Q3 | 9M 2016

Hapag-Lloyd AG

Investor Report

1 January to 30 September 2016

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

KEY OPERATING FIGURES[1]		**Q3 2016**	Q3 2015	**9M 2016**	9M 2015	% Change
Total vessels, of which		**166**	175	**166**	175	−5%
own vessels		**70**	68	**70**	68	3%
leased vessels		**3**	3	**3**	3	0%
chartered vessels		**93**	104	**93**	104	−11%
Aggregate capacity of vessels	TTEU	**953**	946	**953**	946	1%
Aggregate container capacity	TTEU	**1,531**	1,613	**1,531**	1,613	−5%
Bunker price (MFO, average for the period)[2]	USD/t	**224**	306	**195**	333	−41%
Bunker price (MDO, average for the period)[3]	USD/t	**393**	536	**379**	561	−32%
Freight rate (average for the period)	USD/TEU	**1,027**	1,189	**1,037**	1,260	−18%
Transport volume	TTEU	**1,947**	1,861	**5,650**	5,579	1.3%
Revenue	million USD	**2,152**	2,376	**6,364**	7,589	−16%
Transport expenses	million USD	**1,754**	1,966	**5,315**	6,200	−14%
EBITDA	million USD	**206**	219	**425**	770	−45%
EBIT	million USD	**73**	90	**29**	389	−93%
Group profit/loss	million USD	**9**	3	**−149**	179	n.m.
Cash flow from operating activities	million USD	**28**	178	**254**	540	−53%
Investment in property, plant and equipment	million USD	**44**	289	**264**	791	−67%
KEY RETURN FIGURES[1]						
EBITDA margin (EBITDA/revenue)		**9.6%**	9.2%	**6.7%**	10.1%	−3.4 ppt
EBIT margin (EBIT/revenue)		**3.4%**	3.8%	**0.5%**	5.1%	−4.6 ppt
KEY BALANCE SHEET FIGURES AS AT 30 SEPTEMBER[4]						
Balance sheet total	million USD	**11,827**	12,069	**11,827**	12,069	−2%
Equity	million USD	**5,280**	5,497	**5,280**	5,497	−4%
Equity ratio (equity/balance sheet total)		**44.6%**	45.5%	**44.6%**	45.5%	−0.9 ppt
Borrowed capital	million USD	**6,547**	6,572	**6,547**	6,572	0%
KEY FINANCIAL FIGURES AS AT 30 SEPTEMBER[4]						
Financial debt	million USD	**4,361**	4,256	**4,361**	4,256	2%
Cash and cash equivalents	million USD	**549**	625	**549**	625	−12%
Net debt (financial debt – cash and cash equivalents)	million USD	**3,812**	3,631	**3,812**	3,631	5%
Gearing (net debt/equity)		**72.2%**	66.1%	**72.2%**	66.1%	6.1 ppt
Liquidity reserve		**624**	1,048	**624**	1,048	−40%
NUMBER OF EMPLOYEES AS AT 30 SEPTEMBER						
Employees at sea		**1,516**	1,539	**1,516**	1,539	−1%
Employees on land		**7,881**	7,961	**7,881**	7,961	−1%
HAPAG-LLOYD TOTAL		**9,397**	9,500	**9,397**	9,500	−1%

[1]) The comparison of figures refers to the prior year period 1.1.-30.9.2015
[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 14 November 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 9M 2016, please find below the respective exchange rates:

- Values for Q3 2016 have been calculated by subtracting the H1 2016 figures from the 9M 2016 figures
- Values for H1 2016 have been converted at the respective H1 2016 exchange rates
- Values for 9M 2016 have been converted at the respective 9M 2016 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 Q3 2015 have been calculated by subtracting the H1 2015 figures from the 9M 2015 figures
- Values for H1 2015 have been converted at the respective H1 2015 exchange rates
- Values for 9M 2015 have been converted at the respective 9M 2015 exchange rates

EXCHANGE RATES

	Closing rate			Average rate			
per EUR	**30.09.2016**	30.06.2016	30.09.2015	**9M 2016**	H1 2016	9M 2015	H1 2015
US dollars	**1.1165**	1.1146	1.1215	**1.1138**	1.1127	1.1151	1.1166

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 14 November 2016.

1. HIGHLIGHTS

- The Hapag-Lloyd Annual General Meeting took place on 26 August 2016 in Hamburg. Shareholders voted overwhelmingly in favor for a new authorized capital to issue up to 50 million new shares for the completion of the UASC transaction
  - Once the planned capital increase has been effected 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)
  - Compañía Sudamericana de Vapores (CSAV), Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV, City of Hamburg) and Kühne Maritime GmbH will continue to be anchor shareholders
  - A cash capital increase of USD 400 million is to be effected within six months of completion of the merger backstopped by certain core shareholders
- Transport volume increased slightly by 1.3% year-on-year to 5,650 TTEU (9M 2015: 5,579 TTEU)
- Slower growth, existing overcapacities and intense competition were the main reasons for an 18% decline in freight rates to USD 1,037/TEU in the first nine months of the 2016 financial year as compared to the prior year period. As a result, freight rates could not be increased as announced. The average Q3 2016 freight rate declined by 14% as compared to Q2 2016 level
- Caused by the decrease in average freight rate, revenue decreased by USD 1.2 billion year-on-year in the first nine months of 2016 to USD 6,364 million (9M 2015: USD 7,589 million)
- Hapag-Lloyd is continuously improving its cost structure – Unit transport expenses decreased significantly by 15% year-on-year to USD 941/TEU in the first nine months of 2016 as a result of cost saving and synergy programs as well as a decline in bunker consumption and bunker prices (–45%) on a year-on-year basis
- In the first nine months of 2016, Hapag-Lloyd recorded a clearly positive EBITDA of USD 424.6 million (9M 2015: USD 770.1 million) – the EBITDA margin was 6.7%. EBIT was at USD 28.8 million (9M 2015: USD 388.7 million)

2. SECTOR-SPECIFIC CONDITIONS

The International Monetary Fund's (IMF) economic experts are still anticipating global economic growth of 3.1% this year, in spite of the forecast downturn in growth in the USA. The IMF predicts an increase of 3.4% in global growth in 2017 (World Economic Outlook, October 2016). As such, the growth forecast for 2017 likewise remains unchanged from the figure anticipated in July 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 2.3% in the current year. In July 2016, the IMF was still predicting a rise of 2.7%. Growth of 3.8% 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	3.2	**3.1**	3.4
World trading volume (goods and services)	3.7	2.6	**2.3**	3.8
Global container transport volume	4.3	1.4	**2.6**	4.2

Source: IMF, IHS Global Insight

Based on current forecasts, the growth in global cargo volumes could reach up to 4.2% in 2017. Accordingly, global container shipping volumes could again increase in line with 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 approximately 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, October 2016). Based on the container ships on order and planned deliveries, the nominal capacity of the global container vessel fleet could increase by around 1.3 million TEU in 2016 and around 1.5 million TEU in 2017. The tonnage of the commissioned container ships (approximately 3.5 million TEU) is equivalent to around 17% of the present global container fleet's capacity (21.2 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 September 2016, orders were placed for the construction of 63 container ships with a transport capacity of 176,938 TEU (9M 2015: 196 ships, capacity of 1.95 million TEU; MDS Transmodal October 2016).

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	**3**	2
Actual increase in capacity	5	8	**2**	4

[1] Based on current orderbook and predictions for scrappings and postponed deliveries
Source: Drewry, MDS Transmodal, Clarksons

Based on figures from MDS Transmodal, a total of 99 container ships with a transport capacity of approximately 712,175 TEU were placed into service in the first nine months of 2016, which was a significant decrease on the previous year (9M 2015: 156 ships with a transport capacity of approximately 1.3 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 the use of slow steaming (reducing the speed at which services operate).

According to data provided by the information platform Clarkson Research (October 2016), the scrapping of inefficient ships in the first nine months of 2016 equated to 446,000 TEU, which was already more than the total for 2015 (193,000 TEU). For 2016, Clarksons expects scrappings to increase to approximately 611,000 TEU and thereby topping the previous record of about 425,000 TEU in 2013.

With pressure on freight rates continuing, the capacity level of idle ships has risen sharply in recent quarters and totalled approximately 1.6 million TEU at as October 2016 (Alphaliner, October 2016), or around 7.3% of the overall capacity of the global container fleet. The idle capacity was therefore higher than the figure of approximately 935,000 TEU recorded at the end of September 2015 as well as the previous record levels of 1.48 million TEU in 2010 and 2016. The majority of idle ships have a tonnage of up to 5,100 TEU of which a large number belongs to the inefficient Panamax Class. Furthermore, the idle fleet includes a number of ships once operated by the Korean shipping company Hanjin with a total transport capacity of more than 150,000 TEU.

Insolvency of the world's seventh-largest container liner shipping company, Hanjin Shipping

The sharp decline in freight rates exacerbated the dissatisfactory earnings situation of the majority of container shipping companies in the first half of 2016. With the exception of the Asian shipping company Wan Hai, which only operates regionally, all of the top fifteen container shipping companies reported negative operating margins for the first six months of 2016.

On 31 August 2016, the Korean shipping company Hanjin Shipping filed for insolvency in accordance with Korean and US regulations. Hanjin operated 100 container ships and had a transport capacity of approximately 617,000 TEU. Hanjin was the seventh-largest container liner shipping company in the world in terms of transport capacity and had a market share of around 3%. Hanjin was a member of the CKYHE Alliance. Its transport volume in the first six months of 2016 totalled approximately 2.3 million TEU. Hanjin was primarily active in the Asia–Europe trade (market share of approximately 4.9%), the Transpacific trade (market share of 6.7%) and the Intra-Asia trade. The interruption of Hanjin's services has resulted in some considerable increases in spot market freight rates, in particular in the Far East and Transpacific trades. The sharp increase of the idle fleet and the redelivery of Hanjin ships to its commercial owners has depressed the market value of container vessels in recent months 2016 and furthermore could have a negative impact on the loan-to-value clauses in the financing arrangements.

Announced merger of the Japanese container shipping companies

On October 31 2016, the Japanese shipping companies, Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines Ltd., and Nippon Yusen Kabushiki Kaisha, have published their intention to establish a new joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies. Subject to regulatory approval and the approval by shareholders this would create the sixth largest global container shipping company with a transport capacity of about 1.4 million TEU. The new company is expected to start its operations on April 1 2018.

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

STRUCTURE OF HAPAG-LLOYD'S VESSEL AND CONTAINER FLEET*

	30.09.2016	30.06.2016	30.09.2015
Number of vessels	**166**	170	175
Aggregate capacity of vessels (TTEU)	**953**	952	946
thereof			
Number of own vessels	**70**	70	68
Aggregate capacity of own vessels (TTEU)	**519**	519	512
Number of leased vessels	**3**	3	3
Aggregate capacity of leased vessels (TTEU)	**12**	12	12
Number of chartered vessels	**93**	97	104
Aggregate capacity of chartered vessels (TTEU)	**422**	421	422
Aggregate container capacity (TTEU)	**1,531**	**1,513**	**1,613**
Number of services	**125**	**128**	**122**

*As at 30 September 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 table.

As at 30 September 2016, Hapag-Lloyd's fleet comprised a total of 166 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 952,802 TEU. Based on the TEU capacities, around 56% of the fleet was owned by the Group as at 30 September 2016 (9M 2015: approximately 55%). The average age of the ships (capacity-weighted) was 8.0 years. The average ship size within the Hapag-Lloyd Group fleet was 5,740 TEU, which is 5.0% above the comparable average figure for the ten largest container liner shipping companies and around 71% above the average ship size in the global fleet. Hapag-Lloyd also owned or rented 938,399 containers with a capacity of 1,531,074 TEU for shipping cargo. Around 43% of containers (capacity-weighted) were owned by the Group as at 30 September 2016 (9M 2015: around 40%).

Hapag-Lloyd's order book as at 30 September 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. One of these ships was put into service already in November. A further 10,500 TEU ship will follow in December 2016, with the remaining three due to be delivered to Hapag-Lloyd by April 2017.

4. GROUP EARNINGS POSITION

4.1 Freight rate per trade

The average freight rate in the first nine month of 2016 was USD 1,037/TEU, which was USD 223/TEU (18%) down on the prior year period (USD 1,260/TEU). The main reason for the decline were the persistently difficult market environment, with continuing pressure on freight rates, and the lower bunker price compared with the prior year period. Freight rates could not be increased as announced as a result of the continued intensive competition caused by overcapacity as well as slow growth in demand felt in all trades.

FREIGHT RATE PER TRADE

USD/TEU	Q3 2016	Q2 2016	Q3 2015	QoQ % change	YoY % change	9M 2016	9M 2015	% change
Atlantic	**1,333**	1,319	1,526	1%	–13%	**1,344**	1,512	–11%
Transpacific	**1,147**	1,223	1,548	–6%	–26%	**1,237**	1,647	–25%
Far East	**757**	723	876	5%	–14%	**754**	977	–23%
Latin America	**1,047**	965	1,025	8%	2%	**992**	1,157	–14%
Intra Asia	**515**	548	635	–6%	–19%	**538**	684	–21%
EMAO (Europe–Mediterranean–Africa–Oceania)	**1,058**	1,064	1,226	–1%	–14%	**1,067**	1,238	–14%
Total (weighted average)	**1,027**	**1,019**	**1,189**	**1%**	**–14%**	**1,037**	**1,260**	**–18%**

4.2 Transport volume per trade

The transport volume increased year-on-year in the first nine months of the 2016 financial year, from 5,579 TEU to 5,650 TTEU, which was a rise of 1.3%.

TRANSPORT VOLUME PER TRADE

TTEU	Q3 2016	Q2 2016	Q3 2015	QoQ % change	YoY % change	9M 2016	9M 2015	% change
Atlantic	**385**	398	398	–3%	–3%	**1,159**	1,173	–1%
Transpacific	**379**	365	363	4%	4%	**1,091**	1,043	5%
Far East	**319**	302	320	6%	0%	**927**	976	–5%
Latin America	**586**	551	550	6%	7%	**1,673**	1,698	–1%
Intra Asia	**178**	170	140	5%	27%	**492**	420	17%
EMAO (Europe–Mediterranean–Africa–Oceania)	**100**	106	90	–6%	11%	**308**	269	14%
Total	**1,947**	**1,892**	**1,861**	**3%**	**5%**	**5,650**	**5,579**	**1%**

4.3 Revenue per trade

Reflecting the significant decline in freight rates in almost every trade, revenue decreased by USD 1,225.4 million year-on-year in the first nine months of the 2016 financial year to USD 6,346.0 million (prior year period: USD 7,589.4 million).

REVENUE PER TRADE

million USD	Q3 2016	Q2 2016	Q3 2015	QoQ % change	YoY % change	9M 2016	9M 2015	% change
Atlantic	**514.2**	523.2	607.1	–2%	–15%	**1,558.2**	1,773.7	–12%
Transpacific	**434.0**	447.2	562.3	–3%	–23%	**1,349.3**	1,718.6	–21%
Far East	**241.8**	218.6	279.8	11%	–14%	**698.9**	953.8	–27%
Latin America	**613.0**	532.5	564.6	15%	9%	**1,660.2**	1,964.5	–15%
Intra Asia	**91.4**	93.2	88.7	–2%	3%	**264.8**	287.3	–8%
EMAO (Europe–Mediterranean–Africa–Oceania)	**105.4**	112.7	109.8	–6%	–4%	**328.6**	333.0	–1%
Other	**152.0**	160.8	163.7	–5%	–7%	**504.0**	558.3	–10%
Total	**2,151.8**	**2,088.2**	**2,376.0**	**3%**	**–9%**	**6,364.0**	**7,589.4**	**–16%**

4.4 Consolidated income statement

The first nine month of the 2016 financial year at the Hapag-Lloyd Group were 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 over the first nine months of 2016. By contrast, synergy effects and cost savings as well as a lower bunker price year-on-year 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 149.1 million in the first nine months of 2016.

CONSOLIDATED INCOME STATEMENT

million USD	Q3 2016	Q2 2016	Q3 2015	QoQ % change	YoY % change	9M 2016	9M 2015	% change
Revenue	**2,151.8**	**2,088.2**	**2,376.0**	**3%**	**–9%**	**6,364.0**	**7,589.4**	**–16%**
Other operating income	**35.5**	40.4	46.9	–12%	–24%	**100.7**	162.7	–38%
Transport expenses	**–1,753.8**	–1,805.3	–1,965.5	–3%	–11%	**–5,315.1**	–6,199.6	–14%
Personnel expenses	**–137.6**	–126.7	–118.3	9%	16%	**–420.6**	-401.6	5%
Depreciation, amortisation and impairment	**–132.8**	–132.2	–129.5	0%	3%	**–395.8**	–381.4	4%
Other operating expenses	**–96.8**	–121.0	–129.1	–20%	–25%	**–324.6**	–401.0	–19%
Operating result	**66.3**	**–56.6**	**80.5**	**n.m.**	**–18%**	**8.6**	**368.5**	**–98%**
Share of profit of equity-accounted investees	**8.4**	7.0	9.7	20%	–13%	**21.8**	25.1	–13%
Other financial result	**–1.7**	0.1	–0.5	n.m.	240%	**–1.6**	–4.9	-67%
Earnings before interest and tax (EBIT)	**73.0**	**–49.5**	**89.7**	**–247%**	**–19%**	**28.8**	**388.7**	**–93%**
Interest result	**–61.5**	–52.5	–77.7	17%	–21%	**–161.5**	–188.5	–14%
Income taxes	**–2.5**	–8.9	8.7	n.m.	–129%	**–16.4**	–21.3	-23%
Group profit/loss	**9.0**	**–110.9**	**3.3**	**n.m.**	**173%**	**–149.1**	**178.9**	**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 14.5 million in the first nine months of 2016 (prior year period: exchange rate loss of USD 0.8 million).

Depreciation and amortization came to USD 395.8 million in the first nine months of 2016 (prior year period: USD 381.4 million). The year-on-year increase in depreciation and amortisation was mainly due to scheduled depreciation for the newbuilds and containers.

4.5 Transport expenses

Transport expenses fell by USD 884.5 million in the first nine months of 2016 to USD 5,315.1 million (prior year period: USD 6,199.6 million). This represents a drop of 14%. This development was particularly attributable to a decline of USD 416.6 million (–44%) in expenses for raw materials and supplies. In the first nine months of 2016, the average bunker price (MFO) was USD 195 per ton, down USD 138 on the figure for the prior year period. The cost of purchased services was also down by USD 467.9 million (–9%) year-on-year, despite a slight increase in the transport volume. This was due to the realisation of synergy effects from the merger with CSAV's container shipping activities, as well as savings resulting from cost-cutting measures. Furthermore charter rates have reduced significantly due to declining market levels. Maintenance/Repair/Other costs include within Other costs the exchange rate effects from creditor payments and accounts payables valuation. Maintenance/Repair/Other costs include within Other costs the exchange rate effects from creditor payments and accounts payables valuation. In Q3 2015, this was an exchange rate gain, which reduced the incurred maintenance and repair costs. In Q3 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	**Q3 2016**	Q2 2016	Q3 2015	QoQ % change	YoY % change	**9M 2016**	9M 2015	% change
Expenses for raw materials and supplies	**212.4**	164.3	291.9	29%	–27%	**531.4**	948.0	–44%
Cost of purchased services	**1,541.4**	1,641.0	1,673.6	–6%	–8%	**4,783.7**	5,251.6	–9%
thereof								
Port, canal and terminal costs [1]	**749.6**	741.8	760.5	1%	–1%	**2,209.8**	2,297.7	–4%
Chartering, leases and container rentals [1]	**197.7**	314.8	296.9	–37%	–33%	**823.8**	968.9	–15%
Container transport costs	**532.1**	528.8	577.3	1%	–8%	**1,568.4**	1,852.5	–15%
Maintenance/repair/other	**62.0**	55.6	38.9	12%	59%	**181.7**	132.5	37%
Transport expenses	**1,753.8**	**1,805.3**	**1,965.5**	**–3%**	**–11%**	**5,315.1**	**6,199.6**	**–14%**

[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 first nine months 2016 and Q3 2016. The prior year periods were adjusted accordingly.

Transport expenses per unit decreased by USD 170.5/TEU to USD 940.7/TEU in the first nine months of 2016 as compared to the prior year period. The decline results both from a decrease in expenses for raw materials and supplies (USD 75.8 million as compared to the prior year period) and from a saving in cost of purchased services (USD 94.6 million as compared to prior year period). The decrease in expenses for raw materials and supplies derives from reduced bunker prices compared to prior year period and a decline in bunker consumption due to higher efficiency of our fleet. The decrease in cost of purchased services was achieved by our cost saving programs.

TRANSPORT EXPENSES PER TEU

USD/TEU	**Q3 2016**	Q2 2016	Q3 2015	QoQ % change	YoY % change	**9M 2016**	9M 2015	% change
Expenses for raw materials and supplies	**109.1**	86.8	156.9	26%	–30%	**94.1**	169.9	–45%
Cost of purchased services	**791.7**	867.3	899.3	–9%	–12%	**846.7**	941.3	–10%
thereof								
Port, canal and terminal costs [1]	**385.0**	392.0	408.7	–2%	–6%	**391.1**	411.8	–5%
Chartering, leases and container rentals [1]	**101.5**	166.4	159.5	–39%	–36%	**145.8**	173.7	–16%
Container transport costs	**273.3**	279.5	310.2	–2%	–12%	**277.6**	332.0	–16%
Maintenance/repair/other	**31.8**	29.4	20.9	8%	42%	**32.2**	23.8	35%
Transport expenses	**900.8**	**954.2**	**1,056.2**	**–6%**	**–15%**	**940.7**	**1,111.2**	**–15%**

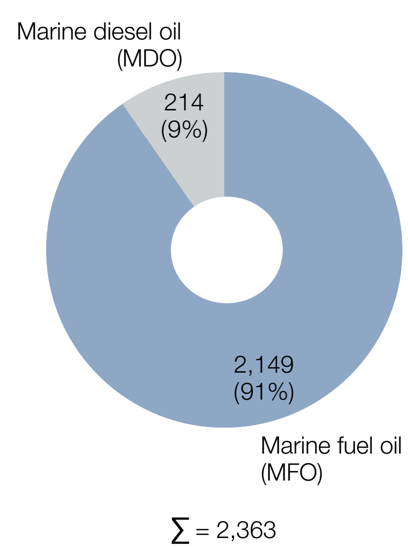
[1] Within the Cost of purchased services there has been a reclassification between Port, canal and terminal costs and Chartering, leases and container rentals for the first nine months 2016 and Q3 2016. The prior year periods were adjusted accordingly.

Bunker consumption development

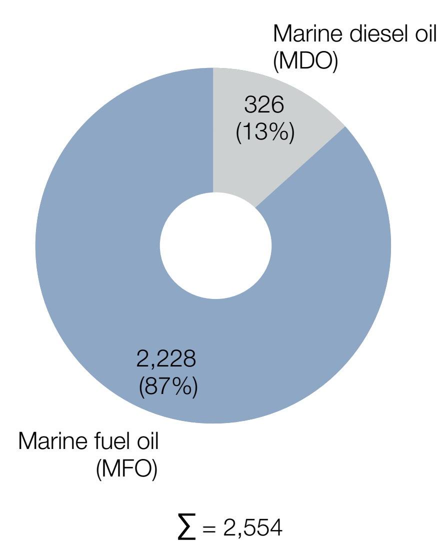
In the first nine month of 2016, consumption of marine fuel oil (MFO) amounted to approximately 2,148,787 metric tons (9M 2015: 2,228,391 tons). The average bunker consumption price for MFO stood at USD 195/ton (previous year: USD 333/ton). Consumption of low-sulphur marine diesel oil (MDO) amounted to approximately 214,286 metric tons (9% of bunker consumption) in the first nine months of 2016 (9M 2015: 325,887 tons). The average bunker consumption price for MDO stood at USD 379/ton (previous year: USD 561/ton).

The annualized bunker consumption per slot (measured at the average capacity for the first nine months of 2016) was at 3.28 mt. The decrease of c. 6% in comparison to the average number in the first nine of 2015 (3.48 mt) is mainly due to the increase of efficiency of our fleet. The bunker consumption per TEU transported stood at 0.42 mt, 8.6% lower than the prior year period figure.

9M 2016 [k mt]



9M 2015 [k mt]



4.6 Earnings position

The Group’s earnings before interest and taxes (EBIT) amounted to USD 28.8 million in the reporting period. They were therefore well below the corresponding figure in the prior year period of USD 388.7 million. The Group’s earnings before interest, taxes, depreciation and amortization (EBITDA) amounted to USD 424.6 million in the first six months of the 2016 financial year (prior year period: USD 770.1 million). The Group recorded a loss of USD 149.1 million in the first half of the 2016 financial year (prior year period: profit of USD 178.9 million).

The return on invested capital (ROIC) for the first nine months of 2016 amounted to 0.2% (prior year period: 5.4%). Earnings per share for the first half of 2016 came to USD –1.29 (prior year period: USD 1.68).

EBIT AND EBITDA MARGIN								
million USD	**Q3 2016**	Q2 2016	Q3 2015	QoQ % change	YoY % change	**9M 2016**	9M 2015	% change
Revenue	**2,151.8**	2,088.2	2,376.0	3%	−9%	**6,364.0**	7,589.4	−16%
EBIT	**73.0**	−49.5	89.7	n.m.	−19%	**28.8**	388.7	−93%
EBITDA	**205.8**	82.7	219.2	149%	−6%	**424.6**	770.1	−45%
EBIT margin	**3.4%**	−2.4%	3.8%	5.8 ppt	−0.4 ppt	**0.5%**	5.1%	−4.6 ppt
EBITDA margin	**9.6%**	4.0%	9.2%	5.6 ppt	0.3 ppt	**6.7%**	10.1%	−3.4 ppt

5. GROUP NET ASSET POSITION

GROUP NET ASSET POSITION			
million USD	**30.09.2016**	31.12.2015	30.09.2015
Assets			
Non-current assets	**10,241.0**	10,363.7	10,442.8
of which fixed assets	**10,169.0**	10,301.7	10,381.0
Current assets	**1,586.2**	1,704.8	1,613.0
of which cash and cash equivalents	**549.3**	625.0	542.8
Total assets	**11,827.2**	12,068.5	12,055.8
Equity and liabilities			
Equity	**5,280.1**	5,496.8	5,240.6
Borrowed capital	**6,547.1**	6,571.7	6,815.2
of which non-current liabilities	**3,875.9**	3,958.4	4,275.1
of which current liabilities	**2,671.2**	2,613.3	2,540.1
of which financial debt	**4,360.9**	4,256.3	4,362.0
thereof			
Non-current financial debt	**3,449.9**	3,591.7	3,857.7
Current financial debt	**911.0**	664.6	504.3
Total equity and liabilites	**11,827.2**	**12,068.5**	**12,055.8**

As at 30 September 2016, the Group's balance sheet total was USD 11,827.2 – USD 241.3 million lower than the figure at year-end 2015.

Total assets comprised of USD 10,241.0 million non-current assets and of USD 1,586.2 million current assets. Non-current assets decreased by USD 122.7 million as compared to year-end 2015 mainly due to scheduled depreciation exceeding investments. Current assets were USD 118.6 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 75.7 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 216.7 million to USD 5,280.1 million. This decrease is mainly due to the Group loss of USD 149.1 million as well as the change in the reserve for the remeasurement of defined benefit pension plans (USD –74.3 million). The equity ratio was 44.6% as at 30 September 2016 (31 December 2015: 45.5%).

The Group's borrowed capital decreased by USD 24.6 million compared with the end of 2015. This was above all due to the decline in trade accounts payable. This effect was partly offset by the increase in financial debt.

6. GROUP FINANCIAL POSITION

6.1 Developments in cash and cash equivalents

DEVELOPMENT OF LIQUIDITY RESERVE

million USD	**Q3 2016**	Q3 2015	**9M 2016**	9M 2015
Cash and cash equivalents beginning of the period	**527.2**	665.1	**625.0**	864.7
Unused credit lines beginning of the period	**336.6**	263.1	**423.4**	255.8
Liquidity reserve beginning of the period	**863.8**	**928.2**	**1,048.4**	**1,120.5**
EBITDA	**205.8**	219.2	**424.6**	770.1
Working capital	**–170.9**	–33.1	**–139.6**	–154.8
Others	**–6.7**	–7.7	**–30.7**	–75.0
Operating cash flow	**28.3**	**178.3**	**254.3**	**540.3**
Investments	**–36.1**	–174.6	**–265.4**	–663.0
thereof vessel	**–34.8**	–161.0	**–235.4**	–534.9
thereof container	**–0.2**	–9.6	**–19.8**	–114.4
thereof other	**–1.1**	–4.0	**–10.2**	–13.7
Disinvestments	**0.4**	5.0	**5.2**	85.8
Dividends received	**0.2**	0.4	**31.8**	37.8
Investing cash flow	**–35.5**	**–169.2**	**–228.4**	**–539.5**
Payments made from changes in ownership interests	**0.0**	0.0	**–0.3**	0.0
Debt intake	**294.3**	138.7	**588.3**	385.3
Debt repayment	**–202.3**	–202.5	**–530.6**	–509.0
Dividends paid	**–3.5**	0.0	**–6.1**	–2.3
Interest	**–59.1**	–67.6	**–152.6**	–178.6
Payments made from hedges for financial debts	**0.0**	0.0	**–0.3**	–17.8
Financing cash flow	**29.4**	**–131.4**	**–101.6**	**–322.4**
Changes due to exchange rate fluctuations	**0.1**	0.0	**0.0**	–0.3
Liquidity reserve end of the period	**624.3**	**1,029.2**	**624.3**	**1,029.2**
Cash and cash equivalents end of the period	**549.3**	542.8	**549.3**	542.8
Unused credit lines end of the period	**75.0**	486.4	**75.0**	486.4

Cash flow from operating activities

The Group generated an operating cash flow of USD 254.3 million in the first nine months of the 2016 financial year (prior year period: USD 540.3 million).

Cash flow from investing activities

The cash outflow from investing activities amounted to USD 228.4 million in the first nine months of the 2016 financial year (prior year period: USD 539.6 million). This mainly consisted of payments for investments in ships and containers totaling USD 255.2 million. In particular, proceeds from dividends in the amount of USD 31.8 million (prior year period: USD 37.8 million) had an offsetting effect.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of USD 101.6 million in the current reporting period (prior year period: USD 322.4 million). Cash inflows from new borrowing in the amount of USD 588.3 million (prior year period: USD 385.3 million) were offset by interest and capital repayments of USD 683.2 million (prior year period: USD 687.6 million). The inflow of cash and cash equivalents was related to the utilization of credit facilities and new borrowing.

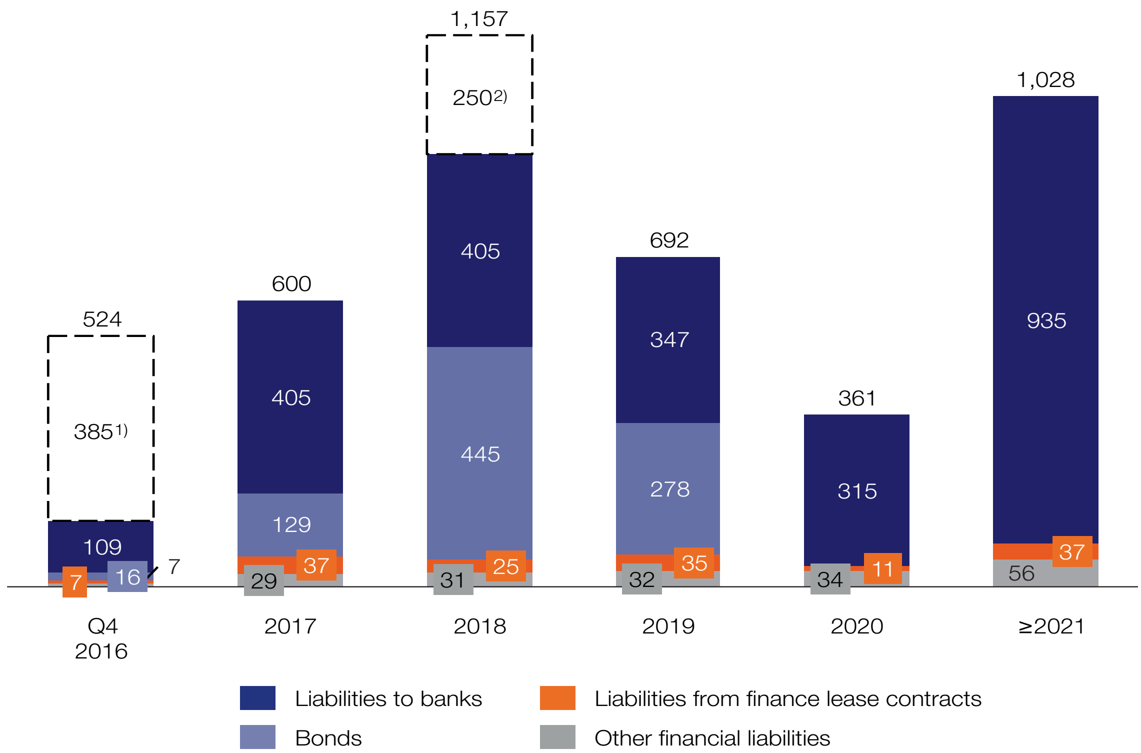
6.2 Financial position

At USD 3,811.6 million, the Group's net debt had increased as at 30 September 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	**30.09.2016**	31.12.2015	30.09.2015
Cash and cash equivalents	**549.3**	625.0	542.8
Financial debt	**4,360.9**	4,256.3	4,362.0
Net debt	**3,811.6**	**3,631.3**	**3,819.2**
Unused credit lines	**75.0**	423.4	486.4
Liquidity reserve	**624.3**	**1,048.4**	**1,029.2**
Equity	**5,280.1**	5,496.8	5,240.6
Gearing (net debt/equity) (%)	**72.2%**	**66.1%**	**72.9%**
Equity ratio (%)	**44.6%**	**45.5%**	**43.5%**

Financial debt profile (USD millon)



[1)] Revolving credit lines with initial duration until 2018 [2)] ABS programme prolongated on 3-year basis

The financial debt of USD 4,360.9 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 95 million), revolving credit lines (USD 385 million) and the ABS programme (USD 250 million), which was recently expanded.

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.

7. EVENTS AFTER THE BALANCE SHEET DATE

On 2 November 2016, Hapag-Lloyd launched its first ship with a transport capacity of 10,500 TEU. The last instalments for the construction work amounting to USD 51.5 million were paid upon completion of the shipyard, while at the same time a credit facility amounting to USD 74.48 million was also utilised. Another ship will be put into service on 7 December 2016.

From October 2017, the 5,750 new reefer containers (reefers) ordered in September 2016, comprising 5,000 40 ft. and 750 20 ft. reefers, will be ready for delivery. While 2,500 of the reefers will be rented, 3,250 will have their ownership transferred to Hapag-Lloyd. This transaction is to be financed via a leasing agreement, comprising a volume of USD 38.8 million.

As at 31 October 2016, an additional amount of USD 60 million was drawn from an existing ABS program. The liquidity inflow can be used for general business purposes and increases the existing liquidity of the company.

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. Therefore, the statements made in the “Outlook” section of the Group management report for 2015 with regards to the medium-term growth prospects for container shipping generally remain valid.

The International Monetary Fund’s (IMF) economic experts are still anticipating global economic growth of 3.1% this year, in spite of the forecast downturn in growth in the USA. According to the IMF, the volume of global trade, which is key to the demand for container shipping services, is forecast to increase by 2.3% in the current year. In July 2016, the IMF was still predicting a rise of 2.7%.

IHS Global Insight (November 2016) currently forecasts an increase in the demand for global container transport services in 2016 of 2.6%. In April 2016, a rise of 3.0% was still being forecast.

The total capacity of the global container ship fleet came to approximately 20.9 million TEU at the start of 2016 (MDS Transmodal, October 2016). Based on the container ships on order and planned deliveries, the nominal capacity of the global container vessel fleet could increase by around 1.3 million TEU in 2016, i.e. by up to 6.2%. The current imbalance between supply and demand is impacting adversely on the development of freight rates in all trades and is preventing freight rates from rising at the beginning of the important peak season. This would have been necessary to enable a sustainable improvement in the earnings of container shipping companies. Container shipping companies generally record their highest transport volumes and top freight rates in the third quarter of the calendar year. The Group profit will be negatively effected by one-off effects in connection with the UASC transaction.

The development of spot market freight rates, an important indicator of container shipping companies' attainable freight rates, was extremely volatile during the course of the year. For example, the Shanghai Containerized Freight Index, an important market reference, stood at 932 points on 8 January 2016, 713 points on 22 July 2016 and 699 points on 30 September 2016. On 28 October 2016, the SCFI was listed at 958 points.

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)	+2.3%
Increase in global container transport volume (IHS)	+2.6%
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 revenue and earnings forecast is based on the assumption of unchanged exchange rates. The business development of Hapag-Lloyd in the current tough competitive environment could impacted byfar-reaching risks. The general risks are described in detail in the risk report in the Group management report of the 2015 annual report.

9. PRELIMINARY FINANCIAL CALENDAR 2017

March 2017	Publication of annual financial statements and annual report 2016
May 2017	Publication of quarterly financial report for the first three months of 2017
August 2017	Publication of half year financial report for the first six months of 2017
November 2017	Publication of quarterly financial report for the first nine months 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.

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