

9M | 2016

Hapag-Lloyd AG

Quarterly Financial Report

1 January to 30 September 2016



SUMMARY OF HAPAG-LLOYD KEY FIGURES | QUARTERLY FINANCIAL REPORT 9M 2016

		1.7.–30.9. 2016	1.7.–30.9. 2015	1.1.–30.9. 2016	1.1.–30.9. 2015	Change absolute
KEY OPERATING FIGURES¹⁾						
Total vessels (as at 30 September)		166	175	166	175	-9
Aggregate capacity of vessels	TTEU	953	946	953	946	+7
Freight rate (average for the quarter)	USD/TEU	1,027	1,189	1,037	1,260	-223
Transport volume	TTEU	1,947	1,861	5,650	5,579	+71
Revenue	million EUR	1,928	2,137	5,714	6,806	-1,092
EBITDA	million EUR	184.6	197.3	381.3	690.6	-309.3
EBIT	million EUR	65.6	80.9	25.9	348.6	-322.7
Group profit/loss	million EUR	8.2	3.2	-133.9	160.4	-294.3
Earnings per share	EUR	0.07	0.02	-1.15	1.51	-2.66
Cash flow from operating activities	million EUR	25.2	160.4	228.3	484.5	-256.2
KEY RETURN FIGURES¹⁾						
EBITDA margin (EBITDA/revenue)	%	9.6	9.2	6.7	10.1	-3.4 ppt
EBIT margin (EBIT/revenue)	%	3.4	3.8	0.5	5.1	-4.6 ppt
ROIC (Return on Invested Capital) ³⁾	%	3.1	3.6	0.2	5.4	-5.2 ppt
KEY BALANCE SHEET FIGURES AS AT 30 SEPTEMBER²⁾						
Balance sheet total	million EUR	10,593	11,079	10,593	11,079	-486
Equity	million EUR	4,726	5,038	4,726	5,038	-312
Equity ratio (equity/balance sheet total)	%	44.6	45.5	44.6	45.5	-0.9 ppt
Borrowed capital	million EUR	5,864	6,033	5,864	6,033	-169
Financial debt	million EUR	3,906	3,907	3,906	3,907	-1.0
Cash and cash equivalents	million EUR	492	574	492	574	-82

¹⁾ The comparison of key operating figures and key return figures refers to the relevant reporting prior year.

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 developments in 9M 2016:

- Shareholders vote overwhelmingly at the Annual General Meeting for a new authorised capital to issue up to 50 million new shares for the completion of the UASC transaction
- Slight increase in transport volume in spite of continuing muted global economic growth
- Intense competition continues to impact negatively on development of freight rates; decline of 17.7% year-on-year
- Low bunker consumption and bunker prices as well as the realisation of cost-saving and synergy programmes improved cost positions
- Clearly positive EBITDA in the first nine months of 2016, at EUR 381.3 million
- Positive EBIT of EUR 25.9 million in the first nine months of 2016
- Liquidity reserve totals EUR 559.2 million

Disclaimer: This quarterly 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, as well as 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 quarterly financial report was published on 14 November 2016.

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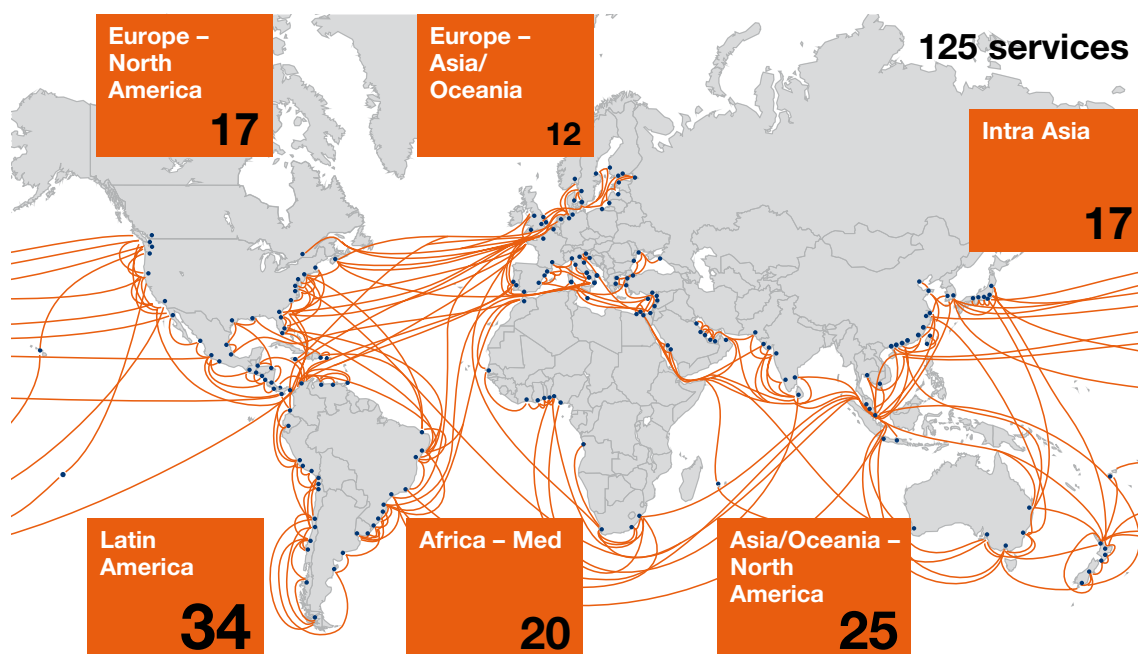
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INTERIM GROUP MANAGEMENT REPORT

BASIC PRINCIPLES OF THE GROUP

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 166 container ships (30 September 2016). The Group currently has 366 sales offices in 121 countries and offers its customers worldwide access to a network of 125 liner services. In the first nine months of 2016, Hapag-Lloyd served approximately 20,900 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 main subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For reporting purpose, assets and liabilities of the Hapag-Lloyd Group 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, the expenses and income shown in the consolidated income statement as well as earnings are translated at the average exchange rate for the reporting period. Any resulting differences are included in "other 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 as well as 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. To make use of external growth opportunities, a business combination agreement regarding the merging of container activities was signed with the United Arab Shipping Company (UASC) on 18 July 2016.

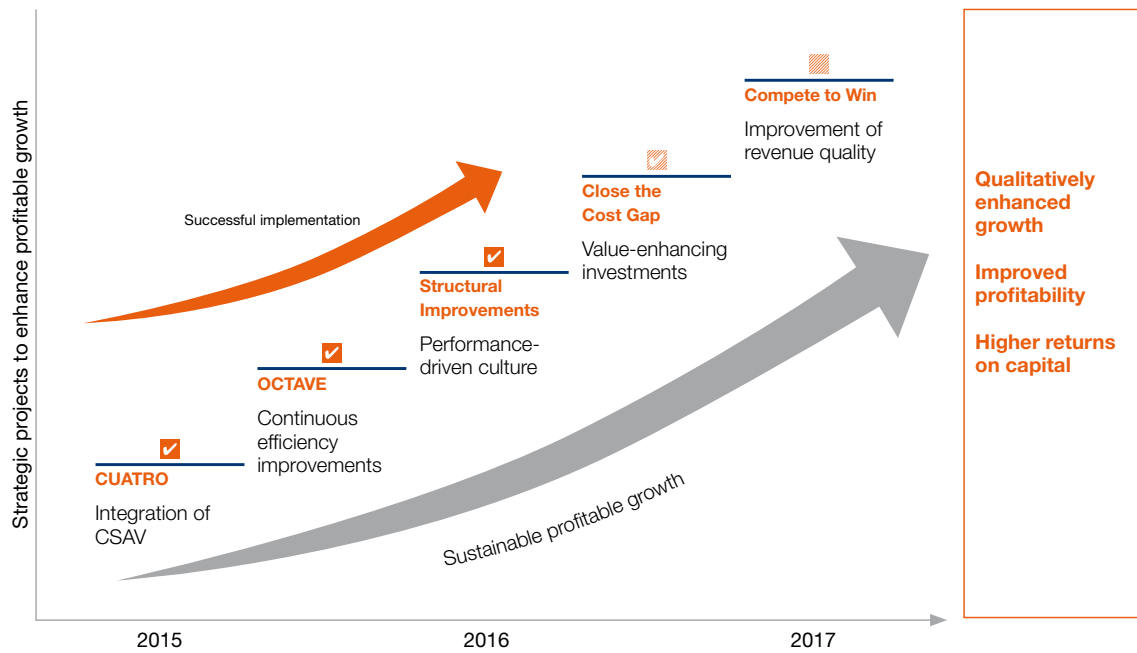
The growing global demand for container transportation is the very foundation of the organic growth which Hapag-Lloyd hopes to achieve. IHS Global Insight (October 2016) has forecast a rise in global container shipments of 2.6% to around 132.7 million TEU in 2016 and a further 4.2% to approximately 138.3 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 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. The planned synergies and efficiency improvements out of the projects Quatro and Octave are expected to be realised by more than 90% in 2016.

The following measures will help to achieve the profitability targets:

Our way forward: sustainable profitable growth



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 dollar amount by the end of 2017, in addition to the improvements already achieved. The efficiency projects have also contributed to the improvement in cost structures in the first nine 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 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 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 September 2016, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 559.2 million (31 December 2015: EUR 962.4 million; 30 September 2015: EUR 917.7 million).

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

On 18 July 2016, Hapag-Lloyd AG and the 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. Based on unaudited figures, the acquisition of UASC's container activities could give the Hapag-Lloyd Group a transport capacity of approximately 1.5 million TEU (MDS Transmodal, October 2016; own calculations), an annual transport volume of around 10 million TEU and revenue of approximately USD 12 billion, thus consolidating its current market position as one of the fifth-largest container liner shipping companies in the world and putting it far ahead of its nearest competitors (transport capacities: Evergreen 1.0 million TEU, Hamburg Süd 0.6 million TEU and OOCL 0.6 million TEU. The fourth-largest shipping company China COSCO Shipping Cooperation (China COSCO) also has a transport capacity of 1.5 million TEU. The planned merger of the container shipping activities of the Japanese shipping companies, Kawasaki Kisen Kaisha, Ltd., Mitsui O.S.K. Lines Ltd., and Nippon Yusen Kabushiki Kaisha, would create the sixth-largest global container shipping company with a transport capacity of about 1.4 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 five 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 USD 435 million from 2019 onwards
- Strong partner in THE Alliance

At this year's Annual General Meeting on 26 August 2016, the shareholders of Hapag-Lloyd Aktiengesellschaft approved the creation of new authorised share capital, including the option to exclude subscription rights, by issuing up to 50 million new shares. The authorised share capital should be used to finance the integration of UASC shares into the Company by way of a non-cash contribution.

Once the planned capital increase comes into effect 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. Compañía Sudamericana de Vapores (CSAV), Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV, City of Hamburg) and

Kühne Maritime GmbH will continue to be anchor shareholders. In the Business Combination Agreement a cash capital increase of USD 400 million, which is to be effected within six months of the merger's completion has been agreed. Already the first nine months 2016, expenses in relation to the transaction and the planned UASC integration have been realised. It is currently assumed that the expenses for the transaction and for the integration of UASC's container shipping activities will total approximately USD 150 million.

Medium-term objectives

Hapag-Lloyd should be able to sustainably improve its profitability in the years after 2017 by fully exploiting the synergies from the CSAV and UASC integration, by means of additional cost savings and efficiency improvements, expected growth in volume and by an improvement in revenue quality. The contribution from the synergies from the UASC merger will partly contribute from 2017 onwards and will amount to USD 435 million annually as of the 2019 financial year. 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. Hapag-Lloyd will publish an update on the medium-term income targets following completion of the integration.

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 nine months of 2016 is presented in the section "Group earnings position".

Calculation of the return on invested capital is as follows:

	million EUR		million USD	
	9M 2016	9M 2015	9M 2016	9M 2015
Non-current assets	9,172	9,312	10,241	10,443
Trade accounts receivable	612	665	683	746
Other assets	317	289	354	324
Total assets (excl. liquid funds)	10,101	10,266	11,278	11,513
Provisions	594	636	664	713
Trade accounts payable	1,151	1,345	1,285	1,509
Other liabilities	213	207	238	232
Total debt	1,958	2,186	2,186	2,453
Invested Capital	8,143	8,078	9,092	9,060
EBIT	25.9	348.6	28.8	388.7
Taxes	14.8	19.1	16.4	21.3
Net Operating Profit after Tax (NOPAT)	11.1	329.5	12.4	367.4
ROIC (annualised)			0.2%	5.4%

Figures calculated in USD, rounded and aggregated.

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 September 2016, Hapag-Lloyd's fleet comprised a total of 166 container ships. All of the ships are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the ships are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet amounted to 952,802 TEU. Based on the TEU capacities, around 56% of the fleet was owned by the Group as at 30 September 2016 (9M 2015: approximately 55%). The average age of the ships (capacity-weighted) was 8.0 years. The average ship size within the Hapag-Lloyd Group fleet was 5,740 TEU, which is 5.0% above the comparable average figure for the ten largest container liner shipping companies and around 71% above the average ship size in the global fleet. Hapag-Lloyd also owned or rented 938,399 containers with a capacity of 1,531,074 TEU for shipping cargo. Around 43% of containers (capacity-weighted) were owned by the Group as at 30 September 2016 (9M 2015: around 40%).

STRUCTURE OF HAPAG-LLOYD'S CONTAINER SHIP FLEET

	30.9.2016	31.12.2015	30.9.2015
Number of vessels	166	177	175
thereof			
Own vessels	70	68	68
Leased vessels	3	3	3
Chartered vessels	93	106	104
Aggregate capacity of vessels (TTEU)	953	966	946
Aggregate container capacity (TTEU)	1,531	1,564	1,613
Number of services	125	121	122

In addition to the chartered ships shown in the table above, Hapag-Lloyd used a chartered ship primarily for the repositioning of empty containers as at 30 September 2016. The ship has a transport capacity of 6,900 TEU. As the ship is not employed in a liner service, it is not included in the above fleet data.

In 2015, Hapag-Lloyd launched five newbuilds with a transport capacity of 9,300 TEU each as well as two additional container vessels each with a capacity of 3,500 TEU in the first six months of 2016. This is expected to improve the efficiency of the Hapag-Lloyd fleet. Bunker consumption totalled around 2.36 million tonnes (metric tons) in the first nine months of 2016 (9M 2015: around 2.6 million tonnes). Around 9% of this was bunker with a low proportion of sulphur (MDO) (9M 2015: 13%). Bunker consumption per slot (as measured by the container storage space in the first nine months of 2016 and calculated on an annualised basis) was 3.28 metric tons (9M 2015: 3.48).

Hapag-Lloyd's order book as at 30 September 2016 comprised five ships, each with a capacity of 10,500 TEU. The new Hapag-Lloyd ships will each have 2,100 slots for reefer containers. One of these ships was already put into service in November. A further 10,500 TEU ship will follow in December 2016, with the remaining three due to be delivered to Hapag-Lloyd by April 2017.

With demand for container shipping services continuing to rise, container shipping will remain a growth industry in the long term. Following a successful closure of the acquisition of the UASC container shipping activities, Hapag-Lloyd will not need to invest into new ship systems but can use the combined fleet to utilise the medium-term expansion opportunities resulting from market growth as well as the possibility to realise economies of scale within 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 nine months of the 2016 financial year, Hapag-Lloyd completed transport contracts for approximately 20,900 customers (prior year period: approximately 23,000).

Employees

The Hapag-Lloyd Group employed 9,397 people as at 30 September 2016 (31 December 2015: 9,417). The number of shore-based employees was 7,748 (31 December 2015: 7,771), while 1,422 people were employed in the marine division (31 December 2015: 1,411). Hapag-Lloyd employed 227 apprentices as at 30 September 2016.

NUMBER OF EMPLOYEES			
	30.9.2016	31.12.2015	30.6.2015
Marine personnel	1,422	1,411	1,429
Shore-based personnel	7,748	7,771	7,822
Apprentices	227	235	249
Total	9,397	9,417	9,500

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

The International Monetary Fund's (IMF) economic experts are still anticipating global economic growth of 3.1% this year, in spite of the forecast downturn in growth in the USA. The IMF predicts an increase of 3.4% in global growth in 2017 (World Economic Outlook, October 2016). As such, the growth forecast for 2017 likewise remains unchanged from the figure anticipated in July 2016.

According to the IMF, the volume of global trade, which is key to the demand for container shipping services, is forecast to increase by 2.3% in the current year. In July 2016, the IMF was still predicting a rise of 2.7%. Growth of 3.8% is expected in 2017.

Based on current forecasts, the growth in global cargo volumes could reach up to 4.2% in 2017. Accordingly, global container shipping volumes could again increase in line with the forecast rate of growth for global trade in 2017. For the period 2018 to 2021, IHS Global Insight is predicting average annual growth of approximately 5.0% in the global container shipping volume.

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

%	2017e	2016e	2015	2014
Global economic growth	3.4	3.1	3.2	3.4
Industrialised countries	1.8	1.6	2.1	1.9
Developing and newly industrialised countries	4.6	4.2	4.0	4.6
World trading volume (goods and services)	3.8	2.3	2.6	3.7
Increase in the global container shipping volume (IHS)	4.2	2.6	1.4	4.3

Source: IMF, October 2016; IHS Global Insight, October 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, October 2016). Based on the container ships on order and planned deliveries, the nominal capacity of the global container vessel fleet could increase by around 1.3 million TEU in 2016 and around 1.5 million TEU in 2017. The tonnage of the commissioned container ships (approximately 3.5 million TEU) is equivalent to around 17% of the present global container fleet's capacity (21.2 million TEU). It therefore remains well below the highest level seen to date, which was around 56% in 2008. In the period from January to September 2016, orders were placed for the construction of 63 container ships with a transport capacity of 176,938 TEU (9M 2015: 196 ships, capacity of 1.95 million TEU; MDS Transmodal October 2016).

DEVELOPMENT OF GLOBAL CONTAINER FLEET CAPACITY

million TEU	2017e	2016e	2015	2014	2013
Total capacity (start of year)	22.2	20.9	19.3	18.3	17.4
Planned deliveries	1.5	1.3	1.6	1.0	0.9

Source: MDS Transmodal. *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 99 container ships with a transport capacity of approximately 712,175 TEU were placed into service in the first nine months of 2016, which was a significant decrease on the previous year (9M 2015: 156 ships with a transport capacity of approximately 1.3 million TEU). In the future as well, the actual growth in the global container ship fleet's transport capacity is expected to be lower than the projected nominal increase, as old and inefficient ships are scrapped, deliveries of new-builds are postponed and the use of slow steaming (reducing the speed at which services operate). According to data provided by the information platform Clarkson Research (October 2016), the scrapping of inefficient ships in the first nine months of 2016 equated to 446,000 TEU, which was already more than the total for 2015 (193,000 TEU). For 2016, Clarksons expects scrappings to increase to approximately 611,000 TEU, thereby topping the previous record of about 425,000 TEU in 2013.

With pressure on freight rates continuing, the capacity level of idle ships has risen sharply in recent quarters and totalled approximately 1.6 million TEU at as October 2016 (Alphaliner, October 2016), or around 7.3% of the overall capacity of the global container fleet. The idle capacity was therefore higher than the figure of approximately 935,00 TEU recorded at the end of September 2015 as well as the previous record levels of 1.48 million TEU in 2010 and 2016. The majority of idle ships have a tonnage of up to 5,100 TEU of which a large number belong to the inefficient Panamax Class. Furthermore, the idle fleet includes a number of ships operated to the Korean shipping company Hanjin with a total transport capacity of more than 150,000 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 with its container liner partners set up THE Alliance. On 8 November 2016, the members of THE Alliance, Hapag-Lloyd AG (Germany), Kawasaki Kisen Kaisha Ltd. (Japan) (“K” Line), Mitsui O.S.K. Lines Ltd. (Japan) (MOL), Nippon Yusen Kisen Kaisha Ltd. (Japan) (NYK) and Yang Ming Marine Transport Corp (Taiwan) (Yang Ming), announced the details of the plan for their product starting from April 2017. Following a successful closure of the acquisition of the UASC container shipping activities the containerships of UASC will be used in the THE Alliance network.

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 line Hyundai Merchant Marine (HMM) is still in talks to join the 2M alliance.

ESTIMATED CAPACITY SHARE OF ALLIANCES ON EAST-WEST TRADES

	Far East Trade	Transpacific Trade	Atlantic Trade
2M	36%	18%	44%
Ocean Alliance	35%	41%	13%
THE Alliance	23%	28%	33%
Others	6%	13%	10%

Source: Alphaliner, October 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 272 container ships with a total capacity of around 1.5 million TEU, making it the fourth-largest container shipping company in the world (Alphaliner, October 2016). In July 2016, the French shipping company CMA CGM completed its acquisition of the shipping company Neptune Orient Lines (NOL), Singapore. CMA CGM will still be ranked third among global container shipping companies.

Following the merger, CMA operates a total of 458 container ships and a combined transport capacity of 2.2 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 3.0 million TEU (MDS Transmodal, October 2016).

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

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

The sharp decline in freight rates exacerbated the dissatisfactory earnings situation of the majority of container shipping companies in the first half of 2016. With the exception of the Asian shipping company Wan Hai, which only operates regionally, all of the top 15 container shipping companies reported negative operating margins (EBIT margin) for the first six months of 2016.

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

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.

GROUP EARNINGS POSITION

The first nine months of the 2016 financial year at the Hapag-Lloyd Group were 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 over the first nine months of 2016. By contrast, synergy effects and cost savings as well as a lower bunker price year-on-year had a positive effect on the earnings position. However, these factors were unable to compensate for the sharp drop in the average freight rate. At USD 1.11/EUR, the average dollar/euro exchange rate was nearly the same as in the prior year period (USD 1.12/EUR). Overall, Hapag-Lloyd recorded a Group loss of EUR 133.9 million in the first nine months of 2016.

CONSOLIDATED INCOME STATEMENT				
million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Revenue	1,928.3	2,137.0	5,713.8	6,806.0
Other operating income	31.8	42.3	90.4	145.9
Transport expenses	1,571.4	1,767.8	4,772.0	5,559.7
Personnel expenses	123.3	106.4	377.6	360.2
Depreciation, amortisation and impairment	119.0	116.4	355.4	342.0
Other operating expenses	86.8	116.1	291.5	359.6
Operating result	59.6	72.6	7.7	330.4
Share of profit of equity-accounted investees	7.5	8.8	19.6	22.5
Other financial result	-1.5	-0.5	-1.4	-4.3
Earnings before interest and tax (EBIT)	65.6	80.9	25.9	348.6
Interest result	-55.1	-69.9	-145.0	-169.1
Income taxes	2.3	7.8	14.8	19.1
Group profit/loss	8.2	3.2	-133.9	160.4
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	7.5	2.4	-136.4	158.7
thereof profit/loss attributable to non-controlling interests	0.7	0.8	2.5	1.7
Basic earnings per share (in EUR)	0.07	0.02	-1.15	1.51
EBITDA	184.6	197.3	381.3	690.6
EBITDA margin (%)	9.6	9.2	6.7	10.1
EBIT	65.6	80.9	25.9	348.6
EBIT margin (%)	3.4	3.8	0.5	5.1

The average freight rate in the first nine months of the 2016 financial year was USD 1,037/TEU, which was USD 223/TEU (17.7%) down on the prior year period (USD 1,260/TEU). The main reasons for the decline were the persistently difficult market environment, with continuing pressure on freight rates, and the lower bunker price compared with prior year period. Freight rates could not be increased as announced as a result of the continued intensive competition caused by overcapacity as well as slow growth in demand felt in all trades.

FREIGHT RATES PER TRADE				
USD/TEU	Q3 2016	Q3 2015	9M 2016	9M 2015
Atlantic	1,333	1,526	1,344	1,512
Transpacific	1,147	1,548	1,237	1,647
Far East	757	876	754	977
Latin America	1,047	1,025	992	1,157
Intra-Asia	515	635	538	684
EMAO (Europe, Mediterranean, Africa, Oceania)	1,058	1,226	1,067	1,238
Total (weighted average)	1,027	1,189	1,037	1,260

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

TRANSPORT VOLUME PER TRADE				
TTEU	Q3 2016	Q3 2015	9M 2016	9M 2015
Atlantic	385	398	1,159	1,173
Transpacific	379	363	1,091	1,043
Far East	319	320	927	976
Latin America	586	550	1,673	1,698
Intra-Asia	178	140	492	420
EMAO (Europe, Mediterranean, Africa, Oceania)	100	90	308	269
Total	1,947	1,861	5,650	5,579

Reflecting the significant decline in freight rates in almost every trade, revenue decreased by EUR 1,092.2 million year-on-year in the first nine months of the financial year to EUR 5,713.8 (prior year period: EUR 6,806.0 million).

REVENUE PER TRADE				
million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Atlantic	460.7	545.8	1,399.0	1,590.6
Transpacific	388.9	505.6	1,211.5	1,541.2
Far East	216.7	251.8	627.5	855.4
Latin America	549.4	508.0	1,490.6	1,761.8
Intra-Asia	81.9	79.8	237.7	257.7
EMAO (Europe, Mediterranean, Africa, Oceania)	94.4	98.7	295.0	298.6
Others	136.3	147.3	452.5	500.7
Total	1,928.3	2,137.0	5,713.8	6,806.0

Transport expenses fell by EUR 787.7 million in the first nine months of 2016 to EUR 4,772.0 million (prior year period: EUR 5,559.7 million). This represents a drop of 14.2%. This development was particularly attributable to a decline of EUR 373.2 million (–43.9%) in expenses for raw materials and supplies. In the first nine months of the 2016 financial year, the average bunker price (MFO) was USD 195 per tonne, down USD 138 on the figure for the prior year period. The cost of purchased services was also down by EUR 414.5 million (–8.8%) year-on-year, despite a slight increase in the transport volume. This was due to the realisation of synergy effects from the merger with CSAV’s container shipping activities, as well as savings resulting from cost-cutting measures. Furthermore, charter rates have reduced significantly due to declining market levels.

TRANSPORT EXPENSES				
million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Expenses for raw materials and supplies	190.4	262.7	477.1	850.3
Cost of purchased services	1,381.0	1,505.1	4,294.9	4,709.4
thereof				
Port, canal and terminal costs	671.8	683.8	1,984.0	2,060.5
Chartering, leases and container rentals	176.8	267.0	739.6	868.8
Container transport costs	476.7	519.3	1,408.1	1,661.3
Maintenance/repair/other	55.7	35.0	163.2	118.8
Transport expenses	1,571.4	1,767.8	4,772.0	5,559.7

*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 third quarter and the first nine months of 2016. The prior year periods were adjusted accordingly.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the first nine months of the financial year came to 16.5% (prior year period: 18.3%).

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 13.0 million in the first nine months of the 2016 financial year (prior year period: exchange rate gain of EUR 0.7 million).

Personnel expenses amounted to EUR 377.6 million in the first nine months of the 2016 financial year and were therefore slightly above the figure for the prior year period (EUR 360.2 million). In the previous year, personnel expenses were reduced due to releases in provisions of EUR 20.9 million and a positive currency effect of EUR 9.0 million relating to the valuation of pension provisions. The foreign exchange effect due to the valuation of pension provisions resulted in expenses of EUR 3.0 million as at 30 September 2016.

Depreciation and amortisation came to EUR 355.4 million in the first nine months of the 2016 financial year (prior year period: EUR 342.0 million). The year-on-year increase in depreciation and amortisation was mainly due to scheduled depreciation for the acquired newbuilds and containers.

The Group's earnings before interest and taxes (EBIT) amounted to EUR 25.9 million in the reporting period. They were therefore well below the corresponding figure in the prior year period of EUR 348.6 million. The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 381.3 million in the first nine months of the 2016 financial year (prior year period: EUR 690.6 million). The return on invested capital (ROIC) for the first nine months of 2016 amounted to 0.2% (prior year period: 5.4%). Earnings per share for the first nine months of the 2016 financial year came to EUR -1.15 (prior year period: EUR 1.51).

KEY EARNINGS FIGURES

million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Revenue	1,928.3	2,137.0	5,713.8	6,806.0
EBIT	65.6	80.9	25.9	348.6
EBITDA	184.6	197.3	381.3	690.6
EBIT margin (%)	3.4	3.8	0.5	5.1
EBITDA margin (%)	9.6	9.2	6.7	10.1
Basic Earnings Per Share (in EUR)	0.07	0.02	-1.15	1.51
Return on Invested Capital* (ROIC) annualised (%)	3.1	3.6	0.2	5.4

*The calculation of the Return on Invested Capital is based on the functional currency USD.

The interest result for the first nine months of the 2016 financial year was EUR –145.0 million (prior year period: EUR –169.1 million). This decline resulted from the more favourable refinancing due to the lower level of interest rates. The interest result includes income of EUR 8.7 million (prior year period: EUR –3.1 million) from a change in the fair value of the embedded derivatives of the bonds issued.

The Group recorded a loss of EUR 133.9 million in the first nine months of the 2016 financial year (prior year period: profit of EUR 160.4 million).

GROUP FINANCIAL POSITION

CONDENSED STATEMENT OF CASH FLOWS				
million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Cash flow from operating activities	25.2	160.4	228.3	484.5
Cash flow from investing activities	–31.7	–152.2	–205.1	–483.8
Free cash flow	–6.5	8.2	23.2	0.7
Cash flow from financing activities	26.4	–118.1	–91.2	–289.1
Changes in cash and cash equivalents	19.9	–109.9	–68.0	–288.4

Cash flow from operating activities

The Group generated an operating cash flow of EUR 228.3 million in the first nine months of the 2016 financial year (prior year period: EUR 484.5 million).

Cash flow from investing activities

The cash outflow from investing activities amounted to EUR 205.1 million in the first nine months of the 2016 financial year (prior year period: EUR 483.8 million). This mainly consisted of payments for investments in ocean-going vessels and containers totalling EUR 229.1 million (prior year period: EUR 582.2 million). In particular, proceeds from dividends in the amount of EUR 28.6 million had an offsetting effect (prior year period: EUR 33.9 million).

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 91.2 million in the current reporting period (prior year period: EUR 289.1 million). Cash inflows from new borrowing in the amount of EUR 528.3 million (prior year period: EUR 345.5 million) were essentially offset by interest and capital repayments of EUR 613.5 million (EUR 616.6 million).

CHANGES IN CASH AND CASH EQUIVALENTS

million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Cash and cash equivalents at beginning of period	473.0	594.9	573.7	711.4
Changes due to exchange rate fluctuations	-0.9	-1.0	-13.7	61.0
Net changes	19.9	-109.9	-68.0	-288.4
Cash and cash equivalents at end of period	492.0	484.0	492.0	484.0

Overall, the aggregate cash outflow totalled EUR 68.0 million in the first nine months of the 2016 financial year, such that after accounting for exchange rate effects in the amount of EUR -13.7 million, cash and cash equivalents of EUR 492.0 million were reported at the end of the reporting period on 30 September 2016 (30 September 2015: EUR 484.0 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, the Company had unused credit facilities of EUR 67.2 million as at 30 September 2016.

Net debt

At EUR 3,413.9 million, the Group's net debt had increased as at 30 September 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	30.9.2016	31.12.2015
Financial debt	3,905.9	3,907.3
Cash and cash equivalents	492.0	573.7
Net debt	3,413.9	3,333.6
EBITDA	381.3	831.0
Gearing (%)*	72.2	66.1
Unused credit lines	67.2	388.7
Equity ratio (%)	44.6	45.5

* Ratio of net debt to equity

GROUP NET ASSET POSITION

CHANGES IN THE NET ASSET STRUCTURE		
million EUR	30.9.2016	31.12.2015
Assets		
Non-current assets	9,172.4	9,514.1
of which fixed assets	9,107.9	9,457.3
Current assets	1,420.7	1,565.0
of which cash and cash equivalents	492.0	573.7
Total assets	10,593.1	11,079.1
Equity and liabilities		
Equity	4,729.2	5,046.2
Borrowed capital	5,863.9	6,032.9
of which non-current liabilities	3,471.4	3,633.8
of which current liabilities	2,392.5	2,399.1
of which financial debt	3,905.9	3,907.3
of which non-current financial debt	3,089.9	3,297.2
of which current financial debt	816.0	610.1
Total equity and liabilities	10,593.1	11,079.1
Asset coverage ratio I (%)	51.9	53.4
Asset coverage ratio II (%)	90.0	91.8
Liquidity ratio (%)	20.6	23.9
Net debt	3,413.9	3,333.6
Equity ratio (%)	44.6	45.5

As at 30 September 2016, the Group's balance sheet total was EUR 10,593.1 million – EUR 486.0 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 1.12 on 30 September 2016 (31 December 2015: 1.09).

Within non-current assets, exchange rate effects as at the reporting date of EUR 220.2 million and scheduled depreciation of EUR 355.4 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 104.1 million in trade accounts receivable.

Cash and cash equivalents declined due to cash outflows of EUR 68.0 million. Exchange rate effects totaling EUR –13.7 million also contributed to the fall in cash and cash equivalents. Cash and cash equivalents totalled EUR 492.0 million as at 30 September 2016 (31 December 2015: EUR 573.7 million).

On the liabilities side, the Group's equity fell by EUR 317.0 million to EUR 4,729.2 million. This decrease is mainly due to the Group loss of EUR 133.9 million and the balance of unrealised gains and losses from currency translation recognised in other comprehensive income and amounting to EUR –110.6 million. The change in the reserve for the remeasurement of defined benefit pension plans (EUR –64.8 million) also led to a decline in equity. The equity ratio was 44.6% as at 30 September 2016 (31 December 2015: 45.5%).

The Group's borrowed capital fell by EUR 169.0 million to EUR 5,863.9 million compared with the end of 2015. This was above all due to the decline in trade accounts payable, which fell by the considerable amount of EUR 142.9 million compared with 31 December 2015. This was essentially attributable to the reduced expenses as a result of cost savings and invoice-related changes.

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.

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.

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 fourth quarter of 2016 as well.

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

OUTLOOK

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

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

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

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

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

Particularly in light of the inadequate improvement in rates at the beginning of the “peak season”, Hapag-Lloyd changed its outlook for 2016 on 18 July 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)	+2.3%
Increase in global container transport volume (IHS)	+2.6%
Transport volume, Hapag-Lloyd Group	Slightly increasing
Average bunker consumption price, Hapag-Lloyd Group	Clearly decreasing
Average freight rate, Hapag-Lloyd Group	Clearly decreasing
EBITDA (earnings before interest, taxes, depreciation and amortisation)	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 revenue and earnings forecast is based on the assumption of unchanged exchange rates. The business development of Hapag-Lloyd in the current tough competitive environment could be impacted by far-reaching risks. The general risks are described in detail in the risk report in the Group management report of the 2015 annual report (page 120 ff.).

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Revenue	1,928.3	2,137.0	5,713.8	6,806.0
Other operating income	31.8	42.3	90.4	145.9
Transport expenses	1,571.4	1,767.8	4,772.0	5,559.7
Personnel expenses	123.3	106.4	377.6	360.2
Depreciation, amortisation and impairment	119.0	116.4	355.4	342.0
Other operating expenses	86.8	116.1	291.5	359.6
Operating result	59.6	72.6	7.7	330.4
Share of profit of equity-accounted investees	7.5	8.8	19.6	22.5
Other financial result	-1.5	-0.5	-1.4	-4.3
Earnings before interest and taxes (EBIT)	65.6	80.9	25.9	348.6
Interest income	1.1	1.1	3.8	4.0
Interest expenses	56.2	71.0	148.8	173.1
Earnings before income taxes	10.5	11.0	-119.1	179.5
Income taxes	2.3	7.8	14.8	19.1
Group profit/loss	8.2	3.2	-133.9	160.4
thereof attributable to shareholders of Hapag-Lloyd AG	7.5	2.4	-136.4	158.7
thereof attributable to non-controlling interests	0.7	0.8	2.5	1.7
Basic/diluted earnings per share (in EUR)	0.07	0.02	-1.15	1.51

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

million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Group profit/loss	8.2	3.2	-133.9	160.4
Items which will not be reclassified to profit and loss:	-9.2	2.4	-64.8	23.1
Remeasurements from defined benefit plans after tax	-9.2	2.4	-64.8	23.1
Remeasurements from defined benefit plans before tax	-9.2	2.5	-64.7	22.9
Tax effect	-	-0.1	-0.1	0.2
Items which may be reclassified to profit and loss:	-3.6	-14.8	-109.3	322.0
Cash flow hedges (no tax effect)	-0.4	-0.4	1.4	-0.4
Changes in fair values recognised in cumulative other equity	-0.6	3.0	12.6	1.8
Release from cumulative other equity	0.2	-3.4	-11.2	-2.2
Currency translation (no tax effect)	-3.2	-14.4	-110.7	322.4
Other comprehensive income after tax	-12.8	-12.4	-174.1	345.1
Total comprehensive income	-4.6	-9.2	-308.0	505.5
thereof attributable to shareholders of Hapag-Lloyd AG	-5.4	-9.9	-310.4	503.5
thereof attributable to non-controlling interests	0.8	0.7	2.4	2.0

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

million EUR	30.9.2016	31.12.2015
Assets		
Goodwill	1,571.5	1,610.8
Other intangible assets	1,285.8	1,376.3
Property, plant and equipment	5,932.6	6,143.6
Investments in equity-accounted investees	318.0	326.6
Other assets	20.5	22.5
Derivative financial instruments	19.2	10.7
Income tax receivables	2.4	-
Deferred tax assets	22.4	23.6
Non-current assets	9,172.4	9,514.1
Inventories	108.2	94.1
Trade accounts receivable	612.0	716.1
Other assets	163.6	148.5
Derivative financial instruments	12.0	0.7
Income tax receivables	32.9	31.9
Cash and cash equivalents	492.0	573.7
Current assets	1,420.7	1,565.0
Total assets	10,593.1	11,079.1

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

million EUR	30.9.2016	31.12.2015
Equity and liabilities		
Subscribed capital	118.1	118.1
Capital reserves	1,263.2	1,263.2
Retained earnings	2,913.5	3,052.3
Cumulative other equity	430.8	604.8
Equity attributable to the shareholders of Hapag-Lloyd AG	4,725.6	5,038.4
Non-controlling interests	3.6	7.8
Equity	4,729.2	5,046.2
Provisions for pensions and similar obligations	256.0	186.2
Other provisions	110.1	144.2
Financial debt	3,089.9	3,297.2
Other liabilities	11.9	4.7
Derivative financial instruments	1.8	-
Deferred tax liabilities	1.7	1.5
Non-current liabilities	3,471.4	3,633.8
Provisions for pensions and similar obligations	5.9	5.6
Other provisions	222.3	285.9
Income tax liabilities	18.1	22.9
Financial debt	816.0	610.1
Trade accounts payable	1,150.9	1,293.8
Other liabilities	167.8	158.5
Derivative financial instruments	11.5	22.3
Current liabilities	2,392.5	2,399.1
Total equity and liabilities	10,593.1	11,079.1

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

million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Group profit/loss	8.2	3.2	-133.9	160.4
Income tax expenses (+)/income (-)	2.3	7.8	14.8	19.1
Interest result	55.1	69.9	145.0	169.1
Depreciation, amortisation and impairment (+)/write-backs (-)	119.0	116.4	355.4	342.0
Other non-cash expenses (+)/income (-)	9.0	3.7	8.6	-50.4
Profit (-)/loss (+) from hedges or financial debt	-	-	0.3	15.9
Profit (-)/loss (+) from disposals of non-current assets and assets held for sale	1.3	-1.2	0.1	-10.6
Income (-)/expenses (+) from equity-accounted investees and dividends from other investments	-7.5	-8.9	-19.7	-22.6
Increase (-)/decrease (+) in inventories	-6.5	31.9	-16.4	41.0
Increase (-)/decrease (+) in receivables and other assets	12.9	42.9	57.4	124.3
Increase (+)/decrease (-) in provisions	-23.8	-49.7	-86.1	-202.4
Increase (+)/decrease (-) in liabilities (excl. financial debt)	-136.0	-54.8	-80.2	-101.7
Payments for income taxes	-9.1	-0.2	-17.8	-0.6
Payments received (+) for interest	0.3	-0.6	0.8	1.0
Cash inflow (+)/outflow (-) from operating activities	25.2	160.4	228.3	484.5
Payments received from disposals of property, plant and equipment and intangible assets	0.3	1.1	4.6	2.4
Dividends received	0.2	0.3	28.6	33.9
Payments received from the disposal of assets held for sale	-	3.5	-	74.5
Payments made for investments in property, plant and equipment and intangible assets	-32.2	-157.1	-238.3	-594.3
Payments made for investments in other investments	-	-	-	-0.3
Cash inflow (+)/outflow (-) from investing activities	-31.7	-152.2	-205.1	-483.8
Payments made from changes in ownership interests in subsidiaries	-	-	-0.3	-
Payments made for dividends	-3.1	-	-5.4	-2.1
Payments received from raising financial debt	263.9	124.6	528.3	345.5
Payments made for the redemption of financial debt	-181.4	-182.0	-476.5	-456.5
Payments made for interest and fees	-53.1	-60.7	-137.1	-160.1
Payments received (+) and made (-) from hedges for financial debt	0.1	-	-0.2	-15.9
Cash inflow (+)/outflow (-) from financing activities	26.4	-118.1	-91.2	-289.1
Net change in cash and cash equivalents	19.9	-109.9	-68.0	-288.4
Cash and cash equivalents at beginning of period	473.0	594.9	573.7	711.4
Change in cash and cash equivalents due to exchange rate fluctuations	-0.9	-1.0	-13.7	61.0
Net change in cash and cash equivalents	19.9	-109.9	-68.0	-288.4
Cash and cash equivalents at end of period	492.0	484.0	492.0	484.0

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 SEPTEMBER 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	Total 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	4,164.3	5.3	4,169.6
Total comprehensive income thereof	-	-	158.7	23.1	-0.4	322.1	344.8	503.5	2.0	505.5
Group profit/loss	-	-	158.7	-	-	-	-	158.7	1.7	160.4
Other comprehensive income	-	-	-	23.1	-0.4	322.1	344.8	344.8	0.3	345.1
Transactions with shareholders thereof	-	-	-	-	-	-	-	-	-2.1	-2.1
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-2.1	-2.1
Deconsolidation	-	-	-0.2	-	-	-	-	-0.2	-	-0.2
As per 30.9.2015	104.9	1,651.9	2,444.6	-81.7	-0.4	548.3	466.2	4,667.6	5.2	4,672.8
As per 1.1.2016	118.1	1,263.2	3,052.3	-75.2	1.2	678.8	604.8	5,038.4	7.8	5,046.2
Total comprehensive income thereof	-	-	-136.4	-64.8	1.4	-110.6	-174.0	-310.4	2.4	-308.0
Group profit/loss	-	-	-136.4	-	-	-	-	-136.4	2.5	-133.9
Other comprehensive income	-	-	-	-64.8	1.4	-110.6	-174.0	-174.0	-0.1	-174.1
Transactions with shareholders thereof	-	-	-	-	-	-	-	-	-6.6	-6.6
Acquisition of shares from non-controlling interests	-	-	-	-	-	-	-	-	-1.2	-1.2
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-5.4	-5.4
Deconsolidation	-	-	-2.4	-	-	-	-	-2.4	-	-2.4
As per 30.9.2016	118.1	1,263.2	2,913.5	-140.0	2.6	568.2	430.8	4,725.6	3.6	4,729.2

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.

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

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). These interim consolidated financial statements as at 30 September 2016 were prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and 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 2016 were applied during the preparation of the interim financial statements. The interim financial statements as at 30 September 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 impact on the Group's net asset, financial and earnings position.

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 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 September 2016, the closing US dollar/euro exchange rate was quoted as USD 1.1165/EUR (31 December 2015: USD 1.0893/EUR). For the first nine months of 2016, the average US dollar/euro exchange rate was USD 1.1138/EUR (prior year period: USD 1.1151/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 96 fully consolidated companies and four equity-accounted investees as at 30 September 2016. Since 1 January 2016, seven companies have been removed from the group of consolidated companies.

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 the complete 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 various trades. 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	Q3 2016	Q3 2015	9M 2016	9M 2015
Atlantic	385	398	1,159	1,173
Transpacific	379	363	1,091	1,043
Far East	319	320	927	976
Latin America	586	550	1,673	1,698
Intra-Asia	178	140	492	420
EMAO (Europe, Mediterranean, Africa, Oceania)	100	90	308	269
Total	1,947	1,861	5,650	5,579

FREIGHT RATES PER TRADE				
USD/TEU	Q3 2016	Q3 2015	9M 2016	9M 2015
Atlantic	1,333	1,526	1,344	1,512
Transpacific	1,147	1,548	1,237	1,647
Far East	757	876	754	977
Latin America	1,047	1,025	992	1,157
Intra-Asia	515	635	538	684
EMAO (Europe, Mediterranean, Africa, Oceania)	1,058	1,226	1,067	1,238
Total (weighted average)	1,027	1,189	1,037	1,260

REVENUE PER TRADE				
million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
Atlantic	460.7	545.8	1,399.0	1,590.6
Transpacific	388.9	505.6	1,211.5	1,541.2
Far East	216.7	251.8	627.5	855.4
Latin America	549.4	508.0	1,490.6	1,761.8
Intra-Asia	81.9	79.8	237.7	257.7
EMAO (Europe, Mediterranean, Africa, Oceania)	94.4	98.7	295.0	298.6
Others	136.3	147.3	452.5	500.7
Total	1,928.3	2,137.0	5,713.8	6,806.0

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.

EBITDA				
million EUR	Q3 2016	Q3 2015	9M 2016	9M 2015
EBIT	65.6	80.9	25.9	348.6
Depreciation, amortisation and impairment	119.0	116.4	355.4	342.0
EBITDA	184.6	197.3	381.3	690.6
EBT	10.5	11.0	-119.1	179.5
Share of profit of equity-accounted investees	7.5	8.8	19.6	22.5

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				
	Q3 2016	Q3 2015	9M 2016	9M 2015
Basic earnings per share in EUR	0.07	0.02	-1.15	1.51
Profit/loss attributable to shareholders in million EUR	7.5	2.4	-136.4	158.7
Weighted average number of shares	118,110,917	104,882,240	118,110,917	104,882,240

There were no dilutive instruments and therefore no dilutive effects in the third quarter, as well as the first nine months 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 due, on the one hand, to currency translation effects and, on the other, to the amortisation of other intangible assets.

Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT		
million EUR	30.9.2016	31.12.2015
Ships	4,617.7	4,832.5
Container	931.9	1,023.2
Other equipment	131.4	134.2
Prepayments on account and assets under construction	251.6	153.7
Total	5,932.6	6,143.6

The carrying amounts of property, plant and equipment were reduced primarily by scheduled depreciation in the amount of EUR 297.0 million and currency effects at the reporting date of EUR 147.3 million. On the other hand investments in and payments on account for ocean-going vessels increased fixed assets in the amount of EUR 207.9 million.

Fixed assets of EUR 177.2 million were recognised in conjunction with finance lease contracts (31 December 2015: EUR 188.4 million). Of this, EUR 97.2 million was attributable to ships (31 December 2015: EUR 106.4 million) and EUR 80.0 million to containers (31 December 2015: EUR 82.0 million).

Cash and cash equivalents

CASH AND CASH EQUIVALENTS		
million EUR	30.9.2016	31.12.2015
Cash at bank	486.9	568.4
Cash in hand and cheques	5.1	5.3
Total	492.0	573.7

The balance of a number of bank accounts belonging to the Hapag-Lloyd Group are only freely available once the redemption payments and interest obligations due have been settled. These account balances came to EUR 8.1 million as at 30 September 2016 (31 December 2015: EUR 19.1 million), thereof with a maturity of up to three months with an amount of 5.6 (31 December 2015: EUR 1.0 million).

Due to local restrictions, cash and cash equivalents of EUR 3.2 million (31 December 2015: EUR 13.2 million) at individual subsidiaries are restricted.

Cumulative other equity

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

The item for remeasurements from defined benefit pension plans (30 September 2016: EUR –140.0 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 of 2.6% as at 31 December 2015 needed to be reduced to 1.2% as at 30 September 2016 due to the current interest rate situation. This is the primary reason for the change of EUR –64.8 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 2.6 million as at 30 September 2016 (31 December 2015: EUR 1.2 million).

The currency effects of EUR –110.6 million recognised as at 30 September 2016 (prior year period: EUR 322.1 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 nine months of 2016 amounted to EUR 568.2 million (31 December 2015: EUR 678.8 million).

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 September 2016 are presented in the table below.

million EUR	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	612.0	612.0	612.0
Other assets	184.1	84.0	84.0
Derivative financial instruments	31.2	31.2	31.2
Cash and cash equivalents	492.0	492.0	492.0
Liabilities			
Financial debt	3,769.5	3,769.5	3,808.7
Liabilities from financial lease contracts ¹⁾	136.4	136.4	145.3
Trade accounts payable	1,150.9	1,150.9	1,150.9
Derivative financial instruments	13.3	13.3	13.3
Other liabilities	179.7	59.1	59.1

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 liabilities from bonds included within financial debt, which due to the quotation on an active market are allocated to level one within the fair-value-hierarchy, have a fair value of EUR 769.3 million. The fair values indicated for the remaining financial debt, derivative financial instruments and liabilities from finance lease contracts 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.

In first nine months of 2016 there have been no transfers between levels one and two.

Financial debt

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

FINANCIAL DEBT		
million EUR	30.9.2016	31.12.2015
Liabilities to banks	2,822.6	2,786.2
Bonds	778.0	779.9
Liabilities from finance lease contracts	136.4	149.5
Other financial debt	168.9	191.7
Total	3,905.9	3,907.3

FINANCIAL DEBT BY CURRENCY		
million EUR	30.9.2016	31.12.2015
Financial debt denoted in USD (excl. transaction costs)	3,121.2	3,167.0
Financial debt denoted in EUR (excl. transaction costs)	819.4	789.9
Interest liabilities	34.7	33.1
Transaction costs	-69.4	-82.7
Total	3,905.9	3,907.3

In order to secure the long-term financing of the two 3,500 TEU ships that were acquired from the Dutch shipping company, NileDutch, in the first nine months of 2016, Hapag-Lloyd signed a loan agreement for USD 57.4 million (EUR 51.4 million) with a seven-year maturity term.

In the first nine months 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 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 acting as security. Liabilities to banks generated by this transaction came to USD 48.7 million as at the balance sheet date (EUR 43.6 million).

In the third quarter of 2016, Hapag-Lloyd AG signed an agreement with the existing financial backer to refinance and also increase a real estate loan from the current approximately EUR 55 million to EUR 85 million.

In the third quarter, a further USD 75.0 million (EUR 67.2 million) of the unsecured credit facility which was granted to Hapag-Lloyd by Joint Global Coordinators in connection with the IPO in 2015 was utilised, meaning the full amount of USD 125.0 million (EUR 112.0 million) has been used.

The credit facility to finance investments in containers of USD 135.0 million (EUR 120.9 million) was fully utilised at the balance sheet date. In addition, USD 125.0 million (EUR 112.0 million) of the existing revolving credit facility (RCF) was utilised in September 2016 in order to strengthen the Group's liquidity.

The Hapag-Lloyd Group had total available credit facilities of EUR 67.2 million as at 30 September 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 nine months of 2016.

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

As at the reporting date, there were also EUR 138.3 million in contingent liabilities from tax risks not classified as likely (31 December 2015: EUR 124.0 million).

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 manner of announcement of rate increases. These will come into force as of 7 December 2016.

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 existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the first nine months of 2016, lease payments of EUR 785.9 million were posted to expenses (prior year period: EUR 914.3 million), of which EUR 322.8 million were charter expenses (prior year period: EUR 480.7 million).

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

million EUR	30.9.2016	31.12.2015
Ships and container	719.7	1,035.7
Administrative buildings	100.0	110.1
Other	114.1	155.0
Total	933.8	1,300.8

Other financial obligations

The Group's other financial obligations as at 30 September 2016 referred to a purchase obligation for investments in container ships amounting to EUR 240.1 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

On 2 November 2016, Hapag-Lloyd placed the first ship with a transport capacity of 10,500 TEU into service. The last instalments for the construction work amounting to EUR 46.1 million (USD 51.5 million) were paid upon completion of the shipyard, while at the same time a credit facility amounting to EUR 66.7 million (USD 74.5 million) was also utilised. Another ship will be put into service on 7 December 2016.

From October 2016, the 5,750 new reefer containers (reefers) ordered in September 2016 and comprising 5,000 40-ft. as well as 750 20-ft. reefers will be ready for delivery. While 2,500 of the reefers will be rented, 3,250 will have their ownership transferred to Hapag-Lloyd. This transaction is to be financed via a leasing agreement, comprising a volume of USD 38.8 million (EUR 34.8 million).

As at 31 October 2016, an additional amount of 53.7 million EUR (60 million USD) from an existing ABS programme was drawn. The liquidity inflow can be used for general business purposes and increases the existing liquidity of the company.

Hamburg, 14 November 2016

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

FINANCIAL CALENDAR 2017

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

IMPRINT

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