Q1 | 2017

Hapag-Lloyd AG

Quarterly financial report

1 January to
31 March 2017

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES QUARTERLY FINANCIAL REPORT Q1 2017

million EUR		1.1.–31.3. 2017	1.1.–31.3. 2016	Change absolute
Key operating figures[1]				
Totel vessels (as at 31 March)		172	175	–3
Aggregate capacity of vessels	TTEU	1,008	955	53
Aggregate capacity of containers	TTEU	1,583	1,508	75
Freight rate (average for the quarter)	USD/TEU	1,047	1,067	–20
Transport volume	TTEU	1,934	1,811	123
Revenue	million EUR	2,132	1,926	206
EBITDA	million EUR	131.3	123.4	7.9
EBIT	million EUR	3.5	4.8	–1.3
Group profit/loss	million EUR	–62.1	–42.8	–19.3
Earnings per share	EUR	–0.53	–0.37	–0.16
Cash flow from operating activities	million EUR	148.1	141.2	6.9
Key return figures[1]				
EBITDA margin (EBITDA/revenue)	%	6.2	6.4	–0.2 ppt
EBIT margin (EBIT/revenue)	%	0.2	0.2	0.0 ppt
ROIC (Return on invested capital)[3]	%	0.0	0.0	0.0 ppt
Key balance sheet figures as at 31 March[2]				
Balance sheet total	million EUR	11,206	11,331	–125
Equity	million EUR	4,940	5,058	–118
Equity ratio (equity/balance sheet total)	%	44.1	44.6	–0.5 ppt
Borrowed capital	million EUR	6,266	6,273	–7
Financial debt	million EUR	4,151	4,181	–30
Cash and cash equivalents	million EUR	520	570	–50

1 The key operating figures and key return figures refer to the respective reporting period.
2 The comparison of key balance sheet figures refers to the balance sheet date 31 December 2016.
3 The return on invested capital (ROIC) is calculated as the ratio of net operating profit after taxes (NOPAT) to invested capital (assets excluding cash and cash equivalents less liabilities excluding financial debt). This key operating figure is calculated on an annualised basis and in US dollars.

MAIN DEVELOPMENTS IN Q1 2017:

- Marked increase in transport volume of 6.8%
- Q1 2017 average freight rate USD 20/TEU below the previous year's level. However, on a quarterly basis the slight improvement in the average freight rate continues in the first quarter of 2017
- In Q1 2017, bunker prices reach their highest level since June 2015 and have a substantial negative impact on earnings development in Q1 2017
- Further decline in bunker consumption thanks to efficient fleet
- Efficiency programmes CUATRO and OCTAVE I implemented in full
- Clearly positive EBITDA of EUR 131.3 million in first three months of 2017
- Positive EBIT of about EUR 3.5 million, roughly on par with the previous year
- Liquidity reserve totals EUR 847.5 million

This quarterly financial report was published on 12 May 2017.

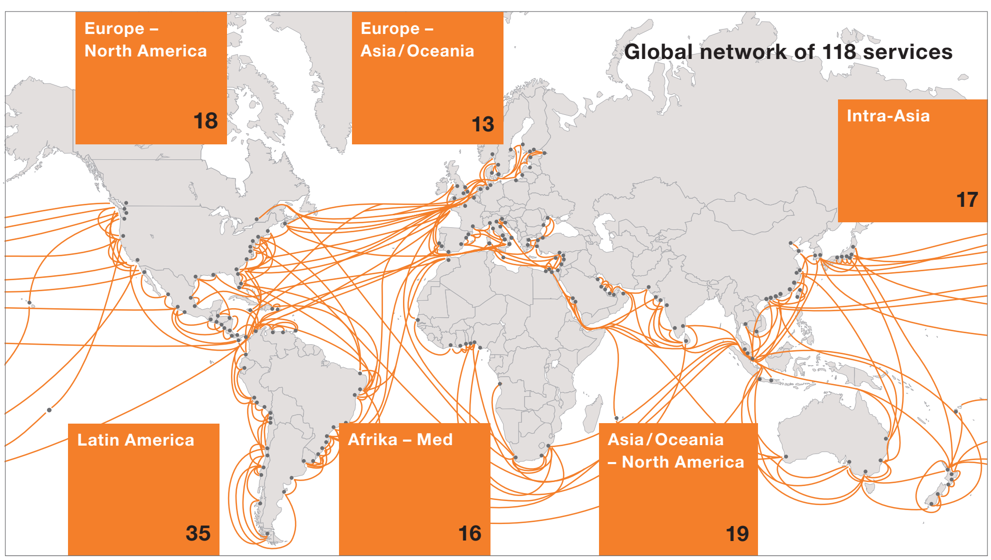
CONTENTS

INTERIM GROUP MANAGEMENT REPORT

OPERATING ACTIVITIES

Except where otherwise indicated, the following report will be given for Hapag-Lloyd on a stand-alone basis, not considering UASC business activities. Hapag-Lloyd is Germany's largest container liner shipping company and is one of the world's leading liner shipping companies in terms of global market coverage. Its core business is the shipping of containers by sea, but it can also encompass transport services from door to door.

Network of Hapag-Lloyd services



The Hapag-Lloyd fleet comprises 172 container ships (31 March 2017). The Group currently has 364 sales offices in 121 countries and offers its customers worldwide access to a network of 118 liner services. In the first three months of 2017, Hapag-Lloyd served approximately 14,700 customers around the world.

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.

GROUP OBJECTIVES AND STRATEGY

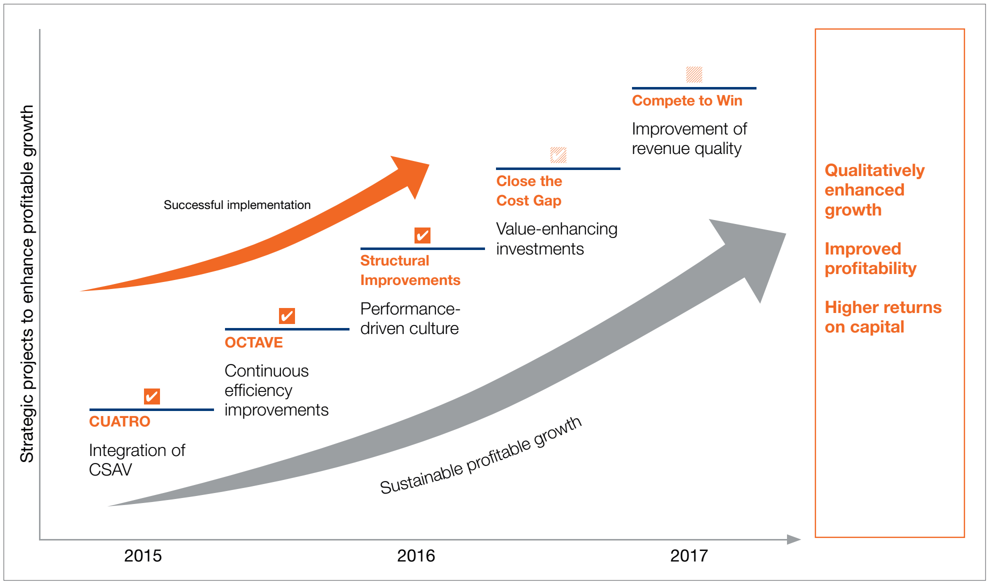
The following report on the performance of Hapag-Lloyd refers to Hapag-Lloyd excluding the business activites of UASC if not stated otherwise. The prime objective of the Hapag-Lloyd Group is to achieve long-term profitable growth. Developments in the Group's transport volume and the operating performance indicators EBITDA and EBIT serve as the basis for measuring whether the corporate objectives are met. Hapag-Lloyd aims to benefit from the market opportunities for organic growth while also strategically protecting its leading competitive position by utilising measures to increase its value in the context of consolidation within the industry. To make use of external growth opportunities, a business combination agreement regarding the merging of container activities was signed with the United Arab Shipping Company SAG (UASC) on 15 July 2016.

The growing global demand for container transportation is the very foundation of the organic growth which Hapag-Lloyd hopes to achieve. IHS Global Insight (February 2017) has forecast a rise in global container shipments of 3.7% to around 137 million TEU in 2017 and a further 4.9% to approximately 144 million TEU in 2018. Hapag-Lloyd intends to increase the transport volume organically in line with market growth.

Five strategic projects have been implemented in the last few years to improve efficiency and cost structures. Hapag-Lloyd's aim is to improve its profitability, based on the increasing effectiveness of the strategic measures. From 2017 onwards, the CUATRO and OCTAVE projects are expected to deliver annual synergies, efficiency improvements and cost savings totalling USD 600.0 million as against the comparable cost base in the 2014 financial year and assuming that external factors remain the same. The planned efficiency improvements associated with the CUATRO and OCTAVE projects were implemented in full in the first quarter of 2017.

The following measures will help to achieve the profitability targets:

Our way forward: sustainable profitable 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 on page 13. The main factors influencing these are transport volume, freight rate, the US dollar exchange rate against the euro, and operating costs including bunker price. 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 – which has a balanced fleet structure, owning approximately 57% of its fleet (based on TEU capacity) – uses EBITDA as an important parameter for investment decisions.

The generation of sustainable cash flows, solid corporate financing, and therefore in particular a good liquidity and equity base, are once again key cornerstones of the Hapag-Lloyd Group's corporate strategy in the 2017 financial year. As at 31 March 2017, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 847.5 million (31 December 2016: EUR 759.6 million; 31 March 2016: EUR 794.6 million).

Strategic steps to strengthen the Group's market position and expand its shareholder base

On 15 July 2016, Hapag-Lloyd AG and the United Arab Shipping Company SAG (UASC) signed an agreement on the merger of their container shipping activities (business combination agreement). On 17 March 2017, Hapag-Lloyd and UASC agreed to extend the long-stop date under the business combination agreement (BCA) to 31 May 2017 and amended the BCA accordingly. The business activities are due to be merged under company law via a non-cash capital increase in exchange for the issuing of approximately 45.9 million Hapag-Lloyd shares.

From the Executive Board's perspective, the planned merger of the Hapag-Lloyd and UASC container shipping activities brings with it the following advantages:

- Strengthened market position as one of the top five in a container shipping industry which is continuing to consolidate
- Enhanced market presence in the attractive Middle East trade and solid position in all trades
- Efficient and young fleet with a low level of investment needed
- Annual synergies of USD 435 million fully achieved in 2019
- Strong partner in THE Alliance

Following the capital increase in exchange for contributions in kind, UASC's current primary shareholders, Qatar Holding LLC (QH) and Public Investment Fund Saudi Arabia (PIF), would be additional major shareholders in Hapag-Lloyd AG, with stakes in its share capital of 14.4% (QH) and 10.1% (PIF). The remaining UASC shareholders (Kuwait, Iraq, United Arab Emirates and Bahrain) would hold a combined total of 3.6% of Hapag-Lloyd's shares. CSAV Germany Container Holding GmbH, Hamburg (CSAV), Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), as well as Kühne Maritime GmbH together with Kühne Holding AG (Kühne) would also continue to be anchor shareholders. The business combination agreement stipulates that a cash capital increase of USD 400 million will be carried out within six months of the completion of the merger. It is currently assumed that the expenses for the transaction and for the integration of UASC's container shipping activities would total approximately USD 150 million. The majority of these would be incurred in the current financial year.

Medium-term objectives

Hapag-Lloyd should be able to sustainably improve its profitability in the years after 2017 by fully exploiting the synergies from the original efficiency improvement and cost reduction programmes, additional cost savings and efficiency improvements, expected growth in volumes and an improvement in revenue quality. The key developments in the 2017 financial year will be the completion of the transaction and the integration of UASC's activities into the Hapag-Lloyd Group as well as the operational launch of the new THE Alliance. Hapag-Lloyd will publish an update on the medium-term income targets following completion of the integration. The synergies from the merger with UASC should contribute USD 435 million from the 2019 financial year onwards.

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include the EBITDA, the EBIT, the transport volume and the freight rate. Since the 2015 financial year, return on invested capital (ROIC) has also been used as a performance indicator. The development of the most important financial performance indicators in the first three months of 2017 is presented in the section “Group earnings position”.

Calculation of the return on invested capital is as follows:

	million EUR			million USD	
	Q1 2017	Q1 2016		**Q1 2017**	Q1 2016
Fixed assets	9,633	9,116	Fixed assets	10,289	10,371
Accounts receivable	690	673	Accounts receivable	737	765
Other assets	363	282	Other assets	388	321
Assets	**10,686**	**10,071**	**Assets**	**11,414**	**11,458**
Provisions	577	632	Provisions	616	719
Accounts payable	1,280	1,241	Accounts payable	1,367	1,412
Other liabilities	258	189	Other liabilities	276	215
Liabilities	**2,115**	**2,062**	**Liabilities**	**2,259**	**2,346**
Invested capital	**8,571**	**8,009**	**Invested capital**	**9,155**	**9,112**
EBIT	3.5	4.8	EBIT	3.7	5.3
Tax	3.8	4.5	Tax	4.1	5.0
Net operating profit after tax (NOPAT)	**–0.3**	**0.3**	**Net operating profit after tax (NOPAT)**	**–0.4**	**0.3**
			Return on invested capital (ROIC)*	**0.0%**	**0.0%**

* The return on invested capital (ROIC) is calculated as the ratio of net operating profit after tax (NOPAT) to invested capital (assets excluding cash and cash equivalents less liabilities excluding financial debt). This key operating figure is calculated on an annualised basis and in US dollars.

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 principles for Hapag-Lloyd’s targeted profitable growth.

Efficient fleet

As at 31 March 2017, Hapag-Lloyd’s fleet comprised a total of 172 container ships. All of the ships are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the ships are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet amounted to 1,007,519 TEU. Based on the TEU capacities, around 57% of the fleet was owned by the Group as at 31 March 2017 (Q1 2016: approximately 55%). The average

age of the ships (capacity-weighted) was 8.5 years. The average ship size within the Hapag-Lloyd Group fleet is 5,858 TEU, which is 3.6% above the comparable average figure for the ten largest container liner shipping companies and around 51% above the average ship size in the global fleet (Q1 2017: 3,878 TEU [MDS Transmodal, April 2017]). Hapag-Lloyd also owned or rented 963,126 containers with a capacity of 1,583,475 TEU for shipping cargo. Around 42% of containers (capacity-weighted) were owned by the Group as at 31 March 2017 (Q1 2016: around 43%). As a result of the further optimisation of the service structure, the number of services was reduced to 118 (Q1 2016: 122 services).

Structure of Hapag-Lloyd's container ship fleet

	31.3.2017	31.12.2016	31.3.2016
Number of vessels	172	166	175
thereof			
Own vessels	74	72	69
Leased vessels	3	3	3
Chartered vessels	95	91	103
Aggregate capacity of vessels (TTEU)	1,008	963	955
Aggregate container capacity (TTEU)	1,583	1,576	1,508
Number of services	118	128	122

In the first quarter of 2017, Hapag-Lloyd used two chartered ships to reposition empty containers. Together, the vessels had a capacity of 6,417 TEU. As the ships were not employed in a liner service, they are not included in the above fleet data.

Bunker consumption totalled approximately 803,000 metric tons in the first three months of 2017 (Q1 2016: 821,000 metric tons). Around 16% (Q1 2016: approximately 15%) of this was bunker with a low proportion of sulphur (MFO low sulphur, MDO). Bunker consumption per slot (as measured by the container storage space in the first three months of 2017 and calculated on an annualised basis) was 3.28 metric tons (Q1 2016: 3.42 metric tons). As a result of the inceased transport volume the bunker consumption per TEU declined by 8.4% to 0.42 metric tons.

Two of the remaining three vessels from an original order book of five container ships with a capacity of 10,500 TEU each (incl. 2,100 slots for reefer containers) were delivered to Hapag-Lloyd in Q1 2017. The last vessel was delivered in April 2017.

With demand for container shipping services continuing to rise, container shipping will remain a growth industry in the long term. Once the takeover of UASC's container shipping activities has been successfully completed, Hapag-Lloyd will not invest in new ship systems in the next few years. The joint fleet should make it possible to utilise the medium-term expansion opportunities resulting from market growth and to realise economies of scale in ship operations.

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 three months of the 2017 financial year, Hapag-Lloyd completed transport contracts for approximately 14,700 customers (prior year period: approximately 14,500).

EMPLOYEES

The Hapag-Lloyd Group employed 9,413 people as at 31 March 2017 (31 December 2016: 9,413). Of this total, 7,924 were shore-based employees (31 December 2016: 7,895), while 1,271 people were sea-based (31 December 2016: 1,295). Hapag-Lloyd employed 218 apprentices as at 31 March 2017.

Number of employees

	31.3.2017	31.12.2016	31.3.2016
Sea-based personnel	1,271	1,295	1,390
Shore-based personnel	7,924	7,895	7,823
Apprentices	218	223	199
Total	**9,413**	**9,413**	**9,412**

ECONOMIC REPORT

General economic conditions

The experts at the International Monetary Fund (IMF) anticipate global economic growth of 3.5% in 2017, followed by stronger global growth of 3.6% in 2018 (IMF, World Economic Outlook, April 2017). The growth forecasts for 2017 have been corrected upwards slightly compared with the outlook published in January 2017.

According to the IMF, the volume of global trade, which is key to the demand for container shipping services, is forecast to increase by 3.8% in the current year as predicted in the IMF outlook published in January 2017. Growth of 3.9% is expected in 2018.

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

in %	2018e	2017e	2016	2015	2014	2013
Global economic growth	3.6	3.5	3.1	3.4	3.4	3.3
Industrialised countries	2.0	2.0	1.7	2.1	1.8	1.4
Developing and newly industrialised countries	4.8	4.5	4.1	4.2	4.6	5.0
World trading volume (goods and services)	3.9	3.8	2.2	2.7	3.8	3.4
Container transport volume (IHS)	4.9	3.7	2.5	1.1	4.3	2.3

Source: IMF, April 2017; IHS Global Insight, February 2017

Based on the current forecasts, the global cargo volume could rise to 137 million TEU in 2017 (IHS Global Insight, February 2017). Accordingly, global container shipping volumes will increase by 3.7% in 2017 in line with the forecast rate of growth for global trade. For the period 2018 to 2021, IHS Global Insight is predicting annual growth of between 4.9% and 5.0% in the global container shipping volume.

Sector-specific conditions

At the beginning of 2017, the aggregate capacity of the global container ship fleet was approximately 20 million TEU (Drewry Container Forecaster Q1 2017, March 2017). Based on the container ships on order and planned deliveries, the supply capacity should see increases of around 1.5 million TEU in 2017 and around 1.6 million TEU in 2018 (Drewry Container Forecaster Q1 2017, March 2017). The tonnage of the commissioned container ships of approximately 3.2 million TEU (MDS Transmodal, April 2017) is equivalent to around 16% of the present global container fleet's capacity (approximately 20 million TEU). It therefore remains well below the highest level seen to date, which was around 56% in 2008. In the period from January to March 2017, orders were placed for the construction of eight container ships with a total transport capacity of 15,300 TEU (FY 2016: capacity of 0.2 million TEU [Clarksons Research, April 2017]).

Development of global container fleet capacity

million TEU	2018e	2017e	2016	2015	2014
Existing fleet (beginning of the year)	21.4	20.5	20.0	19.7	18.2
Planned deliveries	1.62	1.54	0.89	1.72	1.46
Postponed deliveries	0.25	0.35	0.00	0.00	0.00
Scrappings	0.45	0.65	0.66	0.19	0.38
Net capacity growth	0.9	0.5	0.3	1.5	1.1

Source: Drewry Maritime Research, Container Forecaster Q1 2017, March 2017. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrappings and postponed deliveries. Figures rounded. Rounding differences may be the result of changes in the databases.

Based on figures from MDS Transmodal, a total of 37 container ships with a total transport capacity of approximately 299,000 TEU were placed into service in the first three months of 2017 (Q1 2016: 35 ships with a transport capacity of approximately 210,000 TEU). In the future as well, the actual growth in the global container ship fleet's transport capacity is expected to be lower than the projected nominal increase, as old and inefficient ships are scrapped, deliveries of newbuilds are postponed and slow steaming (reducing the speed at which services operate) is used. According to Drewry (Container Forecaster, Q1 2017), the scrapping of inefficient ships reached a record high of 659,000 TEU in 2016 (2013: 444,000 TEU). Drewry expects a similarly high level of scrapping in 2017 (650,000 TEU).

The idle capacity fell to around 1 million TEU at the beginning of April 2017 – approximately 39% lower than the current record of around 1.6 million TEU recorded in October 2016 (Alphaliner Weekly Issue 15, April 2017). This reduction stemmed from the large number of vessels which were scrapped and an upturn in demand for chartered ships. The reorganisation of the alliances operating in the East–West trades led to an expansion of the alliances' service offerings. Idle ships were chartered for this purpose. Alphaliner estimates that idle capacity could fall to around 500,000 TEU by the end of May. The majority of idle ships have a capacity of up to 5,100 TEU.

Launch of new alliances

The alliances operating in the East–West trades were extensively reorganised at the beginning of the second quarter of 2017. The shipping companies which had previously been operating in four alliances formed three alliances. The "2M Alliance" consists of the two market leaders – Maersk Line (Denmark) and Mediterranean Shipping Company S.A. (Switzerland) (MSC) – which started operating back in early 2015. The "Ocean Alliance" consists of CMA CGM S.A. (France), including the shipping company American President Lines Ltd. (Singapore) (APL), which was taken over by CMA CGM, Orient Overseas Container Line (Hong Kong) (OOCL), Evergreen Marine Corp. (Taiwan) Ltd. (Taiwan) (Evergreen) and China Ocean Shipping (Group) Company (China) (COSCO) Container Lines. Since 1 April 2017, Hapag-Lloyd has operated the "THE Alliance" along 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). Hapag-Lloyd also uses the UASC ships within the THE Alliance under a separate cooperation agreement.

Capacity share of new alliances

Alliance	Far East Trade	Transpacific Trade	Atlantic Trade
2M	37%	20%	49%
Ocean Alliance	34%	42%	12%
THE Alliance	23%	29%	34%
Other	6%	9%	5%

Source: Alphaliner, April 2017

On 1 December 2016, A.P. Møller – Mærsk A/S (Maersk) announced the takeover of Hamburg Süd. The takeover and integration of Hamburg Süd is due to be completed by the end of 2017. Furthermore, Maersk and Hamburg Süd entered into a slot-chartering agreement for the East–West trades in February 2017. In March 2017, MSC, Maersk and Hyundai Merchant Marine agreed to cooperate in the East–West trades. This collaboration includes slot-chartering agreements for East–West trades.

Group earnings position

The first three months of 2017 at the Hapag-Lloyd Group were once again dominated by a challenging operating environment. After reaching a low point in the second quarter of 2016, freight rates recovered in the second half of the year and continued that development in the first quarter of 2017. However, this recovery was not sufficient to fully compensate for the higher bunker price. Despite implementing freight rate increases in the Far East, Middle East and Latin America trades, it proved impossible to match the average freight rate from the first quarter of 2016. These implemented freight rate increases will probably only have a positive effect on the earnings position in the second quarter. While the higher bunker price had a negative impact on the result, a number of factors made a positive contribution to earnings. These were the clear increase in the transport volume compared with the first quarter of the previous year, as well as additional synergies and cost savings arising from the cost-cutting programmes that have now been implemented in full. Overall, Hapag-Lloyd recorded a Group loss after taxes of EUR 62.1 million in the first quarter of 2017 (prior year period: EUR 42.8 million).

Consolidated income statement

million EUR	Q1 2017	Q1 2016
Revenue	2,132.1	1,925.7
Other operating income	26.3	22.5
Transport expenses	1,789.1	1,592.0
Personnel expenses	147.4	141.7
Depreciation, amortisation and impairment	127.8	118.6
Other operating expenses	98.2	96.9
Operating result	**–4.1**	**–1.0**
Share of profit of equity-accounted investees	7.6	5.8
Earnings before interest and tax (EBIT)	**3.5**	**4.8**
Interest result	–61.8	–43.1
Income taxes	3.8	4.5
Group profit/loss	**–62.1**	**–42.8**
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	–62.8	–44.0
thereof profit/loss attributable to non-controlling interests	0.7	1.2
Basic earnings per share (in EUR)	–0.53	–0.37
EBITDA	**131.3**	**123.4**
EBITDA margin (%)	**6.2**	**6.4**
EBIT	**3.5**	**4.8**
EBIT margin (%)	**0.2**	**0.2**

The average freight rate in the first three months of the 2017 financial year was USD 1,047/TEU, which was USD 20/TEU (1.9%) down on the prior year period (USD 1,067/TEU). The main reason for the decline was the persistently difficult market environment, with pressure on freight rates continuing. As competition remains intense, it has not yet been possible to implement the freight rate increases announced in a number of trades. Compared with the prior year period, initial freight rate increases were seen in the Far East, Middle East and Latin America trades. These will have a delayed, positive effect on the earnings position in the second quarter of 2017.

Freight rates per trade*

USD/TEU	Q1 2017	Q1 2016
Atlantic	1,293	1,382
Transpacific	1,218	1,351
Far East	897	793
Middle East	791	701
Intra Asia	539	578
Latin America	1,017	961
EMAO (Europe, Mediterranean, Africa, Oceania)	1,009	1,079
Total (weighted average)	**1,047**	**1,067**

* In preparation for the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Hapag-Lloyd transported 1,934 TTEU in the first three months of the financial year. This marked a 6.8% increase in the transport volume compared with the prior year period.

Transport volume per trade*

TTEU	Q1 2017	Q1 2016
Atlantic	389	376
Transpacific	386	347
Far East	215	211
Middle East	123	109
Intra Asia	152	130
Latin America	552	536
EMAO (Europe, Mediterranean, Africa, Oceania)	117	102
Total	**1,934**	**1,811**

* In preparation for the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Revenue grew by a total of EUR 206.4 million in the first quarter of 2017, taking it to EUR 2,132.1 million (prior year period: EUR 1,925.7 million). This was attributable to the higher transport volume and to exchange rate movements. The stronger average US dollar/euro exchange rate of USD 1.07/EUR (prior year period: USD 1.10/EUR) led to an impact due to currency development of EUR +68.5 million.

Revenue per trade*

million EUR	Q1 2017	Q1 2016
Atlantic	472.6	472.2
Transpacific	441.7	424.4
Far East	180.9	151.6
Middle East	91.6	68.9
Intra Asia	77.1	68.4
Latin America	526.5	466.6
EMAO (Europe, Mediterranean, Africa, Oceania)	110.5	100.2
Others	231.2	173.4
Total	**2,132.1**	**1,925.7**

* In preparation for the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Transport expenses rose by EUR 197.1 million in the first three months of 2017 to EUR 1,789.1 million (prior year period: EUR 1,592.0 million). This represents an increase of 12.4%. This development was particularly attributable to an increase of EUR 122.2 million (87.1%) in expenses for raw materials, supplies and purchase goods. In the first quarter of 2017 the average bunker consumption price was USD 313 per tonne, an increase of USD 116 per tonne on the figure for the prior year period. From the 2017 financial year onwards, the average bunker consumption price used by Hapag-Lloyd is a combined figure for marine fuel oil (MFO) and marine diesel oil (MDO). The previous year's figure has been restated accordingly. The cost of purchased services also rose by EUR 74.9 million (5.2%). This was mainly due to a 6.8% rise in the transport volume. Transport expenses were down thanks to additional synergies and savings from the cost-cutting measures that have now been fully implemented.

Transport expenses*

million EUR	Q1 2017	Q1 2016
Expenses for raw materials and supplies	262.5	140.3
Cost of purchased services	1,526.6	1,451.7
thereof:		
Port, canal and terminal costs	718.4	651.3
Chartering, leases and container rentals	242.5	282.2
Container transport costs	506.3	460.1
Maintenance / repair / other	59.4	58.1
Transport expenses	**1,789.1**	**1,592.0**

* Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals for Q1 2016.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the first three months of the current financial year came to 16.1% (prior year period: 17.3%).

Changes in the US dollar / euro exchange rate caused period-specific exchange rate gains and losses to decrease in the period under review. This was reflected in other operating income and other operating expenses. Netted, this resulted in an exchange rate gain of EUR 1.0 million in the first quarter of 2017 (prior year period: exchange rate loss of EUR 2.8 million). At USD 1.07 / EUR, the average US dollar / euro exchange rate was stronger than in the prior year period (USD 1.10 / EUR).

Personnel expenses amounted to EUR 147.4 million in the first three months of the 2017 financial year and were therefore EUR 5.7 million above the figure for the prior year period (EUR 141.7 million). This was due to one-off expenses of EUR 8.6 million mainly incurred in connection with the planned business combination with UASC.

Depreciation and amortisation came to EUR 127.8 million in the first three months of the 2017 financial year (prior year period: EUR 118.6 million). The year-on-year increase in depreciation and amortisation was primarily due to scheduled depreciation of the acquired newly built ships.

The Group's earnings before interest and taxes (EBIT) amounted to EUR 3.5 million in the reporting period, almost on par with the corresponding figure in the prior year period (EUR 4.8 million). The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 131.3 million for the first three months of the 2017 financial year (prior year period: EUR 123.4 million). The return on invested capital (ROIC) for the first quarter 2017 stood at 0.0% (prior year period: 0.0%). Earnings per share for the first three months of the 2017 financial year came to EUR –0.53 (prior year period: EUR –0.37).

Key earnings figures

million EUR	Q1 2017	Q1 2016
Revenue	2,132.1	1,925.7
EBIT	3.5	4.8
EBITDA	131.3	123.4
EBIT margin (%)	0.2	0.2
EBITDA margin (%)	6.2	6.4
Basic earnings per share (in EUR)	–0.53	–0.37
Return on invested capital (ROIC) annualised (%)*	0.0	0.0

* The calculation of the return on invested capital is based on the functional currency USD.

The interest result for the first three months of the 2017 financial year was EUR –61.8 million (prior year period: EUR –43.1 million). The change was primarily due to the early redemption of a US dollar and a euro bond. These transactions led to one-off effects totalling EUR 14.2 million from repayment fees, partial de-recognition of embedded derivatives related to the bonds as well as further transaction costs incurred in connection with the early redemption. Furthermore, interest expenses from newly signed vessel and container financing and a slightly increased interest level contributed to the decreased interest result. Offsetting this was income of EUR 12.3 million (prior year period: EUR 7.6 million) from the change in the fair value of the derivatives embedded in the bonds issued.

The Group recorded a loss of EUR 62.1 million in the first three months of 2017 (prior year period: loss of EUR 42.8 million).

Group financial position

Condensed statement of cash flows

million EUR	Q1 2017	Q1 2016
Cash flow from operating activities	148.1	141.2
Cash flow from investment activities	–112.5	–107.9
Free cash flow	**35.6**	**33.3**
Cash flow from financing activities	–79.7	–129.6
Changes in cash and cash equivalents	**–44.1**	**–96.3**

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of EUR 148.1 million in the first three months of the 2017 financial year (prior year period: EUR 141.2 million).

Cash flow from investing activities

The cash outflow from investing activities amounted to EUR 112.5 million in the first quarter of 2017 (prior year period: EUR 107.9 million). The majority of this expenditure related to investments in ocean-going vessels.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 79.7 million in the current reporting period (prior year period: EUR 129.6 million). Cash inflows from new borrowing in the amount of EUR 633.4 million (prior year period: EUR 123.0 million) were essentially offset by interest and capital repayments of EUR 688.3 million (prior year period: EUR 250.5 million). In February 2017, Hapag-Lloyd issued a euro bond totalling EUR 450.0 million in two tranches. Further cash inflows included vessel and container financing arrangements. The cash inflows from the issuing of the new euro bond were primarily used for early repayment of an existing US dollar bond in the amount of USD 125.0 million (EUR 117.4 million) as well as EUR 200.0 million for the early partial repayment of a euro bond. Further cash outflows related to repayments of credit lines in the amount of USD 150.0 million (EUR 140.8 million) as well as repayments for vessel financing.

Changes in cash and cash equivalents

million EUR	Q1 2017	Q1 2016
Cash and cash equivalents at beginning of period	**570.2**	**573.7**
Changes due to exchange rate fluctuations	–6.3	–21.4
Net changes	–44.1	–96.3
Cash and cash equivalents at end of period	**519.8**	**456.0**

Overall, the aggregate cash outflow totalled EUR 44.1 million in the first three months of the 2017 financial year, such that after accounting for exchange rate effects in the amount of EUR –6.3 million, cash and cash equivalents of EUR 519.8 million were recorded at the end of the reporting period on 31 March 2017 (31 December 2016: EUR 570.2 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, the Company had unused credit facilities of EUR 327.7 million as at 31 March 2017 (31 December 2016: EUR 189.4 million).

Net debt

The Group’s net debt stood at EUR 3,588.7 million as at 31 March 2017. This was virtually the same as the figure from 31 December 2016.

Restricted cash in the amount of EUR 42.4 million (31 December 2016: EUR 18.7 million) comprises cash used as security for existing financial debt. The increase was mainly due to vessel financing relating to the delivery of vessel newbuilds in the first quarter 2017.

As at 31 March 2017, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 847.5 million (31 December 2016: EUR 759.6 million).

Financial solidity

million EUR	31.3.2017	31.12.2016
Financial debt	4,150.9	4,180.7
Cash and cash equivalents	519.8	570.2
Restricted cash (other assets)	42.4	18.7
Net debt	**3,588.7**	**3,591.8**
Gearing (%)*	72.6	71.0
Unused credit lines	327.7	189.4
Equity ratio (%)	**44.1**	**44.6**

* Ratio net debt to equity

Group net asset position

Changes in the net asset structure

million EUR	31.3.2017	31.12.2016
Assets		
Non-current assets	9,633.2	9,722.9
of which fixed assets	9,531.5	9,643.3
Current assets	1,572.8	1,608.0
of which cash and cash equivalents	519.8	570.2
Total assets	**11,206.0**	**11,330.9**
Equity and liabilities		
Equity	4,940.1	5,058.4
Borrowed capital	6,265.9	6,272.5
of which non-current liabilities	3,879.9	3,633.2
of which current liabilities	2,386.0	2,639.3
of which financial debt	4,150.9	4,180.7
of which non-current financial debt	3,519.7	3,265.5
of which current financial debt	631.2	915.2
Total equity and liabilities	**11,206.0**	**11,330.9**
Net debt	3,588.7	3,591.8
Equity ratio (%)	44.1	44.6

As at 31 March 2017, the Group's balance sheet total was EUR 11,206.0 million, EUR 124.9 million lower than the figure at year-end 2016. The reasons for this decline included exchange rate effects as at the reporting date due to the slightly weaker US dollar. The US dollar / euro exchange rate was quoted at 1.07 on 31 March 2017 (31 December 2016: 1.06).

Non-current assets totalled EUR 9,633.2 million as at 31 March 2017 (31 December 2016: EUR 9,722.9 million). Hapag-Lloyd invested EUR 114.2 million in the first quarter of the current financial year. The majority of this was invested in new ocean-going vessels. Exchange rate effects of EUR 104.6 million as at the reporting date and depreciation amounting to EUR 127.8 million prompted a fall in the carrying amounts of the fixed assets and therefore in non-current assets.

The decrease in current assets compared with year-end 2016 resulted largely from lower cash and cash equivalents, which came in at EUR 519.8 million as at 31 March 2017 (31 December 2016: EUR 570.2 million). They decreased due to cash outflows totalling EUR 44.1 million. Exchange rate effects totalling EUR –6.3 million also contributed to the fall in cash and cash equivalents.

On the liabilities side, the Group's equity fell by EUR 118.3 million to EUR 4,940.1 million. This decrease is mainly due to the Group loss of EUR 62.1 million and the balance of unrealised gains and losses from currency translation recognised in other comprehensive income amounting to EUR –53.9 million. The equity ratio was 44.1% as at 31 March 2017 (31 December 2016: 44.6%).

The Group's borrowed capital remained virtually the same as in the consolidated financial statements for 2016, standing at EUR 6,265.9 million on 31 March 2017 (31 December 2016: EUR 6,272.5 million). This included a slight decrease in financial debt of EUR 29.8 million to EUR 4,150.9 million as at 31 March 2017. Cash inflows totalling EUR 633.4 million led to an increase in financial debt and mainly resulted from the issuing of a new euro bond in the total amount of EUR 450.0 million as well as cash inflows from vessel and container financing. Repayments in the amount of EUR 626.6 million as well as exchange rate effects of EUR 40.9 million as at the reporting date had an offsetting effect on financial debt.

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.

RISK AND OPPORTUNITY REPORT

Please refer to the 2016 annual report for details of specific opportunities and risks. The assessment of the reported risks' probability of occurrence remains unchanged, while the opportunities arising from a positive deviation from the budget concerning the expected freight rates and from the bunker consumption price are classified as being lower in view of the current circumstances on the market. 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 2017. At the time of reporting, there were no risks which threatened the continued existence of the Hapag-Lloyd Group.

Authorities in a number of jurisdictions launched investigations into possible breaches of competition law in the 2015/2016 financial year. All of these investigations have been largely concluded, and no significant financial effects are to be expected.

Subpoenas were served to company representatives attending the twice-yearly conference of the International Council of Containership Operators (known as the "Box Club") in San Francisco on 15 March 2017, ordering them to attend a hearing by the U.S. Department of Justice Antitrust Division ("DoJ"). Concrete allegations have not been made at present, however the subpoenas have been issued in connection with the DoJ investigation into the global container liner shipping industry. Hapag-Lloyd will cooperate with the authorities in full. A quantification of a possible risk that may result from the investigations cannot be made at the time of reporting.

NOTE ON SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

The notes on relationships and transactions with related parties can be found in the disclosures on page 41 of the Notes to the condensed interim consolidated financial statements.

OUTLOOK

In the medium term, demand for container shipping services should continue to rise in tandem with expected ongoing growth in global trading volume. As a result, the container shipping industry's medium-term growth prospects remain intact. The statements made on this subject in the "Outlook" section of the Group management report for 2016 remain valid.

A summary of the most important external influencing factors is given below. In its latest economic outlook (April 2017), the International Monetary Fund (IMF) expects global economic growth to reach 3.5% in the current year. This forecast means that the global economy is set to grow at a slightly faster rate in 2017 than in the previous year (+3.1%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 3.8% in the current year (2016: +2.2%). IHS Global Insight (February 2017) is forecasting that the global container shipping volume will increase by 3.7% to approximately 137 million TEU in 2017 (2016: 2.5%). Following a rise in transport capacities of approximately 0.3 million TEU to 20.0 million TEU in 2016, Drewry forecasts a nominal increase in transport capacities (before postponements and scrapping) of up to approximately 1.5 million TEU for the current year. The further growth in supply capacity could make it difficult once again to push through freight rate increases in 2017.

Based on unchanged optimism about the general economic and sector-specific conditions, Hapag-Lloyd (excluding the integration of UASC's business activities) continues to expect its transport volume to increase moderately. A significant rise in the average bunker consumption price and a moderate improvement in the average freight rate are anticipated in 2017. If final synergy effects from the original efficiency programmes are achieved, along with additional cost savings, the expected improvement in the quality of earnings, the anticipated growth in volumes and a return to a better peak season in 2017, Hapag-Lloyd is forecasting a substantial increase in its EBITDA and EBIT in 2017.

The key benchmark figures for the 2017 outlook are contained in the following table:

Key benchmark figures for the 2017 outlook

Global economic growth (IMF)	3.5%
Increase in global trade (IMF)	3.8%
Increase in global container transport volume (IHS)	3.7%
Transport volume, Hapag-Lloyd	Increasing moderately
Average bunker consumption price, Hapag-Lloyd	Increasing clearly
Average freight rate, Hapag-Lloyd	Increasing moderately
EBITDA (earnings before interest, taxes, depreciation and amortisation)	Increasing clearly
EBIT (earnings before interest and taxes)	Increasing clearly

The revenue and earnings forecast is based on the assumption of unchanged exchange rates. The earnings forecasts do not include revenue and earnings effects or changes in value following the planned future consolidation of UASC. The merger of Hapag-Lloyd and UASC is expected to take place by the end of May 2017.

The majority of revenue is anticipated in the second half of the year, particularly in the third quarter, when the peak season occurs. This is because the volume of global trade fluctuates throughout the year and is usually much higher in the second half of the year than in the first. In addition, the achievement of further synergies and earnings effects from cost-cutting measures already initiated will have a positive impact on earnings as expected.

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 2016 annual report (page 110 ff.). Risks that may have an impact on the forecast for business development are described in detail in the risk report. The occurrence of one or more of these risks could have a significant negative impact on the industry in 2017 and, by extension, on the business development of Hapag-Lloyd in the current financial year.

The outlook for the 2017 financial year is based on the Hapag-Lloyd Group's existing business activities as at 31 December 2016 and therefore does not include UASC's business activities or the acquisition of UASC in 2016.

The present outlook for the 2017 financial year will be omitted following the merger of Hapag-Lloyd and UASC, which is expected to be completed at the end of May 2017. With the publication of the next financial report Hapag-Lloyd plans to issue an outlook for 2017 for the combined group which will include the business activities of UASC as well as the UASC financial statements for 2016. The planned merger should generate annual synergies of USD 435 million from 2019 onwards, thanks in particular to the optimisation of joint networks and administrative functions. Once this has been completed, the timely integration of the UASC business activities and the realisation of the related synergies will have top priority. One-off expenses of approximately USD 150 million are likely to arise from the transaction and implementation of the merger.

The merger of Hapag-Lloyd and UASC was not completed at the time of the preparation of the Q1 2017 interim financial report. Although the current earnings forecasts do not include revenue and earnings effects or changes in value following the planned consolidation of UASC, the material factors arising from the planned merger with UASC will be discussed below.

Hapag-Lloyd released indicative pro-forma figures for UASC when the corporate bonds were issued at the start of 2017. They showed that UASC recorded a transport volume of around 2.3 million TEU in the first nine months of 2016. The average freight rate was USD 610/TEU. The transport volume and freight rate figures were taken from UASC's unaudited management report, and the following figures from the income statement were adjusted to Hapag-Lloyd's financial reporting methods. Revenue came to EUR 1,615.6 million. In the first nine months of 2016, UASC generated EBITDA of EUR 94.6 million, EBIT of EUR –102.8 million and earnings after tax of EUR –209.1 million. The planned merger with UASC would enable the Hapag-Lloyd Group to considerably expand its business activities in 2017. The integration of UASC's business activities into the Hapag-Lloyd Group would also significantly alter the balance sheet. This affects property, plant and equipment and the level of debt.

In addition to the general macroeconomic and sector-specific risks presented in the risk report in the Group management report of the 2016 annual report, the significant risks which could negatively affect business development in 2017 include economic and accounting effects associated with the intended takeover of UASC's business activities.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG

for the period 1 January to 31 March 2017

million EUR	Q1 2017	Q1 2016
Revenue	2,132.1	1,925.7
Other operating income	26.3	22.5
Transport expenses	1,789.1	1,592.0
Personnel expenses	147.4	141.7
Depreciation, amortisation and impairment	127.8	118.6
Other operating expenses	98.2	96.9
Operating result	**–4.1**	**–1.0**
Share of profit of equity-accounted investees	7.6	5.8
Earnings before interest and taxes (EBIT)	**3.5**	**4.8**
Interest income	1.6	1.2
Interest expenses	63.4	44.3
Earnings before income taxes	**–58.3**	**–38.3**
Income taxes	3.8	4.5
Group profit/loss	**–62.1**	**–42.8**
thereof attributable to shareholders of Hapag-Lloyd AG	–62.8	–44.0
thereof attributable to non-controlling interests	0.7	1.2
Basic/diluted earnings per share (in EUR)	**–0.53**	**–0.37**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG

for the period 1 January to 31 March 2017

million EUR	Q1 2017	Q1 2016
Group profit/loss	**–62.1**	**–42.8**
Items which will not be reclassified to profit and loss:	**4.6**	**–32.4**
Remeasurements from defined benefit plans after tax	4.6	–32.4
Remeasurements from defined benefit plans before tax	4.6	–32.3
Tax effect	0.0	–0.1
Items which may be reclassified to profit and loss:	**–59.5**	**–201.5**
Cash flow hedges (no tax effect)	–5.6	–0.3
Effective share of the changes in fair value	–0.8	–26.3
Reclassification to profit or loss	–4.8	26.0
Currency translation (no tax effect)	–53.9	–201.2
Other comprehensive income after tax	**–54.9**	**–233.9**
Total comprehensive income	**–117.0**	**–276.7**
thereof attributable to shareholders of Hapag-Lloyd AG	–117.7	–277.7
thereof attributable to non-controlling interests	0.7	1.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG

as at 31 March 2017

Assets

million EUR	31.3.2017	31.12.2016
Goodwill	1,642.7	1,661.6
Other intangible assets	1,304.8	1,340.4
Property, plant and equipment	6,250.8	6,315.6
Investments in equity-accounted investees	333.2	325.7
Other assets	35.6	27.0
Derivative financial instruments	37.1	24.1
Income tax receivables	3.3	3.3
Deferred tax assets	25.7	25.2
Non-current assets	**9,633.2**	**9,722.9**
Inventories	141.7	124.5
Trade accounts receivable	690.2	677.6
Other assets	196.2	197.5
Derivative financial instruments	2.6	13.5
Income tax receivables	22.3	24.7
Cash and cash equivalents	519.8	570.2
Current assets	**1,572.8**	**1,608.0**
Total assets	**11,206.0**	**11,330.9**

Equity and liabilities

million EUR	31.3.2017	31.12.2016
Subscribed capital	118.1	118.1
Capital reserves	1,061.8	1,061.8
Retained earnings	3,089.6	3,152.9
Cumulative other equity	666.9	721.8
Equity attributable to shareholders of Hapag-Lloyd AG	**4,936.4**	**5,054.6**
Non-controlling interests	3.7	3.8
Equity	**4,940.1**	**5,058.4**
Provisions for pensions and similar obligations	240.0	238.0
Other provisions	107.3	114.0
Financial debt	3,519.7	3,265.5
Other liabilities	10.7	12.1
Derivative financial instruments	–	1.8
Deferred tax liabilities	2.2	1.8
Non-current liabilities	**3,879.9**	**3,633.2**
Provisions for pensions and similar obligations	5.0	6.6
Other provisions	224.4	211.2
Income tax liabilities	15.3	17.6
Financial debt	631.2	915.2
Trade accounts payable	1,280.0	1,281.6
Other liabilities	189.4	167.8
Derivative financial instruments	40.7	39.3
Current liabilities	**2,386.0**	**2,639.3**
Total equity and liabilities	**11,206.0**	**11,330.9**

CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG

for the period 1 January to 31 March 2017

million EUR	Q1 2017	Q1 2016
Group profit/loss	–62.1	–42.8
Income tax expenses (+)/income (–)	3.8	4.5
Interest result	61.8	43.1
Depreciation, amortisation and impairment (+)/write-backs (–)	127.8	118.6
Other non-cash expenses (+)/income (–)	10.6	7.9
Profit (–)/loss (+) from disposals of non-current assets and assets held for sale	–0.6	–0.4
Income (–)/expenses (+) from equity accounted investees and dividends from other investments	–7.7	–5.8
Increase (–)/decrease (+) in inventories	–18.6	6.8
Increase (–)/decrease (+) in receivables and other assets	–11.1	–5.1
Increase (+)/decrease (–) in provisions	13.0	–2.7
Increase (+)/decrease (–) in liabilities (excl. financial debt)	32.8	21.9
Payments for income taxes	–2.3	–5.0
Payments received (+) for interest	0.7	0.2
Cash inflow (+)/outflow (–) from operating activities	**148.1**	**141.2**
Payments received from disposals of property, plant and equipment and intangible assets	1.6	2.6
Payments received from dividends	0.1	0.1
Payments made for investments in property, plant and equipment and intangible assets	–114.2	–110.6
Cash inflow (+)/outflow (–) from investing activities	**–112.5**	**–107.9**

million EUR	Q1 2017	Q1 2016
Payments made for dividends	–0.8	–2.1
Payments received from raising financial debt	633.4	123.0
Payments made for the redemption of financial debt	–626.6	–207.9
Payments made for interest and fees	–61.7	–42.6
Change in restricted cash	–24.0	–
Cash inflow (+)/outflow (–) from financing activities	**–79.7**	**–129.6**
Net change in cash and cash equivalents	**–44.1**	**–96.3**
Cash and cash equivalents at beginning of period	**570.2**	**573.7**
Change in cash and cash equivalents due to exchange rate fluctuations	–6.3	–21.4
Net change in cash and cash equivalents	–44.1	–96.3
Cash and cash equivalents at end of period	**519.8**	**456.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG

for the period 1 January to 31 March 2017

	Equity attributable to shareholders		
million EUR	Subscribed capital	Capital reserves	Retained earnings
As per 1.1.2016	**118.1**	**1,263.2**	**3,052.3**
Total comprehensive income	**–**	**–**	**–44.0**
thereof			
Group profit/loss	–	–	–44.0
Other comprehensive income	–	–	–
Transactions with shareholders	**–**	**–**	**–**
thereof			
Distribution to non-controlling interests	–	–	–
As per 31.3.2016	**118.1**	**1,263.2**	**3,008.3**
As per 1.1.2017	**118.1**	**1,061.8**	**3,152.9**
Total comprehensive income	**–**	**–**	**–62.8**
thereof			
Group profit/loss	–	–	–62.8
Other comprehensive income	–	–	–
Transactions with shareholders	**–**	**–**	**–**
thereof			
Distribution to non-controlling interests	–	–	–
Deconsolidation	**–**	**–**	**–0.5**
As per 31.3.2017	**118.1**	**1,061.8**	**3,089.6**

of Hapag-Lloyd AG						
Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Cumulative other equity	**Total**	Non-controlling interests	**Total equity**
–75.2	**1.2**	**678.8**	**604.8**	**5,038.4**	**7.8**	**5,046.2**
–32.4	**–0.3**	**–201.0**	**–233.7**	**–277.7**	**1.0**	**–276.7**
–	–	–	–	–44.0	1.2	–42.8
–32.4	–0.3	–201.0	–233.7	–233.7	–0.2	–233.9
–	**–**	**–**	**–**	**–**	**–2.1**	**–2.1**
–	–	–	–	–	–2.1	–2.1
–107.6	**0.9**	**477.8**	**371.1**	**4,760.7**	**6.7**	**4,767.4**
–118.9	**5.4**	**835.3**	**721.8**	**5,054.6**	**3.8**	**5,058.4**
4.6	**–5.6**	**–53.9**	**–54.9**	**–117.7**	**0.7**	**–117.0**
–	–	–	–	–62.8	0.7	–62.1
4.6	–5.6	–53.9	–54.9	–54.9	–	–54.9
–	**–**	**–**	**–**	**–**	**–0.8**	**–0.8**
–	–	–	–	–	–0.8	–0.8
–	**–**	**–**	**–**	**–0.5**	**–**	**–0.5**
–114.3	**–0.2**	**781.4**	**666.9**	**4,936.4**	**3.7**	**4,940.1**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

Hapag-Lloyd AG, domiciled in Hamburg, Germany, is the parent company of the Hapag-Lloyd Group and a listed public limited company in accordance with German law. The Company's shares are traded on the Frankfurt and Hamburg Stock Exchanges. Hapag-Lloyd is an international container liner shipping group whose primary purpose is to provide ocean container liner shipping activities, logistical services and all other associated business operations and services.

The interim consolidated financial statements cover the period 1 January to 31 March 2017 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.

The Executive Board authorised the publication of the condensed interim consolidated financial statements on 12 May 2017.

Accounting principles

The interim consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee, as they are to be applied in the European Union (EU). This interim report as at 31 March 2017 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and 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 2017 were applied during the preparation of the interim 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 2016, which remain valid and have not changed.

The interim financial statements as at 31 March 2017 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2016 and were prepared in compliance with the same accounting and measurement principles which formed the basis for these. Estimates and discretionary decisions were made in the same manner as in the previous year. 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 31 March 2017, the closing US dollar / euro exchange rate was quoted as USD 1.0681 / EUR (31 December 2016: USD 1.0560 / EUR). For the first quarter of 2017, the average US dollar / euro exchange rate was USD 1.0651 / EUR (prior year period: USD 1.1030 / EUR).

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 74 fully consolidated companies and four equity-accounted investees as at 31 March 2017. Four companies have been deconsolidated since 31 December 2016 on the grounds of immateriality and are therefore no longer part of the group of consolidated companies. There were no material effects on the net result from the deconsolidation.

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 trade as well as EBIT and EBITDA at the Group level.

The allocation of resources (use of ships 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 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 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 *

TTEU	Q1 2017	Q1 2016
Atlantic	389	376
Transpacific	386	347
Far East	215	211
Middle East	123	109
Intra Asia	152	130
Latin America	552	536
EMAO (Europe, Mediterranean, Africa, Oceania)	117	102
Total	**1,934**	**1,811**

* In preparation for the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Freight rate per trade *

USD/TEU	Q1 2017	Q1 2016
Atlantic	1,293	1,382
Transpacific	1,218	1,351
Far East	897	793
Middle East	791	701
Intra Asia	539	578
Latin America	1,017	961
EMAO (Europe, Mediterranean, Africa, Oceania)	1,009	1,079
Total (weighted average)	**1,047**	**1,067**

* In preparation for the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Revenue per trade *

million EUR	Q1 2017	Q1 2016
Atlantic	472.6	472.2
Transpacific	441.7	424.4
Far East	180.9	151.6
Middle East	91.6	68.9
Intra Asia	77.1	68.4
Latin America	526.5	466.6
EMAO (Europe, Mediterranean, Africa, Oceania)	110.5	100.2
Others	231.2	173.4
Total	**2,132.1**	**1,925.7**

* In preparation for the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Operating 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 income taxes (EBT) and the share of profits of the segment's equity-accounted investees correspond to those of the Group.

EBITDA

million EUR	Q1 2017	Q1 2016
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**131.3**	**123.4**
Depreciation, amortisation and impairment	127.8	118.6
Earnings before interest and taxes (EBIT)	**3.5**	**4.8**
Earnings before income taxes (EBT)	**–58.3**	**–38.3**
Share of profit of equity-accounted investees	**7.6**	**5.8**

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

Earnings per share

	Q1 2017	Q1 2016
Profit/loss attributable to shareholders of Hapag-Lloyd AG in million EUR	–62.8	–44.0
Weighted average number of shares in million	118.1	118.1
Basic earnings per share in EUR	**–0.53**	**–0.37**

There were no dilutive effects in the first quarter of 2017 nor in the corresponding prior year period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

Goodwill and other intangible assets were reduced compared with 31 December 2016 due to currency translation effects in the amount of EUR 34.0 million and the amortisation of other intangible assets in the amount of EUR 20.4 million.

Property, plant and equipment

million EUR	31.3.2017	31.12.2016
Vessels	5,106.5	5,024.5
Container	957.9	998.3
Other equipment	130.5	132.0
Prepayments on account and assets under construction	55.9	160.8
Total	**6,250.8**	**6,315.6**

The carrying amounts of property, plant and equipment were reduced primarily by depreciation in the amount of EUR 107.4 million and currency effects at the reporting date of EUR 70.6 million. Above all, investments in ocean-going vessels in the amount of EUR 109.9 million prompted an increase in fixed assets.

Fixed assets of EUR 174.3 million were recognised in conjunction with finance lease contracts (31 December 2016: EUR 181.6 million). Of this, EUR 97.1 million was attributable to ships (31 December 2016: EUR 100.4 million) and EUR 77.2 million to containers (31 December 2016: EUR 81.2 million).

Cash and cash equivalents

million EUR	31.3.2017	31.12.2016
Cash at bank	515.3	565.9
Cash in hand and cheques	4.5	4.3
Total	**519.8**	**570.2**

The balances of a number of bank accounts belonging to the Hapag-Lloyd Group are only freely available once the redemption payments and interest obligation due have been settled. As at 31 March 2017, these accounts contained a total of EUR 8.4 million (31 December 2016: EUR 12.7 million), of which EUR 8.4 million (31 December 2016: EUR 12.7 million) is subject to a maturity of up to three months.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 3.7 million (31 December 2016: EUR 3.9 million) at individual subsidiaries.

Cumulative other equity

Cumulative other equity comprises the reserve for remeasurements relating to defined benefit pension plans, the reserve for cash flow hedges and the translation reserve.

In the reserve for remeasurements from defined benefit pension plans (31 March 2017: EUR –114.3 million; 31 December 2016: EUR –118.9 million) cumulated income and expenses from the remeasurement of pension obligations are recognised in other comprehensive income. The remeasurement effects from defined benefit obligations result from changes in estimates in relation to actuarial parameters used for the measurement of the gross pension obligations as well as the difference between the normalised (expected) and actual return on plan assets.

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR –0.2 million as at 31 March 2017 (31 December 2016: EUR 5.4 million).

The currency effects of EUR –53.9 million recognised as at 31 March 2017 (prior year period: EUR –201.0 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve amounted to EUR 781.4 million as at the end of the first quarter of 2017 (31 December 2016: EUR 835.3 million).

Financial instruments

The carrying amounts and fair values of the financial instruments as at 31 December 2016 are presented in the table below.

	Carrying amount		Fair value
million EUR	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	677.6	677.6	677.6
Other assets	224.5	126.2	126.2
Derivative financial instruments (held for trading)	33.0	33.0	33.0
Commodity options	6.7	6.7	6.7
Embedded derivatives	26.3	26.3	26.3
Derivative financial instruments (hedge accounting)	4.6	4.6	4.6
Commodity options	4.6	4.6	4.6
Cash and cash equivalents	570.2	570.2	570.2
Liabilities			
Financial debt	4,043.5	4,043.5	4,082.2
Liablities from finance leases*	137.2	137.2	143.6
Trade accounts payable	1,281.6	1,281.6	1,281.6
Derivative financial liabilities (hedge accounting)	41.1	41.1	41.1
Currency forward contracts	41.1	41.1	41.1
Other liabilities	179.9	50.7	50.7

* Part of financial debt

The carrying amounts and fair values of the financial instruments as at 31 March 2017 are presented in the table below.

	Carrying amount		Fair value
million EUR	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	690.2	690.2	690.2
Other assets	231.8	135.5	135.5
Derivative financial instruments (held for trading)	39.7	39.7	39.7
Commodity options	2.6	2.6	2.6
Embedded derivatives	37.1	37.1	37.1
Derivative financial instruments (hedge accounting)	–	–	–
Commodity options	–	–	–
Cash and cash equivalents	519.8	519.8	519.8
Liabilities			
Financial debt	4,026.9	4,026.9	4,085.2
Liablities from finance leases*	124.0	124.0	129.9
Trade accounts payable	1,280.0	1,280.0	1,280.0
Derivative financial liabilities (hedge accounting)	40.7	40.7	40.7
Currency forward contracts	40.7	40.7	40.7
Other liabilities	200.1	49.6	49.6

* Part of financial debt

Derivative financial instruments include positive and negative market values from commodity options and currency forward contracts. This item also contains embedded derivatives for early buy-back options for issued bonds. The derivative financial instruments were measured at fair value.

The liabilities from bonds included within financial debt, which due to the quotation on an active market are allocated to level 1 of the fair value hierarchy, have a fair value of EUR 941.9 million (31 December 2016: EUR 786.7 million). The fair values indicated for the remaining financial debt, derivative financial instruments and liabilities from finance leases 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.

The carrying amounts of all other financial instruments are a suitable approximation of the fair values.

There have been no transfers between levels 1 and 2 in first three months of 2017.

Financial debt

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

Financial debt

million EUR	31.3.2017	31.12.2016
Liabilities to banks	2,869.7	3,050.1
Bonds	921.0	785.2
Liabilities from finance lease contracts	124.0	137.2
Other financial debt	236.2	208.2
Total	**4,150.9**	**4,180.7**

Financial debt by currency

million EUR	31.3.2017	31.12.2016
Financial debt denoted in USD (excl. transaction costs)	3,110.5	3,394.0
Financial debt denoted in EUR (excl. transaction costs)	1,068.1	819.0
Interest liabilities	35.4	37.4
Transaction costs	–63.1	–69.7
Total	**4,150.9**	**4,180.7**

Hapag-Lloyd has drawn down long-term loan agreements for a total of USD 149.0 million (EUR 139.5 million) in connection with two 10,500-TEU ships delivered in the first quarter of 2017.

In January 2017, a sale and leaseback transaction was entered into involving used containers already held by the Company. The lease agreement has a term of four years and comprises a volume of USD 44.1 million (EUR 41.3 million). The lease contract is essentially a form of borrowing, with the containers transferred by way of security.

On 1 February 2017, Hapag-Lloyd issued a new corporate bond with a coupon of 6.75% and a maturity of five years at an issue price of 100.00%. Due to the high level of demand, the originally planned issue volume of EUR 150.0 million was increased to EUR 250.0 million. Within the same month, some of the proceeds from the issue were used for the early repayment of the USD bond with an outstanding amount of USD 125.0 million.

On 15 February 2017, EUR 200.0 million was added to the corporate bond issued previously, taking the total amount to EUR 450.0 million. The issue generated additional proceeds of EUR 204.8 million (issue price: 102.375%), of which EUR 200.0 million were used for the partial redemption of an existing euro bond.

Developments in used-market prices for container ships resulted in deficits in the loan-to-value ratios in the fourth quarter of 2016. In the first quarter of 2017, Hapag-Lloyd made early repayments in the amount of USD 41.0 million (EUR 38.5 million) as requested by the financing banks.

The Hapag-Lloyd Group had total available credit facilities of EUR 327.7 million as at 31 March 2017 (31 December 2016: EUR 189.4 million).

OTHER NOTES

Legal disputes

Subpoenas were served to company representatives attending the twice-yearly conference of the International Council of Containership Operators (known as the “Box Club”) in San Francisco on 15 March 2017, ordering them to attend a hearing by the U.S. Department of Justice Antitrust Division (“DoJ”). Concrete allegations have not been made at present, however the subpoenas have been issued in connection with a DoJ investigation into the global container liner shipping industry. Hapag-Lloyd will cooperate with the authorities in full. A quantification of a possible risk that may result from the investigation cannot be made at the time of reporting.

Authorities in a number of jurisdictions launched investigations into possible breaches of competition law in the 2015/2016 financial year. All of these investigations have been largely concluded, and no significant financial effects are to be expected.

As at the reporting date, there were EUR 133.9 million in contingent liabilities from tax risks not classified as probable (31 December 2016: EUR 128.4 million).

Obligations from operating lease contracts

The Group’s obligations from operating lease contracts above all relate to charter and lease agreements for ships and containers, and rental agreements for business premises. Charter agreements for ships are always structured as time charter contracts, i. e. in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the first quarter of 2017, lease payments of EUR 258.6 million were posted to expenses (prior year period: EUR 261.5 million), of which EUR 72.0 million were charter expenses (prior year period: EUR 125.8 million).

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

million EUR	31.3.2017	31.12.2016
Ships and containers	687.5	682.7
Administrative buildings	94.6	103.9
Other	212.9	239.2
Total	**995.0**	**1,025.8**

Other financial obligations

The Group’s other financial obligations as at 31 March 2017 pertained to a purchase obligation for investments in container ships amounting to EUR 50.0 million (31 December 2016: EUR 151.7 million), which are due within one year.

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 of these supply and service relationships have arisen since 31 December 2016. The contractual relationships with related parties described in the remuneration report from page 80 onwards of the 2016 annual report also remain unchanged, but are not of material importance to the Group.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 27 April 2017, Hapag-Lloyd put into service the fifth newbuild ship with a transport capacity of 10,500 TEU. The last instalment of EUR 48.8 million (USD 52.2 million) for the construction work was paid to the shipyard upon delivery, while at the same time a credit facility amounting to EUR 69.7 million (USD 74.5 million) was also utilised.

After the balance sheet date, 31 March 2017, early repayments totalling USD 10.3 million (EUR 9.6 million) were made for ship financing in agreement with the financing banks due to shortfalls in the loan-to-value-ratios.

On 27 April 2017, S&P updated its rating report on Hapag-Lloyd. The current rating of "B+/CreditWatch Negative" was confirmed.

Hamburg, 12 May 2017

Hapag-Lloyd Aktiengesellschaft
Executive Board

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Nicolás Burr

Anthony J. Firmin

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PRELIMINARY FINANCIAL CALENDAR 2017

29 MAY 2017

Annual General Meeting 2017

10 AUGUST 2017

Publication of the financial report for the first half of 2017

10 NOVEMBER 2017

Publication of the financial report for the third quarter of 2017

IMPRINT

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