases in the consolidated income statement

million EUR	30.9.2019
Depreciation of right of use assets	335.1
Interest expenses from lease liabilities	54.5

The rights of use and lease liabilities reported as at 30 September 2019 and the depreciation and interest expenses reported for the first 9 months of 2019 relate both to the former finance lease agreements and the operating lease agreements to be taken into account since 1 January 2019. A distinction between finance and operating leases will no longer be made in the future.

Change of presentation in the consolidated income statement

Hapag-Lloyd modified the structure of the consolidated income statement at the start of the 2019 financial year. Up until then, the structure was based on the principal types of expense, whereby the measurement effects from currency fluctuations were recognised in the respective income statement item. The new structure is based on a separate presentation of the individual components of service provision in the Hapag-Lloyd Group and separates operating effects from measurement effects. The purpose of the change is to provide a more detailed information basis and to increase harmonisation between the externally communicated income statement structure and internal management reporting. The modifications undertaken result from the following table:

	Consolidated income statement before adjustments	Adjustments			
million EUR	1.1.2018– 30.9.2018	Reclassification foreign exchange rate effects	Reclassification subsidies	Reclassification commissions	Reclassification non-deductible indirect tax
Revenue	8,428.0	36.2	–	–	–
Other operating income	70.4	–	–15.1	–	–
Transport expenses	–6,899.9	–33.5	–	–59.5	–28.3
Personnel expenses	–477.9	–6.6	15.1	–	–
Depreciation, amortisation and impairment	–512.9	–	–	–	–
Other operating expenses	–339.5	–	–	59.5	28.3
	–	4.0	–	–	–
Operating result	**268.2**	**–**	**–**	**–**	**–**
Share of profit of equity-accounted investees	22.3	–	–	–	–
Other financial result	10.3	–	–	–	–
Earnings before interest and taxes (EBIT)	**300.8**	**–**	**–**	**–**	**–**
Interest income	14.0	–	–	–	–
Interest expenses	–274.0	–	–	–	–
	–	–	–	–	–
Earnings before taxes	**40.8**	**–**	**–**	**–**	**–**
Income taxes	–28.3	–	–	–	–
Group profit/loss	**12.5**	**–**	**–**	**–**	**–**

[1] The other reclassifications essentially relate to cost reimbursements.

[2] The position other financial items includes realised and unrealised exchange rate effects from the currency translation of financial debt including relating hedge effects as well as fair value changes from financial instruments.

Adjustments				Consolidated income statement after adjustments
Reclassification exchange rate gains/losses of financing	Merge of other operating income/expenses	Reclassification Others[1]		1.1.2018–30.9.2018
–	–	22.1	Revenue	8,486.4
–3.8	–51.5	–		–
–	–	–22.2	Transport expenses	–7,043.4
–	–	1.3	Personnel expenses	–468.2
–	–	–	Depreciation, amortisation and impairment	–512.9
2.0	249.7	–		–
–	–198.1	–1.6	Other operating result (OOR)	–195.7
–	**–**	**–**	**Operating result**	**266.2**
–	–	–	Share of profit of equity-accounted investees	22.3
–	–	0.2	Result from investments and securities	10.5
–	**–**	**–**	**Earnings before interest and taxes (EBIT)**	**299.1**
–	–	–	Interest income and similar income	14.0
–	–	–	Interest expenses and similar expenses	–274.0
1.7	–	–	Other financial items[2]	1.7
–	**–**	**–**	**Earnings before taxes**	**40.8**
–	–	–	Income taxes	–28.3
–	**–**	**–**	**Group profit/loss**	**12.5**

million EUR	Consolidated income statement before adjustments 1.7.2018–30.9.2018	Adjustments Reclassification foreign exchange rate effects	Reclassification subsidies	Reclassification commissions	Reclassification non-deductible indirect tax
Revenue	3,035.5	11.1	–	–	–
Other operating income	24.3	–	–4.8	–	–
Transport expenses	–2,420.3	–13.7	–	–25.6	–19.1
Personnel expenses	–156.0	–2.0	4.8	–	–
Depreciation, amortisation and impairment	–176.4	–	–	–	–
Other operating expenses	–112.1	–	–	25.6	19.1
	–	4.6	–	–	–
Operating result	**195.0**	**–**	**–**	**–**	**–**
Share of profit of equity-accounted investees	6.8	–	–	–	–
Other financial result	10.3	–	–	–	–
Earnings before interest and taxes (EBIT)	**212.1**	**–**	**–**	**–**	**–**
Interest income	2.8	–	–	–	–
Interest expenses	–90.1	–	–	–	–
	–	–	–	–	–
Earnings before taxes	**124.8**	**–**	**–**	**–**	**–**
Income taxes	–11.4	–	–	–	–
Group profit/loss	**113.4**	**–**	**–**	**–**	**–**

1 The other reclassifications essentially relate to cost reimbursements.
2 The position other financial items includes realised and unrealised exchange rate effects from the currency translation of financial debt including relating hedge effects as well as fair value changes from financial instruments.

Adjustments				Consolidated income statement after adjustments
Reclassification exchange rate gains/losses of financing	Merge of other operating income/expenses	Reclassification Others[1]		**1.7.2018– 30.9.2018**
–	–	8.5	Revenue	3,055.2
–4.6	–15.0	–		–
–	–	–8.5	Transport expenses	–2,487.1
–	–	2.0	Personnel expenses	–151.3
–	–	–	Depreciation, amortisation and impairment	–176.4
0.9	66.5	–		–
–	–51.5	–2.5	Other operating result (OOR)	–49.5
–	**–**	**–**	**Operating result**	**191.0**
–	–	–	Share of profit of equity-accounted investees	6.8
–	–	0.2	Result from investments and securities	10.5
–	**–**	**–**	**Earnings before interest and taxes (EBIT)**	**208.4**
–	–	–	Interest income and similar income	2.8
–	–	–	Interest expenses and similar expenses	–90.1
3.6	–	–	Other financial items[2]	3.6
–	**–**	**–**	**Earnings before taxes**	**124.8**
–	–	–	Income taxes	–11.4
–	**–**	**–**	**Group profit/loss**	**113.4**

Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and equity-accounted investments. In addition to Hapag-Lloyd AG, the group of consolidated companies comprised 143 fully consolidated companies (31 December 2018: 145) and 6 equity-accounted investees as at 30 September 2019 and was therefore the same as at year-end 2018. A newly established company was added to the group of consolidated companies. No significant effects on the net asset, financial and earnings position of the Hapag-Lloyd Group arose as a result of the liquidation of 3 companies.

SEGMENT REPORTING

The Hapag-Lloyd Group is managed by the Executive Board as a single, global business unit with one sphere of activity. The primary performance indicators are freight rates and transport volume by geographic region as well as EBIT and EBITDA at the Group level.

The allocation of resources (use of vessels and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all of the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world throughout its entire liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities, EBIT and EBITDA as the key performance indicators can be allocated to different trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container liner shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

Transport volume per trade [1]

TTEU	Q3 2019	Q3 2018	9M 2019	9M 2018
Atlantic	489	468	1,472	1,382
Transpacific	512	520	1,456	1,459
Far East	593	595	1,771	1,711
Middle East	335	346	1,030	1,071
Intra-Asia	230	257	666	776
Latin America	722	719	2,112	2,072
EMA (Europe – Mediterranean – Africa – Oceania)	163	146	505	430
Total	**3,045**	**3,052**	**9,011**	**8,900**

[1] Due to organisational changes, the transport volumes to / from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to / from Oceania have been assigned to the Far East trade (previously EMAO). The previous year's values have been adjusted accordingly.

Freight rates per trade[1]

USD/TEU	Q3 2019	Q3 2018	9M 2019	9M 2018
Atlantic	1,411	1,357	1,374	1,318
Transpacific	1,357	1,268	1,328	1,243
Far East	912	978	922	940
Middle East	733	750	748	770
Intra-Asia	552	519	543	514
Latin America	1,146	1,119	1,156	1,113
EMA (Europe – Mediterranean – Africa)	1,072	1,000	1,047	955
Total (weighted average)	**1,084**	**1,055**	**1,075**	**1,032**

[1] Due to organisational changes, the transport volumes to/from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to/from Oceania have been assigned to the Far East trade (previously EMAO). The previous year's values have been adjusted accordingly.

Revenue per trade[1]

million EUR	Q3 2019	Q3 2018[2]	9M 2019	9M 2018[2]
Atlantic	620.4	544.7	1,799.8	1,524.2
Transpacific	624.4	564.7	1,721.1	1,517.3
Far East	580.3	452.1	1,452.4	1,214.2
Middle East	221.2	223.6	685.6	690.2
Intra-Asia	114.1	114.4	321.6	333.8
Latin America	744.6	690.3	2,173.2	1,929.4
EMA (Europe – Mediterranean – Africa)	63.1	171.2	471.0	475.8
Revenue not assigned to trades	275.9	294.0	857.4	801.4
Total	**3,244.0**	**3,055.2**	**9,482.1**	**8,486.4**

[1] Due to organisational changes, the transport volumes to/from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to/from Oceania have been assigned to the Far East trade (previously EMAO). The previous year's values have been adjusted accordingly.

[2] As a result of the change in presentation of the consolidated income statement, revenue for 9M 2018 increased by EUR 58.4 million, from EUR 8,428.0 million to EUR 8,486.4 million, and for Q3 2018 by EUR 19.7 million, from EUR 3,035.5 million to EUR 3,055.2 million.

Revenue not allocable to the trades essentially comprises income from demurrage and detention and income from charter rent and the provision of container slots.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) are calculated on the basis of the Group's earnings before interest and taxes (EBIT) as presented in the following table. Earnings before taxes (EBT) and the share of profits of the segment's equity-accounted investees correspond to those of the Group.

million EUR	Q3 2019	Q3 2018	9M 2019	9M 2018
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**554.4**	**384.8**	**1,510.5**	**812.0**
Depreciation, amortisation and impairment	300.9	176.4	867.7	512.9
Earnings before interest and taxes (EBIT)	**253.4**	**208.4**	**642.8**	**299.1**
Earnings before taxes (EBT)	**163.4**	**124.8**	**327.0**	**40.8**
Share of profit of equity-accounted investees	**10.2**	**6.9**	**27.7**	**22.3**

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENTS

Detailed Notes to the income statement are contained in the interim Group management report in the chapter "Group earnings position".

Earnings per share

	Q3 2019	Q3 2018	9M 2019	9M 2018
Profit / loss attributable to shareholders of Hapag-Lloyd AG in million EUR	148.9	112.4	286.8	4.4
Weighted average number of shares in millions	175.8	175.8	175.8	175.8
Basic earnings per share in EUR	**0.85**	**0.64**	**1.63**	**0.03**

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year.

There were no dilutive effects in the first 9 months of 2019 or in the corresponding prior year period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

Goodwill and intangible assets increased by EUR 159.8 million compared with 31 December 2018 due to currency translation effects. The amortisation of other intangible assets of EUR 74.5 million had an opposite effect.

Property, plant and equipment

million EUR	30.9.2019	31.12.2018
Vessels [1]	7,813.0	7,141.4
Container [1]	2,300.1	1,834.8
Other equipment [1]	229.9	137.1
Prepayments on account and assets under construction	46.6	6.4
Total	**10,389.6**	**9,119.7**

[1] Including right of use in accordance with IFRS 16 in 2019

In the reporting period, property, plant and equipment increased primarily due to the first-time recognition of rights of use in accordance with IFRS 16 at the beginning of the year. In addition, rights of use amounting to EUR 524.0 million were received in the first 9 months of the 2019 financial year. The carrying amounts as at 30 September 2019 were reduced by depreciation to property, plant and equipment and amortisation to rights of use in the amount of EUR 793.2 million and currency effects of EUR 477.3 million.

Cash and cash equivalents

million EUR	30.9.2019	31.12.2018
Cash at bank	552.9	638.3
Cash in hand and cheques	28.5	18.8
Total	**581.4**	**657.1**

As at 30 September 2019, a sum totalling EUR 10.6 million with a term of up to 3 months was deposited in pledged accounts (31 December 2018: EUR 11.1 million) and was therefore subject to a limitation on disposal.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 4.1 million (31 December 2018: EUR 4.4 million) at individual subsidiaries.

Cumulative other equity

Cumulative other equity comprises the reserve for remeasurements from defined benefit pension plans, the reserve for cash flow hedges, the reserve for hedging costs, the translation reserve and the reserve for put options on non-controlling interests.

The reserve for remeasurements from defined benefit pension plans (30 September 2019: –183.4 Mio. EUR; 31 December 2018: EUR –112.6 million) contains income and expenses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the valuation of pension obligations and the associated fund assets. The expenses from the remeasurement of pension obligations and the associated plan assets recognised in other comprehensive income in the first 9 months of 2019 due to the decreased market interest rate resulted in a decrease of 70.8 Mio. EUR in the reserve (prior year period: increase of EUR 4.3 million).

The reserve for cash flow hedges contains changes in the intrinsic value and in the cash component from hedging transactions that are recognised in other comprehensive income, and amounted to –18.2 Mio. EUR as at 30 September 2019 (31 December 2018: EUR –0.8 million). In the first 9 months of 2019, the resulting gains and losses totalling –54.5 Mio. EUR were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: –6.1 Mio. EUR), while gains and losses of 37.5 Mio. EUR (prior year period: 38.9 Mio. EUR) were reclassified and recognised through profit or loss.

The reserve for hedging costs contains changes in the fair value and in the forward component from hedging transactions that are recognised in other comprehensive income, and amounted to –8.3 Mio. EUR as at 30 September 2019 (31 December 2018: EUR –7.7 million). In the first 9 months of 2019, the resulting gains and losses totalling –29.9 Mio. EUR were recognised in other comprehensive income (prior year period: –27.5 Mio. EUR), while gains and losses of 20.8 Mio. EUR (prior year period: 20.7 Mio. EUR) were reclassified and recognised through profit or loss.

The translation reserve of 737.2 Mio. EUR (31 December 2018: EUR 439.7 million) includes differences from currency translation. The differences from currency translation of 297.5 Mio. EUR recognised in other comprehensive income in the first 9 months of 2019 (prior year period: 203.3 Mio. EUR) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. Currency translation differences are recognised in the statement of comprehensive income under the items that are not reclassified and recognised through profit or loss, because the currency translation effects of subsidiaries with the same functional currency as the parent company cannot be recycled.

The difference between the relevant non-controlling interests and the expected purchase price at the time the put option was entered is recognised in the reserve for put options on non-controlling interests. Changes in the value of the financial liability are subsequently recognised through profit or loss in the interest result. As at 30 September 2019, the reserve for put options on non-controlling interests amounted to EUR –0.5 million and was therefore the same as at year-end 2018.

Provisions

As part of the Hapag-Lloyd Group's acquisition of the UASC Group on 24 May 2017, the Executive Board of the Hapag-Lloyd Group decided to implement a restructuring plan in June 2017. The plan comprises implementation of the integration and the Group's new organisational structure, which resulted directly from this. The provision of EUR 6.1 million in place as at 31 December 2018 was utilised in the amount of EUR 2.0 million in the first 9 months of 2019.

In compliance with IAS 37, provisions were made in the first 9 months for potential expenses from damage to ships, freight and equipment as well as for rescue costs. The significant claims amount to a provision of EUR 25.5 million. Other assets were capitalised for associated virtually secure recourse claims against insurance agencies.

Financial instruments

The carrying amounts and fair values of the financial instruments as at 31 December 2018 are presented in the table below.

	Carrying amount		Fair value
million EUR	**Total**	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	1,217.7	1,217.7	1,217.7
Other assets	311.3	230.6	230.6
Derivative financial instruments (FVTPL)	3.7	3.7	3.7
Embedded derivatives	3.7	3.7	3.7
Derivative financial instruments (Hedge accounting) [1]	4.4	4.4	4.4
Currency forward contracts	0.2	0.2	0.2
Commodity options	3.4	3.4	3.4
Interest rate swaps	0.8	0.8	0.8
Cash and cash equivalents	657.1	657.1	657.1
Liabilities			
Financial debt	5,918.8	5,918.8	5,925.8
Liabilities from finance leases [2]	99.1	99.1	103.2
Trade accounts payable	1,774.1	1,774.1	1,774.1
Derivative financial instruments (FVTPL)	2.4	2.4	2.4
Interest rate swaps	2.4	2.4	2.4
Derivative financial liabilities (Hedge accounting) [1]	70.1	70.1	70.1
Currency forward contracts	63.7	63.7	63.7
Interest rate swaps	6.4	6.4	6.4
Other liabilities	165.3	99.4	99.4
Liabilities from put options [3]	1.7	1.7	1.8
Contract liabilities	260.3	–	–

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for costs of hedging, are also recognised here.
2 Part of financial debt
3 Part of other liabilities

The carrying amounts and fair values of the financial instruments as at 30 September 2019 are presented in the table below.

	Carrying amount		Fair value
million EUR	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	1,290.0	1,290.0	1,290.0
Other assets	366.3	261.5	261.5
Derivative financial instruments (FVTPL)	13.0	13.0	13.0
Embedded derivatives	13.0	13.0	13.0
Derivative financial instruments (Hedge accounting)[1]	13.5	13.5	13.5
Currency forward contracts	0.1	0.1	0.1
Commodity options	13.3	13.3	13.3
Interest rate swaps	0.1	0.1	0.1
Cash and cash equivalents	581.4	581.4	581.4
Liabilities			
Financial debt	5,490.5	5,490.5	5,590.4
Liabilities from lease contracts	1,265.7	1,265.7	–
Trade accounts payable	1,835.7	1,835.7	1,835.7
Derivative financial instruments (FVTPL)	10.2	10.2	10.2
Interest rate swaps	10.2	10.2	10.2
Derivative financial liabilities (Hedge accounting)[1]	44.1	44.1	44.1
Currency forward contracts	25.4	25.4	25.4
Interest rate swaps	18.7	18.7	18.7
Other liabilities	127.8	100.1	100.1
Liabilities from put options[2]	1.8	1.8	1.9
Contract liabilities	360.4	–	–

[1] The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for costs of hedging, are also recognised here.
[2] Part of other liabilities

The derivative financial instruments were measured at fair value.

Other assets include securities with a fair value of EUR 2.0 million (31 December 2018: EUR 2.2 million) that are allocated to level 1 of the fair value hierarchy, as their prices are quoted on an active market.

The liabilities from the bond included within financial debt that, due to the quotation on an active market, are also allocated to level 1 of the fair value hierarchy have a fair value of EUR 519.1 million (31 December 2018: EUR 909.9 million; comprises the financial liabilities from 2 bonds).

Financial debt also includes a liability to reflect a contingent consideration payable for a business combination for which a fair value at level 3 of EUR 0.7 million was calculated.

The put options recognised under other liabilities, whose fair value was calculated at EUR 1.9 million, also belong to level 3 of the fair value hierarchy.

The fair values indicated for the remaining financial debt and the derivative financial instruments are assigned to level 2 of the fair value hierarchy. This means that the instruments are measured using methods which are based on factors derived directly or indirectly from observable market data.

As a rule, the carrying amounts of all other level 2 financial instruments are a suitable approximation of the fair values.

There were no transfers between levels 1, 2 and 3 in the first 9 months of 2019.

Financial debt and lease liabilities

The following tables contain the carrying amounts for the individual categories of financial debt and lease liabilities.

Financial debt and lease liabilities

million EUR	30.9.2019	31.12.2018
Liabilities to banks[1]	4,554.9	4,483.5
Bonds	452.3	923.7
Other financial debt	483.3	511.6
Lease liabilities	1,265.7	99.1
Total	**6,756.3**	**6,017.9**

[1] This includes liabilities which result from sale and leaseback transactions that are accounted for as loan financings in accordance with IFRS 16 in conjunction with IFRS 15 (up to 31 December 2018 in accordance with SIC–27), as the liabilities are against special purpose entities, which are established and financed by banks.

Financial debt and lease liabilities by currency

million EUR	30.9.2019	31.12.2018
Denoted in USD (excl. transaction costs)	5,765.5	4,714.6
Denoted in EUR (excl. transaction costs)	806.5	1,118.2
Denoted in SAR (excl. transaction costs)	160.0	194.1
Denoted in other currencies (excl. transaction costs)	49.7	–
Interest liabilities	32.1	49.8
Transaction costs	–57.5	–58.8
Total	**6,756.3**	**6,017.9**

On 31 January 2019, the Executive Board of Hapag-Lloyd AG decided to conduct an early partial repayment of EUR 170.0 million of its bond due in 2022. On 14 June 2019, the Board resolved to completely repay the bond, with a remaining amount of EUR 280.0 million. Both the partial repayment made on 11 February 2019 and the repayment of the residual amount made on 24 June 2019 occurred at a repayment rate of 103.375%. The bond was issued in February 2017 with a nominal value of EUR 450.0 million and a coupon of 6.75%.

In the first 9 months of the financial year, Hapag-Lloyd conducted 5 container sale and leaseback transactions to refinance investments in reefer and standard containers (Japanese operating leases [JOLs]). The lease agreements include substantial purchase options that entitle Hapag-Lloyd to repurchase the containers after 7 years. As a result, the transactions are recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume has a total amount of EUR 193.5 million.

Furthermore, sale and leaseback transactions were conducted for the refinancing of 2 container ships (Japanese operating leases [JOLs]). The lease agreements include substantial purchase options that entitle Hapag-Lloyd to repurchase the container ships after 8 or 7.5 years, respectively. The refinancing volume associated with these transactions has a total amount of EUR 168.8 million. The loan liabilities of EUR 115.2 million previously associated with these two ships were repaid in full.

The Hapag-Lloyd Group had total available credit facilities of EUR 517.3 million as at 30 September 2019 (31 December 2018: EUR 475.9 million).

OTHER NOTES

Legal disputes

On 25 February 2019 the U.S. Department of Justice Antitrust Division ("DoJ") confirmed that its investigation of Hapag-Lloyd had officially ended. The investigation was closed without charges against Hapag-Lloyd AG, its affiliates or any of its current or former employees. This investigation was related to subpoenas which were served to company representatives in San Francisco on 15 March 2017, ordering them to attend a hearing by the DoJ.

There have been no other significant changes regarding legal disputes in comparison with the 2018 consolidated financial statements.

As at the reporting date, there were EUR 98.8 million in contingent liabilities from tax risks not classified as probable (31 December 2018: EUR 107.2 million).

Other financial obligations

The Group's other financial obligations as at 30 September 2019 essentially relate to purchase obligations

- for investments in containers amounting to EUR 157.4 million,
- for investments in exhaust gas cleaning systems (EGCS) on container ships amounting to EUR 49.1 million,
- for investments in conversion to the use of liquid gas on container ships amounting to EUR 13.3 million,
- for investments in the use of low sulphur fuel on container ships amounting to EUR 11.0 million,
- for investments in equipment for ballast water treatment on container ships amounting to EUR 6.2 million and
- for other investments on container ships, notably to ensure winter operation and safeguard the on-shore power grid, totalling EUR 3.3 million.

The increase in the open purchase order commitment for investments in containers compared to 31 December 2018 is attributable in particular to an order for reefer containers amounting to EUR 105.2 million.

The Group's other financial obligations as at 31 December 2018 related to purchase obligations for investments in containers amounting to EUR 33.4 million and for investments in exhaust gas cleaning systems (EGCS) on container ships amounting to EUR 11.2 million.

Related party disclosures
In carrying out its ordinary business activities, the Hapag-Lloyd Group maintained indirect or direct relationships with related companies and individuals and with its own subsidiaries included in the consolidated financial statements. These supply and service relationships are transacted at market prices. No significant changes in these supply and service relationships have arisen since 31 December 2018. The contractual relationships with related parties described in the remuneration report from page 127 onwards of the 2018 annual report remain essentially unchanged, but are not of material importance to the Group.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date which would have led to a material change in the net asset, financial and earnings position of the Hapag-Lloyd Group.

Hamburg, 13 November 2019

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Nicolás Burr

Dr Maximilian Rothkopf

Joachim Schlotfeldt

PRELIMINARY FINANCIAL CALENDAR 2020

FEBRUARY 2020
Publication of preliminary financial KPIs 2019

MARCH 2020
Publication of financial statements and annual report 2019

MAY 2020
Publication of quarterly financial report Q1 2020

JUNE 2020
Annual general meeting

AUGUST 2020
Publication of quarterly financial report H1 2020

NOVEMBER 2020
Publication of quarterly financial report 9M 2020

IMPRINT

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