

H1 | 2016

Hapag-Lloyd AG

Half Year Financial Report

1 January to 30 June 2016



SUMMARY OF HAPAG-LLOYD KEY FIGURES | HALF YEAR FINANCIAL REPORT H1 2016

		1.4.–30.6. 2016	1.4.–30.6. 2015	1.1.–30.6. 2016	1.1.–30.6. 2015	Change absolute
KEY OPERATING FIGURES¹⁾						
Total vessels (as at 30 June)		170	188	170	188	-18
Aggregate capacity of vessels	TTEU	952	989	952	989	-37
Freight rate (average for the quarter)	USD/TEU	1,019	1,264	1,042	1,296	-254
Transport volume	TTEU	1,892	1,945	3,703	3,719	-16
Revenue	million EUR	1,860	2,367	3,786	4,669	-883
EBITDA	million EUR	73.3	209.7	196.7	493.3	-296.6
EBIT	million EUR	-44.5	93.4	-39.7	267.7	-307.4
Group profit/loss	million EUR	-99.3	29.0	-142.1	157.2	-299.3
Cash flow from operating activities	million EUR	61.9	128.8	203.1	324.1	-121.0
KEY RETURN FIGURES¹⁾						
EBITDA margin (EBITDA/revenue)	%	3.9	8.9	5.2	10.6	-5.4 ppt
EBIT margin (EBIT/revenue)	%	-2.4	3.9	-1.0	5.7	-6.7 ppt
ROIC (Return on Invested Capital) ³⁾	%	-2.6	4.4	-1.3	6.4	-7.7 ppt
KEY BALANCE SHEET FIGURES AS AT 30 JUNE²⁾						
Balance sheet total	million EUR	10,674	11,079	10,674	11,079	-405
Equity	million EUR	4,740	5,046	4,740	5,046	-306
Equity ratio (equity/balance sheet total)	%	44.4	45.5	44.4	45.5	-1.1 ppt
Borrowed capital	million EUR	5,934	6,033	5,934	6,033	-99.0
Financial debt	million EUR	3,826	3,907	3,826	3,907	-81.0
Cash and cash equivalents	million EUR	473	574	473	574	-101.0

¹⁾ The comparison of key operating figures and key return figures refers to the prior year period 1 January to 30 June 2015.

²⁾ The comparison of key balance sheet figures refers to the balance sheet date 31 December 2015.

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 in USD on an annualised basis.

Main Highlights in H1 2016:

- Hapag-Lloyd and UASC agree on merger of container shipping activities
- THE Alliance to replace G6 Alliance from April 2017
- Stable transport volume despite rising economic uncertainties
- Intense competition and muted global economic growth continued to impact negatively on development of freight rates; decline of around 20% compared to the prior year period
- Lower bunker consumption and contribution from efficiency programmes ease pressure on cost side
- In total, clearly positive EBITDA of EUR 196.7 million in first half of 2016
- EBIT of -39.7 for the first six months of 2016
- Liquidity reserve totals EUR 774.9 million
- Earnings outlook for 2016 revised to clearly decreasing EBITDA and EBIT for the financial year 2016

Disclaimer: This interim 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.

This half year financial report was published on 10 August 2016.

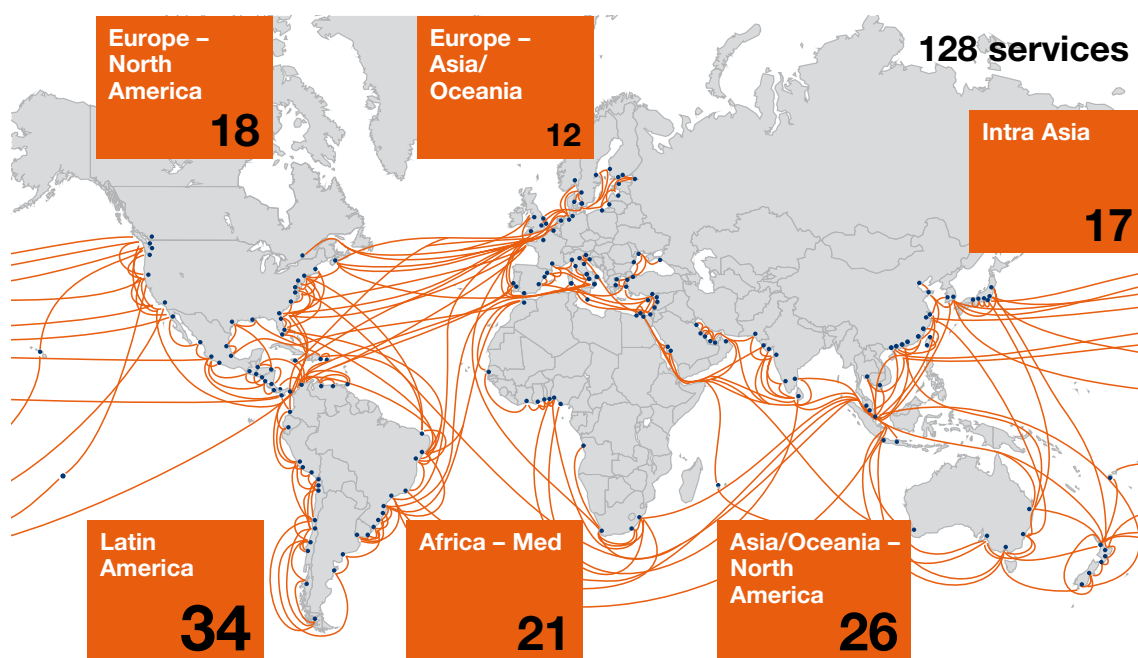
CONTENTS

4	Operating activities
5	Group objectives and strategy
8	Important financial performance indicators
8	Important non-financial principles
10	Economic report
10	General economic conditions
10	Sector-specific conditions
13	Group earnings position
17	Group financial position
19	Group net asset position
21	Events after the balance sheet date
21	Risk and opportunity report
22	Revised outlook
24	Interim consolidated financial statements
24	Consolidated income statement
25	Consolidated statement of comprehensive income
26	Consolidated statement of financial position
28	Consolidated statement of cash flows
29	Consolidated statement of changes in equity
30	Condensed Notes to the interim consolidated financial statements
30	Notes on the principles and methods underlying the interim consolidated financial statements
33	Selected notes to the consolidated income statement
33	Selected notes to the consolidated statement of financial position
37	Other notes
38	Significant events after the balance sheet date
40	Statement pursuant to section 297 (2) and section 315 (1) of the German Commercial Code (HGB)
41	Financial calendar, imprint

INTERIM GROUP MANAGEMENT REPORT

OPERATING ACTIVITIES

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



The Hapag-Lloyd fleet comprises 170 container ships (30 June 2016). The Group currently has 365 sales offices in 120 countries and offers its customers worldwide access to a network of 128 liner services. In the first half of 2016, Hapag-Lloyd served approximately 18,400 customers around the world.

Hapag-Lloyd conducts its container liner shipping business in an international business environment. Transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities and the corresponding financing of investments. The functional currency of Hapag-Lloyd AG and its important subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. Assets and liabilities recognised in the consolidated financial statements of Hapag-Lloyd AG are translated into euros as at the balance sheet date (closing date rate) using the middle rate of that day. The transactions listed in the consolidated statement of cash flows and the expenses and income shown in the consolidated income statement are translated at the average exchange rate for the reporting period.

GROUP OBJECTIVES AND STRATEGY

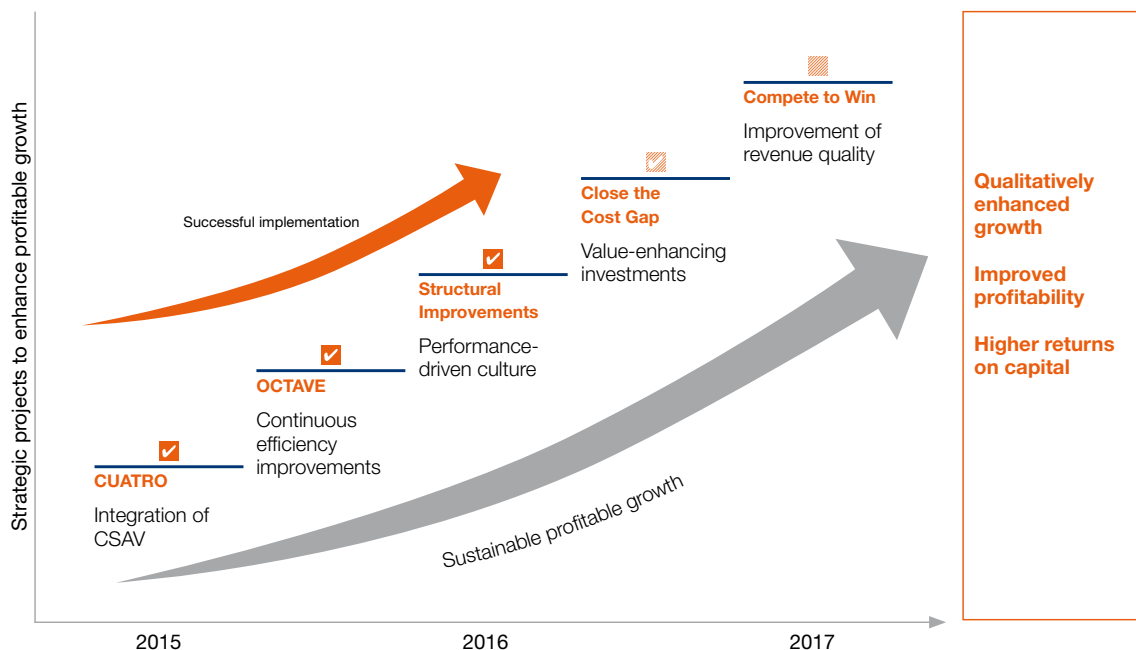
The prime objective of the Hapag-Lloyd Group is to achieve long-term profitable growth. The performance of the Group’s transport volume and key operating figures EBITDA and EBIT is the basis for measuring whether corporate objectives are met. Hapag-Lloyd aims to benefit from the market opportunities for organic growth while also strategically protecting its leading competitive position by utilising measures to increase its value in the context of consolidation within the industry. To make use of the external growth opportunities Hapag-Lloyd signed a business combination agreement (BCA) for the combination of its container shipping activities with the Arabic container liner company United Arab Shipping Company (UASC) on 18 July 2016.

The growing global demand for container transportation is the very foundation of the organic growth which Hapag-Lloyd hopes to achieve. IHS Global Insight (July 2016) has forecast a rise in global container shipments of 2.2% to around 132 million TEU in 2016 and a further 3.8% to 137 million TEU in 2017. Hapag-Lloyd intends to increase the transport volume organically in line with market growth.

Five strategic projects were implemented in 2015 in order to improve efficiency and cost structures. Hapag-Lloyd’s aim is to improve its profitability, based on the increasing effectiveness of the strategic measures.

The following measures will help to achieve the profitability targets:

Our way forward: sustainable profitable growth



The CUATRO and OCTAVE projects are expected to deliver annual synergies, efficiency improvements and cost savings totalling USD 600.0 million by 2017 as against the comparable cost base in the 2014 financial year, and assuming that external factors remain the same. More than 70% of the expected synergies, efficiency improvements and cost savings were already achieved in the 2015 financial year. In the first quarter of 2016, the OCTAVE efficiency programme was intensified, and additional measures (OCTAVE II) were added to it. These should lead to further cost savings and efficiency improvements with a high double-digit million US dollar amount by the end of 2017, in addition to the improvements already achieved. The efficiency projects have already contributed to the improvement in cost structures in the first six months of 2016.

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 16. The main factors influencing these are transport volume, freight rate, the US dollar exchange rate against the euro, and operating costs including bunker price. EBITDA is an important indicator of the achievement of sustainable company results and gross cash flows. It has a special significance for capital-intensive companies. Hapag-Lloyd – which has a balanced fleet structure, owning approximately 56% of its fleet (based on TEU capacity) – uses EBITDA as an important parameter for investment decisions.

The generation of sustainable cash flows, solid corporate financing, and therefore in particular a good liquidity and equity base, are once again key cornerstones of the Hapag-Lloyd Group's corporate strategy in the 2016 financial year. As at 30 June 2016, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 774.9 million (31 December 2015: EUR 962.4 million; 30 June 2015: EUR 830.2 million).

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

On 18 July 2016, Hapag-Lloyd AG and United Arab Shipping Company (UASC) signed an agreement on the merger of their container shipping activities (business combination agreement). The planned merger with UASC is subject to the approval of the relevant competition authorities. The merger will strengthen Hapag-Lloyd's market position and will enable Hapag-Lloyd to consolidate its current market position as the fifth-largest container liner shipping company in the world. Following the completion of the transaction, Hapag-Lloyd is expected to reach a transport capacity of approximately 1.6 million TEU, an annual transport volume of around 10 million TEU and revenue of approximately USD 12 billion, putting it ahead of its nearest competitors (transport capacity: Evergreen 0.9 million TEU, Hanjin 0.6 million TEU and Hamburg Süd 0.6 million TEU). The fourth-largest shipping company China COSCO Shipping Cooperation (China COSCO) also has a transport capacity of 1.6 million TEU.

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

- Strengthened market position as one of the top 5 in a container shipping industry which is continuing to consolidate
- Enhanced market presence in the attractive Middle East trade and solid position in all trades
- Efficient and young fleet with a low level of investment needed
- Synergies of at least USD 400 million p. a. from 2019 onwards
- Strong partner in THE Alliance

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

Medium-term objectives

Hapag-Lloyd should be able to sustainably improve its profitability in the years after 2017 by achieving synergies from the CSAV and UASC integration in full and by means of additional cost savings and efficiency improvements, expected growth in volume and an improvement in revenue quality. From 2019 onwards, the synergies expected from the merger with UASC should contribute at least USD 400 million to this annually. The key developments in the 2017 financial year will be the completion of the transaction and the integration of UASC's activities into the Hapag-Lloyd Group as well as the operational launch of the new THE Alliance. Following completion of the integration, Hapag-Lloyd will publish an update on the mid-term financial and strategic targets.

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include the transport volume, freight rates and EBITDA as well as EBIT. As and from the 2016 financial year, return on invested capital (ROIC) will also be used as a performance indicator. The development of the most important financial performance indicators in the first six months of 2016 is presented in the section "Group earnings position".

The calculation of the return on invested capital is as follows:

	million EUR		million USD	
	H1 2016	H1 2015	H1 2016	H1 2015
Non-current assets	9,259	9,200	10,320	10,285
Trade accounts receivable	628	704	700	787
Other assets	314	326	350	365
Total assets	10,201	10,230	11,370	11,437
Provisions	606	692	675	774
Trade accounts payable	1,282	1,293	1,429	1,445
Other liabilities	220	204	245	228
Total debt	2,108	2,189	2,349	2,447
Invested Capital	8,093	8,041	9,021	8,990
EBIT	-39.7	267.7	-44.2	299.0
Taxes	12.5	11.3	13.9	12.6
Net Operating Profit after Tax (NOPAT)	-52.2	256.4	-58.1	286.4
ROIC (annualised)			-1.3%	6.4%

The return on invested capital is calculated in USD.

IMPORTANT NON-FINANCIAL PRINCIPLES

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

Efficient fleet

As at 30 June 2015, Hapag-Lloyd's fleet comprised a total of 170 container ships. All of the ships are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the ships are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet amounted to 951,904 TEU. Based on the TEU capacities, around 56% of the fleet was owned by the Group as at 30 June 2016 (H1 2015: approximately 52%). The average age of the ships (capacity-weighted) was 7.9 years. The average ship size within the Hapag-Lloyd Group fleet was 5,599 TEU, which is 6.7% above the comparable average figure for the ten largest container liner shipping companies and around 67% above the average ship size in the global fleet. Hapag-Lloyd also owned or rented 932,993 containers with a capacity of 1,513,130 TEU for shipping cargo. Around 43% of containers (capacity weighted) were owned by the Group as at 30 June 2016 (H1 2015: around 35%).

STRUCTURE OF HAPAG-LLOYD'S CONTAINER SHIP FLEET			
	30.6.2016	31.12.2015	30.6.2015
Number of vessels	170	177	188
thereof			
Own vessels	70	68	66
Leased vessels	3	3	5
Chartered vessels	97	106	117
Aggregate capacity of vessels (TTEU)	952	966	989
Aggregate container capacity (TTEU)	1,513	1,564	1,607
Number of services	128	121	128

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

In 2015, Hapag-Lloyd launched five newbuilds with a transport capacity of 9,300 TEU each. This is expected to improve the efficiency of the Hapag-Lloyd fleet. Bunker consumption totalled around 1.57 million tonnes (metric tons) in the first half of 2016 (H1 2015: 1.72 million tonnes). Around 9% (H1 2015: 13%) of this was bunker with a low proportion of sulphur (MDO). Bunker consumption per slot (as measured by the container storage space in the first half of 2016 and calculated on an annualised basis) was 3.28 (H1 2015: 3.44) metric tons.

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

With demand for container shipping services continuing to rise, container shipping will remain a growth industry in the long term. Hapag-Lloyd will continue to invest in new ship systems in order to utilise the medium-term expansion opportunities resulting from market growth and to realise economies of scale in its 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 2016 financial year, Hapag-Lloyd completed transport contracts for approximately 18,400 customers (prior year period: approximately 20,000).

Employees

The Hapag-Lloyd Group employed 9,305 people as at 30 June 2016 (31 December 2015: 9,417).

The number of shore-based employees as at 30 June 2016 was 7,708 (31 December 2015: 7,771).

1,405 people were employed in the marine division as at 30 June 2016 (31 December 2015: 1,411).

Hapag-Lloyd employed 192 apprentices as at 30 June 2016.

NUMBER OF EMPLOYEES			
	30.6.2016	31.12.2015	30.6.2015
Marine personnel	1,405	1,411	1,421
Shore-based personnel	7,708	7,771	8,499
Apprentices	192	235	204
Total	9,305	9,417	10,124

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

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

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

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

DEVELOPMENTS IN GLOBAL ECONOMIC GROWTH (GDP) AND WORLD TRADING VOLUME				
%	2017e	2016e	2015	2014
Global economic growth	3.4	3.1	3.1	3.4
Industrialised countries	1.8	1.8	1.9	1.9
Developing and newly industrialised countries	4.6	4.1	4.0	4.6
World trading volume (goods and services)	3.9	2.7	2.6	3.7
Increase in the global container shipping volume (IHS)	3.8	2.2	1.4	4.3

Source: IMF, July 2016; IHS Global Insight, July 2016

SECTOR-SPECIFIC CONDITIONS

The total capacity of the global container ship fleet came to approximately 20.9 million TEU at the start of 2016 (MDS Transmodal, July 2016). Based on the container ships on order and planned deliveries, the supply capacity should see increases of around 1.2 million TEU in 2016 and around 1.6 million TEU in 2017. The tonnage of the commissioned container ships (approximately 3.7 million TEU) is currently equivalent to around 18% of the present global container fleet's capacity (20.9 million TEU). It therefore remains well below the highest level seen to date, which was around 56% in 2008. In the period from January to June 2016, orders were placed for the construction of 36 container ships with a transport capacity of 75,000 TEU (H1 2015: 75 ships, capacity of 1.03 million TEU; Clarkson Shipping Intelligence Network).

DEVELOPMENT OF GLOBAL CONTAINER FLEET CAPACITY

million TEU	2017e	2016e	2015	2014	2013
Total capacity (start of year)	22.1	20.9	19.3	18.3	17.4
Planned deliveries	1.6	1.2	1.6	1.0	0.9

Source: MDS Transmodal, July 2016. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrappings and postponed deliveries. Only vessels > 399 TEU. Figures rounded. Rounding differences may be the result of changes in the databases.

Based on figures from MDS Transmodal, a total of 73 container ships with a transport capacity of approximately 514,000 TEU were placed into service in the first half of 2016, which was a significant decrease on the previous year (H1 2015: 125 ships with a transport capacity of about 1.0 million TEU). In the future as well, the actual growth in the global container ship fleet's transport capacity is expected to be lower than the projected nominal increase, as old and inefficient ships are scrapped, deliveries of newbuilds are postponed and slow steaming (reducing the speed at which services operate) is used. According to data provided by the information platform Clarkson Research (July 2016), the scrapping of inefficient ships in the first six months of 2016 equated to 271,000 TEU, which was already more than the total volume scrapped in 2015 (193,000 TEU). For 2016, Drewry expects scrappings to increase to approximately 450,000 TEU.

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

Reorganisation of alliances and mergers

Some of the alliances operating in the East–West trades were extensively reorganised in the second quarter of 2016. In April 2016, the Ocean Alliance was established by CMA CGM S.A. (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.

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

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

ESTIMATED CAPACITY SHARE OF ALLIANCES ON EAST-WEST TRADES

	Far East Trade	Transpacific Trade	Atlantic Trade
2M	35%	17%	42%
Ocean Alliance	35%	39%	17%
THE Alliance	27%	33%	31%
Others	3%	11%	10%

Source: Alphaliner, June 2016

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

Opening of the expanded Panama Canal

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

GROUP EARNINGS POSITION

The first half of the 2016 financial year at the Hapag-Lloyd Group was once again dominated by a challenging operating environment and subdued global economic growth. Sustained competitive pressure in the container shipping industry led to a further significant decline in freight rates in the first half of 2016. By contrast, synergy effects and cost savings as well as a further drop in the bunker price compared to the previous year period had a positive effect on the earnings position. However, these factors were unable to compensate for the sharp drop in the average freight rate. At USD 1.11/EUR, the average dollar/euro exchange rate was the same as in the prior year period (USD 1.12/EUR). Overall, Hapag-Lloyd recorded a Group loss of EUR 142.1 million in the first half of 2016.

CONSOLIDATED INCOME STATEMENT				
million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Revenue	1,859.8	2,366.7	3,785.5	4,669.0
Other operating income	36.1	4.1	58.6	103.6
Transport expenses	1,608.6	1,952.4	3,200.6	3,791.9
Personnel expenses	112.6	134.6	254.3	253.8
Depreciation, amortisation and impairment	117.8	116.3	236.4	225.6
Other operating expenses	107.8	79.7	204.7	243.5
Operating result	-50.9	87.8	-51.9	257.8
Share of profit of equity-accounted investees	6.3	5.5	12.1	13.7
Other financial result	0.1	0.1	0.1	-3.8
Earnings before interest and tax (EBIT)	-44.5	93.4	-39.7	267.7
Interest result	-46.8	-60.9	-89.9	-99.2
Income taxes	8.0	3.5	12.5	11.3
Group profit/loss	-99.3	29.0	-142.1	157.2
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	-99.9	28.4	-143.9	156.3
thereof profit/loss attributable to non-controlling interests	0.6	0.6	1.8	0.9
Basic earnings per share (in EUR)	-0.85	0.27	-1.22	1.49
EBITDA	73.3	209.7	196.7	493.3
EBITDA margin (%)	3.9	8.9	5.2	10.6
EBIT	-44.5	93.4	-39.7	267.7
EBIT margin (%)	-2.4	3.9	-1.0	5.7

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

FREIGHT RATES PER TRADE				
USD/TEU	Q2 2016	Q2 2015	H1 2016	H1 2015
Atlantic	1,319	1,500	1,350	1,505
Transpacific	1,223	1,651	1,285	1,700
Far East	723	966	752	1,027
Latin America	965	1,185	963	1,220
Intra-Asia	548	678	552	709
EMAO (Europe, Mediterranean, Africa, Oceania)	1,064	1,219	1,071	1,244
Total (weighted average)	1,019	1,264	1,042	1,296

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

TRANSPORT VOLUME PER TRADE				
TTEU	Q2 2016	Q2 2015	H1 2016	H1 2015
Atlantic	398	408	774	775
Transpacific	365	365	712	680
Far East	302	323	608	656
Latin America	551	606	1,087	1,148
Intra-Asia	170	150	314	280
EMAO (Europe, Mediterranean, Africa, Oceania)	106	93	208	180
Total	1,892	1,945	3,703	3,719

Revenue decreased by EUR 883.5 million year-on-year in the first half of the 2016 financial year, from EUR 4,669.0 million to EUR 3,785.5 million, as a result of the sharp decline in the average freight rate.

REVENUE PER TRADE				
million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Atlantic	466.1	552.7	938.3	1,044.8
Transpacific	398.2	543.6	822.6	1,035.6
Far East	194.6	282.4	410.8	603.6
Latin America	474.6	647.6	941.2	1,253.8
Intra-Asia	83.1	92.2	155.8	177.9
EMAO (Europe, Mediterranean, Africa, Oceania)	100.4	101.7	200.6	199.9
Others	142.8	146.5	316.2	353.4
Total	1,859.8	2,366.7	3,785.5	4,669.0

Transport expenses fell by EUR 591.3 million in the first half of 2016 to EUR 3,200.6 million (prior year period: EUR 3,791.9 million). This represents a drop of 15.6%. This development was particularly attributable to a decline of EUR 300.9 million (–51.2%) in expenses for raw materials and supplies. In the first half of 2016, the average bunker price (MFO) was USD 180 per tonne, down USD 166 on the figure for the prior year period. The cost of purchased services was also down by EUR 290.4 million (–9.1%) year-on-year, despite a virtually unchanged transport volume. This was due to the realisation of synergy effects from the merger with CSAV’s container shipping activities, as well as to savings resulting from cost-cutting measures initiated in the previous years.

TRANSPORT EXPENSES				
million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Expenses for raw materials and supplies	146.4	310.3	286.7	587.6
Cost of purchased services	1,462.2	1,642.1	2,913.9	3,204.3
thereof				
Port, canal and terminal costs	683.5	745.7	1,370.6	1,427.2
Chartering, leases and container rentals	258.0	290.5	504.4	551.3
Container transport costs	471.3	566.6	931.4	1,142.0
Maintenance/repair/other	49.4	39.3	107.5	83.8
Transport expenses	1,608.6	1,952.4	3,200.6	3,791.9

The gross profit margin (ratio of revenue less transport expenses to revenue) for the first half of the current financial year came to 15.5% (prior year period: 18.8%).

Changes in the US dollar/euro exchange rate caused period-specific exchange rate gains and losses to decrease in the period under review. This was reflected in other operating income and other operating expenses. Netted, this resulted in an exchange rate loss of EUR 12.8 million in the first half of 2016 (prior year period: exchange rate gain of EUR 5.7 million).

Personnel expenses amounted to EUR 254.3 million and were thereby on a par with last year's level (EUR 253.8 million). The decrease of personnel expenses due to the reduced provision for bonuses relating to the lower group result was offset by the change in exchange rate effects in connection with the valuation of pension provisions of EUR 12.0 million.

Depreciation and amortisation came to EUR 236.4 million in the first half of 2016 (prior year period: EUR 225.6 million). The year-on-year increase in depreciation and amortisation was due to scheduled depreciation of the newbuilds and containers acquired in the previous year.

The Group's earnings before interest and taxes (EBIT) amounted to EUR –39.7 million in the reporting period. They were therefore significantly below the corresponding figure in the prior year period of EUR 267.7 million. The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 196.7 million in the first half of the 2016 financial year (prior year period: EUR 493.3 million). The return on invested capital (ROIC) for the first half of 2016 amounted to –1.3% (prior year period: 6.4%). Earnings per share for the first half of 2016 came to EUR –1.22 (prior year period: EUR 1.49).

KEY EARNINGS FIGURES

million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Revenue	1,859.8	2,366.7	3,785.5	4,669.0
EBIT	–44.5	93.4	–39.7	267.7
EBITDA	73.3	209.7	196.7	493.3
EBIT margin (%)	–2.4	3.9	–1.0	5.7
EBITDA margin (%)	3.9	8.9	5.2	10.6
Basic Earnings Per Share (in EUR)	–0.85	0.27	–1.22	1.49
Return on Invested Capital (ROIC) annualised (%)	–2.6	4.4	–1.3	6.4

The return on invested capital is calculated in USD.

The interest result for the first six months of 2016 was EUR –89.9 million (prior year period: EUR –99.2 million). This amount includes income of EUR 9.2 million (prior year period: EUR 11.1 million) from a change in the fair value of the embedded derivatives of the bonds issued.

The Group recorded a loss of EUR 142.1 million in the first half of the 2016 financial year (prior year period: profit of EUR 157.2 million).

GROUP FINANCIAL POSITION

CONDENSED STATEMENT OF CASH FLOWS				
million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Cash flow from operating activities	61.9	128.8	203.1	324.1
Cash flow from investing activities	-65.5	-152.4	-173.4	-331.6
Free cash flow	-3.6	-23.6	29.7	-7.5
Cash flow from financing activities	12.0	-126.5	-117.6	-171.0
Changes in cash and cash equivalents	8.4	-150.1	-87.9	-178.5

Cash flow from operating activities

The Group generated an operating cash flow of EUR 203.1 million in the first half of the 2016 financial year (prior year period: EUR 324.1 million).

Cash flow from investing activities

The cash outflow from investing activities amounted to EUR 173.4 million in the first half of the 2016 financial year (prior year period: EUR 331.6 million). This mainly consisted of payments for investments in ships and containers totalling EUR 197.8 million (prior year period: EUR 428.8 million). In particular, proceeds from dividends in the amount of EUR 28.4 million (prior year period: EUR 33.6 million) had an offsetting effect.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 117.6 million in the current reporting period (prior year period: EUR 171.0 million). Cash inflows from new borrowing in the amount of EUR 264.4 million (prior year period: EUR 220.9 million) were essentially offset by interest and capital repayments of EUR 379.1 million (prior year period: EUR 373.9 million). The inflow of cash and cash equivalents was related to the utilisation of credit facilities and new borrowing.

CHANGES IN CASH AND CASH EQUIVALENTS				
million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Cash and cash equivalents at beginning of period	456.0	774.9	573.7	711.4
Changes due to exchange rate fluctuations	8.6	-29.9	-12.8	62.0
Net changes	8.4	-150.1	-87.9	-178.5
Cash and cash equivalents at end of period	473.0	594.9	473.0	594.9

Overall, the aggregate cash outflow totalled EUR 87.9 million in the first half of 2016, such that after accounting for exchange rate effects in the amount of EUR –12.8 million, cash and cash equivalents of EUR 473.0 million were reported at the end of the reporting period on 30 June 2016 (30 June 2015: EUR 594.9 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item “Cash and cash equivalents”. In addition, the Company had unused credit facilities of EUR 301.9 million as at 30 June 2016.

Net debt

At EUR 3,353.1 million, the Group’s net debt had increased as at 30 June 2016 from the end of 2015, when it stood at EUR 3,333.6 million. This rise was caused in particular by a decline in cash and cash equivalents.

FINANCIAL SOLIDITY		
million EUR	30.6.2016	31.12.2015
Financial debt	3,826.1	3,907.3
Cash and cash equivalents	473.0	573.7
Net debt	3,353.1	3,333.6
EBITDA	196.7	831.0
Gearing (%)*	70.7	66.1
Unused credit lines	301.9	388.7
Equity ratio (%)	44.4	45.5

* Ratio of net debt to equity

GROUP NET ASSET POSITION

CHANGES IN THE NET ASSET STRUCTURE		
million EUR	30.6.2016	31.12.2015
Assets		
Non-current assets	9,258.9	9,514.1
of which fixed assets	9,195.3	9,457.3
Current assets	1,415.2	1,565.0
of which cash and cash equivalents	473.0	573.7
Total assets	10,674.1	11,079.1
Equity and liabilities		
Equity	4,740.1	5,046.2
Borrowed capital	5,934.0	6,032.9
of which non-current liabilities	3,512.3	3,633.8
of which current liabilities	2,421.7	2,399.1
of which financial debt	3,826.1	3,907.3
of which non-current financial debt	3,130.9	3,297.2
of which current financial debt	695.2	610.1
Total equity and liabilities	10,674.1	11,079.1
Asset coverage ratio I (%)	51.5	53.4
Asset coverage ratio II (%)	89.7	91.8
Liquidity ratio (%)	19.5	23.9
Net debt	3,353.1	3,333.6
Equity ratio (%)	44.4	45.5

As at 30 June 2016, the Group's balance sheet total was EUR 10,674.1 million, EUR 405.0 million lower than the figure at year-end 2015. The reasons for this decline included exchange rate effects as at the reporting date due to the slightly weaker US dollar. The US dollar/euro exchange rate was quoted at 1.11 on 30 June 2016 (31 December 2015: 1.09).

Within non-current assets, currency translation effects as at the reporting date of EUR 205.5 million and scheduled depreciation of EUR 236.4 million reduced the carrying amount of fixed assets.

The change in current assets compared to the level at the end of 2015 primarily resulted from a decrease of EUR 87.9 million in trade accounts receivable.

Cash and cash equivalents declined due to cash outflows of EUR 87.9 million. Exchange rate effects totalling EUR –12.8 million also contributed to the fall in cash and cash equivalents. Cash and cash equivalents totalled EUR 473.0 million as at 30 June 2016 (31 December 2015: EUR 573.7 million).

On the liabilities side, the Group's equity fell by EUR 306.1 million to EUR 4,740.1 million. This decrease is mainly due to the Group loss of EUR 142.1 million as well as the balance of unrealised gains and losses from currency translation recognised in other comprehensive income amounting to EUR –107.3 million. The change in the reserve for the remeasurement of defined benefit pension plans (EUR –55.6 million) also led to a decline in equity. The equity ratio was 44.4% as at 30 June 2016 (31 December 2015: 45.5%).

The Group's borrowed capital fell by EUR 98.9 million to EUR 5,934.0 million compared with the end of 2015. This decrease includes a EUR 81.2 million drop in financial debt relating, in particular, to capital repayments of EUR 295.1 million as well as to exchange rate effects of EUR –70.7 million as at the reporting date. The utilisation of credit facilities and new borrowing had an offsetting effect.

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.

EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

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

RISK AND OPPORTUNITY REPORT

Please refer to the 2015 annual report for details of specific opportunities and risks. At the time of reporting, there were no risks which threatened the continued existence of the Hapag-Lloyd Group.

However, the increasing global macroeconomic uncertainties and ongoing stiff competition could have a significant negative impact on the development of transport volumes and freight rates in the second half of 2016 as well.

Authorities in a number of jurisdictions have launched investigations into possible breaches of competition law; a quantification of a possible risk that this may result in cannot be made at the time of reporting, however.

REVISED OUTLOOK

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

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

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

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

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

	Previous outlook (Q1 2016)	Revised outlook
EBITDA (earnings before interest, tax, depreciation and amortisation)	Increasing moderately	Clearly decreasing
EBIT (earnings before interest and taxes)	Clearly increasing	Clearly decreasing

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

Key benchmark figures for the 2016 outlook

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

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

The business development of Hapag-Lloyd could be impacted by far-reaching risks. These risks are described in detail in the risk report in the Group management report of the 2015 annual report (page 120 ff.). The main risks which could cause a deviation in the business development from the changed outlook are the further significant and lasting rise in bunker prices (MFO) and the absence of a rate recovery or a further significant reduction in freight rates in the second half of 2016.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG FOR THE PERIOD 1 JANUARY TO 30 JUNE 2016

million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Revenue	1,859.8	2,366.7	3,785.5	4,669.0
Other operating income	36.1	4.1	58.6	103.6
Transport expenses	1,608.6	1,952.4	3,200.6	3,791.9
Personnel expenses	112.6	134.6	254.3	253.8
Depreciation, amortisation and impairment	117.8	116.3	236.4	225.6
Other operating expenses	107.8	79.7	204.7	243.5
Operating result	-50.9	87.8	-51.9	257.8
Share of profit of equity-accounted investees	6.3	5.5	12.1	13.7
Other financial result	0.1	0.1	0.1	-3.8
Earnings before interest and taxes (EBIT)	-44.5	93.4	-39.7	267.7
Interest income	1.5	1.5	2.7	2.9
Interest expenses	48.3	62.4	92.6	102.1
Earnings before income taxes	-91.3	32.5	-129.6	168.5
Income taxes	8.0	3.5	12.5	11.3
Group profit/loss	-99.3	29.0	-142.1	157.2
thereof attributable to shareholders of Hapag-Lloyd AG	-99.9	28.4	-143.9	156.3
thereof attributable to non-controlling interests	0.6	0.6	1.8	0.9
Basic/diluted earnings per share (in EUR)	-0.85	0.27	-1.22	1.49

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG
FOR THE PERIOD 1 JANUARY TO 30 JUNE 2016

million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Group profit/loss	-99.3	29.0	-142.1	157.2
Items which will not be reclassified to profit and loss:	-23.2	54.8	-55.6	20.7
Remeasurements from defined benefit plans after tax	-23.2	54.8	-55.6	20.7
Remeasurements from defined benefit plans before tax	-23.2	55.1	-55.5	20.4
Tax effect	-0.0	-0.3	-0.1	0.3
Items which may be reclassified to profit and loss:	95.8	-181.0	-105.7	336.8
Cash flow hedges (no tax effect)	2.1	0.0	1.8	0.0
Changes in fair values recognised in cumulative other equity	39.5	-1.2	13.2	-1.2
Release from cumulative other equity	-37.4	1.2	-11.4	1.2
Currency translation (no tax effect)	93.7	-181.0	-107.5	336.8
Other comprehensive income after tax	72.6	-126.2	-161.3	357.5
Total comprehensive income	-26.7	-97.2	-303.4	514.7
thereof attributable to shareholders of Hapag-Lloyd AG	-27.3	-97.7	-305.0	513.4
thereof attributable to non-controlling interests	0.6	0.5	1.6	1.3

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
AS AT 30 JUNE 2016**

million EUR	30.6.2016	31.12.2015
Assets		
Goodwill	1,574.2	1,610.8
Other intangible assets	1,307.4	1,376.3
Property, plant and equipment	6,003.1	6,143.6
Investments in equity-accounted investees	310.6	326.6
Other assets	19.8	22.5
Derivative financial instruments	19.6	10.7
Income tax receivables	2.3	-
Deferred tax assets	21.9	23.6
Non-current assets	9,258.9	9,514.1
Inventories	101.8	94.1
Trade accounts receivable	628.2	716.1
Other assets	164.7	148.5
Derivative financial instruments	14.6	0.7
Income tax receivables	32.9	31.9
Cash and cash equivalents	473.0	573.7
Current assets	1,415.2	1,565.0
Total assets	10,674.1	11,079.1

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
AS AT 30 JUNE 2016**

million EUR	30.6.2016	31.12.2015
Equity and liabilities		
Subscribed capital	118.1	118.1
Capital reserves	1,263.2	1,263.2
Retained earnings	2,908.3	3,052.3
Cumulative other equity	443.7	604.8
Equity attributable to the shareholders of Hapag-Lloyd AG	4,733.3	5,038.4
Non-controlling interests	6.8	7.8
Equity	4,740.1	5,046.2
Provisions for pensions and similar obligations	245.1	186.2
Other provisions	121.7	144.2
Financial debt	3,130.9	3,297.2
Other liabilities	12.9	4.7
Deferred tax liabilities	1.7	1.5
Non-current liabilities	3,512.3	3,633.8
Provisions for pensions and similar obligations	5.9	5.6
Other provisions	233.2	285.9
Income tax liabilities	26.3	22.9
Financial debt	695.2	610.1
Trade accounts payable	1,282.1	1,293.8
Other liabilities	168.2	158.5
Derivative financial instruments	10.8	22.3
Current liabilities	2,421.7	2,399.1
Total equity and liabilities	10,674.1	11,079.1

**CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG
FOR THE PERIOD 1 JANUARY TO 30 JUNE 2016**

million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Group profit/loss	-99.3	29.0	-142.1	157.2
Income tax expenses (+)/income (-)	8.0	3.5	12.5	11.3
Interest result	46.8	60.9	89.9	99.2
Depreciation, amortisation and impairment (+)/write-backs (-)	117.8	116.3	236.4	225.6
Other non-cash expenses (+)/income (-)	-8.3	4.6	-0.4	-54.1
Profit (-)/loss (+) from hedges or financial debt	0.3	15.9	0.3	15.9
Profit (-)/loss (+) from disposals of non-current assets and assets held for sale	-0.8	-8.2	-1.2	-9.4
Income (-)/expenses (+) from equity-accounted investees and dividends from other investments	-6.4	-5.4	-12.2	-13.7
Increase (-)/decrease (+) in inventories	-16.7	-9.9	-9.9	9.1
Increase (-)/decrease (+) in receivables and other assets	49.6	18.3	44.5	81.4
Increase (+)/decrease (-) in provisions	-59.6	-104.5	-62.3	-152.7
Increase (+)/decrease (-) in liabilities (excl. financial debt)	33.9	7.3	55.8	-46.9
Payments for income taxes	-3.7	-0.2	-8.7	-0.4
Payments received (+) for interest	0.3	1.2	0.5	1.6
Cash inflow (+)/outflow (-) from operating activities	61.9	128.8	203.1	324.1
Payments received from disposals of property, plant and equipment and intangible assets	1.7	1.0	4.3	1.3
Dividends received	28.3	33.5	28.4	33.6
Payments received from the disposal of assets held for sale	-	30.9	0.0	71.0
Payments made for investments in property, plant and equipment and intangible assets	-95.5	-217.5	-206.1	-437.2
Payments made for investments in other investments	-	-0.3	0.0	-0.3
Cash inflow (+)/outflow (-) from investing activities	-65.5	-152.4	-173.4	-331.6
Payments made from changes in ownership interests in subsidiaries	-0.3	0.0	-0.3	0.0
Payments made for dividends	-0.2	-1.8	-2.3	-2.1
Payments received from raising financial debt	141.4	66.9	264.4	220.9
Payments made for the redemption of financial debt	-87.2	-129.0	-295.1	-274.5
Payments made for interest and fees	-41.4	-46.7	-84.0	-99.4
Payments received (+) and made (-) from hedges for financial debt	-0.3	-15.9	-0.3	-15.9
Cash inflow (+)/outflow (-) from financing activities	12.0	-126.5	-117.6	-171.0
Net change in cash and cash equivalents	8.4	-150.1	-87.9	-178.5
Cash and cash equivalents at beginning of period	456.0	774.9	573.7	711.4
Change in cash and cash equivalents due to exchange rate fluctuations	8.6	-29.9	-12.8	62.0
Net change in cash and cash equivalents	8.4	-150.1	-87.9	-178.5
Cash and cash equivalents at end of period	473.0	594.9	473.0	594.9

Payments for interest and income taxes are shown separately in the Consolidated Statement of Cash Flows.
The prior period was amended accordingly.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG FOR THE PERIOD 1 JANUARY TO 30 JUNE 2016

million EUR	Equity attributable to shareholders of Hapag-Lloyd AG						Total equity		
	Sub-scribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve		Cumulative other equity	Non-controlling interests
As per 1.1.2015	104.9	1,651.9	2,286.1	-104.8	0.0	226.2	121.4	5.3	4,169.6
Total comprehensive income thereof	-	-	156.3	20.7	0.0	336.4	357.1	1.3	514.7
Group profit/loss	-	-	156.3	-	-	-	-	0.9	157.2
Other comprehensive income	-	-	-	20.7	0.0	336.4	357.1	0.4	357.5
Transactions with shareholders thereof	-	-	-	-	-	-	-	-2.1	-2.1
Distribution to non-controlling interests	-	-	-	-	-	-	-	-2.1	-2.1
Deconsolidation	-	-	-0.3	-	-	-	-	-	-0.3
As per 30.6.2015	104.9	1,651.9	2,442.1	-84.1	0.0	562.6	478.5	4.5	4,681.9
As per 1.1.2016	118.1	1,263.2	3,052.3	-75.2	1.2	678.8	604.8	7.8	5,046.2
Total comprehensive income thereof	-	-	-143.9	-55.6	1.8	-107.3	-161.1	1.6	-303.4
Group profit/loss	-	-	-143.9	-	-	-	-	1.8	-142.1
Other comprehensive income	-	-	-	-55.6	1.8	-107.3	-161.1	-0.2	-161.3
Transactions with shareholders thereof	-	-	-	-	-	-	-	-2.6	-2.6
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	-	-0.3	-0.3
Distribution to non-controlling interests	-	-	-	-	-	-	-	-2.3	-2.3
Deconsolidation	-	-	-0.1	-	-	-	-	-	-0.1
As per 30.6.2016	118.1	1,263.2	2,908.3	-130.8	3.0	571.5	443.7	6.8	4,740.1

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 services, logistical services and all other associated business operations and services.

The interim consolidated financial statements cover the period 1 January 2016 to 30 June 2016 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.

Accounting principles

This half year financial report as at 30 June 2016 comprises condensed interim consolidated financial statements and a condensed interim Group management report in accordance with the provisions of Section 37w of the German Securities Trading Act (WpHG).

The interim consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS), 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 2016 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. The standards and interpretations valid in the EU since 1 January 2016 were applied during the preparation of the interim financial statements. The interim financial statements as at 30 June 2016 were prepared in compliance with the same accounting and measurement principles which formed the basis for the preceding consolidated financial statements as at 31 December 2015. The standards and interpretations which became mandatory on 1 January 2016 had no material impact on the Group's net asset, financial and earnings position.

The functional currency of Hapag-Lloyd AG and all of its significant subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For purposes relating to their inclusion in the consolidated financial statements of Hapag-Lloyd AG, the assets and liabilities of the Hapag-Lloyd Group are translated into euros at the exchange rate applicable as at 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 2016, the closing US dollar/euro exchange rate was quoted as USD 1.1146/EUR (31 December 2015: USD 1.0893/EUR). For the first half of 2016, the average US dollar/euro exchange rate was USD 1.1127/EUR (prior year period: USD 1.1166/EUR).

Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and equity-accounted investments. In addition to Hapag-Lloyd AG, the group of consolidated companies included 99 fully consolidated companies and four equity-accounted investees as at 30 June 2016. Since 1 January 2016, four companies have been removed from the group of consolidated companies. One of these companies was liquidated, while the other three were merged.

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 geographic region as well as EBITDA and EBIT 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 via a complete liner service network, the Executive Board has decided that there is no appropriate measure for internal reporting with which assets, liabilities, EBIT and EBITDA as the key performance indicators can be allocated to multiple geographic regions. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

TRANSPORT VOLUME PER TRADE				
TTEU	Q2 2016	Q2 2015	H1 2016	H1 2015
Atlantic	398	408	774	775
Transpacific	365	365	712	680
Far East	302	323	608	656
Latin America	551	606	1,087	1,148
Intra-Asia	170	150	314	280
EMAO (Europe, Mediterranean, Africa, Oceania)	106	93	208	180
Total	1,892	1,945	3,703	3,719

FREIGHT RATES PER TRADE				
USD/TEU	Q2 2016	Q2 2015	H1 2016	H1 2015
Atlantic	1,319	1,500	1,350	1,505
Transpacific	1,223	1,651	1,285	1,700
Far East	723	966	752	1,027
Latin America	965	1,185	963	1,220
Intra-Asia	548	678	552	709
EMAO (Europe, Mediterranean, Africa, Oceania)	1,064	1,219	1,071	1,244
Total (weighted average)	1,019	1,264	1,042	1,296

REVENUE PER TRADE				
million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
Atlantic	466.1	552.7	938.3	1,044.8
Transpacific	398.2	543.6	822.6	1,035.6
Far East	194.6	282.4	410.8	603.6
Latin America	474.6	647.6	941.2	1,253.8
Intra-Asia	83.1	92.2	155.8	177.9
EMAO (Europe, Mediterranean, Africa, Oceania)	100.4	101.7	200.6	199.9
Others	142.8	146.5	316.2	353.4
Total	1,859.8	2,366.7	3,785.5	4,669.0

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

million EUR	Q2 2016	Q2 2015	H1 2016	H1 2015
EBIT	-44.5	93.4	-39.7	267.7
Depreciation, amortisation and impairment	117.8	116.3	236.4	225.6
EBITDA	73.3	209.7	196.7	493.3
EBT	-91.3	32.5	-129.6	168.5
Share of profit of equity-accounted investees	6.3	5.5	12.1	13.7

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Detailed notes to the income statement are contained in the interim management report.

Earnings per share

EARNINGS PER SHARE				
	Q2 2016	Q2 2015	H1 2016	H1 2015
Basic earnings per share in EUR	-0.85	0.27	-1.22	1.49
Profit/loss attributable to shareholders in million EUR	-99.9	28.4	-143.9	156.3
Weighted average number of shares	118,110,917	104,882,240	118,110,917	104,882,240

There were no dilutive effects in the second quarter and the first half of 2016 and in the corresponding prior year periods. As a result, basic earnings per share were the same as diluted earnings per share.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

The decrease in goodwill and other intangible assets compared with 31 December 2015 was primarily due to currency translation effects.

Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT		
million EUR	30.6.2016	31.12.2015
Ships	4,675.8	4,832.5
Container	954.2	1,023.2
Other equipment	133.7	134.2
Prepayments on account and assets under construction	239.4	153.7
Total	6,003.1	6,143.6

The changes in property, plant and equipment resulted mainly from depreciation amounting to EUR 197.5 million and currency effects of EUR 137.4 million. Investments in and payments on account for ocean-going vessels had a counteractive effect on this change in the amount of EUR 178.8 million.

Fixed assets of EUR 182.9 million (31 December 2015: EUR 188.4 million) were recognised in conjunction with finance lease contracts. Of this, EUR 99.6 million (31 December 2015: EUR 106.4 million) was attributable to ships and EUR 83.3 million (31 December 2015: EUR 82.0 million) to containers.

Cumulative other equity

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

The item for remeasurements from defined benefit plans (30 June 2016: EUR –130.8 million; 31 December 2015: EUR –75.2 million) resulted from income and expenses from the remeasurement of pension obligations and plan assets recognised in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the valuation of pension obligations and the associated plan assets. The discount rate for the pension plans within Germany needed to be reduced from 2.6% to 1.4% due to the current interest rate situation. This is the primary reason for the change of EUR –55.6 million.

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 3.0 million as at 30 June 2016 (31 December 2015: EUR 1.2 million).

The differences from currency translation of EUR –107.3 million recognised as at 30 June 2016 (prior year period: EUR 336.4 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve as at the end of the first half of 2016 amounted to EUR 571.5 million (31 December 2015: EUR 678.8 million).

FINANCIAL INSTRUMENTS AND FINANCIAL DEBT

Financial instruments

The carrying amounts and fair values of the financial instruments as at 31 December 2015 are presented in the table below.

million EUR	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	716.1	716.1	716.1
Other assets	171.0	77.8	77.8
Derivative financial instruments	11.4	11.4	11.4
Cash and cash equivalents	573.7	573.7	573.7
Liabilities			
Financial debt	3,757.8	3,757.8	3,820.5
Liabilities from financial lease contracts ¹⁾	149.5	149.5	158.0
Trade accounts payable	1,293.8	1,293.8	1,293.8
Derivative financial instruments	22.3	22.3	22.3
Other liabilities	163.2	42.9	42.9

¹⁾ Part of financial debt in statement of financial position

The carrying amounts and fair values of the financial instruments as at 30 June 2016 are presented in the table below.

million EUR	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	628.2	628.2	628.2
Other assets	184.5	85.3	85.3
Derivative financial instruments	34.2	34.2	34.2
Cash and cash equivalents	473.0	473.0	473.0
Liabilities			
Financial debt	3,682.9	3,682.9	3,744.5
Liabilities from financial lease contracts ¹⁾	143.2	143.2	159.3
Trade accounts payable	1,282.1	1,282.1	1,282.1
Derivative financial instruments	10.8	10.8	10.8
Other liabilities	181.1	61.5	61.5

¹⁾ Part of financial debt in statement of financial position

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

The fair values indicated for the derivative financial instruments, financial debt and liabilities from finance leases are assigned to level two of the fair value hierarchy. This means that the instruments were measured using methods which are based on factors derived directly or indirectly from observable market data.

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

Financial debt

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

FINANCIAL DEBT		
million EUR	30.6.2016	31.12.2015
Liabilities to banks	2,729.5	2,786.2
Bonds	778.1	779.9
Liabilities from finance lease contracts	143.2	149.5
Other financial debt	175.3	191.7
Total	3,826.1	3,907.3

FINANCIAL DEBT BY CURRENCY		
million EUR	30.6.2016	31.12.2015
Financial debt denoted in USD (excl. transaction costs)	3,074.2	3,167.0
Financial debt denoted in EUR (excl. transaction costs)	789.2	789.9
Interest liabilities	35.6	33.1
Transaction costs	-72.9	-82.7
Total	3,826.1	3,907.3

In order to secure the long-term financing of the two 3,500-TEU ships that were acquired from Dutch shipping company, NileDutch, in the first half of 2016, Hapag-Lloyd signed a loan agreement for USD 57.4 million (EUR 51.5 million) with a seven-year term.

In the first half of 2016, Hapag-Lloyd sold containers held by the Company to a group of investors on the basis of a Japanese operating lease contract and then leased them back for up to seven years, with the option of buying them back upon their respective maturity. The lease contract is essentially a form of borrowing, with the containers transferred by way of security. Liabilities to banks generated by this transaction came to USD 49.7 million as at the balance sheet date (EUR 44.6 million).

In April 2016, USD 50.0 million (EUR 44.9 million) of an unsecured credit facility which had been granted to Hapag-Lloyd by Joint Global Coordinators in connection with the IPO in 2015 was utilised, leaving an available credit facility of USD 75.0 million (EUR 67.3 million) as at 30 June 2016.

An additional credit facility to finance investments in containers of USD 135.0 million (EUR 121.1 million) was fully utilised in the first half of 2016. The Hapag-Lloyd Group had total available credit facilities of EUR 301.9 million as at 30 June 2016 (31 December 2015: EUR 388.7 million).

OTHER NOTES

Legal disputes

In addition to the legal disputes listed in the 2015 consolidated financial statements, the following circumstances have arisen in the first half of 2016.

Authorities in a number of jurisdictions have launched investigations into possible breaches of competition law; a quantification of a possible risk that this may result in cannot be made at the time of reporting, however.

As at the reporting date, there were also EUR 132.8 million in contingent liabilities from tax risks not classified as likely (31 December 2015: EUR 124.0 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 container, and rental agreements for business premises. Charter agreements for ships are always structured as time charter contracts, i.e. in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the first half of 2016, lease payments of EUR 535.5 million were posted to expenses (prior year period: EUR 581.8 million), of which EUR 229.6 million were charter expenses (prior year period: EUR 342.3 million).

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

million EUR	30.6.2016	31.12.2015
Ships and container	805.6	1.035.7
Administrative buildings	101.5	110.1
Other	130.5	155.0
Total	1,037.6	1,300.8

Other financial obligations

The Group's other financial obligations as at 30 June 2016 referred to a purchase obligation for investments in container ships amounting to EUR 263.6 million (31 December 2015: EUR 350.1 million), all of which was for a term of up to one year (31 December 2015: EUR 208.3 million). There were no other financial obligations with a term of more than five years.

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 will continue to be transacted at market prices. No significant changes have arisen since 31 December 2015. The contractual relationships with related parties described in the remuneration report from page 80 onwards of the 2015 annual report also remain unchanged, but are not of material importance to the Group.

Significant events after the balance sheet date

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

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

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

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

Hamburg, 10 August 2016

Hapag-Lloyd AG
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

Statement pursuant to section 297 (2) and section 315 (1) of the German Commercial Code (HGB)

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, 10 August 2016

Hapag-Lloyd AG
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

FINANCIAL CALENDAR 2016

- 26 August 2016** Annual General Meeting of Hapag-Lloyd AG
- 14 November 2016** Publication of interim report for the third quarter/first nine months of 2016

IMPRINT

Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg

Investor Relations
Phone: +49 40 3001-2896
Fax: +49 40 3001-72896

Corporate Communications
Phone: +49 40 3001-2529
Fax: +49 40 335360

www.hapag-lloyd.com

