Q1 | 2017

Hapag-Lloyd AG

Investor Report

1 January to
31 March 2017

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

KEY OPERATING FIGURES		**Q1 2017**	Q1 2016	% change
Total vessels, of which		**172**	175	–2%
own vessels		**74**	69	7%
leased vessels		**3**	3	0%
chartered vessels		**95**	103	–8%
Aggregate capacity of vessels	TTEU	**1,008**	955	5%
Aggregate container capacity	TTEU	**1,583**	1,508	5%
Bunker price (MFO, average for the period) [1]	USD/t	**300**	178	69%
Bunker price (MDO, average for the period) [2]	USD/t	**470**	370	27%
Freight rate (average for the period)	USD/TEU	**1,047**	1,067	–2%
Transport volume	TTEU	**1,934**	1,811	7%
Revenue	million USD	**2,271**	2,124	7%
Transport expenses	million USD	**1,906**	1,756	9%
EBITDA	million USD	**140**	136	3%
EBIT	million USD	**4**	5	–30%
Group profit / loss	million USD	**–66**	–47	40%
Cash flow from operating activities	million USD	**158**	156	1%
Investment in property, plant and equipment	million USD	**122**	105	16%
KEY RETURN FIGURES				
EBITDA margin (EBITDA / revenue)		**6.2%**	6.4%	–0.2 ppt
EBIT margin (EBIT / revenue)		**0.2%**	0.2%	0.0 ppt
KEY BALANCE SHEET FIGURES AS AT 31 MARCH [3]				
Balance sheet total	million USD	**11,969**	11,965	0%
Equity	million USD	**5,277**	5,342	–1%
Equity ratio (equity / balance sheet total)		**44.1%**	44.6%	–0.5 ppt
Borrowed capital	million USD	**6,693**	6,624	1%
KEY FINANCIAL FIGURES AS AT 31 MARCH [3]				
Financial debt	million USD	**4,434**	4,415	0%
Cash and cash equivalents	million USD	**555**	602	–8%
Net debt (financial debt – cash and cash equivalents) [4]	million USD	**3,833**	3,793	1%
Gearing (net debt / equity)		**72.6%**	71.0%	1.6 ppt
Liquidity reserve		**905**	802	13%
NUMBER OF EMPLOYEES AS AT 31 MARCH				
Employees at sea		**1,381**	1,483	–7%
Employees on land		**8,032**	7,929	1%
HAPAG-LLOYD TOTAL		**9,413**	9,412	0%

[1] MFO = Marine Fuel Oil
[2] MDO = Marine Diesel Oil
[3] The comparison refers to the balance sheet date 31.12.2016
[4] incl. Restricted Cash booked as other assets: USD 45.3 million as of 31.03.2017, USD 19.7 million as of 31.12.2016

This report was published on 12 May 2017.

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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 Q1 2017, please find below the respective exchange rates:

- Values for Q1 2016 have been converted at the respective Q1 2016 exchange rates
- Values for Q1 2017 have been converted at the respective Q1 2017 exchange rates
- Values for Q4 2016 have been calculated by subtracting the 9M 2016 figures from the FY 2016 figures
- 9M 2016 figures have been converted at the respective 9M 2016 exchange rates
- FY 2016 figures have been converted at the respective FY 2016 exchange rates

EXCHANGE RATES

	Closing rate			Average rate			
per EUR	**31.03.2017**	31.12.2016	31.03.2016	**Q1 2017**	FY 2016	9M 2016	Q1 2016
US dollars	**1.0681**	1.0560	1.1377	**1.0651**	1.1049	1.1138	1.1030

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 12 May 2017.

1. HIGHLIGHTS

- Closing of the transaction between Hapag-Lloyd and UASC is expected to take place until the end of May 2017
  - The Combined Entity will benefit from a balanced trade portfolio, young and fuel-efficient fleet and USD 435 m cost synergies from 2019 onwards
  - A cash capital increase, backstopped by certain core shareholders, in an amount of USD 400 million equivalent is to be effected within six months after closing
- Transport volume increased by solid 6.8% in the first quarter of 2017 to 1,934 TTEU, especially driven by growth on Intra-Asia and Transpacific trades. In preparation of the integration of UASC, the trade breakdown has been restructured and a new trade Middle East has been added. The assignment of individual services and historic figures have been amended accordingly
- Bunker prices have increased significantly – MFO price was with USD 300/t up by 69% in the first quarter of 2017 as compared to the prior year period, whereas MDO price increased by 27% to USD 470/t
- Trend of slightly increasing freight rates continued throughout the first quarter with freight rates at USD 1,047/TEU in the first three months of 2017
- Revenue increased by solid 6.9% as compared to the prior year period to USD 2,270.9 million (Q1 2016: USD 2,124.0 million)
- Transport expenses remained basically stable on the prior year's period level with USD 985/TEU (Q1 2016: USD 970/TEU), despite the sharp increase in bunker prices (+69%, USD 59.2 million). Cost of purchased services were reduced by 5% (USD –43.6 million) as compared to the prior year period. The planned efficiency improvements associated with the CUATRO and OCTAVE projects were implemented in full in the first quarter of 2017
- Hapag-Lloyd recorded a clearly positive EBITDA of USD 139.8 million in the first quarter of 2017 (Q1 2016: USD 136.1 million), the corresponding EBITDA margin stood at 6.2%. The operating result (EBIT) was at USD 3.7 million (Q1 2016: USD 5.3 million)

2. SECTOR-SPECIFIC 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), WORLD TRADING VOLUME AND GLOBAL CONTAINER TRANSPORT VOLUME

in %	2015	**2016**	2017e	2018e
Global economic growth	3.4	**3.1**	3.5	3.6
World trading volume (goods and services)	2.7	**2.2**	3.8	3.9
Global container transport volume	1.1	**2.5**	3.7	4.9

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.

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 (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 8 container ships with a transport capacity of 15,300 TEU (FY 2016: Capacity of 0.2 million TEU (Clarksons Research, April 2017).

GLOBAL CAPACITY DEVELOPMENT [1)]

in %	2015	**2016e**	2017e	2018e
Scheduled capacity growth	11	**6**	8	8
Capacity measures				
Delayed deliveries	2	**0**	1	1
Scrappings	1	**3**	3	2
Net capacity growth	8	**2**	4	5

[1)] Based on current orderbook and predictions for scrappings and postponed deliveries
Source: Drewry Container Forecaster Q1 2017

Based on figures from MDS Transmodal, a total of 37 container ships with a 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 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 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).

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.

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

STRUCTURE OF HAPAG-LLOYD'S VESSEL AND CONTAINER FLEET [1)]

	31.03.2017	31.12.2016	31.03.2016
Number of vessels	**172**	166	175
Aggregate capacity of vessels (TTEU)	**1,008**	963	955
thereof			
Number of own vessels	**74**	72	69
Aggregate capacity of own vessels (TTEU)	**561**	540	515
Number of leased vessels	**3**	3	3
Aggregate capacity of leased vessels (TTEU)	**12**	12	12
Number of chartered vessels	**95**	91	103
Aggregate capacity of chartered vessels (TTEU)	**434**	411	428
Aggregate container capacity (TTEU)	**1,583**	**1,576**	**1,508**
Number of services	**118**	**128**	**122**

[1)] 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.

As at 31 March 2017, Hapag-Lloyd's fleet comprised a total of 172 container ships. 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 (31 March 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 was 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). 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).

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.

4. GROUP EARNINGS POSITION

4.1 Freight rate per trade

The average freight rate in the first quarter 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. Announced freight rate increases were implemented 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. However, competition remained intense and dampened the overall freight rate performance.

FREIGHT RATE PER TRADE[1)]

USD/TEU	Q1 2017	Q4 2016	Q1 2016	QoQ % change	YoY % change
Atlantic	**1,293**	1,319	1,382	–2%	–6%
Transpacific	**1,218**	1,180	1,351	3%	–10%
Far East	**897**	803	793	12%	13%
Middle East	**791**	744	701	6%	13%
Latin America	**1,017**	1,025	961	–1%	6%
Intra Asia	**539**	550	578	–2%	–7%
EMAO (Europe–Mediterranean–Africa–Oceania)	**1,009**	1,011	1,079	0%	–6%
Total (weighted average)	**1,047**	**1,033**	**1,067**	**1%**	**–2%**

[1)] In preparation of the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

4.2 Transport volume per trade

Hapag-Lloyd transported 1,934 TTEU in the first three months of the financial year 2017. This marked a 6.8% increase in the transport volume compared with the prior year period.

TRANSPORT VOLUME PER TRADE[1)]

TTEU	Q1 2017	Q4 2016	Q1 2016	QoQ % change	YoY % change
Atlantic	**389**	375	376	4%	3%
Transpacific	**386**	402	347	–4%	11%
Far East	**215**	212	211	1%	2%
Middle East	**123**	118	109	4%	13%
Latin America	**552**	575	536	–4%	3%
Intra Asia	**152**	158	130	–4%	17%
EMAO (Europe–Mediterranean–Africa–Oceania)	**117**	109	102	7%	15%
Total	**1,934**	**1,949**	**1,811**	**–1%**	**6.8%**

[1)] In preparation of the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

4.3 Revenue per trade

Revenue grew by a total of USD 146.9 million in the first quarter, taking it to USD 2,270.9 million (prior year period: USD 2,124.0 million). This was attributable to the higher transport volume.

REVENUE PER TRADE[1)]

million USD	Q1 2017	Q4 2016	Q1 2016	QoQ % change	YoY % change
Atlantic	**503.4**	493.8	520.8	2%	–3%
Transpacific	**470.4**	475.6	468.1	–1%	0%
Far East	**192.6**	170.1	167.2	13%	15%
Middle East	**97.6**	87.7	76.1	11%	28%
Latin America	**560.8**	589.3	514.6	–5%	9%
Intra Asia	**82.1**	87.2	75.4	–6%	9%
EMAO (Europe–Mediterranean–Africa–Oceania)	**117.7**	110.3	110.5	7%	7%
Other	**246.3**	167.5	191.3	47%	29%
Total	**2,270.9**	**2,181.5**	**2,124.0**	**4%**	**6.9%**

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

4.4 Consolidated income statement

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, the clear increase in the transport volume compared with the first quarter of the previous year made a positive contribution to earnings. The planned efficiency improvements associated with the CUATRO and OCTAVE projects were implemented in full in the first quarter of 2017. Overall, Hapag-Lloyd recorded a Group loss after taxes of USD 66.1 million in the first quarter of 2017 (prior year period: USD –47.2 million).

CONSOLIDATED INCOME STATEMENT					
million USD	**Q1 2017**	Q4 2016	Q1 2016	QoQ % change	YoY % change
Revenue	**2,270.9**	**2,181.5**	**2,124.0**	**4%**	**7%**
Other operating income	**28.0**	6.6	24.8	324%	13%
Transport expenses	**–1,905.6**	–1,716.6	–1,756.0	11%	9%
Personnel expenses	**–157.0**	–127.5	–156.3	23%	0%
Depreciation, amortisation and impairment	**–136.1**	–135.6	–130.8	0%	4%
Other operating expenses	**–104.6**	–102.1	–106.8	2%	–2%
Operating result	**–4.4**	**106.3**	**–1.1**	**–104%**	**–300%**
Share of profit of equity-accounted investees	**8.1**	8.2	6.4	–1%	27%
Other financial result	**0.0**	–3.6	0.0	n.m.	n.m.
Earnings before interest and tax (EBIT)	**3.7**	**110.9**	**5.3**	**–97%**	**–30%**
Interest result	**–65.7**	–59.3	–47.5	11%	38%
Income taxes	**–4.1**	–5.4	–5.0	–24%	–18%
Group profit/loss	**–66.1**	**46.2**	**–47.2**	**–243%**	**–40%**

Changes in the US dollar/Euro exchange rate caused periodic-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 USD 1.0 million in the first quarter of 2017 (prior year period: exchange rate loss of USD 3.1 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).

Depreciation and amortisation came to USD 136.1 million in the first quarter of 2017 (prior year period: USD 130.8 million). The year-on-year increase in depreciation and amortisation was primarily due to scheduled depreciation for the acquired newly built ships.

4.5 Transport expenses

Transport expenses rose by USD 149.6 million in the first three months of 2017 to USD 1,905.6 million (prior year period: USD 1,756.0 million). This represents an increase of 8.5%. This development was particularly attributable to an increase of USD 124.9 million (80.7%) in expenses for raw materials, supplies and purchased 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 USD 24.7 million (1.5%). This was mainly due to a 6.8% rise in the transport volume.

TRANSPORT EXPENSES

million USD	Q1 2017	Q4 2016	Q1 2016	QoQ % change	YoY % change
Expenses for raw materials and supplies	**279.6**	228.7	154.7	22%	81%
Cost of purchased services	**1,626.0**	1,487.9	1,601.3	9%	2%
thereof					
Port, canal and terminal costs[1]	**765.1**	720.0	718.4	6%	6%
Chartering, leases and container rentals[1]	**258.3**	209.2	311.3	23%	−17%
Container transport costs	**539.3**	529.9	507.5	2%	6%
Maintenance/repair/other	**63.3**	28.8	64.1	120%	−1%
Transport expenses	**1,905.6**	**1,716.6**	**1,756.0**	**11%**	**9%**

[1] Within the Cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals for the year 2016.

Transport expenses per unit increased by USD 15.6/TEU to USD 985.2/TEU in the first quarter of 2017 as compared to the prior year period. The increase results from an increase in expenses for raw materials and supplies (increase of USD 59.2/TEU, +69.3% as compared to the prior year period), which was only partly offset by savings in cost of purchased services (decrease of USD 43.6/TEU, –4.9% as compared to the prior year period). The decrease in cost of purchased services is mainly explained by the full implementation of our cost-cutting measures.

TRANSPORT EXPENSES PER TEU

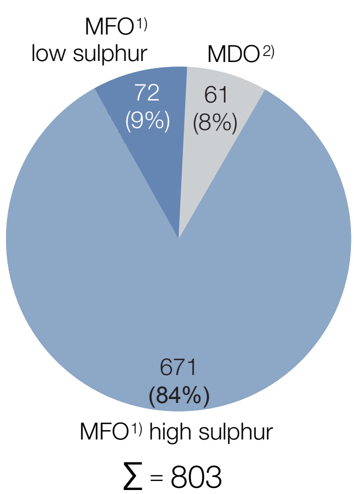
USD/TEU	Q1 2017	Q4 2016	Q1 2016	QoQ % change	YoY % change
Expenses for raw materials and supplies	**144.6**	117.3	85.4	23%	69%
Cost of purchased services	**840.6**	763.3	884.2	10%	−5%
thereof					
Port, canal and terminal costs[1]	**395.6**	369.3	396.7	7%	0%
Chartering, leases and container rentals[1]	**133.5**	107.3	171.9	24%	−22%
Container transport costs	**278.8**	271.9	280.2	3%	0%
Maintenance/repair/other	**32.7**	14.8	35.4	121%	−8%
Transport expenses	**985.2**	**880.5**	**969.6**	**12%**	**2%**

[1] Within the Cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals for the year 2016.

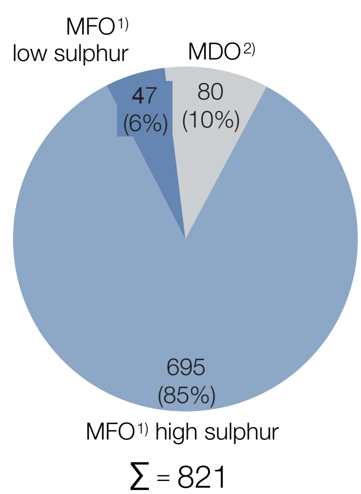
Bunker consumption development

Bunker consumption in Q1 2017 totalled approximately 803,000 metric tonnes in the first three months of 2017 (Q1 2016: 821,000 metric tonnes). 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 tonnes (Q1 2016: 3.42 metric tonnes). As a result of the increased transport volume, the bunker consumption per TEU declined by 8.4% to 0.43 metric tonnes.

Q1 2017 [k mt]



Q1 2016 [k mt]



1) MFO = Marine Fuel Oil; 2) MDO = Marine Diesel Oil

4.6 Earnings position

The Group's earnings before interest and taxes (EBIT) amounted to USD 3.7 million in the reporting period. They were therefore almost on par with the corresponding figure in the prior year period (USD 5.3 million). The Group's earnings before interest, taxes, depreciation and amortization (EBITDA) came in at USD 139.8 million for the first three months of 2017 financial year (prior year period: USD 136.1 million).

EBIT AND EBITDA MARGIN

million USD	**Q1 2017**	Q4 2016	Q1 2016	QoQ % change	YoY % change
Revenue	**2,270.9**	2,181.5	2,124.0	4%	7%
EBIT	**3.7**	110.9	5.3	−97%	−30%
EBITDA	**139.8**	246.5	136.1	−43%	3%
EBIT margin	**0.2%**	5.1%	0.2%	−4.9 ppt	0.0 ppt
EBITDA margin	**6.2%**	11.3%	6.4%	−5.1 ppt	−0.2 ppt

5. GROUP NET ASSET POSITION

GROUP NET ASSET POSITION			
million USD	**31.03.2017**	31.12.2016	31.03.2016
Assets			
Non-current assets	**10,289.2**	10,267.4	10,371.2
of which fixed assets	**10,180.7**	10,183.3	10,299.4
Current assets	**1,679.9**	1,698.0	1,605.2
of which cash and cash equivalents	**555.2**	602.1	518.8
Total assets	**11,969.1**	11,965.4	11,976.4
Equity and liabilities			
Equity	**5,276.5**	5,341.7	5,423.9
Borrowed capital	**6,692.6**	6,623.7	6,552.5
of which non-current liabilities	**4,144.1**	3,836.7	3,903.8
of which current liabilities	**2,548.5**	2,787.0	2,648.7
of which financial debt	**4,433.6**	4,414.9	4,207.0
thereof			
Non-current financial debt	**3,759.4**	3,448.4	3,497.7
Current financial debt	**674.2**	966.5	709.3
Total equity and liabilites	**11,969.1**	11,965.4	11,976.4

As at 31 March 2017, the Group's balance sheet total was USD 11,969.1 million and was thereby rather stable (31 December 2016: USD 11,965.4 million).

As at 31 March 2017, the consolidated total assets increased by USD 3.7 million to USD 11,969.1 million, whereby non-current assets increased by USD 21.8 million and current assets sank by USD 18.1 million.

The non-current assets increased slightly due to investments mainly in ships and were partly offset by the scheduled amortization.

The decrease in current assets compared with year-end 2016 resulted largely from lower cash and cash equivalents which came in at USD 555.2 million as at 31 March 2017 (31 December 2016: USD 602.1 million).

Equity (including non-controlling interests) declined by USD 65.2 million to USD 5,276.5 million. This decrease is mainly due to the Group loss of USD 66.1 million. The equity ratio was at 44.1% as at 31 March 2017 (31 December 2016: 44.6%).

The Group's borrowed capital rose by USD 68.9 million. This increase was mainly due to the issuance of bond and debt intakes for new ships and container financings and was partly offset by repayments.

6. GROUP FINANCIAL POSITION

6.1 Developments in cash and cash equivalents

DEVELOPMENT OF LIQUIDITY RESERVE		
million USD	**Q1 2017**	Q1 2016
Cash and cash equivalents beginning of the period	**602.1**	625.0
Unused credit lines beginning of the period	**200.0**	423.4
Liquidity reserve beginning of the period	**802.1**	**1,048.4**
EBITDA	**139.8**	136.1
Working capital	**17.2**	23.0
Others	**0.6**	–3.4
Operating cash flow	**157.7**	**155.7**
Investments	**–121.6**	–122.0
thereof vessel	**–118.5**	–100.3
thereof container	**0.0**	–17.3
thereof other	**–3.1**	–4.4
Disinvestments	**1.7**	2.9
Dividends received	**0.1**	0.1
Investing cash flow	**–119.8**	**–119.0**
Payments made from changes in ownership interests	**0.0**	0.0
Debt intake	**674.7**	135.6
Debt repayment	**–667.3**	–229.4
Dividends paid	**–0.9**	–2.3
Interest	**–65.7**	–46.9
Payments made from hedges for financial debts	**0.0**	0.0
Change in restricted cash	**–25.6**	0.0
Financing cash flow	**–84.8**	**–143.0**
Changes due to exchange rate fluctuations	**0.0**	0.1
Liquidity reserve end of the period	**905.2**	**903.8**
Cash and cash equivalents end of the period	**555.2**	518.8
Unused credit lines end of the period	**350.0**	385.0

Cash flow from operating activities

Hapag-Lloyd generated an operating cash of flow of USD 157.7 million in the first three months of the 2017 financial year (prior year period: USD 155.7 million).

Cash flow from investing activities

The cash outflow from investing activities amounted to USD 119.8 million in the first quarter of 2017 (prior year period: USD 119.0 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 USD 84.8 million in the current reporting period (prior year period: USD 143.0 million). Cash inflows from new borrowing the amount of USD 674.7 million (prior year period: USD 135.6 million) were offset by interest and capital repayments of USD 733.0 million (prior year period: USD 276.3 million). In February 2017, Hapag-Lloyd issued a euro bond totaling EUR 450.0 million in two tranches. Further cash inflows included vessel and container financing arrangements. The cash inflow 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 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 as well as repayments for vessel financings.

6.2 Financial position

At USD 3,833.1 million, the Group's net debt had increased as at 31 March 2017 from the end of 2016, when it stood at USD 3,793.1 million. This rise was caused in particular by a reduction in cash and cash equivalents.

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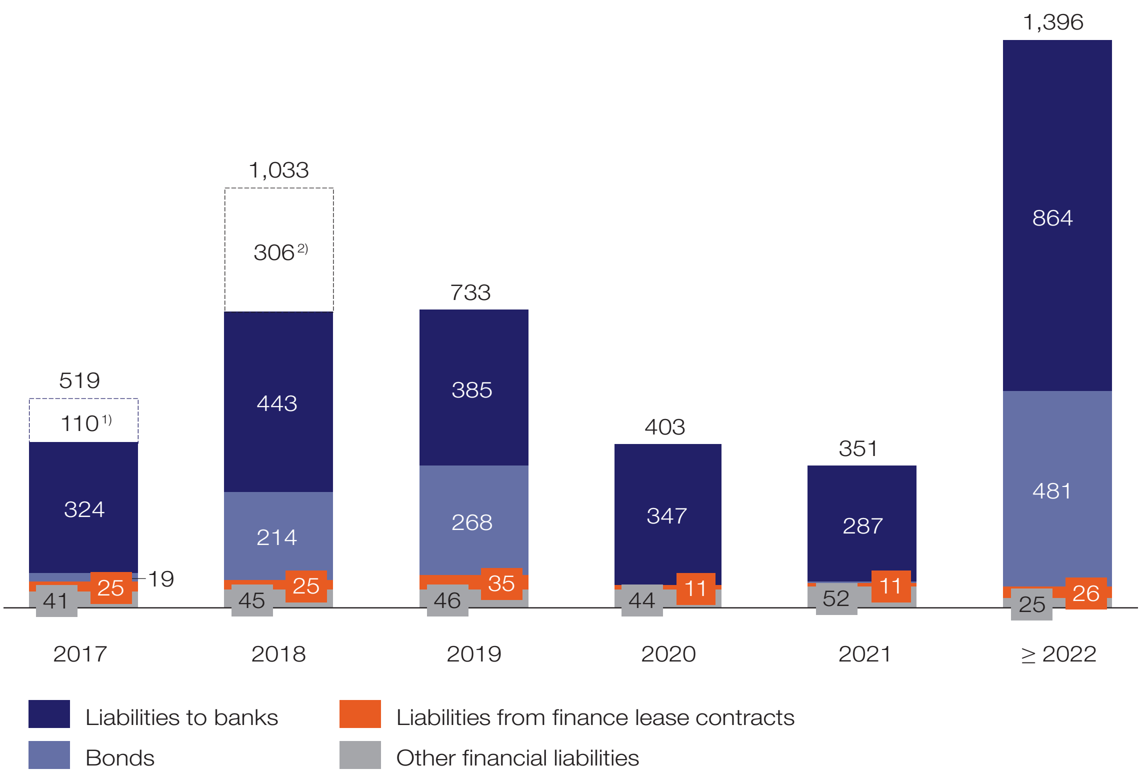
million USD	31.03.2017	31.12.2016	31.03.2016
Cash and cash equivalents	**555.2**	602.1	518.8
Restricted Cash	**45.3**	19.7	0.0
Financial debt	**4,433.6**	4,414.9	4,207.0
Net debt	**3,833.1**	**3,793.1**	**3,688.2**
Unused credit lines	**350.0**	200.0	385.0
Liquidity reserve	**905.2**	**802.1**	**903.8**
Equity	**5,276.5**	5,341.7	5,423.9
Gearing (net debt/equity) (%)	**72.6%**	**71.0%**	**68.0%**
Equity ratio (%)	**44.1%**	**44.6%**	**45.3%**

Financial debt profile (USD millon)



[1] Revolving credit lines with initial duration until 2018 [3] ABS programme prolongated on 3-year basis

The financial debt of USD 4,433.6 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 includes a revolving credit line (USD 110 million) and the ABS programme (USD 306 million).

Hapag-Lloyd had three bonds outstanding as per 31 March 2017: EUR 200 million 7.75% Senior Notes due October 2018, EUR 250 million 7.50% Senior Notes due October 2019 and EUR 450 million 6.75% Senior Notes due February 2022.

7. 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 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 USD 74.5 million was also utilised.

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

On 27 April 2017, S&P has updated its rating report on Hapag-Lloyd. The current rating “B+/CreditWatch Negative” was affirmed.

8. 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 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.

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 Group	Increasing moderately
Average bunker consumption price, Hapag-Lloyd Group	Increasing clearly
Average freight rate, Hapag-Lloyd Group	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. 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 business 2017 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 the business 2017 of 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. Following the closing 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.

Significant risks which could negatively affect the business development in 2017 are, besides general macro-economic and sector-specific risks described in the risk report in the Group management report of the 2016 annual report, the economic and accounting effects of the intended merger with UASC.

9. FINANCIAL CALENDAR 2017

29 May 2017	Annual General Meeting 2017
10 August 2017	Publication of the financial report for the first half of 2017
14 November 2017	Publication of the financial report for the third quarter of 2017

10. 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.

This report is intended to provide a general overview of Hapag-Lloyd's business and does not purport to deal with all aspects and details regarding Hapag-Lloyd. Accordingly, neither Hapag-Lloyd nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, expressed or implied, as to, and accordingly no reliance should be placed on, the fairness, accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither Hapag-Lloyd nor any of its directors, officers, employees or advisors nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

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IMPRINT

Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg

Investor Relations
Phone: +49 40 3001-2896
Fax: +49 40 3001-72896
Email: IR@hlag.com

https://www.hapag-lloyd.com/en/ir.html