Q2 | H1 2016

Hapag-Lloyd AG

Investor Report

1 January to 30 June 2016

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

KEY OPERATING FIGURES[1]		**Q2 2016**	Q2 2015	**H1 2016**	H1 2015	% Change
Total vessels, of which		**170**	188	**170**	188	–10%
own vessels		**70**	66	**70**	66	6%
leased vessels		**3**	5	**3**	5	–40%
chartered vessels		**97**	117	**97**	117	–17%
Aggregate capacity of vessels	TTEU	**952**	989	**952**	989	–4%
Aggregate container capacity	TTEU	**1,513**	1,607	**1,513**	1,607	–6%
Bunker price (MFO, average for the period)[2]	USD/t	**182**	317	**180**	346	–48%
Bunker price (MDO, average for the period)[3]	USD/t	**375**	560	**372**	573	–35%
Freight rate (average for the period)	USD/TEU	**1,019**	1,264	**1,042**	1,296	–20%
Transport volume	TTEU	**1,892**	1,945	**3,703**	3,719	0%
Revenue	million USD	**2,088**	2,620	**4,212**	5,213	–19%
Transport expenses	million USD	**1,805**	2,162	**3,561**	4,234	–16%
EBITDA	million USD	**83**	231	**219**	551	–60%
EBIT	million USD	**-50**	103	**–44**	299	n.m.
Group profit/loss	million USD	**–111**	31	**–158**	176	n.m.
Cash flow from operating activities	million USD	**70**	142	**226**	362	–38%
Investment in property, plant and equipment	million USD	**115**	183	**220**	502	–56%
KEY RETURN FIGURES[1]						
EBITDA margin (EBITDA/revenue)		**4.0%**	8.8%	**5.2%**	10.6%	–5.4 ppt
EBIT margin (EBIT/revenue)		**–2.4%**	3.9%	**–1.0%**	5.7%	–6.8 ppt
KEY BALANCE SHEET FIGURES AS AT 30 JUNE[4]						
Balance sheet total	million USD	**11,897**	12,069	**11,897**	12,069	–1%
Equity	million USD	**5,283**	5,497	**5,283**	5,497	–4%
Equity ratio (equity/balance sheet total)		**44.4%**	45.5%	**44.4%**	45.5%	–1.1 ppt
Borrowed capital	million USD	**6,614**	6,572	**6,614**	6,572	1%
KEY FINANCIAL FIGURES AS AT 30 JUNE[4]						
Financial debt	million USD	**4,265**	4,256	**4,265**	4,256	0%
Cash and cash equivalents	million USD	**527**	625	**527**	625	–16%
Net debt (financial debt – cash and cash equivalents)	million USD	**3,737**	3,631	**3,737**	3,631	3%
Gearing (net debt/equity)		**70.7%**	66.1%	**70.7%**	66.1%	4.7 ppt
Liquidity reserve		**864**	1,048	**864**	1,048	–18%
NUMBER OF EMPLOYEES AS AT 30 JUNE						
Employees at sea		**1,498**	1,516	**1,498**	1,516	-1%
Employees on land		**7,807**	8,608	**7,807**	8,608	-9%
HAPAG-LLOYD TOTAL		**9,305**	10,124	**9,305**	10,124	-8%

[1]) The comparison of figures refers to the prior year period 1.1.-30.6.2015
[2] MFO = Marine Fuel Oil
[3] MDO = Marine Diesel Oil
[4] The comparison of figures refers to the balance sheet date 31.12.2015

This report was published on 10 August 2016.

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IMPORTANT NOTICE

The information provided in this Investor Report is based on a calculation of USD figures, derived from the figures published in EUR within the respective Interim or Annual Report of Hapag-Lloyd AG (available via https://www.hapag-lloyd.com/en/ir/publications/financial-report.html).

The USD figures presented herein have not been reviewed by auditors and are supplemental information to the respective Interim or Annual Report of Hapag-Lloyd AG for capital market participants. The respective Interim and Annual Reports of Hapag-Lloyd AG remain the prevailing and legally binding documents.

Hapag-Lloyd AG conducts its container shipping business in an international business environment in which 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, an example being the purchase, chartering and rental of vessels and containers, as well as the corresponding financing of investments. The functional currency of Hapag-Lloyd AG is, therefore, the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the EUR.

For reconciliation to the Interim Report H1 2016, please find below the respective exchange rates:

- Values for Q2 2016 have been calculated by subtracting the Q1 2016 figures from the H1 2016 figures
- Values for Q1 2016 have been converted at the respective Q1 2016 exchange rates
- Values for H1 2016 have been converted at the respective H1 2016 exchange rates
- Values for Q2 2015 have been calculated by subtracting the Q1 2015 figures from the H1 2015 figures
- Values for Q1 2015 have been converted at the respective Q1 2015 exchange rates
- Values for H1 2015 have been converted at the respective H1 2015 exchange rates

EXCHANGE RATES

	Closing rate			Average rate			
per EUR	**30.06.2016**	31.03.2016	30.06.2015	**H1 2016**	Q1 2016	H1 2015	Q1 2015
US dollars	**1.1146**	1.1377	1.118	**1.1127**	1.103	1.1166	1.1263

This report contains statements concerning future developments at Hapag-Lloyd AG. Due to market fluctuations, the development of the competitive situation, market prices for commodities, and changes in exchange rates and the economic environment, the actual results may differ considerably from these forecasts. Hapag-Lloyd AG neither intends nor undertakes to update forward-looking statements to adjust them for events or developments, which occur after the date of this report.

This report was published on 10 August 2016.

1. HIGHLIGHTS

- Mainly due to the persisting pressure on freight rates Hapag-Lloyd had to adjust its outlook for 2016 towards a clear decrease in EBITDA and EBIT
- In the first six months of 2016, Hapag-Lloyd recorded a clearly positive EBITDA of USD 218.8 million (H1 2015: USD 550.9 million) – the EBITDA margin was 5.2%. EBIT was at USD –44.2 million (H1 2015: USD 299 million)
- Unit transport expenses decreased significantly by 16% year-on-year to USD 962/TEU in the first half of 2016, mainly driven by a decline in bunker consumption as well as still low bunker consumption prices on a year-on-year basis and positive effects from the implemented efficiency programmes
- Transport volume remained stable year-on-year (H1 2016: 3,703 TTEU, H1 2015: 3,719), influenced by our capacity measures on several trades
- Intense competition and muted global growth led to a decrease of 20% to USD 1,042/TEU in the average freight rate in the first six months of 2016 compared to the prior year period. Average Q2 freight rates were also below the already low level in Q1 2016
- Based on the sharp decline in average freight rate, revenue decreased by USD 1.0 billion year-on-year in the first half of 2016 to USD 4,212 million (H1 2015: USD 5,213 million)
- On 18 July 2016, Hapag-Lloyd signed a Business Combination Agreement with UASC to form the fifth largest container shipping line in the world with an expected annual transport volume of 10 million TEU and a combined turnover of approximately USD 12 billion
- Synergies of at least USD 400 million p.a. from 2019 onwards expected. One third of these expected to be realized in 2017 already. Furthermore, significant CAPEX savings are among the expected benefits of the deal

2. SECTOR-SPECIFIC CONDITIONS

The International Monetary Fund's (IMF) economic experts revised its forecast for global economic growth in 2016 by 0.1 percentage points (compared to the forecast provided in April 2016) to 3.1% in July 2016. This is due to the increasing economic risks following the "Brexit" vote in the UK and ongoing lackluster economic growth both in important newly industrialized and in industrialized countries. The IMF's current economic outlook (July 2016) predicts an increase of 3.4% in global growth for 2017. This means that the growth forecast for 2017 is 0.1 percentage points lower than the figure expected in April 2016.

According to the IMF, the volume of global trade, which is key to the demand for container shipping services, is forecast to increase by 2.7% in the current year. In April 2016, the IMF was still predicting a rise of 3.1%. An unchanged growth of 3.9% is expected in 2017.

DEVELOPMENTS IN GLOBAL ECONOMIC GROWTH (GDP), WORLD TRADING VOLUME AND GLOBAL CONTAINER TRANSPORT VOLUME

in %	2014	2015	**2016e**	2017e
Global economic growth	3.4	3.1	**3.1**	3.4
World trading volume (goods and services)	3.7	2.6	**2.7**	3.9
Global container transport volume	4.3	1.4	**2.2**	3.8

Source: IMF, IHS Global Insight

Based on current forecasts, the growth in global cargo volumes could reach up to 3.8 % in 2017. Accordingly, global container shipping volumes could increase as strong as the forecast rate of growth for global trade in 2017. For the period 2018 to 2021, IHS Global Insight is predicting average annual growth of 5.0 % in the global container shipping volume.

The total capacity of the global container ship fleet came to approximately 20.9 million TEU at the start of 2016 (MDS Transmodal, July 2016). Based on the container ships on order and planned deliveries, the supply capacity should see increases of around 1.2 million TEU in 2016 and around 1.6 million TEU in 2017. The tonnage of the commissioned container ships (approximately 3.7 million TEU) is currently equivalent to around 18% of the present global container fleet's capacity (20.9 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 June 2016, orders were placed for the construction of 36 container ships with a transport capacity of 75,000 TEU (H1 2015: 75 ships, capacity of 1.03 million TEU; Clarkson Shipping Intelligence Network).

GLOBAL CAPACITY DEVELOPMENT

in %	2014	2015	**2016e**	2017e [1]
Forecasted capacity growth	10	11	**6**	7
Capacity measures				
Delayed deliveries	3	2	**1**	1
Scrappings	2	1	**2**	2
Actual increase in capacity	5	8	**2**	5

[1] Based on current orderbook

Source: Drewry, MDS Transmodal, Clarksons

Based on figures from MDS Transmodal, a total of 73 container ships with a transport capacity of approximately 514,000 TEU were placed into service in the first half of 2016, which was a significant decrease on the previous year (H1 2015: 125 ships with a transport capacity of about 1.0 million 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 data provided by the information platform Clarkson Research (July 2016), the scrapping of inefficient ships in the first six months of 2016 equated to 271,000 TEU, which was already more than the total volume scrapped in 2015 (193,000 TEU). For 2016, Drewry expects scrappings to increase to approximately 450,000 TEU.

With pressure on freight rates continuing, the capacity level of idle ships has risen sharply in recent quarters and totalled approximately 1.0 million TEU (Alphaliner, July 2016) at the end of June 2016, or around 4.8% of the overall capacity of the global container fleet. The idle capacity was therefore significantly higher than the figure of approximately 297,600 TEU recorded at the end of June 2015. The majority of idle ships have a tonnage of up to 5,100 TEU.

Reorganisation of alliances and mergers

Some of the alliances operating in the East–West trades were extensively reorganised in the second quarter of 2016. In April 2016, the Ocean Alliance was established by CMA CGM S.A. (including the shipping company American President Lines Ltd. (APL), which was taken over by CMA CGM), Orient Overseas Container Line (OOCL), Evergreen Marine Corp. (Taiwan) Ltd. (Evergreen) and China Ocean Shipping (Group) Company (COSCO) Container Lines.

In May 2016, Hapag-Lloyd set up THE Alliance along with Hanjin Shipping Co. Ltd. (Hanjin Shipping), Kawasaki Kisen K.K. Ltd. ("K" Line), Mitsui O.S.K. Lines Ltd. (MOL), Nippon Yusen K.K. Ltd. (NYK) and Yang Ming Marine Transport Corp (Yang Ming). THE Alliance will start its operations in April 2017.

The 2M Alliance, which comprises the two market leaders Maersk Line and Mediterranean Shipping Company S.A. (MSC), already began operating at the start of 2015. The 2M Alliance is scheduled to last for a period of 10 years. The Korean shipping company Hyundai Merchant Marine (HMM) will join the 2M Alliance in April 2017.

In February 2016, the two Chinese shipping companies China Ocean Shipping Company (COSCO) and China Shipping Group merged to form China COSCO Shipping Group (China COSCO). China COSCO has a fleet of 290 container ships with a total capacity of around 1.6 million TEU, making it the fourth-largest container shipping company in the world (Alphaliner, June 2016). Following approval by the competition authorities, the French shipping company CMA CGM submitted a final offer for the purchase of the remaining shares in Neptune Orient Lines (NOL), Singapore in May 2016. CMA CGM will still be ranked third among global container shipping companies. Following the merger, however, it will have a total of 534 container ships and a combined transport capacity of 2.3 million TEU, thereby significantly closing the gap between it and the second-biggest company, MSC. Maersk Line will continue to be the market leader with a capacity of 3.1 million TEU (Alphaliner, June 2016)

Opening of the expanded Panama Canal

The Panama Canal is the second-most important waterway in the world, after the Suez Canal. On 26 June 2016, the expanded Panama Canal was opened. Ships with a transport capacity of up to 14,000 TEU can now pass through its locks. This is likely to have significant effects on services from Asia to the east coast of North and South America as well as to Europe. The special Panamax ships previously used for routes through the Panama Canal will no longer be competitive. According to estimates by the Baltic and International Maritime Council, Panamax ships with a transport capacity totalling 150,863 TEU were already scrapped in the period from January to May 2016.

3. STRUCTURE OF HAPAG-LLOYD'S VESSEL AND CONTAINER FLEET

STRUCTURE OF HAPAG-LLOYD'S VESSEL AND CONTAINER FLEET

	30.06.2016	31.03.2016	30.06.2015
Number of vessels	**170**	175	188
Aggregate capacity of vessels (TTEU)	**952**	955	989
thereof			
Number of own vessels	**70**	69	66
Aggregate capacity of own vessels (TTEU)	**519**	515	496
Number of leased vessels	**3**	3	5
Aggregate capacity of leased vessels (TTEU)	**12**	12	21
Number of chartered vessels	**97**	103	117
Aggregate capacity of chartered vessels (TTEU)	**421**	428	473
Aggregate container capacity (TTEU)	**1,513**	**1,508**	**1,607**
Number of services	**128**	**122**	**128**

* As at 30 June 2016, Hapag-Lloyd used a chartered ship primarily for the repositioning of empty containers. The ship has a transport capacity of around 6,900 TEU. As the ship is not employed in a liner service it is not included in the fleet data described above.

As at 30 June 2015, Hapag-Lloyd's fleet comprised a total of 170 container ships. The TEU capacity of the entire Hapag-Lloyd fleet amounted to 951,904 TEU. Based on the TEU capacities, around 55% of the fleet was owned by the Group as at 30 June 2016 (H1 2015: approximately 52%). The average age of the ships (capacity-weighted) was 7.9 years. The average ship size within the Hapag-Lloyd Group fleet was 5,599 TEU, which is 6.7% above the comparable average figure for the ten largest container liner shipping companies and around 67% above the average ship size in the global fleet. Hapag-Lloyd also owned or rented 932,993 containers with a capacity of 1,513,130 TEU for shipping cargo. Around 43% of containers (capacity weighted) were owned by the Group as at 30 June 2016 (H1 2015: around 35%).

Hapag-Lloyd's order book as at 30 June 2016 comprised five ships, each with a capacity of 10,500 TEU. The new Hapag-Lloyd ships will each have 2,100 slots for reefer containers. The ships are scheduled for delivery between October 2016 and April 2017.

3.1 Freight rate per trade

The average freight rate in the first half of 2016 was USD 1,042/TEU, which was USD 254/TEU (19.6%) down on the prior year period (USD 1,296/TEU). The main reason for the decline was the persistently difficult market environment, with pressure on freight rates continuing. Freight rates could not be increased as announced as a result of the continued intensive competition being felt in all trades.

FREIGHT RATE PER TRADE

USD/TEU	Q2 2016	Q1 2016	Q2 2015	QoQ % change	YoY % change	H1 2016	H1 2015	% change
Atlantic	**1,319**	1,382	1,500	−5%	−12%	**1,350**	1,505	−10%
Transpacific	**1,223**	1,351	1,651	−9%	−26%	**1,285**	1,700	−24%
Far East	**723**	780	966	−7%	−25%	**752**	1,027	−27%
Latin America	**965**	961	1,185	0%	−19%	**963**	1,220	−21%
Intra Asia	**548**	556	678	−2%	−19%	**552**	709	−22%
EMAO (Europe–Mediterranean–Africa–Oceania)	**1,064**	1,079	1,219	−1%	−13%	**1,071**	1,244	−14%
Total (weighted average)	**1,019**	**1,067**	**1,264**	**−5%**	**−19%**	**1,042**	**1,296**	**−20%**

3.2 Transport volume per trade

The transport volume in the first half of 2016 reached 3,703 TTEU and thereby remained at the same level as the previous year.

TRANSPORT VOLUME PER TRADE

TTEU	**Q2 2016**	Q1 2016	Q2 2015	QoQ % change	YoY % change	**H1 2016**	H1 2015	% change
Atlantic	**398**	376	408	6%	–2%	**774**	775	0%
Transpacific	**365**	347	365	5%	0%	**712**	680	5%
Far East	**302**	306	323	–1%	–7%	**608**	656	–7%
Latin America	**551**	536	606	3%	–9%	**1,087**	1,148	–5%
Intra Asia	**170**	144	150	18%	13%	**314**	280	12%
EMAO (Europe–Mediterranean–Africa–Oceania)	**106**	102	93	4%	14%	**208**	180	16%
Total	**1,892**	**1,811**	**1,945**	**4%**	**–3%**	**3,703**	**3,719**	**0%**

3.3 Revenue per trade

Revenue decreased by USD 1,001.2 million year-on-year in the first six months of the 2016 financial year, from USD 5,213.4 million to USD 4,212.2 million, as a result of the sharp decline in the average freight rate.

REVENUE PER TRADE

million USD	**Q2 2016**	Q1 2016	Q2 2015	QoQ % change	YoY % change	**H1 2016**	H1 2015	% change
Atlantic	**523.2**	520.8	612.4	0%	–15%	**1,044.0**	1,166.6	–11%
Transpacific	**447.2**	468.1	602.2	–4%	–26%	**915.3**	1,156.4	–21%
Far East	**218.6**	238.5	312.2	–8%	–30%	**457.1**	674.0	–32%
Latin America	**532.5**	514.7	717.2	3%	–26%	**1,047.2**	1,400.0	–25%
Intra Asia	**93.2**	80.2	102.1	16%	–9%	**173.4**	198.6	–13%
EMAO (Europe–Mediterranean–Africa–Oceania)	**112.7**	110.5	112.6	2%	0%	**223.2**	223.2	0%
Other	**160.8**	191.3	161.6	–16%	0%	**352.0**	394.6	–11%
Total	**2,088.2**	**2,124.0**	**2,620.3**	**–2%**	**–20%**	**4,212.2**	**5,213.4**	**–19%**

3.4 Consolidated income statement

The first half of the 2016 financial year at the Hapag-Lloyd Group was dominated by a challenging operating environment and subdued global economic growth. Sustained competitive pressure in the container shipping industry led to a further significant decline in freight rates in the first half of 2016. By contrast, synergy effects and cost savings as well as a further drop in the bunker price, compared to the previous year period, had a positive effect on the earnings position. However, these factors were unable to compensate for the sharp drop in the average freight rate. Overall, Hapag-Lloyd recorded a Group loss of USD 158.1 million in the first half of 2016.

CONSOLIDATED INCOME STATEMENT								
million USD	**Q2 2016**	Q1 2016	Q2 2015	QoQ % change	YoY % change	**H1 2016**	H1 2015	% change
Revenue	**2,088.2**	**2,124.0**	**2,620.3**	**–2%**	**–20%**	**4,212.2**	**5,213.4**	**–19%**
Other operating income	**40.4**	24.8	3.7	63%	982%	**65.2**	115.8	–44%
Transport expenses	**–1,805.3**	–1,756.0	–2,162.3	3%	–17%	**–3,561.3**	-4,234.1	–16%
Personnel expenses	**–126.7**	–156.3	–149.0	–19%	–15%	**–283.0**	–283.3	0%
Depreciation, amortisation and impairment	**–132.2**	–130.8	–128.8	1%	3%	**–263.0**	–251.9	4%
Other operating expenses	**–121.0**	–106.8	–87.4	13%	38%	**–227.8**	–271.9	n.m.
Operating result	**-56.6**	**–1.1**	**96.5**	**n.m.**	**n.m.**	**–57.7**	**288.0**	**n.m.**
Share of profit of equity-accounted investees	**7.0**	6.4	6.2	9%	14%	**13.4**	15.4	–13%
Other financial result	**0.1**	0.0	0.0	n.m.	n.m.	**0.1**	–4.4	n.m.
Earnings before interest and tax (EBIT)	**–49.5**	**5.3**	**102.7**	n.m.	n.m.	**–44.2**	**299.0**	n.m.
Interest result	**–52.5**	–47.5	–67.7	11%	–22%	**–100.0**	–110.8	–10%
Income taxes	**–8.9**	–5.0	–3.8	n.m.	n.m.	**–13.9**	–12.6	n.m.
Group profit/loss	**–110.9**	**–47.2**	**31.2**	**135%**	**n.m.**	**–158.1**	**175.6**	**n.m.**

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 loss of USD 14.2 million in the first six months of 2016 (prior year period: exchange rate gain of USD 6.4 million).

Depreciation and amortisation came to USD 263.0 million in the first six months of 2016 (prior year period: USD 251.9 million). The year-on-year increase in depreciation and amortisation was due to scheduled depreciation of the newbuilds and containers acquired in the previous year.

3.5 Transport expenses

Transport expenses fell by USD 672.8 million in the first half of 2016 to USD 3,561.3 million (prior year period: USD 4,234.1 million). This represents a drop of 15.9%. This development was particularly attributable to a decline of USD 337.1 million (–51.4%) in expenses for raw materials and supplies. In the first half of 2016, the average bunker price (MFO) was USD 180 per ton, down USD 166 on the figure for the prior year period. The cost of purchased services was also down by USD 335.7 million (–9.4%) year-on-year, despite a virtually unchanged transport volume. This was due to the realisation of synergy effects from the merger with CSAV's container shipping activities, as well as to savings resulting from cost-cutting measures initiated in the previous years. Maintenance/Repair/Other costs include within Other costs the exchange rate effects from creditor payments and accounts payables valuation. In the first half of 2015, this was an exchange rate gain, which reduced the incurred maintenance and repair costs. In the first half of 2016 these exchange rate effects were losses that added to the other costs. When looking only at maintenance and repair, costs remained very similar year-on-year.

TRANSPORT EXPENSES

million USD	Q2 2015	Q1 2016	Q2 2015	QoQ % change	YoY % change	H1 2016	H1 2015	% change
Expenses for raw materials and supplies	**164.3**	154.7	343.8	6%	–52%	**319.0**	656.1	–51%
Cost of purchased services	**1,641.0**	1,601.3	1,818.5	2%	–10%	**3,242.3**	3,578.0	–9%
thereof								
Port, canal and terminal costs	**767.2**	757.9	826.0	1%	–7%	**1,525.1**	1,593.6	–4%
Chartering, leases and container rentals	**289.4**	271.8	321.9	7%	–10%	**561.2**	615.6	–9%
Container transport costs	**528.8**	507.5	627.1	4%	–16%	**1,036.3**	1,275.2	–19%
Maintenance/repair/other	**55.6**	64.1	43.5	–13%	28%	**119.7**	93.6	28%
Transport expenses	**1,805.3**	**1,756.0**	**2,162.3**	**3%**	**–17%**	**3,561.3**	**4,234.1**	**–16%**

Transport expenses per unit decreased by USD 176.8/TEU to USD 961.7/TEU in the first half of 2016 as compared to the prior year period. The decline was attributable to reduced bunker prices compared to prior year period, a decline in bunker consumption and a reduction in Costs of purchased services. Costs of purchased services declined by USD –86.5/TEU as a consequence of the realised synergies and cost savings as well as due to lower container transport costs.

TRANSPORT EXPENSES PER TEU

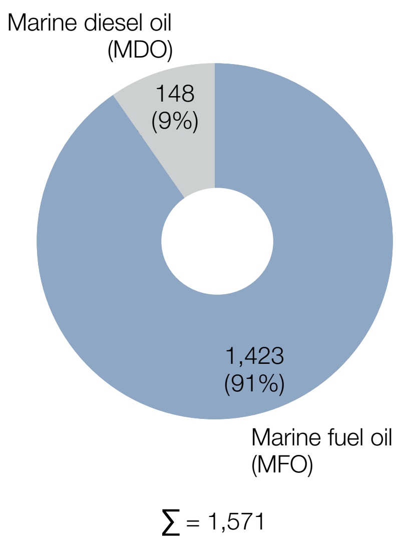
USD/TEU	Q2 2016	Q1 2016	Q2 2015	QoQ % change	YoY % change	H1 2016	H1 2015	% change
Expenses for raw materials and supplies	**86.8**	85.4	176.8	2%	–51%	**86.1**	176.4	–51%
Cost of purchased services	**867.3**	884.2	935.0	–2%	–7%	**875.6**	962.1	–9%
thereof								
Port, canal and terminal costs	**405.4**	418.5	424.7	–3%	–5%	**411.8**	428.5	–4%
Chartering, leases and container rentals	**153.0**	150.1	165.5	2%	–8%	**151.5**	165.5	–8%
Container transport costs	**279.5**	280.2	322.4	0%	–13%	**279.8**	342.9	–18%
Maintenance/repair/other	**29.3**	35.4	22.4	–17%	31%	**32.3**	25.2	28%
Transport expenses	**954.1**	**969.6**	**1,111.7**	**–2%**	**–14%**	**961.7**	**1,138.5**	**–16%**

Bunker consumption development

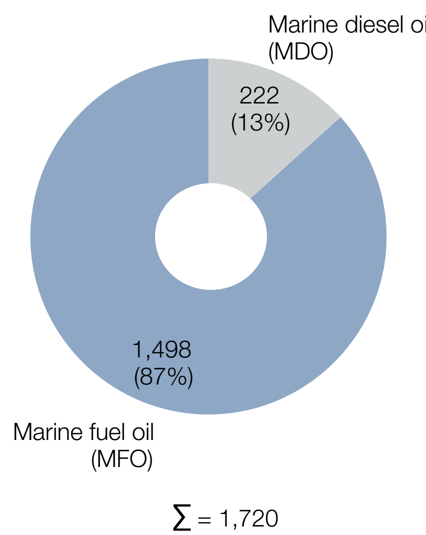
In the first half of 2016, consumption of marine fuel oil (MFO) amounted to approximately 1,423,495 metric tons (H1 2015: 1,498,223 tons). The average bunker consumption price for MFO stood at USD 180/ton (previous year: USD 346/ton). Consumption of low-sulphur marine diesel oil (MDO) amounted to approximately 147,565 metric tons (9% of bunker consumption) in the first half of 2016 (H1 2015: 221,674 tons). The average bunker consumption price for MDO stood at USD 372/ton (previous year: USD 573/ton).

The annualized bunker consumption per slot (measured at the average capacity for the first six months of 2016) was at 3.28 mt. The decrease of c. 5% in comparison to the average number in the first half of 2015 (3.44 mt) is mainly due to the increase of efficiency of our fleet. The bunker consumption per TEU transported stood at 0.42 mt, 8.7% lower than the prior year period figure.

H1 2016 [k mt]



H1 2015 [k mt]



3.6 Earnings position

The Group's earnings before interest and taxes (EBIT) amounted to USD –44.2 million in the reporting period. They were therefore significantly below the corresponding figure in the prior year period of USD 299.0 million. The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to USD 218.8 in the first six months of the 2016 financial year (prior year period: USD 550.9 million). The Group recorded a loss of USD 158.1 million in the first half of the 2016 financial year (prior year period: profit of USD 175.6 million).

The return on invested capital (ROIC) for the first half of 2016 amounted to –1.3% (prior year period: 6.4%). Earnings per share for the first half of 2016 came to USD –1.35 (prior year period: USD 1.66).

EBIT AND EBITDA MARGIN

million USD	**Q2 2016**	Q1 2016	Q2 2015	QoQ % change	YoY % change	**H1 2016**	H1 2015	% change
Revenue	**2,088.2**	2,124.0	2,620.3	-2%	-20%	**4,212.2**	5,213.4	–19%
EBIT	**–49.5**	5.3	102.7	n.m.	n.m.	**–44.2**	299.0	n.m.
EBITDA	**82.7**	136.1	231.5	-39%	-64%	**218.8**	550.9	–60%
EBIT margin	**–2.4%**	0.2%	3.9%	–2.6 ppt	–6.3 ppt	**–1.0%**	5.7%	–6.8 ppt
EBITDA margin	**4.0%**	6.4%	8.8%	–2.4 ppt	–4.9 ppt	**5.2%**	10.6%	–5.4 ppt

4. GROUP NET ASSET POSITION

GROUP NET ASSET POSITION			
million USD	**30.06.2016**	31.12.2015	30.06.2015
Assets			
Non-current assets	**10,320.0**	10,363.7	10,285.3
of which fixed assets	**10,249.0**	10,301.7	10,211.4
Current assets	**1,577.4**	1,704.8	1,816.4
of which cash and cash equivalents	**527.2**	625.0	665.1
Total assets	**11,897.4**	12,068.5	12,101.7
Equity and liabilities			
Equity	**5,283.3**	5,496.8	5,234.3
Borrowed capital	**6,614.1**	6,571.7	6,867.4
of which non-current liabilities	**3,914.9**	3,958.4	4,331.1
of which current liabilities	**2,699.2**	2,613.3	2,536.3
of which financial debt	**4,264.6**	4,256.3	4,420.2
thereof			
Non-current financial debt	**3,489.7**	3,591.7	3,888.8
Current financial debt	**774.9**	664.6	531.4
Total equity and liabilites	**11,897.4**	**12,068.5**	**12,101.7**

As at 30 June 2016, the Group's balance sheet total was USD 11,897.4 and was thereby rather stable on last year's level (USD 12,068.5 million).

Total assets comprised of USD 10,320.0 million non-current assets and of USD 1,577.4 million current assets. Non-current assets decreased by USD 43.7 million as compared to year-end 2015 mainly due to scheduled depreciation exceeding investments. Current assets were USD 127.4 million lower than at the end of 2015. This change primarily resulted from a reduction in cash and cash equivalents as well as in trade accounts receivable.

Cash and cash equivalents declined by USD 97.8 million due to cash outflows, in particular for investments, interest and capital repayments.

On the equity and liabilities side, the Group's equity fell by USD 213.5 million to USD 5,283.3 million. This decrease is mainly due to the Group loss of USD 158.1 million as well as the change in the reserve for the remeasurement of defined benefit pension plans (USD –63.8 million). The equity ratio was 44.4% as at 30 June 2016 (31 December 2015: 45.5%).

The Group's borrowed capital increased by USD 42.4 million compared with the end of 2015. This results from an increase in trade accounts payables and in other liabilities.

5. GROUP FINANCIAL POSITION

5.1 Developments in cash and cash equivalents

DEVELOPMENT OF LIQUIDITY RESERVE

million USD	Q2 2016	Q2 2015	H1 2016	H1 2015
Cash and cash equivalents beginning of the period	**518.8**	832.4	**625.0**	864.7
Unused credit lines beginning of the period	**385.0**	265.1	**423.4**	255.8
Liquidity reserve beginning of the period	**903.8**	**1,097.5**	**1,048.4**	**1,120.5**
EBITDA	**82.7**	231.5	**218.8**	550.9
Working capital	**8.3**	–99.0	**31.3**	–121.9
Others	**–20.7**	9.4	**–24.1**	–67.1
Operating cash flow	**70.3**	**141.9**	**226.0**	**361.9**
Investments	**–107.3**	–242.1	**–229.3**	–488.5
thereof vessel	**-100.4**	–153.6	**–200.6**	–373.9
thereof container	**–2.2**	–82.4	**–19.5**	–104.8
thereof other	**–4.7**	–5.0	**–9.2**	–9.7
Disinvestments	**1.9**	35.3	**4.8**	80.8
Dividends received	**31.5**	37.3	**31.6**	37.5
Investing cash flow	**–73.9**	**–168.5**	**–192.9**	**–370.2**
Payments made from changes in ownership interests	**–0.3**	0.0	**–0.3**	0.0
Debt intake	**158.4**	73.1	**294.0**	246.6
Debt repayment	**–98.9**	–142.6	**–328.3**	–306.5
Dividends paid	**–0.3**	–1.9	**–2.6**	–2.3
Interest	**–46.6**	–51.7	**–93.5**	–111.0
Payments made from hedges for financial debts	**–0.3**	–17.8	**–0.3**	–17.8
Financing cash flow	**12.1**	**–140.9**	**–131.0**	**–191.0**
Changes due to exchange rate fluctuations	**0.0**	0.1	**0.1**	–0.3
Liquidity reserve end of the period	**863.8**	**928.2**	**863.8**	**928.2**
Cash and cash equivalents end of the period	**527.2**	665.1	**527.2**	665.1
Unused credit lines end of the period	**336.6**	263.1	**336.6**	263.1

Cash flow from operating activities

The Group generated an operating cash flow of USD 226.0 million in the first half of the 2016 financial year (prior year period: USD 361.9 million).

Cash flow from investing activities

The cash outflow from investing activities amounted to USD 192.9 million in the first half of the 2016 financial year (prior year period: USD 370.2 million). This mainly consisted of payments for investments in ships and containers totaling USD 220.1 million. In particular, received dividends in the amount of USD 31.6 million (prior year period: USD 37.5 million) had an offsetting effect.

Cash flow from financing activities

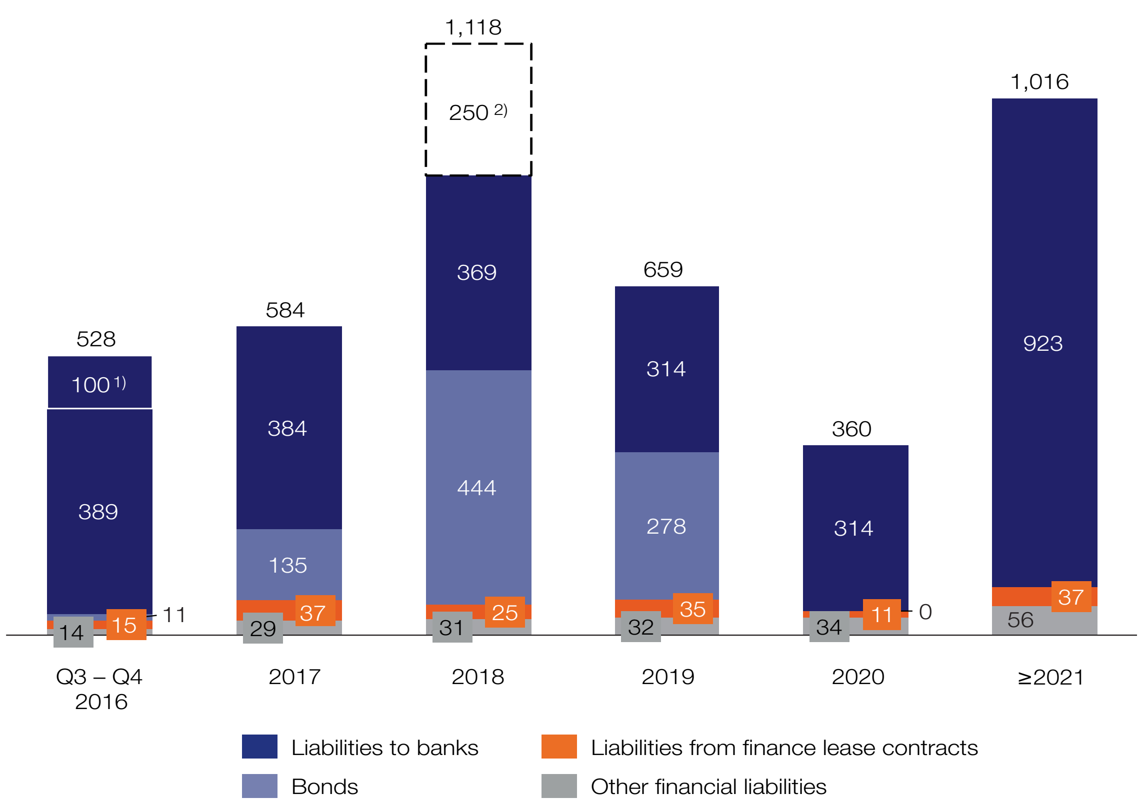
Financing activities resulted in a net cash outflow of USD 131.0 million in the current reporting period (prior year period: USD 191.0 million). Cash inflows from new borrowing in the amount of USD 294.0 million (prior year period: USD 246.6) were more than offset by interest and capital repayments of USD 421.8 million (prior year period: USD 417.5 million). The inflow of cash and cash equivalents was related to the utilisation of credit facilities and new borrowing.

5.2 Financial position

At USD 3,737.4 million, the Group's net debt had increased as at 30 June 2016 from the end of 2015, when it stood at USD 3,631.3 million. This rise was caused in particular by a decline in cash and cash equivalents.

FINANCIAL SOLIDITY			
million USD	**30.06.2015**	31.12.2015	30.06.2015
Cash and cash equivalents	**527.2**	625.0	665.1
Financial debt	**4,264.6**	4,256.3	4,420.2
Net debt	**3,737.4**	**3,631.3**	**3,755.1**
Unused credit lines	**336.6**	423.4	263.1
Liquidity reserve	**863.8**	**1,048.4**	**928.2**
Equity	**5,283.3**	5,496.8	5,234.3
Gearing (net debt/equity) (%)	**70.7%**	**66.1%**	**71.7%**
Equity ratio (%)	**44.4%**	**45.5%**	**43.3%**

Financial debt profile (USD millon)



1) BLADEX financing   2) ABS programme prolongated on 3-years basis

The financial debt of USD 4,264.6 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from finance lease contracts and (4) other financial liabilities.

Liabilities to banks comprise loans to finance the existing fleet of vessels and containers. Furthermore, liabilities to banks include the Ballindamm financing (USD 61 million), the BLADEX financing (USD 100 million) and the ABS programme (USD 250 million).

Hapag-Lloyd has three bonds outstanding: USD 125 million 9.75% Senior Notes due October 2017, EUR 400 million 7.75% Senior Notes due October 2018 and EUR 250 million 7.50% Senior Notes due October 2019.

6. EVENTS AFTER THE BALANCE SHEET DATE

The EU Antitrust Policy, which was initiated in 2011, has been finalised following the ruling of the EU Commission on 7 July 2016. With this ruling, the Commission has accepted the voluntary commitments put forward by the shipping companies, which provide for a new kind of announcement of rate increases. These will come into force from 7 December 2016.

On 18 July 2016, Hapag-Lloyd AG and United Arab Shipping Company (UASC) signed an agreement on the merger of their container shipping activities (business combination agreement). The planned merger with UASC is subject to the approval of the relevant competition authorities. The merger will strengthen Hapag-Lloyd's market position and will enable Hapag-Lloyd to consolidate its current market position as the fifth-largest container liner shipping company in the world. Following the completion of the transaction, Hapag-Lloyd expects to reach a transport capacity of approximately 1.6 million TEU, an annual transport volume of around 10 million TEU and revenue of approximately USD 12 billion, putting it ahead of its nearest competitors.

The merger of the Hapag-Lloyd and UASC container shipping activities brings with it the following advantages:

- Strengthened market position as one of the top 5 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
- Synergies of at least USD 400 million p. a. from 2019 onwards
- Strong partner in THE Alliance

Following a planned capital increase in exchange for contributions in kind, UASC's current primary shareholders, Qatar Holding LLC (QH) and Public Investment Fund Saudi Arabia (PIF), will become additional major shareholders in Hapag-Lloyd AG, with stakes in its share capital of 14.3% (QH) and 10.1% (PIF). The remaining UASC shareholders (Kuwait, Iraq, United Arab Emirates and Bahrain) will hold a combined total of 3.6% of Hapag-Lloyd's shares. CSAV Germany Container Holding GmbH, Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV, City of Hamburg) and Kühne Holding AG together with Kühne Maritime GmbH will continue to be anchor shareholders. A cash capital increase of USD 400 million is planned to take place within six months of the closing of the transaction. Expenditure may arise in 2016 as a result of this transaction and the planned integration of UASC. Based on the present assumptions this expenditure could amount in total to around USD 150 million in total.

On 18 July 2016, Hapag-Lloyd AG has signed a term-sheet with the current financer of the owned property at Ballindamm to top-up the existing credit facility (currently amounting to USD 61 million (EUR 55 million) to up to USD 96 million (EUR 85 million) and to extend the maturity by further ten years until 2026.

On 21 July 2016, Moody's Investors Service issued a new rating statement on Hapag-Lloyd AG maintaining its B2 corporate rating but changed its outlook from “positive” to “stable”.

On 26 July 2016, S&P Global Ratings published a new rating report on Hapag-Lloyd AG. The corporate rating remains at B+. The outlook of „CreditWatch negative“ was maintained.

7. OUTLOOK

The statements made in the “Outlook” section of the Group management report for 2015 generally remain valid as regards the medium-term growth prospects for container shipping. In the medium term, demand for container shipping services should continue to rise in tandem with expected ongoing growth in global trading volume.

Global economic growth remains affected by major uncertainties and is extremely sluggish. In June 2016, the International Monetary Fund (IMF) reduced its economic forecast for the USA for 2016 by 0.2 percentage points to 2.2%. Brazil, which is Latin America’s most important economy, continues to be in recession. In June 2016, the Chinese economy weakened further, as measured by the Purchasing Managers’ Index (PMI). The Chinese government is predicting growth of 6.5% to 7% for 2016. Economic growth in China was 6.9% last year, its slowest rate in 25 years.

According to the investment bank Goldman Sachs, the UK’s decision to leave the EU could push the country into recession and lead to an economic slowdown in the EU.

The IMF’s economic experts cut their forecast for global economic growth in 2016 by 0.1 percentage points (compared to the expectations published in April 2016) to 3.1% in July 2016. According to their predictions, the global trading volume will only increase by 2.7% in 2016 and therefore by 0.4 percentage points lower than was expected in April 2016. IHS Global Insight (July 2016) lowered its anticipated increase in the demand for global container transport services in 2016 to 2.2%. In April 2016, a rise of 3.0% was still being forecast.

According to estimates by MDS Transmodal (July 2016), the total capacity of the global container ship fleet (start of 2016: around 20.9 million TEU) is likely to increase in 2016 by around another 1.2 million TEU, and therefore by up to 5.7%. The current imbalance between supply and demand is impacting adversely on the development of freight rates in all trades and preventing freight rates from rising at the start of the important peak season. This is necessary to enable a sustainable improvement in the earnings of container shipping companies. Container shipping companies generally record their highest transport volumes and highest freight rates in the third quarter of the calendar year. Although the spot market freight rates improved in key trades in July 2016, the increase was below expectations. At present, it remains very uncertain whether the improvement in spot market rates in some portions of trades will lead to a clear improvement in the rate level in the second half of 2016. The Shanghai Containerized Freight Index stood at 753 points on 4 July 2016, which was only slightly higher than in the previous year (745 points) and well below the level recorded at the start of 2016 (837 points).

Given that the third quarter – the peak season – has a major impact on the earnings position, Hapag-Lloyd expects the focus of its earnings development in 2016 to continue to be on the realisation of earnings in the second half of 2016. Mainly in light of the so far inadequate improvement in rates, Hapag-Lloyd has changed its outlook for 2016 with regard to the following points:

Earnings Position	Previous Outlook (Q1 2016)	Revised Outlook
EBITDA (Earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd Group	Increasing moderately	Clearly decreasing
EBIT (Earnings before interest and taxes), Hapag-Lloyd Group	Clearly increasing	Clearly decreasing

The key benchmark figures for the 2016 outlook are contained in the following table:

Key benchmark figures for the 2016 outlook

Global economic growth (IMF)	+3.1%
Increase in global trade (IMF)	+2.7%
Increase in global container transport volume (IHS)	+2.2%
Transport volume, Hapag-Lloyd Group	Slightly increasing
Average bunker consumption price, Hapag-Lloyd Group	Clearly decreasing
Average freight rate, Hapag-Lloyd Group	Clearly decreasing
EBITDA (Earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd Group	Clearly decreasing
EBIT (Earnings before interest and taxes), Hapag-Lloyd Group	Clearly decreasing

The revenue and earnings forecast is based on the assumption of constant exchange rates.

The business development of Hapag-Lloyd could be impacted by far reaching risks. These risks are described in detail in the risk report in the Group management report of the 2015 annual report. The main risks which could cause a deviation of the business development from the changed outlook are the further significant and lasting rise in bunker prices (MFO) and the absence of a rate recovery, or a further significant reduction in freight rates in the second half of 2016.

8. FINANCIAL CALENDAR 2016

26 August 2016	Annual General Meeting
14 November 2016	Investor Report Q3 / 9M 2016

9. DISCLAIMER

This report provides general information about Hapag-Lloyd AG. It consists of summary information based on a calculation of USD figures. It does not purport to be complete and it is not intended to be relied upon as advice to investors.

No representations or warranties, expressed or implied, are made as to, and no reliance should be placed on, the accuracy, fairness or completeness of the information presented or contained in this report.

This report contains forward looking statements within the meaning of the 'safe harbor' provision of the US securities laws. These statements are based on management's current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, market conditions affecting the container shipping industry, intense competition in the markets in which we operate, potential environmental liability and capital costs of compliance with applicable laws, regulations and standards in the markets in which we operate, diverse political, legal, economic and other conditions affecting the markets in which we operate, our ability to successfully integrate business acquisitions and our ability to service our debt requirements). Many of these factors are beyond our control.

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