

H1 | 2017

Hapag-Lloyd AG

Half-year financial report

1 January to
30 June 2017



SUMMARY OF HAPAG-LLOYD KEY FIGURES HALF-YEAR FINANCIAL REPORT 2017

million EUR		1.4.–30.6. 2017	1.4.–30.6. 2016	1.1.–30.6. 2017	1.1.–30.6. 2016	Change absolute
Key operating figures¹						
Total vessels (as at 30 June)		219	170	219	170	49
Aggregate capacity of vessels	TTEU	1,557	952	1,557	952	605
Freight rate (average for the period)	USD/TEU	1,064	1,019	1,056	1,042	14
Transport volume	TTEU	2,287	1,892	4,221	3,703	518
Revenue	million EUR	2,386	1,860	4,518	3,786	732
EBITDA	million EUR	229.1	73.3	360.4	196.7	163.7
EBIT	million EUR	83.8	-44.5	87.3	-39.7	127.0
Group profit/loss	million EUR	16.0	-99.3	-46.1	-142.1	96.0
Earnings per share	EUR	0.11	-0.85	-0.38	-1.22	0.84
Cash flow from operating activities	million EUR	158.4	61.9	306.5	203.1	103.4
Key return figures¹						
EBITDA margin (EBITDA/revenue)	%	9.6	3.9	8.0	5.2	2.8 ppt
EBIT margin (EBIT/revenue)	%	3.5	-2.4	1.9	-1.0	2.9 ppt
ROIC (Return on invested capital) ³	%	2.4	-2.6	1.2	-1.3	2.5 ppt
Key balance sheet figures as at 30 June²						
Balance sheet total	million EUR	15,803	11,331	15,803	11,331	4,472
Equity	million EUR	5,930	5,058	5,930	5,058	872
Equity ratio (equity/balance sheet total)	%	37.5	44.6	37.5	44.6	-7.1 ppt
Borrowed capital	million EUR	9,873	6,273	9,873	6,273	3,600
Financial debt	million EUR	7,312	4,181	7,312	4,181	3,131
Cash and cash equivalents	million EUR	754	570	754	570	184

UASC Ltd. and its subsidiaries (subsequently referred to as the UASC Group) have been included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior year's figures to a limited extent. The earnings development in the first half of the year is affected by one-off effects resulting from the presentation of the transaction in the financial statements.

¹ The key operating figures and key return figures refer to the respective reporting period.

² The comparison of key balance sheet figures refers to the balance sheet date 31 December 2016.

³ The return on invested capital (ROIC) is calculated as the ratio of net operating profit after taxes (NOPAT) to invested capital (assets excluding cash and cash equivalents less liabilities excluding financial debt). This key operating figure is calculated on an annualised basis and in US dollars.

Disclaimer: this half-year financial report contains statements concerning future developments at Hapag-Lloyd. Due to market fluctuations, the development of the competitive situation, world market prices for commodities, and changes in exchange rates and the economic environment, the actual results may differ considerably from these forecasts. Hapag-Lloyd neither intends nor undertakes to update forward-looking statements to adjust them for events or developments which occur after the date of this report. UASC Ltd. and its subsidiaries (subsequently referred to as the UASC Group) have been included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior year's figures to a limited extent.

This half-year financial report was published on 29 August 2017.

MAIN DEVELOPMENTS IN H1 2017

- The merger with UASC was completed on 24 May 2017 and will strengthen Hapag-Lloyd's competitive position significantly
- Strong organic increase in transport volume of 7.3% in the first half of the year. UASC adds 248 TTEU of transport volume since the initial consolidation
- Freight rate gains continue in Q2 2017. H1 2017 freight rate (without the UASC Group) of 1,068 USD/TEU exceeds the previous year's level. Including the UASC Group, the combined freight rate amounts to 1,056 USD/TEU
- Transport expenses (excl. bunker costs) increase only slightly as a result of successful cost-cutting programmes
- Initial optimisation stages already implemented in the areas of network and ship systems
- Clearly positive EBITDA of EUR 360.4 million in first six months of 2017 (H1 2016: EUR 196.7 million)
- Operating result (EBIT) of EUR 87.3 million clearly above the previous year's level (H1 2016: EUR –39.7 million)
- Liquidity reserve totalled EUR 1,157.0 million as at 30 June 2017
- Equity ratio decreased to 37.5% due to the substantial increase of EUR 4,472 million in the balance sheet to total EUR 15,803 million

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS

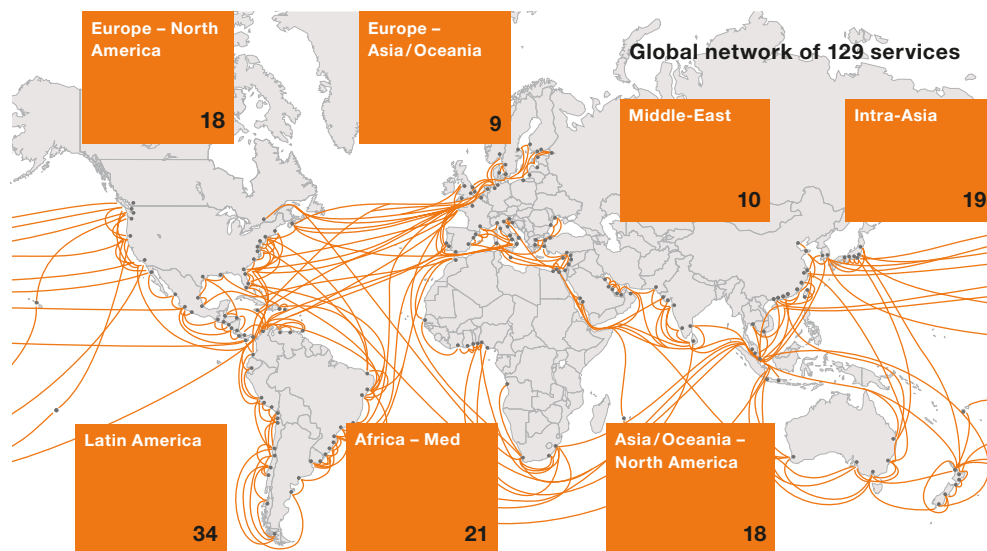
OPERATING ACTIVITIES

The legal merger between Hapag-Lloyd AG and United Arab Shipping Company Ltd. (UASC) was successfully completed on 24 May 2017. From this date, UASC Ltd. and its subsidiaries (the UASC Group) are included in the consolidated financial statements of Hapag-Lloyd AG. Due to the first-time consolidation of the UASC Group as at 24 May 2017, the previous year's figures from the consolidated statement of financial position, consolidated income statement, consolidated statement of cash flows as well as the key operating figures are only comparable to a limited extent with the values as at 30 June 2017.

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

Since 1 April 2017, Hapag-Lloyd is operating the Alliance together with Kawasaki Kisen Kaisha Ltd. (Japan) ("K" Line), Mitsui O.S.K. Lines Ltd. (Japan) (MOL), Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (NYK) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). As at 30 June 2017, THE Alliance covers all East-West trades with around 564 container ships.

Network of Hapag-Lloyd services



Source: company data

As at 30 June 2017, Hapag-Lloyd's fleet (including UASC's container ships) comprises 219 container ships (30 June 2016, without the UASC Group: 170 container ships). The Group currently has 436 sales offices in 126 countries and offers its customers worldwide access to a network of 129 liner services. In the first half of 2017, Hapag-Lloyd served approximately 26,200 customers around the world (UASC Group included for six months).

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

GROUP OBJECTIVES AND STRATEGY

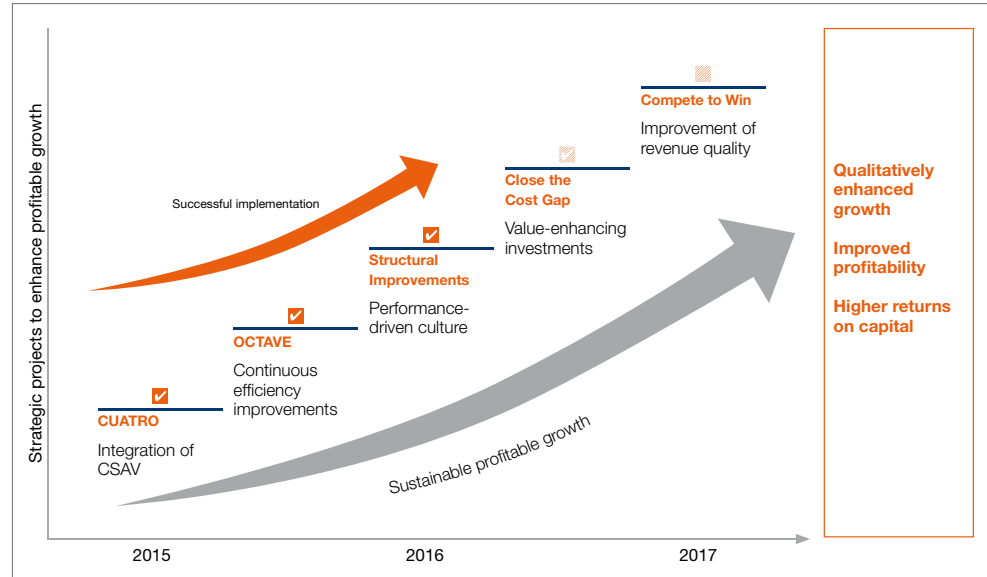
The prime objective of the Hapag-Lloyd Group is to achieve long-term profitable growth. Developments in the Group's transport volume and the operating performance indicators EBITDA and EBIT serve as the basis for measuring whether the corporate objectives are met. Hapag-Lloyd aims to benefit from the market opportunities for organic growth while also strategically protecting its leading competitive position by utilising measures to increase its value in the context of consolidation within the industry.

The growing global demand for container transportation is the very foundation of the organic growth which Hapag-Lloyd hopes to achieve. IHS Global Insight (May 2017) has forecast a rise in global container shipments of 4.6% to around 139 million TEU in 2017 and a further 4.9% to approximately 146 million TEU in 2018. Hapag-Lloyd intends to increase the transport volume organically in line with market growth.

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

The following measures were taken to achieve the profitability targets:

Our way forward: sustainable profitable growth



The key internal performance indicators for the Company's operating activities are earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT). The performance of these key financial indicators is outlined on page 15. The main factors influencing these are transport volume, freight rate, the US dollar exchange rate against the euro, and operating costs including bunker price. EBITDA is an important indicator of the achievement of sustainable company results and gross cash flows. It has a special significance for capital-intensive companies. Hapag-Lloyd – which owns approximately 68% (incl. UASC) of its fleet (based on TEU capacity) – uses EBITDA as an important parameter for investment decisions.

The generation of sustainable cash flows, solid corporate financing, and therefore in particular a sufficient liquidity and equity base, are once again key cornerstones of the Hapag-Lloyd Group's corporate strategy in the 2017 financial year. As at 30 June 2017, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 1,157.0 million (31 December 2016, without the UASC Group: EUR 759.6 million; 30 June 2016: EUR 774.9 million).

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

To make use of external growth opportunities, a business combination agreement regarding the merging of container activities was signed with the Arab shipping company UASC on 15 July 2016. The legal merger between Hapag-Lloyd and UASC occurred on 24 May 2017 via a contribution in kind in exchange for the issuing of approximately 45.9 million Hapag-Lloyd shares.

From the Hapag-Lloyd AG Executive Board's perspective, the merger of the Hapag-Lloyd and UASC container shipping activities is expected to bring with it the following advantages:

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

Following the capital increase in exchange for contributions in kind, UASC's former primary shareholders, Qatar Holding LLC on behalf of the Qatar Investment Authority (QIA) and Public Investment Fund Saudi Arabia (PIF), are additional major shareholders in Hapag-Lloyd AG, with stakes in its share capital of 14.4% (QIA) and 10.1% (PIF). The shares held by the other previous UASC shareholders (Kuwait, Iraq, the United Arab Emirates and Bahrain) totalling around 3.4% of Hapag-Lloyd shares are included in the free float. CSAV Germany Container Holding GmbH, Hamburg (CSAV), Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV) and Kühne Maritime GmbH together with Kühne Holding AG (Kühne) continue to be anchor shareholders. As part of the capital increase in exchange for contributions in kind, the total number of voting rights increased from 118,110,917 to 164,042,940 (24 May 2017). TUI Beteiligungs GmbH sold its entire portfolio of Hapag-Lloyd shares on 11 July 2017. Kühne Holding AG acquired 5 million shares in Hapag-Lloyd AG from TUI Beteiligungs GmbH as part of the sale of its shares.

Shareholder structure of Hapag-Lloyd AG

Shareholdings in %

CSAV Germany Container Holding GmbH	22.6
Kühne Holding AG und Kühne Maritime GmbH	17.6
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	14.9
QIA Qatar Holding LLC on behalf of the Qatar Investment Authority	14.4
PIF Public Investment Fund Saudi Arabia	10.1
Free float	20.4
Total	100.0

As at 17 July 2017

On 19 July 2017, 42,749,568 of the shares resulting from the capital increase in exchange for contributions in kind were listed for trading on the Frankfurt and Hamburg stock exchanges.

The business combination agreement stipulates that a cash capital increase equivalent to USD 400 million will be carried out within six months of the completion of the merger. The shareholders of Hapag-Lloyd AG approved the creation of new authorised share capital of EUR 23.0 million at this year's ordinary Annual General Meeting on 29 May 2017.

Medium-term objectives

The 2017 financial year will remain dedicated to the completed transaction and the integration of UASC's activities into the Hapag-Lloyd Group as well as the operational launch of the new THE Alliance. Upon completion of the integration and the associated incorporation of all UASC activities into Hapag-Lloyd's existing IT system (voyage cut-over), Hapag-Lloyd will be able to forecast the medium-term income targets. The synergies from the merger with UASC should contribute USD 435 million a year from the 2019 financial year onwards. It is currently assumed that the expenses for the transaction and the full integration of UASC's container liner shipping activities could amount to approximately USD 40 million from the second half of 2017 until the end of the first half of 2018.

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include EBITDA, the EBIT, the transport volume and the freight rate. Since the 2015 financial year, return on invested capital (ROIC) has also been used as a performance indicator. The development of the most important financial performance indicators in the first six months of 2017 is presented in the section "Group earnings position". ROIC compares net operating profit after tax (NOPAT), defined as EBIT less income taxes, with invested capital as at the reporting date. Invested capital is defined as assets excluding cash and cash equivalents less liabilities excluding financial debt. To facilitate comparison with other international shipping companies, the return on invested capital will be calculated and presented exclusively on the basis of the functional currency, the US dollar.

Calculation of the return on invested capital is as follows:

	million EUR		million USD		
	H1 2017	H1 2016	H1 2017	H1 2016	
Fixed assets	13,541	9,259	Fixed assets	15,443	10,320
Accounts receivable	942	628	Accounts receivable	1,075	700
Other assets	567	314	Other assets	646	350
Assets	15,050	10,201	Assets	17,164	11,370
Provisions	712	606	Provisions	812	675
Accounts payable	1,604	1,282	Accounts payable	1,830	1,429
Other liabilities	245	220	Other liabilities	279	245
Liabilities	2,561	2,108	Liabilities	2,921	2,349
Invested capital	12,488	8,093	Invested capital	14,243	9,021
EBIT	87.3	-39.7	EBIT	96.5	-44.2
Tax	12.0	12.5	Tax	13.0	13.9
Net Operating Profit After Tax (NOPAT)	75.3	-52.2	Net Operating Profit After Tax (NOPAT)	83.5	-58.1
			Return on Invested Capital (ROIC)*	1.2%	-1.3%

* Figures are in USD, rounded, aggregated and calculated on an annualised basis

UASC Ltd. and its subsidiaries will be included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior year's figures to a limited extent.

IMPORTANT NON-FINANCIAL PRINCIPLES

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

Efficient fleet

Following the acquisition of the UASC Group and reflecting first optimisation measurements, Hapag-Lloyd's fleet comprised 219 container ships as at 30 June 2017. 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 increased to 1,557,013 TEU. As a result of the merger with the UASC Group, the share of ships owned outright based on TEU capacity increased to approximately 68% as at 30 June 2017 (30 June 2016, without the UASC Group: approximately 57%). The average age of the ships (capacity-weighted) was 7.1 years. The average ship size within the Hapag-Lloyd Group fleet is 7,110 TEU, which is approximately 27% above the comparable average figure for the ten largest container liner shipping companies and around 83% above the average ship size in the global fleet (H1 2017: 3,893 TEU). The container capacity also increased substantially as a result of the

merger with UASC. As at 30 June 2017, Hapag-Lloyd owned or rented 1,398,327 containers with a capacity of 2,286,955 TEU for shipping cargo. The capacity-weighted share of containers owned by the Group increased to around 67% as at 30 June 2017 (30 June 2016, without the UASC Group: approximately 43%). Furthermore, the service structures of both companies have already been merged and the first steps towards optimising the new structures have taken place. As at 30 June 2017, Hapag-Lloyd (with the UASC Group) now offers over 129 services. Prior to the merger, Hapag-Lloyd had a global network of 118 services (31 March 2017). UASC offered its customers a network of 45 services.

Structure of Hapag-Lloyd's container ship fleet

	30.6.2017	31.12.2016	30.6.2016
Number of vessels	219	166	170
thereof			
Own vessels	112	72	70
Leased vessels	8	3	3
Chartered vessels	99	91	97
Aggregate capacity of vessels (TTEU)	1,557	963	952
Aggregate container capacity (TTEU)	2,287	1,576	1,513
Number of services	129	128	128

UASC Ltd. and its subsidiaries will be included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior year's figures to a limited extent.

In the first half of 2017, Hapag-Lloyd used three chartered ships to reposition empty containers. Together, the vessels had a capacity of 10,611 TEU. As the ships were not employed in a liner service, they are not included in the above fleet data.

Bunker consumption totalled approximately 1.73 million tonnes (metric tonnes) in the first six months of 2017. In the first half of 2016, bunker consumption amounted to a total of around 1.57 million tonnes before the integration of the UASC Group. Around 15% (H1 2016, without the UASC Group: approximately 16%) of this comprised bunker with a low proportion of sulphur (MFO low sulphur, MDO). Based on the total transport volume, the bunker consumption per TEU amounted to 0.41 metric tonnes (H1 2017, without the UASC Group: 0.42 metric tonnes per TEU).

The final vessel from Hapag-Lloyd's original order book of five container ships, each with a capacity of 10,500 TEU (incl. 2,100 slots for reefer containers), was delivered in April 2017. One of two ships from UASC's current order book with a capacity of 15,000 TEU each will be delivered to Hapag-Lloyd on 27 July 2017. The second ship will be delivered in the second half of 2017.

With demand for container shipping services continuing to rise, container shipping will remain a growth industry in the long term. Following the completed takeover of UASC's container shipping activities, at present, no investments in new ship systems are planned for the next years. The joint fleet should make it possible to utilise the medium-term expansion opportunities resulting from market growth and to realise economies of scale in ship operations.

CUSTOMERS

Long-term, close business relations with customers are also important in driving value for corporate development. A global key account team manages relationships with major customers. This enables the Company to establish and maintain sustainable customer relationships. In the first six months of the 2017 financial year, Hapag-Lloyd and UASC completed transport contracts for around 26,200 customers (H1 2017: UASC Group integrated for six months; prior year period, without UASC Group: approximately 18,400).

EMPLOYEES

The figures as at 30 June 2017 relate to Hapag-Lloyd including UASC. The figures regarding the previous year relate to Hapag-Lloyd only. The Hapag-Lloyd Group employed 12,585 people as at 30 June 2017 (31 December 2016: 9,413). Of this total, 10,811 were shore-based employees (31 December 2016: 7,895), while 1,583 people were sea-based (31 December 2016: 1,295). Hapag-Lloyd employed 191 apprentices as at 30 June 2017.

Number of employees

	30.6.2017	31.12.2016	30.6.2016
Marine personnel	1,583	1,295	1,405
Shore-based personnel	10,811	7,895	7,708
Apprentices	191	223	192
Total	12,585	9,413	9,305

UASC Ltd. and its subsidiaries will be included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior year's figures to a limited extent.

ECONOMIC REPORT

General economic conditions

The experts at the International Monetary Fund (IMF) anticipate global economic growth of 3.5% in 2017, followed by stronger global growth of 3.6% in 2018 (IMF, World Economic Outlook, July 2017). The forecast economic growth remained unchanged from the forecast published in April 2017.

According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 4.0% in the current year (IMF, World Economic Outlook, April 2017: 3.8%). Growth of 3.9% is expected in 2018.

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

in %	2018e	2017e	2016	2015	2014	2013
Global economic growth	3.6	3.5	3.2	3.4	3.4	3.3
Industrialised countries	1.9	2.0	1.7	2.1	1.8	1.4
Developing and newly industrialised countries	4.8	4.6	4.3	4.3	4.6	5.0
World trading volume (goods and services)	3.9	4.0	2.3	2.6	3.8	3.4
Container transport volume (IHS)	4.9	4.6	3.2	1.1	4.3	2.3

Source: IMF, July 2017; IHS Global Insight, May 2017

Based on the current forecasts, the global cargo volume could rise to 139 million TEU in 2017 (IHS Global Insight, May 2017). IHS Global Insight expects the global container shipping volume to increase by 4.6% in 2017, outpacing the forecast rate of growth for global trade. For the period 2018 to 2021, IHS Global Insight is predicting annual growth of between 4.7% and 4.9% in the global container shipping volume.

Sector-specific conditions

At the beginning of 2017, the aggregate capacity of the global container ship fleet was approximately 20 million TEU (Drewry Container Forecaster Q2 2017, June 2017). Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 1.1 million TEU in 2017 and around 1.5 million TEU in 2018 (Drewry Container Forecaster Q2 2017, June 2017). This includes the expected delays of deliveries in the current financial year. The tonnage of the commissioned container ships of approximately 2.9 million TEU (MDS Transmodal, July 2017) is equivalent to around 14% of the present global container fleet's capacity (approximately 20 million TEU). It therefore remains well below the highest level seen to date, which was around 56% in 2008. In the period from January to June 2017, orders were placed for the construction of 38 container ships with a transport capacity totalling approximately 37,600 TEU (FY 2016: capacity of 0.2 million TEU [Clarksons Research, July 2017]).

Development of global container fleet capacity

million TEU	2018e	2017e	2016	2015	2014
Total capacity (end of the year)	21.6	20.6	20.0	19.7	18.2
Planned deliveries	1.76	1.48	0.89	1.72	1.46
Postponed deliveries	0.28	0.35	0.00	0.00	0.00
Scrappings	0.45	0.50	0.66	0.19	0.38
Net capacity growth	1.0	0.6	0.3	1.5	1.1

Source: Drewry Maritime Research, Container Forecaster Q2 2017, June 2017. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrappings and postponed deliveries. Figures rounded. Rounding differences may be the result of changes in the databases.

Based on figures from MDS Transmodal, a total of 70 container ships with a transport capacity of approximately 578,000 TEU were placed into service in the first six months of 2017 (H1 2016: 77 ships with a transport capacity of approximately 518,000 million TEU). In the future, 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 Q2 2017), the scrapping of inefficient ships reached a record high of 659,000 TEU in 2016 (2013: 444,000 TEU). Drewry expects 500,000 TEU to be scrapped in 2017.

Idle capacity fell to around 0.5 million TEU at the end of June 2017 – approximately 69% lower than the current record of around 1.6 million TEU recorded in October 2016 (Alphaliner Weekly, Issue 29, July 2017). This reduction stemmed from the large number of vessels which were scrapped and the rise in demand for chartered ships. The majority of idle ships have a capacity of up to 5,100 TEU.

Consolidation continues within the industry and new alliances are launched

The alliances operating in the East-West trades were extensively reorganised at the beginning of the second quarter of 2017. The shipping companies which had previously been operating in four alliances formed three alliances: the "2M Alliance" consists of the two market leaders – Maersk Line (Denmark) and Mediterranean Shipping Company S.A. (Switzerland) (MSC) – which started operating back in early 2015 and the "Ocean Alliance" consists of CMA CGM S.A. (France), including the shipping company American President Lines Ltd. (Singapore) (APL), which was taken over by CMA CGM, Orient Overseas Container Line (Hong Kong) (OOCL), Evergreen Marine Corp. (Taiwan) Ltd. (Taiwan) (Evergreen) and China Ocean Shipping (Group) Company (China) (COSCO) Container Lines. Since 1 April 2017, Hapag-Lloyd has operated the "THE Alliance" along with Kawasaki Kisen Kaisha Ltd. (Japan) ("K" Line), Mitsui O.S.K. Lines Ltd. (Japan) (MOL), Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (NYK) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming).

Capacity share of new alliances based on selected trades

	Far East Trade	Transpacific Trade	Atlantic Trade
2M	39%	22%	43%
Ocean Alliance	35%	39%	15%
THE Alliance	25%	27%	33%
Other	1%	12%	9%

Source: Alphaliner, July 2017

On 1 December 2016, A. P. Møller – Mærsk A/S (Maersk) announced the takeover of Hamburg Süd. The takeover and integration of Hamburg Süd is due to be completed by the end of 2017. Furthermore, Maersk and Hamburg Süd entered into a slot-chartering agreement for the East-West trades in February 2017. In March 2017, MSC, Maersk and Hyundai Merchant Marine agreed to cooperate in the East-West trades. This collaboration includes slot-chartering agreements for East-West trades. On 7 July 2017, the three Japanese shipping companies “K” Line, MOL and NYK established a new holding company for the planned joint venture One Network Express (ONE). The joint venture is expected to commence operating on 1 April 2018 and integrate the container shipping business (including the terminal business outside Japan) of the three companies. On 9 July 2017, the Chinese shipping company COSCO announced a takeover bid for OOCL, Hong Kong. With a total transport capacity of 2.4 million TEU, this would make COSCO the third-largest container shipping company in the world. On 8 August 2017, 14 Korean liner shipping companies signed a memorandum of understanding, thereby founding the “Korean Shipping Partnership” (KSP). The initiative will be supported by the Korean government and the Korea Shipowners Association and led by Hyundai Merchant Marine (HMM).

According to data from MDS Transmodal (July 2017), the ten largest container liner shipping companies provide approximately 84% of the total capacity of the global fleet of container ships.

Group earnings, financial and net asset position

UASC and its subsidiaries (UASC Group) were consolidated on 24 May 2017 and are included in the consolidated financial statements of Hapag-Lloyd AG as at 30 June 2017. This increased the group of consolidated subsidiaries from 82 companies (31 December 2016) to 181 companies. As such, the net asset, financial and earnings position figures for the first half of 2017 can only be compared with those of previous years to a limited extent. This pertains to the Group's net asset and financial position in particular.

Unless stated otherwise, the figures for the first half of 2016 refer to Hapag-Lloyd without the UASC Group.

Group earnings position

The Hapag-Lloyd Group's performance in the first half of 2017 was dominated by the first-time consolidation of the UASC Group and by the ongoing challenges in the container shipping industry.

The first-time consolidation generated one-off income from the first-time consolidation of EUR 46.8 million at Hapag-Lloyd. At the same time, costs for implementing the restructuring of the UASC Group in relation to the operational integration of UASC's business activities into Hapag-Lloyd totalled EUR 42.5 million.

In terms of operations, Hapag-Lloyd's freight rates (not including the UASC Group and its subsidiaries) continued to increase in the first half of 2017 following their low point in the second quarter of 2016. However, this recovery was not sufficient to fully compensate for the costs of the higher bunker price. Nevertheless, the freight rate increases implemented in the second quarter of 2017 impacted positively on the Group's overall earnings position. The higher bunker price and weaker US dollar compared with the euro at the end of the first half of 2017 had a negative effect on earnings. At USD 1.08/EUR, the average US dollar/euro exchange rate at the end of the first half of 2017 was stronger than in the prior year period (USD 1.11/EUR). By contrast, the significant rise in the transport volume, the full realisation of synergy effects resulting from the integration of CSAV, and the cost savings from the cost-cutting programmes initiated in the preceding years had a positive effect on earnings. Hapag-Lloyd generated an operating result before interest and taxes (EBIT) of EUR 83.8 million in the second quarter of 2017 (prior year period: EUR -44.5 million) and a Group profit after taxes of EUR 16.0 million. Overall, Hapag-Lloyd recorded earnings before interest and taxes (EBIT) of EUR 87.3 million in the first half of 2017 and a Group loss after taxes of EUR -46.1 million (prior year period: EUR -142.1 million).

Group income statement

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Revenue	2,386.2	1,859.8	4,518.3	3,785.5
Other operating income	77.6	36.1	103.9	58.6
Transport expenses	1,933.2	1,608.6	3,722.3	3,200.6
Personnel expenses	196.7	112.6	344.1	254.3
Depreciation, amortisation and impairment	145.3	117.8	273.1	236.4
Other operating expenses	115.6	107.8	213.8	204.7
Operating result	73.0	-50.9	68.9	-51.9
Share of profit of equity-accounted investees	10.8	6.3	18.4	12.1
Other financial result	0.0	0.1	0.0	0.1
Earnings before interest and tax (EBIT)	83.8	-44.5	87.3	-39.7
Interest result	-59.6	-46.8	-121.4	-89.9
Income taxes	8.2	8.0	12.0	12.5
Group profit/loss	16.0	-99.3	-46.1	-142.1
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	14.4	-99.9	-48.4	-143.9
thereof profit/loss attributable to non-controlling interests	1.6	0.6	2.3	1.8
Basic earnings per share (in EUR)	0.11	-0.85	-0.38	-1.22
EBITDA	229.1	73.3	360.4	196.7
EBITDA margin (%)	9.6	3.9	8.0	5.2
EBIT	83.8	-44.5	87.3	-39.7
EBIT margin (%)	3.5	-2.4	1.9	-1.0

The figures for the second quarter and the first half of 2016 relate to Hapag-Lloyd only and do not include the integration of the UASC Group.

Not including the UASC Group, the average freight rate in the first six months of 2017 was USD 1,068/TEU and was therefore USD 26/TEU (2.5%) up on the prior year period (USD 1,042/TEU). Freight rate increases in the Far East, Middle East, Intra-Asia and Latin America trades had a positive impact on the rate level in the first half of 2017. However, as competition remains intense, the freight rate increases announced in a number of trades could not be fully implemented. The main reason for this was the persistently difficult market environment, with pressure on freight rates continuing. The UASC Group was included in the consolidated financial statements as at 24 May 2017. The average freight rate for the acquired UASC Group activities since this date was USD 870/TEU.

Freight rates per trade *

USD/TEU	Q2 2017	Q2 2016	H1 2017	H1 2016
Atlantic	1,292	1,319	1,293	1,350
Transpacific	1,272	1,223	1,245	1,285
Far East	1,007	719	955	757
Middle East	1,017	689	902	695
Intra-Asia	607	563	573	570
Latin America	1,008	965	1,012	963
EMAO (Europe–Mediterranean–Africa–Oceania)	1,048	1,064	1,030	1,071
Total Hapag-Lloyd excluding UASC Group (weighted average)	1,087	1,019	1,068	1,042
UASC Group	870	N/A	870	N/A
Total (weighted average)	1,064	1,019	1,056	1,042

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

The transport volume performed particularly well in the first six months of the 2017 financial year. Hapag-Lloyd (without the UASC Group) was able to increase its transport volume by 270 TTEU to 3,973 TTEU (prior year period: 3,703 TTEU) as a result of its balanced positioning in all trades. This growth of 7.3% was higher than the predicted overall market trend (source: Clarksons Research, July 2017). All of the trades contributed to this positive performance. The inclusion of the UASC Group led to a further rise in the transport volume of 248 TTEU, resulting in a total transport volume of 4,221 TTEU (+14.0%) in the first half of 2017 (prior year period: 3,703 TTEU).

Transport volume per trade *

TTEU	Q2 2017	Q2 2016	H1 2017	H1 2016
Atlantic	422	398	811	774
Transpacific	374	365	760	712
Far East	234	201	449	412
Middle East	119	114	242	223
Intra-Asia	158	157	310	287
Latin America	604	551	1,156	1,087
EMAO (Europe – Mediterranean – Africa – Oceania)	128	106	245	208
Total Hapag-Lloyd excluding UASC Group	2,039	1,892	3,973	3,703
UASC Group	248	N/A	248	N/A
Total	2,287	1,892	4,221	3,703

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Not including the UASC Group, the Hapag-Lloyd Group's revenue increased by EUR 533.8 million to EUR 4,319.3 million in the first half of 2017 (prior year period: EUR 3,785.5 million). With the inclusion of the UASC Group as at 24 May 2017, revenue increased by an additional EUR 199.0 million. As a result, revenue rose in the first half of 2017 to EUR 4,518.3 million overall (prior year period: EUR 3,785.5 million).

Revenue per trade *

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Atlantic	496.2	466.1	968.8	938.3
Transpacific	432.3	398.2	874.0	822.6
Far East	215.1	128.9	396.0	280.5
Middle East	109.6	70.0	201.2	138.9
Intra-Asia	86.9	78.8	164.0	147.2
Latin America	554.3	474.6	1,080.8	941.2
EMAO (Europe – Mediterranean – Africa – Oceania)	122.8	100.4	233.3	200.6
Others	170.0	142.8	401.2	316.2
Total Hapag-Lloyd excluding UASC Group	2,187.2	1,859.8	4,319.3	3,785.5
UASC Group	199.0	N/A	199.0	N/A
Total	2,386.2	1,859.8	4,518.3	3,785.5

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

The UASC Group is included in the expenses and income presented below from its first-time consolidation as at 24 May 2017. A comparison with the corresponding prior year period is therefore only possible to a limited extent.

Other operating income increased by EUR 45.3 million to EUR 103.9 million in the first half of 2017 compared to the respective prior year period. The main reason for this was the negative difference of EUR 46.8 million, which resulted from the provisional purchase allocation in accordance with IFRS 3 as part of the acquisition of the UASC Group and which had to be recognised in earnings in the reporting period.

Transport expenses rose by EUR 521.7 million in the first six months of 2017 to EUR 3,722.3 million (prior year period: EUR 3,200.6 million). This represents an increase of 16.3%. This development was particularly attributable to an increase of EUR 254.8 million (88.9%) in expenses for raw materials, supplies and purchase goods as a result of the higher bunker price. In the first half of 2017, the average bunker consumption price for Hapag-Lloyd was USD 312 per tonne, up USD 114 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 has risen disproportionately by EUR 266.9 million (9.2%) against the growth of transport volumes. This increase is a reflection of the significant 14.0% rise in transport volumes and, in particular, the initial inclusion of the UASC Group. Both the integration of UASC's fleet and lower charter rates enabled Hapag-Lloyd to enter into more favourable agreements in place of existing charter contracts. As such, chartering, lease and container rentals fell by EUR 104.3 million to EUR 458.5 million (prior year period: EUR 562.8 million). Transport expenses were also down thanks to the full achievement of synergy effects resulting from the integration of CSAV and cost savings from the cost-cutting measures that have now been implemented in full. The rise in container transport costs was essentially due to the increase in transport volumes of around 14%.

Transport expenses *

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Expenses for raw materials and supplies	279.0	146.4	541.5	286.7
Cost of purchased services	1,654.2	1,462.2	3,180.8	2,913.9
thereof:				
Port, canal and terminal costs	814.1	660.9	1,532.5	1,312.2
Chartering, leases and container rentals	216.0	280.6	458.5	562.8
Container transport costs	559.3	471.3	1,065.6	931.4
Maintenance/repair/other	64.8	49.4	124.2	107.5
Transport expenses	1,933.2	1,608.6	3,722.3	3,200.6

* 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 half year of 2016.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the first six months of the current financial year came to 17.6% (prior year period: 15.5%).

Changes in the US dollar/euro exchange rate caused period-specific exchange rate gains and losses to decrease in the period under review. This was reflected in other operating income and other operating expenses. Netted, this resulted in an exchange rate gain of EUR 9.1 million in the first half of 2017 (prior year period: exchange rate loss of EUR 12.8 million). At USD 1.08/EUR, the average US dollar/euro exchange rate was stronger than in the prior year period (USD 1.11/EUR). Other operating expenses included one-off special items of EUR 16.1 million, primarily for advisory services.

Personnel expenses rose by EUR 89.8 million to EUR 344.1 million in the first half of 2017 (prior year period: EUR 254.3 million). The main reason for this increase was the costs incurred for the restructuring of the UASC Group as part of the operational integration of UASC's business activities and associated one-off effects amounting to EUR 38.4 million in total. Furthermore, the first-time inclusion of the personnel costs of the UASC Group led to an increase in personal expenses. In addition, the exchange rate losses at the balance sheet date resulting from the valuation of pension provisions in the amount of EUR 9.5 million (prior year period: EUR 2.8 million) led to a year-on-year increase in personnel expenses.

Depreciation and amortisation came to EUR 273.1 million in the first six months of the 2017 financial year (prior year period: EUR 236.4 million). The year-on-year increase in depreciation and amortisation was primarily due to depreciation of the acquired newly built ships and containers as well as the first-time inclusion of the UASC Group.

The Group's earnings before interest and taxes (EBIT) amounted to EUR 87.3 million in the reporting period. They were therefore well above the corresponding figure in the prior year period of EUR -39.7 million. The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 360.4 million in the first six months of the 2017 financial year (prior year period: EUR 196.7 million). The return on invested capital (ROIC) for the first half of 2017 amounted to 1.2% (prior year period: -1.3%). Basic earnings per share for the first six months of the 2017 financial year came to EUR -0.38 per share (prior year period: EUR -1.22 per share).

Key earnings figures

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Revenue	2,386.2	1,859.8	4,518.3	3,785.5
EBIT	83.8	-44.5	87.3	-39.7
EBITDA	229.1	73.3	360.4	196.7
EBIT margin (%)	3.5	-2.4	1.9	-1.0
EBITDA margin (%)	9.6	3.9	8.0	5.2
Basic earnings per share (in EUR)	0.11	-0.85	-0.38	-1.22
Return on invested capital (ROIC) annualised (%)*	2.4	-2.6	1.2	-1.3

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

The interest result for the first six months of the 2017 financial year was EUR –121.4 million (prior year period: EUR –89.9 million). The change was primarily due to the early redemption of a US dollar bond and a euro bond. These transactions were associated with one-off effects totalling EUR –14.0 million as a result of redemption charges, the partial disposal of associated embedded derivatives and other associated transaction costs. In addition to interest expenses resulting from newly utilised ship and container financing and other financing agreements, the first-time inclusion of the UASC Group with EUR –11.0 million prompted overall interest expenses to rise. This was counteracted by income of EUR 22.8 million (prior year period: EUR 9.2 million) from a change in the fair value of the derivatives embedded in the bonds issued.

The Group recorded a loss of EUR 46.1 million in the first half of 2017 (prior year period: loss of EUR 142.1 million).

Group financial position

Condensed statement of cash flows

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Cash flow from operating activities	158.4	61.9	306.5	203.1
Cash flow from investment activities	321.5	–65.5	209.0	–173.4
Free cash flow	479.9	–3.6	515.5	29.7
Cash flow from financing activities	–207.8	12.0	–287.5	–117.6
Changes in cash and cash equivalents	272.1	8.4	228.0	–87.9

Cash flow from operating activities

Including the UASC Group, Hapag-Lloyd generated an operating cash flow of EUR 306.5 million in the first six months of the 2017 financial year (prior year period: EUR 203.1 million).

Cash flow from investing activities

The cash inflow from investing activities totalled EUR 209.0 million (prior year period: cash outflow of EUR 173.4 million). This mainly consisted of cash outflows for investments in ships and containers totalling EUR 180.2 million (prior year period: EUR 197.8 million). The UASC Group was acquired by means of a non-cash investment involving the issuing of new shares. The inclusion of UASC resulted in the addition of cash and cash equivalents of EUR 364.0 million. This includes cash inflows of EUR 366.3 million from the liquidity reserves of the UASC Group and payments of EUR 2.3 million for incurred acquisition costs. The Group received additional cash inflows, in particular from dividend payments received.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 287.5 million in the current reporting period (prior year period: EUR 117.6 million). Borrowing amounting to EUR 909.0 million (prior year period: EUR 264.4 million) related primarily to cash inflows from the placement of a new euro bond and to loans for the financing of vessels and containers. This was offset by cash outflows from the early repayment of the US dollar bond issued in 2010 and the euro bond issued in 2013 as well as by interest and capital repayments amounting to EUR 1,163.1 million (prior year period: EUR 379.1 million).

Changes in cash and cash equivalents

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Cash and cash equivalents at beginning of period	519.8	456.0	570.2	573.7
Changes due to exchange rate fluctuations	-38.2	8.6	-44.5	-12.8
Net changes	272.1	8.4	228.0	-87.9
Cash and cash equivalents at end of period	753.7	473.0	753.7	473.0

Cash and cash equivalents increased by EUR 228.0 million in the first half of 2017 with the result that, taking account of cash- and exchange rate-related effects, cash and cash equivalents amounting to EUR 753.7 million were reported as at the end of the reporting period on 30 June 2017 (30 June 2016: EUR 473.0 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item "Cash and cash equivalents". In addition, there are available credit facilities of EUR 403.3 million (30 June 2016: EUR 301.9 million). The liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) therefore totalled EUR 1,157.0 million (30 June 2016: EUR 774.9 million). Furthermore, cash and cash equivalents of EUR 62.8 million (30 June 2016: EUR 0.0 million) which serve as collateral for existing financial debt are reported under other assets due to their maturity.

Net debt

As at 30 June 2017, the Group's net debt came to EUR 6,495.4 million, which was an increase of EUR 2,903.6 million compared with 31 December 2016 as a result of the first-time consolidation of the UASC Group. The first-time consolidation of the UASC Group also reduced the equity ratio from 44.6% as at 31 December 2016 to 37.5% as at 30 June 2017. Gearing – the ratio of net debt to balance sheet equity – increased from 71.0% to 109.5% as a result.

Financial solidity

million EUR	30.6.2017	31.12.2016
Financial debt	7,311.9	4,180.7
Cash and cash equivalents	753.7	570.2
Restricted cash (other assets)	62.8	18.7
Net debt	6,495.4	3,591.8
EBITDA	360.4	607.4
Gearing (%)*	109.5	71.0
Unused credit lines	403.3	189.4
Equity ratio (%)	37.5	44.6

* Net debt/equity

Restricted cash and cash equivalents in the amount of EUR 62.8 million (31 December 2016: EUR 18.7 million) essentially comprise cash and cash equivalents which serve as collateral for existing financial debt. The increase was primarily due to the ship financing utilised in relation to the newly built ships delivered in the first half of 2017.

Group net asset position

Changes in the net asset structure

million EUR	30.6.2017	31.12.2016
Assets		
Non-current assets	13,540.9	9,722.9
of which fixed assets	13,301.0	9,643.3
Current assets	2,262.4	1,608.0
of which cash and cash equivalents	753.7	570.2
Total assets	15,803.3	11,330.9
Equity and liabilities		
Equity	5,930.0	5,058.4
Borrowed capital	9,873.3	6,272.5
of which non-current liabilities	6,762.3	3,633.2
of which current liabilities	3,111.0	2,639.3
of which financial debt	7,311.9	4,180.7
of which non-current financial debt	6,378.1	3,265.5
of which current financial debt	933.8	915.2
Total equity and liabilities	15,803.3	11,330.9
Net debt	6,495.4	3,591.8
Equity ratio (%)	37.5	44.6

The initial inclusion of the UASC Group as at 24 May 2017 resulted in a significant change in the consolidated statement of financial position and means that comparisons with the previous year are only possible to a limited extent. The Group's balance sheet total increased by 39.4% year-on-year, from EUR 11,330.9 million to EUR 15,803.3 million. This was primarily due to the acquisition of the UASC Group.

Fixed assets increased by EUR 3,657.7 million in the reporting period to EUR 13,301.0 million. EUR 4,518.1 million of this related to the changes in the group of consolidated companies following the acquisition of the UASC Group, in particular the addition of ships and containers as well as intangible assets such as customer relationships, brand and software. Apart from these additions relating to the group of consolidated companies, three new ships with a capacity of 10,500 TEU each were delivered to Hapag-Lloyd in the first half of 2017. Exchange rate effects of EUR –808.8 million as at the reporting date and depreciation amounting to EUR 273.1 million prompted a fall in the carrying amounts of the fixed assets and therefore in non-current assets.

Current assets also rose primarily as a result of changes in the group of consolidated companies. Trade accounts receivable increased here by EUR 264.6 million (previous year: EUR 677.6 million).

On the liabilities side, the Group's equity increased by EUR 871.6 million to EUR 5,930.0 million. This change resulted on the one hand from the issuing of new ordinary shares as part of the acquisition of the UASC Group in the amount of EUR 1,285.3 million and, on the other hand, from the Group loss of EUR 46.1 million and from the balance of unrealised gains and losses of EUR –377.7 million due to currency translation, as recognised in other comprehensive income. The equity ratio fell to 37.5% as at 30 June 2017 (31 December 2016: 44.6%), mainly as a result of the significant rise in borrowed capital following the first-time consolidation of the UASC Group.

The Group's borrowed capital rose by EUR 3,600.8 million to EUR 9,873.3 million in comparison to the 2016 consolidated financial statements, primarily as a result of the acquisition of the UASC Group.

There was a considerable change in the Company's financial debt, which increased by EUR 3,131.3 million compared with 31 December 2016 to EUR 7,312.0 million. The inclusion of the UASC Group as at 30 June 2017 contributed EUR 3,428.9 million to this increase. Financial debt also rose as a result of loan disbursements received for newbuilds and financing for containers amounting to EUR 909.0 million. Hapag-Lloyd issued a new corporate bond with an issue volume of EUR 250.0 million on 1 February 2017. This was increased by EUR 200.0 million on 15 February 2017, taking the total amount to EUR 450.0 million. Together with existing liquidity, the proceeds from the bond's issuance were used for the early repayment of the US dollar bond due in 2017 as well as for the partial repayment of the euro bond due in 2018. Hapag-Lloyd exercised its contractually agreed early termination options here. The raising of cash and cash equivalents was offset by capital repayments of EUR 1,040.0 million.

Among others, the major impact that the acquisition of the UASC Group had on the development of the Hapag-Lloyd Group's borrowed capital can also be seen in the associated increase in current provisions amounting to EUR 140.0 million, in particular relating also to the creation of a restructuring provision in the amount of EUR 34.0 million.

Within current liabilities, trade accounts payable increased by EUR 322.8 million to EUR 1,604.4 million, primarily as a result of the change in the group of consolidated companies and exchange rate fluctuations.

Net debt came to EUR 6,495.4 million as at 30 June 2017 (previous year: EUR 3,591.8 million) including cash and cash equivalents of EUR 62.8 million (31 December 2016: EUR 18.7 million) which serve as collateral for existing financial debt and are classified as other assets due to their maturity.

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

Executive Board's statement on overall expected developments

The first half of the 2017 financial year largely reflects the forecasts of the Executive Board, despite the slight impact on revenue development caused by the freight rate increases which have not yet been wholly implemented across all trades. In addition, during the reporting period as at 24 May 2017, the UASC Group has been incorporated into the Group, leading to considerable changes to the consolidated statement of financial position. The frameworks for economic development are not subject to any material changes, however.

RISK AND OPPORTUNITY REPORT

Please refer to the 2016 annual report for details of significant opportunities and risks and an assessment of these. The assessment of the reported risks' probability of occurrence remains unchanged, while the opportunities arising from a positive deviation from the budget concerning the expected freight rates and from the bunker consumption price are classified as being lower in view of the current circumstances on the market. The existing global macroeconomic uncertainties and ongoing stiff competition could have a significant negative impact on the development of transport volumes and freight rates again in 2017.

The current political tensions between Qatar and Saudi Arabia, Egypt, the United Arab Emirates and Bahrain, as well as the associated economic and political sanctions instigated by these states against Qatar, could have considerable negative repercussions on the economic development of the region. This could in turn lead to a reduction in the container transport volume in the Middle East. Heightened sanctions and a deterioration of the economic frameworks could impact negatively on Hapag-Lloyd's economic and financial situation.

Regarding the material opportunities and risks arising from the merger with UASC, we refer to the relevant presentation in the management report of the 2016 annual report.

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

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

At the time of reporting, there were no risks which threatened the continued existence of the Hapag-Lloyd Group.

NOTE ON SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

The notes on relationships and transactions with related parties can be found in the disclosures on page 55 of the Notes to the half-year financial report.

REVISED OUTLOOK

The outlook for the 2017 financial year published in the Group management report of the 2016 annual report was based on the Hapag-Lloyd Group's existing business activities as at 31 December 2016 and therefore does not include the UASC Group's business activities. The outlook detailed in the Group management report as at 31 December 2016 is no longer valid.

Hapag-Lloyd acquired the assets and assumed the liabilities of the UASC Group on 24 May 2017. The first outlook for the Hapag-Lloyd Group since the acquisition of UASC has been provided for the current 2017 financial year. The following forecast for the Company's expected performance includes UASC from the date of its first-time consolidation, 24 May 2017. The forecast made here thus relates first to the extended Group (including UASC's container shipping activities) and cannot therefore be compared to the forecast in the 2016 annual report with regard to the system used.

The general economic and sector-specific conditions which are of importance to container shipping are presented and analysed in the 2016 annual report (Economic report). A summary of the most important external influencing factors is given below.

In its latest economic outlook (July 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 faster rate in 2017 than in the previous year (+3.2%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 4.0% in the current year (2016: +2.3%). Compared with its previous forecast (April 2017), the IMF has raised its outlook slightly for the increase in global trade (+0.2 percentage points). This means that in 2017 the growth in global trade will outpace that of the global economy. IHS Global Insight (May 2017) is forecasting that the global container shipping volume will increase by 4.6% to approximately 139 million TEU in 2017 (2016: +3.2%). The current value is therefore 0.9 percentage points higher than the value published in the forecast from February 2017. As such, the expected rise in worldwide transport volumes in container shipping for 2017 would once again be sharper than the rate of growth for global trade.

Following a rise in transport capacities of approximately 0.9 million TEU to 20.0 million TEU in 2016 (including delays in deliveries), Drewry forecasts a nominal increase in transport capacities of up to approximately 1.1 million TEU for the current year. The growth in supply capacity could make it difficult again to push through freight rate increases in 2017. Based on unchanged optimism about the general economic and sector-specific conditions, Hapag-Lloyd, including the integration of UASC's business activities from 24 May 2017, expects its transport volume to increase significantly.

For 2017, Hapag-Lloyd expects a clear increase in the average bunker consumption price, above both the average level for 2016 as well as the recorded level at the end of 2016. Due to the strong focus on the Middle East and Far East trades, UASC has a lower average freight rate than Hapag-Lloyd. The average freight rate for the combined business activities is therefore likely to be broadly unchanged in 2017 compared to the average freight rate for 2016 (without the UASC Group).

If the anticipated growth in volumes, a return to a better peak season in 2017, a significant contribution to the positive result from UASC, and the planned one-off expenses for the restructuring are considered, Hapag-Lloyd's EBITDA and EBIT, including UASC's business activities, are expected to considerably exceed the level reached in 2016 (without the UASC Group). Not accounted for here are impairments on goodwill, other intangible assets and property, plant and equipment. Although not expected at present, these cannot be ruled out especially given current political developments.

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

Key benchmark figures for the 2017 outlook
(based on the integration of UASC into the Hapag-Lloyd Group from 24 May 2017)

Global economic growth (IMF)	3.5%
Increase in global trade (IMF)	4.0%
Increase in global container transport volume (IHS)	4.6%
Transport volume, Hapag-Lloyd Group	Increasing clearly
Average bunker consumption price, Hapag-Lloyd Group	Increasing clearly
Average freight rate, Hapag Lloyd Group	Unchanged
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 majority of the earnings generation is anticipated in the second half of the year, particularly in the third quarter, when the peak season occurs. This is caused by the volume of global trade fluctuating throughout the year and is usually much higher in the second half of the year than in the first.

Business developments at Hapag-Lloyd are subject to far-reaching risks in an industry environment dominated by volatile freight rates and stiff competition. The general risks are described in detail in the risk report in the Group management report of the 2016 annual report (page 110 ff.). Risks that may have an impact on the forecast for business development are also described in detail in the risk report. Significant risks for the Group's revenue and earnings development include a renewed slowdown in global economic and trade volume growth, a significant and lasting rise in bunker prices extending beyond the level seen from the start of 2017, a sharp increase in the euro against the US dollar and a stagnation or even a renewed reduction in freight rates. Additional risks could result from the further consolidation of the industry and its possible impact on Hapag-Lloyd's competitive position as well as from the changes in the composition of global alliances.

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 further business development of Hapag-Lloyd in the current financial year.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG for the period 1 January to 30 June 2017

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Revenue	2,386.2	1,859.8	4,518.3	3,785.5
Other operating income	77.6	36.1	103.9	58.6
Transport expenses	1,933.2	1,608.6	3,722.3	3,200.6
Personnel expenses	196.7	112.6	344.1	254.3
Depreciation, amortisation and impairment	145.3	117.8	273.1	236.4
Other operating expenses	115.6	107.8	213.8	204.7
Operating result	73.0	-50.9	68.9	-51.9
Share of profit of equity-accounted investees	10.8	6.3	18.4	12.1
Other financial result	0.0	0.1	0.0	0.1
Earnings before interest and taxes (EBIT)	83.8	-44.5	87.3	-39.7
Interest income	4.5	1.5	6.1	2.7
Interest expenses	64.1	48.3	127.5	92.6
Earnings before income taxes	24.2	-91.3	-34.1	-129.6
Income taxes	8.2	8.0	12.0	12.5
Group profit/loss	16.0	-99.3	-46.1	-142.1
thereof attributable to shareholders of Hapag-Lloyd AG	14.4	-99.9	-48.4	-143.9
thereof attributable to non-controlling interests	1.6	0.6	2.3	1.8
Basic/diluted earnings per share (in EUR)	0.11	-0.85	-0.38	-1.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG
for the period 1 January to 30 June 2017

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Group profit/loss	16.0	-99.3	-46.1	-142.1
Items which will not be reclassified to profit and loss	5.4	-23.2	10.0	-55.6
Remeasurements from defined benefit plans after tax	5.4	-23.2	10.0	-55.6
Remeasurements from defined benefit plans before tax	5.6	-23.2	10.2	-55.5
Tax effect	-0.2	-0.0	-0.2	-0.1
Items which may be reclassified to profit and loss	-321.5	95.8	-381.0	-105.7
Cash flow hedges (no tax effect)	2.5	2.1	-3.1	1.8
Effective share of the changes in fair value	65.2	39.5	64.4	13.2
Reclassification to profit or loss	-62.7	-37.4	-67.5	-11.4
Currency translation (no tax effect)	-324.0	93.7	-377.9	-107.5
Other comprehensive income after tax	-316.1	72.6	-371.0	-161.3
Total comprehensive income	-300.1	-26.7	-417.1	-303.4
thereof attributable to shareholders of Hapag-Lloyd AG	-301.5	-27.3	-419.2	-305.0
thereof attributable to non-controlling interests	1.4	0.6	2.1	1.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
as at 30 June 2017

Assets		
million EUR	30.6.2017	31.12.2016
Goodwill	1,538.5	1,661.6
Other intangible assets	1,924.1	1,340.4
Property, plant and equipment	9,519.1	6,315.6
Investments in equity-accounted investees	319.3	325.7
Other assets	167.0	27.0
Derivative financial instruments	44.9	24.1
Income tax receivables	3.5	3.3
Deferred tax assets	24.5	25.2
Non-current assets	13,540.9	9,722.9
Inventories	192.0	124.5
Trade accounts receivable	942.2	677.6
Other assets	311.8	197.5
Derivative financial instruments	22.0	13.5
Income tax receivables	27.5	24.7
Cash and cash equivalents	753.7	570.2
Assets classified held for sale	13.2	–
Current assets	2,262.4	1,608.0
Total assets	15,803.3	11,330.9

Equity and liabilities

million EUR	30.6.2017	31.12.2016
Subscribed capital	164.0	118.1
Capital reserves	2,301.2	1,061.8
Retained earnings	3,104.3	3,152.9
Cumulative other equity	350.8	721.8
Equity attributable to shareholders of Hapag-Lloyd AG	5,920.3	5,054.6
Non-controlling interests	9.7	3.8
Equity	5,930.0	5,058.4
Provisions for pensions and similar obligations	253.5	238.0
Other provisions	100.6	114.0
Financial debt	6,378.1	3,265.5
Other liabilities	11.1	12.1
Derivative financial instruments	15.7	1.8
Deferred tax liabilities	3.3	1.8
Non-current liabilities	6,762.3	3,633.2
Provisions for pensions and similar obligations	60.7	6.6
Other provisions	297.1	211.2
Income tax liabilities	27.8	17.6
Financial debt	933.8	915.2
Trade accounts payable	1,604.4	1,281.6
Other liabilities	187.2	167.8
Derivative financial instruments	–	39.3
Current liabilities	3,111.0	2,639.3
Total equity and liabilities	15,803.3	11,330.9

CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG
for the period 1 January to 30 June 2017

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Group profit/loss	16.0	-99.3	-46.1	-142.1
Income tax expenses (+)/income (-)	8.2	8.0	12.0	12.5
Interest result	59.6	46.8	121.4	89.9
Depreciation, amortisation and impairment (+)/write-backs (-)	145.3	117.8	273.1	236.4
Other non-cash expenses (+)/income (-)	-37.8	-8.3	-27.2	-0.4
Profit (-)/loss (+) from hedges for financial debt	3.6	0.3	3.6	0.3
Profit (-)/loss (+) from disposals of non-current assets and assets held for sale	-0.2	-0.8	-0.8	-1.2
Income (-)/expenses (+) from equity-accounted investees and dividends from other investments	-10.7	-6.4	-18.4	-12.2
Increase (-)/decrease (+) in inventories	-12.4	-16.7	-31.0	-9.9
Increase (-)/decrease (+) in receivables and other assets	-59.6	49.6	-70.7	44.5
Increase (+)/decrease (-) in provisions	26.8	-59.6	39.8	-62.3
Increase (+)/decrease (-) in liabilities (excl. financial debt)	21.7	33.9	54.5	55.8
Payments for income taxes	-2.9	-3.7	-5.2	-8.7
Payments received for interest	0.8	0.3	1.5	0.5
Cash inflow (+)/outflow (-) from operating activities	158.4	61.9	306.5	203.1
Payments received from disposals of property, plant and equipment and intangible assets	1.3	1.7	2.9	4.3
Payments received from dividends	28.0	28.3	28.1	28.4
Payments made for investments in property, plant and equipment and intangible assets	-71.8	-95.5	-186.0	-206.1
Cash and cash equivalents received from acquisitions	364.0	-	364.0	-
Cash inflow (+)/outflow (-) from investing activities	321.5	-65.5	209.0	-173.4

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Payments made for capital increases	-0.1	-	-0.1	-
Payments made from changes in ownership interests in subsidiaries	-0.3	-0.3	-0.3	-0.3
Payments made for dividends	-0.7	-0.2	-1.5	-2.3
Payments received from raising financial debt	275.6	141.4	909.0	264.4
Payments made for the redemption of financial debt	-413.4	-87.2	-1,040.0	-295.1
Payments made for interest and fees	-61.4	-41.4	-123.1	-84.0
Payments received (+) and made (-) from hedges for financial debt	-4.8	-0.3	-4.8	-0.3
Change in restricted cash	-2.7	-	-26.7	-
Cash inflow (+)/outflow (-) from financing activities	-207.8	12.0	-287.5	-117.6
Net change in cash and cash equivalents	272.1	8.4	228.0	-87.9
Cash and cash equivalents at beginning of period	519.8	456.0	570.2	573.7
Change in cash and cash equivalents due to exchange rate fluctuations	-38.2	8.6	-44.5	-12.8
Net change in cash and cash equivalents	272.1	8.4	228.0	-87.9
Cash and cash equivalents at end of period	753.7	473.0	753.7	473.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG
for the period 1 January to 30 June 2017

million EUR	Equity attributable to shareholders		
	Subscribed capital	Capital reserves	Retained earnings
As at 1.1.2016	118.1	1,263.2	3,052.3
Total comprehensive income	-	-	-143.9
thereof			
Group profit/loss	-	-	-143.9
Other comprehensive income	-	-	-
Transactions with shareholders	-	-	-
thereof			
Acquisition of shares from non-controlling interests without change of control	-	-	-
Distribution to non-controlling interests	-	-	-
Deconsolidation	-	-	-0.1
As at 30.6.2016	118.1	1,263.2	2,908.3
As at 1.1.2017	118.1	1,061.8	3,152.9
Total comprehensive income	-	-	-48.4
thereof			
Group profit/loss	-	-	-48.4
Other comprehensive income	-	-	-
Transactions with shareholders	45.9	1,239.4	-
thereof			
First-time consolidation UASC	45.9	1,239.4	-
Anticipated acquisition of shares from non-controlling interests	-	-	-
Acquisition of shares from non-controlling interests without change of control	-	-	-
Distribution to non-controlling interests	-	-	-
Deconsolidation	-	-	-0.2
As at 30.6.2017	164.0	2,301.2	3,104.3

of Hapag-Lloyd AG

Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Reserve for put options on non-controlling interests	Cumulative other equity	Total	Non-controlling interests	Total equity
-75.2	1.2	678.8	-	604.8	5,038.4	7.8	5,046.2
-55.6	1.8	-107.3	-	-161.1	-305.0	1.6	-303.4
-	-	-	-	-	-143.9	1.8	-142.1
-55.6	1.8	-107.3	-	-161.1	-161.1	-0.2	-161.3
-	-	-	-	-	-	-2.6	-2.6
-	-	-	-	-	-	-0.3	-0.3
-	-	-	-	-	-	-2.3	-2.3
-	-	-	-	-	-0.1	-	-0.1
-130.8	3.0	571.5	-	443.7	4,733.3	6.8	4,740.1
-118.9	5.4	835.3	-	721.8	5,054.6	3.8	5,058.4
10.0	-3.1	-377.7	-	-370.8	-419.2	2.1	-417.1
-	-	-	-	-	-48.4	2.3	-46.1
10.0	-3.1	-377.7	-	-370.8	-370.8	-0.2	-371.0
-	-	-	-0.4	-0.4	1,284.9	3.8	1,288.7
-	-	-	-	-	1,285.3	7.1	1,292.4
-	-	-	-0.4	-0.4	-0.4	-1.5	-1.9
-	-	-	-	-	-	-0.3	-0.3
-	-	-	-	-	-	-1.5	-1.5
-	-	0.2	-	0.2	-	-	-
-108.9	2.3	457.8	-0.4	350.8	5,920.3	9.7	5,930.0

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

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

Hapag-Lloyd AG and the Arab shipping company United Arab Shipping Company Ltd. (UASC) signed a business combination agreement on 15 July 2016. The legal merger came into effect as at 24 May 2017 in the form of a contribution in kind in exchange for the issuing of approximately 45.9 million Hapag-Lloyd shares. Following the capital increase in exchange for contributions in kind, UASC's former primary shareholders, Qatar Holding LLC (with 14.4%) and Public Investment Fund Saudi Arabia (PIF) (with 10.1%), are additional major shareholders in Hapag-Lloyd AG. The remaining UASC shareholders (Kuwait, Iraq, the United Arab Emirates and Bahrain) hold a combined total of 3.6% of Hapag-Lloyd's shares.

The interim consolidated financial statements cover the period 1 January 2017 to 30 June 2017 and are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

The Executive Board authorised the publication of the condensed interim consolidated financial statements on 29 August 2017.

Accounting principles

The interim consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee, as they are to be applied in the European Union (EU). This interim report as at 30 June 2017 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and the interim Group management report of Hapag-Lloyd AG have not been subject to an audit review nor have they been reviewed in accordance with Section 317 of the German Commercial Code (HGB).

The standards and interpretations valid in the EU since 1 January 2017 were applied during the preparation of the interim consolidated financial statements. As regards the possible effects of standards and interpretations that have already been adopted, but that are not yet

mandatory, we refer to the explanations in the Notes to the consolidated financial statements as at 31 December 2016, which remain valid and have not changed. The project activities relating to implementation of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* were continued in 2017. In this regard, there have thus far not been any significant new findings in comparison to 31 December 2016. The potential impact of the initial integration of the UASC Group into the Hapag-Lloyd Group on the existing accounting practices is currently being looked into. The statements made in the Notes to the consolidated financial statements as at 31 December 2016 regarding the likely impacts of the first-time application of these standards otherwise remain valid. This means the first-time application of IFRS 15 within the Hapag-Lloyd Group as at 1 January 2018 is still not expected to have any significant impact on the amount of revenue and when it is recognised. Likewise, the first-time application of IFRS 9 within the Hapag-Lloyd Group as at 1 January 2018 is not expected to have any significant impact on the existing accounting practices in accordance with IAS 39. Please note that the Hapag-Lloyd Group uses bunker options to hedge against fuel price risks, with only the intrinsic value being included in the hedging relationship. The resulting changes in fair value of EUR –3.6 million (31 December 2016: EUR 4.6 million) were therefore recognised immediately through profit or loss in the current financial statements under IAS 39. Under IFRS 9, these measurement gains would be recognised through other comprehensive income, as a result of which there would be lower measurement fluctuations in the income statement for the same amount.

The interim consolidated financial statements as at 30 June 2017 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2016 and were prepared in compliance with the same accounting and measurement principles which formed the basis for these. Estimates and discretionary decisions were made in the same manner as in the previous year. The actual values may differ from the estimated values.

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

As at 30 June 2017, the closing US dollar/euro exchange rate was quoted as USD 1.1405/EUR (31 December 2016: USD 1.0560/EUR). For the first half of 2017, the average US dollar/euro exchange rate was USD 1.0826/EUR (prior year period: USD 1.1127/EUR). The average US dollar/euro exchange rate relating to the incorporated UASC Group was USD 1.1237/EUR for the period from the acquisition date.

Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and equity-accounted investments. In addition to Hapag-Lloyd AG, the group of consolidated companies comprised 172 (31 December 2016: 78) fully consolidated companies and nine (31 December 2016: four) equity-accounted investees as at 30 June 2017. Six companies have been deconsolidated since 31 December 2016 on the grounds of immateriality and are therefore no longer part of the group of consolidated companies. There were no material effects on the net result from deconsolidation.

With the incorporation of the UASC Group into the Hapag-Lloyd Group as at 24 May 2017, 100 fully consolidated companies and five equity-accounted investees were included in the group of consolidated companies.

Company acquisition

On 24 May 2017, Hapag-Lloyd acquired 100% of the shares and voting rights in UASC. With a fleet of 58 ships and a capacity of 0.6 million TEU (as at 30 June 2017), UASC is the biggest container liner shipping company in the Middle East. The shares in UASC are not publicly traded. The merger between Hapag-Lloyd and UASC strengthens Hapag-Lloyd's market position in an industry which is continuing to consolidate. As a result of the integration, Hapag-Lloyd operates one of the biggest container ship fleets in the world with 219 ships and total capacity of 1.6 million TEU (as at 30 June 2017). It gives Hapag-Lloyd access to UASC's customer relationships. The merger is expected to result in annual synergies of USD 435 million starting in 2019.

UASC's shareholders were granted 45,932,023 new ordinary shares as consideration for the share acquisition. The consideration had a fair value of EUR 1,286.1 million. In return for this transfer, the sellers received 28% of the shares in Hapag-Lloyd AG, the parent company of the Hapag-Lloyd Group. The fair value of the ordinary shares issued was based on the share price of Hapag-Lloyd AG on 24 May 2017 of EUR 28.00 per share.

Hapag-Lloyd and UASC operated an alliance (hereinafter referred to as the "mini alliance") from 1 April to 24 May 2017 in order to incorporate UASC's ships into the network of the THE Alliance. The THE Alliance is an alliance of autonomous container shipping companies. The mini alliance operated at market conditions.

Costs were incurred for Hapag-Lloyd in the amount of EUR 16.3 million in relation to the business combination, which were recognised as other operating expenses and mainly result from consultancy fees. Of this, EUR 8.6 million was accrued in the 2016 financial year and EUR 7.7 million in the current financial year. The costs of EUR 0.8 million relating to the issue of the new ordinary shares transferred as a consideration were accounted for as a deduction from equity.

The fair values recognised for the acquired assets and liabilities at the time of acquisition are summarised below. The amounts are preliminary measurements:

Provisional fair values as at the date of acquisition

million EUR

Assets	
Other intangible assets	734.2
Property, plant and equipment	3,783.9
Investments in equity-accounted investees	3.8
Financial assets	0.0
Other assets and receivables	137.4
Derivative financial instruments	0.0
Deferred tax assets	0.4
Non-current assets	4,659.7
Inventories	48.3
Trade account receivables	238.0
Other assets and receivables	139.3
Cash and cash equivalents	366.3
Non-current assets held for sale	13.4
Current assets	805.3
Total assets	5,465.0
Equity and liabilities	
Provisions for pensions and similar obligations	17.8
Other provisions	6.1
Financial debt	3,099.0
Derivative financial instruments	19.2
Deferred tax liabilities	0.7
Non-current liabilities	3,142.8
Provisions for pensions and similar obligations	65.1
Other provisions	59.6
Income tax liabilities	9.1
Financial debt	452.3
Trade account payables	391.1
Other liabilities and non-controlling interests	12.1
Current liabilities	989.3
Total equity and liabilities	4,132.1
Acquired net assets attributable to Hapag-Lloyd AG shareholders	1,332.9
Consideration transferred	1,286.1
Gain from bargain purchase	-46.8

Pursuant to the requirements of IFRS 3, all acquired assets, liabilities and contingent liabilities are to be measured at fair value. The valuation methods used to determine the fair values of the main assets are as follows:

Relief from royalty method: The relief from royalty method considers the discounted estimated payments of royalties that may be saved by owning the brand. This method was used for brand valuation.

Residual value method: The residual value method considers the present value of expected net cash flows generated by the customer relationships, with the exception of all cash flows that are linked to supporting assets. This method was used to evaluate customer relationships.

Incremental cash flow method: In the incremental cash flow method, expected cash flows are compared to alternative values (market value conditions). This method was used for the measurement of advantageous and disadvantageous contracts.

Market comparison method: This valuation method considers the listed market prices of similar objects if these are available and, if applicable, depreciated replacement costs. Depreciated replacement costs reflect changes relating to physical deterioration as well as functional overhauling and economic obsolescence. This method was used for the valuation of the owned ships, software and inventories.

Measurement of the assets acquired and liabilities assumed as part of the acquisition of UASC depends on estimates and assumptions. Existing uncertainties were suitably applied to measurement during the purchase price allocation. All the estimates and assumptions are based on relationships and assessments as at the date of acquisition. There were no changes to these estimates and assumptions as at the reporting date.

The assumptions and estimates that could have a material impact on the carrying amounts of assets and liabilities relate mainly to the following cases:

- Setting the parameters for determining the fair value of the assets acquired and liabilities assumed (e.g. assumptions regarding business development, operating margins and market conditions [charter rates, lease rates] and assumptions used to determine capital costs).
- Determining the useful life of intangible assets (e.g. brand, customer relationships and software).
- Measurement of tax and legal risks.

Provisional nature of purchase price allocation

The valuation of all acquired assets and transferred liabilities at the acquisition date is provisional due to the short time between the time of acquisition and the reporting date. If facts and circumstances become known within one year of the date of acquisition that existed on the date of acquisition and that would have resulted in changes to the amounts indicated above, the accounting of the company acquisition will be amended accordingly.

The provisional purchase price allocation resulted in a profit from the acquisition of UASC (EUR –46.8 million) which had been recognised in other operating income. The profit from the acquisition of UASC can be economically attributed to the participation of the seller in the expected positive share price performance, as the purchaser and the seller believe that the equity of container shipping companies is undervalued by the market.

The following table presents the net cash inflow resulting from the company acquisition:

million EUR

Acquired net assets	1,332.9
Gain from bargain purchase	–46.8
Consideration transferred	1,286.1
– Acquisition through issuance of shares	1,286.1
In 2017 cash-effective acquisition-related costs	2.3
+ Acquired cash	366.3
Net payments received from acquisitions	364.0

In the course of the acquisition, receivables with a fair value of EUR 490.6 million were recognised, EUR 238.0 million of which related to trade accounts receivable. The gross amount was EUR 520.6 million, EUR 268.0 million of which related to trade accounts receivable. Of this amount, EUR 30.0 million is likely to be uncollectable. At the time of acquisition, contingent liabilities in the amount of EUR 15.2 million were recognised relating to tax risks. The settlement amount was determined on the basis of internal estimates. It is currently not possible to determine a fixed utilisation date.

Since the date of acquisition, revenue of EUR 199.0 million and earnings (EBIT) of EUR 4.8 million taking into account the purchase price allocation are related to UASC.

Had the acquisition taken place on 1 January 2017 (pro forma consideration), Group revenue would have come to EUR 5,638.4 million and earnings (EBIT) would have totalled EUR 131.5 million. The Hapag-Lloyd Group for the period 1 January 2017 to 30 June 2017 together with the UASC Group for the period 1 January 2017 to 24 May 2017, accounted for in accordance with the accounting principles of Hapag-Lloyd, served as the starting point for the preparation of the pro forma figures. The pro forma consideration was calculated including the effects of the purchase price allocation, while effects from transactions which were contractually required before the time of acquisition were not included. Furthermore, in calculating these amounts, it

was assumed that the provisional adjustments made to the fair values at the time of acquisition would also have been valid if the acquisition had occurred on 1 January 2017. The required pro forma adjustments are based on the available information.

Based on the outlined assumptions, the presented pro forma net result does not necessarily equate to the Group net result that the Group would have generated had the acquisition of UASC in fact been completed on 1 January 2017. Additionally, commenting on the future development of the Group net result is only possible with some uncertainty. Influencing factors which can result in deviations from expectations comprise not only macroeconomic factors such as exchange rates, interest rates and bunker prices, but also the future development of container shipping.

SEGMENT REPORTING

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

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

Transport volume per trade *

TTEU	Q2 2017	Q2 2016	H1 2017	H1 2016
Atlantic	422	398	811	774
Transpacific	374	365	760	712
Far East	234	201	449	412
Middle East	119	114	242	223
Intra-Asia	158	157	310	287
Latin America	604	551	1,156	1,087
EMAO (Europe – Mediterranean – Africa – Oceania)	128	106	245	208
Total Hapag-Lloyd excluding UASC Group	2,039	1,892	3,973	3,703
UASC Group	248	N/A	248	N/A
Total	2,287	1,892	4,221	3,703

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Freight rates per trade *

USD/TEU	Q2 2017	Q2 2016	H1 2017	H1 2016
Atlantic	1,292	1,319	1,293	1,350
Transpacific	1,272	1,223	1,245	1,285
Far East	1,007	719	955	757
Middle East	1,017	689	902	695
Intra-Asia	607	563	573	570
Latin America	1,008	965	1,012	963
EMAO (Europe – Mediterranean – Africa – Oceania)	1,048	1,064	1,030	1,071
Total Hapag-Lloyd excluding UASC Group (weighted average)	1,087	1,019	1,068	1,042
UASC Group	870	N/A	870	N/A
Total (weighted average)	1,064	1,019	1,056	1,042

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Revenue per trade *

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Atlantic	496.2	466.1	968.8	938.3
Transpacific	432.3	398.2	874.0	822.6
Far East	215.1	128.9	396.0	280.5
Middle East	109.6	70.0	201.2	138.9
Intra-Asia	86.9	78.8	164.0	147.2
Latin America	554.3	474.6	1,080.8	941.2
EMAO (Europe – Mediterranean – Africa – Oceania)	122.8	100.4	233.3	200.6
Revenue not assigned to trades	170.0	142.8	401.2	316.2
Total Hapag-Lloyd excluding UASC Group	2,187.2	1,859.8	4,319.3	3,785.5
UASC Group	199.0	N/A	199.0	N/A
Total	2,386.2	1,859.8	4,518.3	3,785.5

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

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

EBITDA

million EUR	Q2 2017	Q2 2016	H1 2017	H1 2016
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	229.1	73.3	360.4	196.7
Depreciation, amortisation and impairment	145.3	117.8	273.1	236.4
Earnings before interest and taxes (EBIT)	83.8	-44.5	87.3	-39.7
Earnings before income taxes (EBT)	24.2	-91.3	-34.1	-129.6
Share of profit of equity-accounted investees	10.8	6.3	18.4	12.1

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

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

Earnings per share

	Q2 2017	Q2 2016	H1 2017	H1 2016
Profit/loss attributable to shareholders of Hapag-Lloyd AG in million EUR	14.4	-99.9	-48.4	-143.9
Weighted average number of shares in million	137.0	118.1	127.5	118.1
Basic earnings per share in EUR	0.11	-0.85	-0.38	-1.22

The new number of shares resulting from the capital increase during the year led to different weightings in the periods under review. This in turn resulted in different earnings per share in the two quarters compared with the half-year period as a whole.

There were no dilutive effects in the first half of 2017 or in the corresponding prior year period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The inclusion of UASC in the Hapag-Lloyd Group means that the acquired container shipping activities were included in the consolidated statement of financial position as at 30 June 2017 from the first-time consolidation date of 24 May 2017. As such, the figures in the consolidated statement of financial position as at 30 June 2017 can only be compared with those of previous years to a limited extent.

Goodwill and other intangible assets

Other intangible assets increased by EUR 734.2 million primarily as a result of the first-time consolidation of UASC in the Group as a whole. In addition, the goodwill and intangible assets were reduced by EUR 234.3 million compared with 31 December 2016 due to currency translation effects and by EUR 41.0 million due to the amortisation of other intangible assets.

Property, plant and equipment

million EUR	30.6.2017	31.12.2016
Vessels	7,522.2	5,024.5
Container	1,660.4	998.3
Other equipment	149.6	132.0
Prepayments on account and assets under construction	186.9	160.8
Total	9,519.1	6,315.6

Property, plant and equipment increased primarily due to the inclusion of assets of EUR 3,783.9 million following the first-time consolidation of UASC in the Group as a whole. Above all, investments in ocean-going vessels in the amount of EUR 178.3 million prompted the change in fixed assets. By contrast, the carrying amounts were reduced by depreciation in the amount of EUR 232.1 million and currency effects at the reporting date of EUR 530.3 million.

Fixed assets of EUR 269.7 million were recognised in conjunction with finance lease contracts (31 December 2016: EUR 181.6 million). Of this, EUR 180.4 million was attributable to ships (31 December 2016: EUR 81.2 million) and EUR 89.3 million to containers (31 December 2016: EUR 100.4 million).

Non-current assets held for sale

The Executive Board of Hapag-Lloyd AG has decided to sell three older vessels of the UASC Group during the financial year 2017. Pursuant to IFRS 5, the assets were reported separately as non-current assets held for sale at the time of first-time consolidation of the UASC Group as at 24 May 2017.

The carrying amount of the ships to be sold totalled EUR 13.2 million as at 30 June 2017.

Cash and cash equivalents

million EUR	30.6.2017	31.12.2016
Cash at bank	747.5	565.9
Cash in hand and cheques	6.2	4.3
Total	753.7	570.2

As at 30 June 2017, a sum totalling EUR 77.8 million was deposited in pledged accounts (31 December 2016: EUR 12.7 million) and was therefore subject to a limitation on disposal. The intention as at 30 June 2017 was to make an early repayment to free up funds totalling EUR 58.5 million. This early repayment has since been effected. The other mentioned amounts are subject to a maturity of three months.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 1.4 million (31 December 2016: EUR 3.9 million) at individual subsidiaries.

Cumulative other equity

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

The cumulative expenses and earnings from the remeasurement of pension obligations as recognised in other comprehensive income are presented under the reserve for remeasurements relating to defined benefit pension plans (30 June 2017: EUR –108.9 million; 31 December 2016: EUR –118.9 million). Remeasurement effects in the case of defined benefit pension obligations result from changes in estimates relating to actuarial assumptions regarding measurement of the gross pension obligations and the difference between the standard (anticipated) and the actual return on plan assets.

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR 2.3 million as at 30 June 2017 (31 December 2016: EUR 5.4 million).

The currency effects of EUR –377.7 million recognised in the first half of 2017 (prior year period: EUR –107.3 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve amounted to EUR 457.8 million as at the end of the first half of 2017 (31 December 2016: EUR 835.3 million).

Put options on non-controlling interests

Put options written involving a commitment to buy non-controlling interests when exercised are recognised as a financial liability in the amount of the present value of the exercise price pursuant to IAS 32. This entails application of the anticipated acquisition method which is founded on the assumption that acquisition of the non-controlling interests has already occurred: a financial obligation to acquire own equity instruments is carried as a liability. The non-controlling interests are derecognised in equity and the difference between the non-controlling interests and the likely purchase price is recognised in the remaining equity. Changes in the value of the financial liability are subsequently recognised directly in equity.

The anticipated acquisition of non-controlling interests was disclosed separately in the statement of changes in equity.

A put option measured at fair value in the amount of EUR 1.8 million was recognised under other liabilities as at 30 June 2017. This developed as follows:

million EUR	Put option
Opening balance at 1.1.2017	–
Addition by granting put options	1.7
Unrealised losses recognised in the reserve for put options	0.2
Currency translation differences recognised in the translation reserve within the OCI	–0.1
Closing balance at 30.6.2017	1.8

Measurement of the put option with the aid of the discounted cash flow method above all takes into account the anticipated net cash flows, which are discounted at a rate of 10.6%.

The fair value of the put option would increase (decrease) if the anticipated net cash flows were higher (lower) or if the discount rate was lower (higher).

Provisions

As part of the incorporation of the UASC Group on 24 May 2017 and the associated implementation of the Group's new organisational structure, a restructuring provision of EUR 34.0 million was created. The Executive Board of the Hapag-Lloyd Group decided on a restructuring plan at the end of the first half of 2017. Following the announcement of the plan and the start of its implementation, the Group recognised a provision for expected restructuring costs, including estimated costs occurring for claims arising following the termination of agent contracts and termination benefits for employees.

Financial instruments

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

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

* Part of financial debt

The carrying amounts and fair values of the financial instruments as at 30 June 2017 are presented in the table below.

million EUR	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	942.2	942.2	942.2
Other assets	478.8	317.2	317.2
Derivative financial instruments (held for trading)	45.4	45.4	45.4
Commodity options	0.5	0.5	0.5
Embedded derivatives	44.9	44.9	44.9
Derivative financial instruments (hedge accounting)	21.5	21.5	21.5
Currency forward contracts	21.5	21.5	21.5
Commodity options	–	–	–
Cash and cash equivalents	753.7	753.7	753.7
Liabilities			
Financial debt	7,165.7	7,165.7	7,840.6
Liabilities from finance leases*	146.2	146.2	157.3
Trade accounts payable	1,604.4	1,604.4	1,604.4
Derivative financial liabilities (hedge accounting)	15.7	15.7	15.7
Interest rate swaps	15.7	15.7	15.7
Currency forward contracts	–	–	–
Other liabilities	198.3	50.9	50.9

* Part of financial debt

The derivative financial instruments were measured at fair value. Since the business combination with UASC, they also include interest rate swaps used to hedge against interest rate risks. Their fair value is calculated as the present value of the anticipated future cash flows. The estimates of future cash flows from variable interest payments are based on quoted swap rates and interbank interest rates. The estimate of the fair value is adjusted by the credit risk of the Group and the counterparty.

The liabilities from bonds included within financial debt, which due to the quotation on an active market are allocated to level 1 of the fair value hierarchy, have a fair value of EUR 1,081.6 million (31 December 2016: EUR 786.7 million). The fair values indicated for the remaining financial debt, derivative financial instruments and liabilities from finance leases are assigned to level 2 of the fair value hierarchy. This means that the instruments are measured using methods which are based on factors derived directly or indirectly from observable market data.

The put options recognised under other liabilities with a fair value corresponding to the carrying amount of EUR 1.8 million belong to level 3 of the fair value hierarchy. The main non-observable input factors used for measurement of the liability are the anticipated net cash flows and the discount rate as determined internally.

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

There were no transfers between levels 1, 2 and 3 in the first six months of 2017.

Financial debt

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

Financial debt

million EUR	30.6.2017	31.12.2016
Liabilities to banks	5,851.9	3,050.1
Bonds	927.2	785.2
Liabilities from finance lease contracts	146.2	137.2
Other financial debt	386.6	208.2
Total	7,311.9	4,180.7

Financial debt by currency

million EUR	30.6.2017	31.12.2016
Financial debt denoted in USD (excl. transaction costs)	6,019.1	3,394.0
Financial debt denoted in EUR (excl. transaction costs)	1,087.0	819.0
Financial debt denoted in SAR (excl. transaction costs)	228.1	–
Interest liabilities	36.3	37.4
Transaction costs	–58.6	–69.7
Total	7,311.9	4,180.7

The EUR 3,131.2 million increase in financial debt was primarily due to the inclusion of UASC in the Group as a whole. UASC accounted for USD 3,910.6 million (EUR 3,428.9 million) of the Hapag-Lloyd Group's total financial debt.

Hapag-Lloyd has drawn down long-term loan agreements for a total of USD 223.4 million (EUR 195.9 million) in connection with three 10,500 TEU ships delivered in the first half of 2017.

In January 2017, a sale and leaseback transaction was entered into involving used containers and containers held by the Company. The lease agreement has a term of four years and comprises a volume of USD 44.1 million (EUR 41.3 million). The lease contract is essentially a form of borrowing, with the containers transferred by way of security. The Company will remain the beneficial owner of the containers and the disposal of the containers will have no effect on earnings.

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

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

Developments in used market prices for container ships resulted in deficits in the loan-to-value ratios in the fourth quarter of 2016. In the first half of 2017, Hapag-Lloyd made early repayments in the amount of USD 51.3 million (EUR 45.0 million) as requested by the financing banks.

A sale and leaseback transaction was entered into in the first half of 2017 to refinance an existing ship portfolio. The lease contract amounts to USD 205.0 million (EUR 179.7 million) and has a maturity of ten years. The Group remains the beneficial owner of the ship portfolio, and the disposal of the ocean-going vessels had no effect on earnings. The loan liability of USD 151.7 million (EUR 133.0 million) associated with the ship portfolio was repaid in full at the end of the first half of 2017.

The credit facility utilised as at 31 December 2016 to finance container investments of USD 260.0 million (EUR 228.0 million) as well as an additional unused credit facility of USD 8.5 million (EUR 7.5 million) was also repaid in the first half of 2017.

The Hapag-Lloyd Group had total available credit facilities of EUR 403.3 million as at 30 June 2017 (31 December 2016: EUR 189.4 million).

OTHER NOTES

Legal disputes

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

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

As at the reporting date, there were EUR 138.7 million in contingent liabilities from tax risks not classified as probable (31 December 2016: EUR 128.4 million).

Obligations from operating lease contracts

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for ships and containers, and rental agreements for business premises. Charter agreements for ships are always structured as time charter contracts, i.e. in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate.

In the first half of 2017, lease payments of EUR 491.4 million were posted to expenses (prior year period: EUR 535.5 million).

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

million EUR	30.6.2017	31.12.2016
Ships and containers	693.6	682.7
Administrative buildings	105.7	103.9
Other	240.6	239.2
Total	1,039.6	1,025.8

Other financial obligations

The Group's other financial obligations as at 30 June 2017 pertained to a purchase obligation for investments in container ships amounting to EUR 44.8 million (31 December 2016: EUR 151.7 million), which are due within one year.

Related party disclosures

In carrying out its ordinary business activities, the Hapag-Lloyd Group maintained indirect or direct relationships with related companies and individuals and with its own subsidiaries included in the consolidated financial statements. These supply and service relationships are transacted at market prices. The volume of these supply and service relationships has increased compared to 31 December 2016 due to the first time incorporation of the UASC Group as at 24 May 2017. As a result, no significant changes in these supply and service relationships have arisen since 31 December 2016. The contractual relationships with related parties described in the remuneration report from page 80 onwards of the 2016 annual report also remain unchanged, but are not of material importance to the Group.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Hapag-Lloyd issued a EUR bond with a volume of EUR 450.0 million on 18 July 2017. The bond has a maturity of seven years and a coupon of 5.125%. The purpose of the issue proceeds is to service Hapag-Lloyd's existing 7.75% and 7.50% EUR bonds which fall due in 2018 and 2019.

On 19 July 2017, 42.7 million shares assigned to UASC's existing shareholders in the course of the merger between Hapag-Lloyd and UASC went into circulation.

On 27 July 2017, Hapag-Lloyd launched the MV Afif, a ship with a transport capacity of 15,000 TEU. The last instalment of EUR 22.4 million (USD 25.5 million) for the construction work was paid to the shipyard upon delivery. The ship is financed with a long-term loan in the amount of EUR 83.1 million (USD 94.8 million), which had already been utilised in full upon delivery.

Hamburg, 29 August 2017

Hapag-Lloyd Aktiengesellschaft

Executive Board




Rolf Habben Jansen



Nicolás Burr



Anthony J. Firmin



Thorsten Haeser

**RESPONSIBILITY STATEMENT PURSUANT TO SECTION 297 (2) AND
SECTION 315 (1) OF THE GERMAN COMMERCIAL CODE (HGB)
(RESPONSIBILITY STATEMENT)**

We confirm that, to the best of our knowledge and in accordance with the applicable accounting principles, the interim consolidated financial statements give a true and fair view of the net asset, financial and earnings position of the Group and that the interim Group management report includes a fair view of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks that it faces in the remainder of the financial year.

Hamburg, 29 August 2017

Hapag-Lloyd Aktiengesellschaft

Executive Board



Rolf Habben Jansen



Nicolás Burr



Anthony J. Firmin



Thorsten Haeser

PRELIMINARY FINANCIAL CALENDAR 2017

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