



H1 | 2014

INTERIM GROUP REPORT

HAPAG-LLOYD AG
1 JANUARY TO 30 JUNE 2014



SUMMARY OF HAPAG-LLOYD KEY FIGURES | INTERIM GROUP REPORT H1 2014

KEY OPERATING FIGURES		1.4. – 30.6. 2014	1.4. – 30.6. 2013	1.1. – 30.6. 2014	1.1. – 30.6. 2013	Change absolute
Total vessels ¹⁾		154	154	154	154	0
Aggregate capacity of vessels ¹⁾	TTEU	777	733	777	733	+44
Aggregate container capacity ¹⁾	TTEU	1,140	1,077	1,140	1,077	+63
Bunker price (average)	USD/t	592	622	594	624	-30
Freight rate (average)	USD/TEU	1,426	1,499	1,424	1,522	-98
Transport volume	TTEU	1,474	1,390	2,873	2,715	+158
Revenue	Million EUR	1,660	1,706	3,214	3,358	-144
Transport expenses	Million EUR	1,471	1,464	2,875	2,954	-79
EBITDA	Million EUR	64.3	147.8	67.2	171.8	-104.6
EBIT	Million EUR	-20.9	60.9	-101.5	2.0	-103.5
EBIT adjusted	Million EUR	-10.5	66.7	-73.7	13.5	-87.2
Group profit/loss	Million EUR	-54.2	20.9	-173.3	-72.7	-100.6
Cash flow from operating activities	Million EUR	8.9	14.9	73.3	-9.4	+82.7
KEY RETURN FIGURES						
EBITDA margin (EBITDA/revenue)	%	3.9	8.7	2.1	5.1	-3.0 ppt
EBIT margin (EBIT/revenue)	%	-1.3	3.6	-3.2	0.1	-3.3 ppt
EBIT margin adjusted	%	-0.6	3.9	-2.3	0.4	-2.7 ppt
KEY BALANCE SHEET FIGURES AS AT 30 JUNE						
Balance sheet total	Million EUR	7,048	6,950 ²⁾	7,048	6,950 ²⁾	+98
Equity	Million EUR	2,735	2,915 ²⁾	2,735	2,915 ²⁾	-180
Equity ratio (equity/balance sheet total)	%	38.8	41.9 ²⁾	38.8	41.9 ²⁾	-3.1 ppt
Borrowed capital	Million EUR	4,313	4,035 ²⁾	4,313	4,035 ²⁾	+278
KEY FINANCIAL FIGURES AS AT 30 JUNE						
Financial debt	Million EUR	3,048	2,935 ²⁾	3,048	2,935 ²⁾	+113
Cash and cash equivalents	Million EUR	428	465 ²⁾	428	465 ²⁾	-37
Net debt (financial debt – cash and cash equivalents)	Million EUR	2,620	2,470 ²⁾	2,620	2,470 ²⁾	+150
Gearing (net debt/equity)	%	95.8	84.7 ²⁾	95.8	84.7 ²⁾	+11.1 ppt
NUMBER OF EMPLOYEES AS AT 30 JUNE						
Employees at sea		1,328	1,332	1,328	1,332	-4
Employees on land		5,643	5,639	5,643	5,639	+4
HAPAG-LLOYD TOTAL		6,971	6,971	6,971	6,971	0

¹⁾ As at 30.6. ²⁾ As at 31.12.2013

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 report was published on 12 August 2014.

CONTENTS

4	Hapag-Lloyd – capital market activities
7	Interim Group management report
7	Basic principles of the Group
7	Group structure and shareholders
8	Operating activities
9	Group objectives and strategy
10	Important financial performance indicators
10	Important non-financial principles
12	Economic report
12	General economic conditions
13	Sector-specific conditions
15	Group earnings position
19	Group financial position
21	Group net asset position
23	Events after the balance sheet date
23	Risk and opportunity report
24	Prospects
26	Interim consolidated financial statements
26	Consolidated income statement
27	Consolidated statement of comprehensive income
28	Consolidated statement of financial position
30	Consolidated statement of changes in equity
31	Condensed consolidated statement of cash flows
32	Condensed Notes to the interim consolidated financial statements
32	Notes on the principles and methods underlying the interim consolidated financial statements
37	Selected notes to the consolidated income statement
37	Selected notes to the consolidated statement of financial position
42	Notes to the condensed consolidated statement of cash flows
42	Other notes
44	Significant transactions after the balance sheet date
46	Financial calendar, imprint

HAPAG-LLOYD – CAPITAL MARKET ACTIVITIES

Predominant gains in the first-half-year

Continuing improvements in the US labour market and the enhanced economic outlook for the eurozone predominately enabled the most important international stock exchanges to further extend their gains in the first half of 2014, achieving new historical record highs.

Only the Asian stock markets were unable to maintain the high price level achieved at the end of 2013. The subdued performance of the Chinese economy caused some profit-taking.

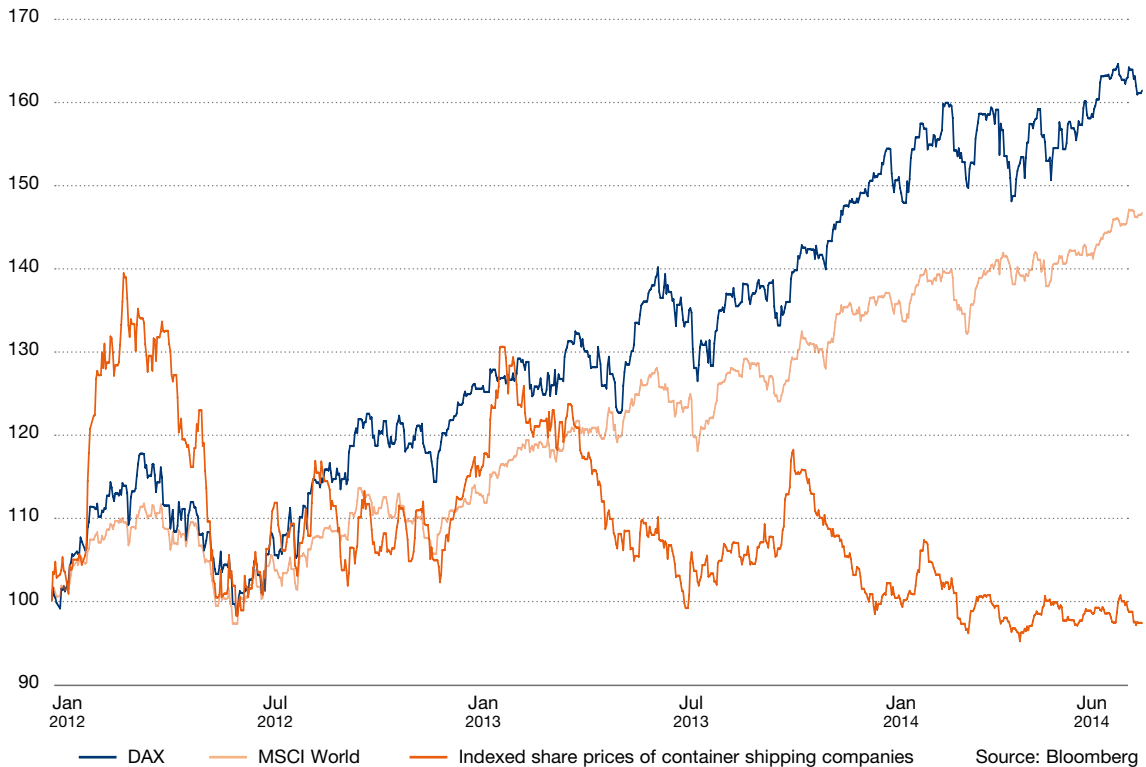
DEVELOPMENTS IN THE MOST IMPORTANT INDICES

Indices*	30.6.2014	31.12.2013	30.6.2013	Change (30.6.) 2014 vs 2013
Dow Jones Industrial	16,827	16,577	14,910	+12.9%
MSCI World	1,743	1,661	1,434	+21.5%
EuroStoxx 50	3,228	3,109	2,603	+24.0%
DAX Index	9,833	9,552	7,959	+23.5%
Nikkei 225	15,162	16,291	13,677	+10.9%

Source: Bloomberg; *Last trading day

Due to continuing pressure on freight rates, the shares of publicly listed container liner shipping companies continued to develop below average in the first half of 2014.

Indexed share prices of container shipping companies (January 2012 to June 2014)



Demand for corporate bonds increasing

Institutional and private investors continued to show a buoyant interest in high-yield corporate bonds. According to an analysis by the investment bank Société Générale, the volume of high-yield corporate bonds issued in Europe amounted to EUR 74.9 billion in the first half of 2014, compared with the EUR 47.7 billion in bonds issued by companies in the first half of 2013.

Hapag-Lloyd AG's bonds

On 30 June 2014, the bonds issued by Hapag-Lloyd AG traded at 104.05% (2015 EUR bond), 106.95% (2018 EUR bond) and 107.06% (2017 USD bond).

The Hapag-Lloyd Group continues to have solid balance sheet ratios. The equity ratio (equity/balance sheet total) as at 30 June 2014 amounted to around 39%. Gearing is comparatively moderate at approximately 96%. As at 30 June 2014, cash and cash equivalents accounted for roughly 6% of the balance sheet total. The stipulated covenants were once again fulfilled as expected as at 30 June 2014.

In its rating update on 14 April 2014, the international rating agency Standard & Poor's confirmed its issuer rating of B+ for Hapag-Lloyd AG, with a stable outlook. On 17 April 2014, the rating agency Moody's published an unchanged rating of B2 with a negative outlook.

KEY BOND DATA					
	Issue volume (total)	Maturity*	Coupon	Initial offering price	Price on 30.6.2014
EUR tranche 2015	EUR 280 million**	15.10.2015	9.00%	99.50%	104.05%
EUR tranche 2018	EUR 400 million***	01.10.2018	7.75%	100.00%	106.95%
USD tranche 2017	USD 250 million	15.10.2017	9.75%	99.37%	107.06%

Price data: Bloomberg; *Callable; **Outstanding volume after the partial repayment of EUR 200 million in November 2013; ***Increase of EUR 150 million to 101.75%.

Open and transparent communication

The focus of Hapag-Lloyd's investor relations activities is on communicating promptly with all investors and capital market participants. In the first six months of 2014, Hapag-Lloyd attended the following international capital market conferences:

Date	Location	Conference	Host
14 January	London	10 th Annual High Yield & Leveraged Finance Conference	BNP Paribas
14 May	Düsseldorf	German Credit Conference	IKB
11 June	London	18 th Annual European Leveraged Finance Conference	Deutsche Bank

A large number of individual discussions were also held with interested international analysts and investors.

Published Company reports are available on the Investor Relations pages of Hapag-Lloyd's website –

www.hapag-lloyd.com/en/investor_relations/reports.html

Detailed information regarding Hapag-Lloyd's corporate bonds is available at

www.hapag-lloyd.com/en/investor_relations/bonds.html

INTERIM GROUP MANAGEMENT REPORT

BASIC PRINCIPLES OF THE GROUP

GROUP STRUCTURE AND SHAREHOLDERS

At the balance sheet date (30 June 2014), a total of 47 direct and indirect subsidiaries and four equity-accounted investees belonged to the group of consolidated companies of Hapag-Lloyd AG. The equity-accounted investees include an investment in a container terminal in Hamburg.

As at 30 June 2014, Hapag-Lloyd AG's shareholders were:

Shareholding in %	2014
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	36.9%
Kühne Maritime GmbH	28.2%
TUI AG/TUI-Hapag Beteiligungs GmbH	22.0%
SIGNAL IDUNA Gruppe	5.3%
HSH Nordbank AG	2.9%
Pool of investors led by M.M.Warburg & CO KGaA	2.9%
HanseMercur Versicherungsgruppe	1.8%
Total	100.0%

Change in the Hapag-Lloyd Executive Board

Mr Rolf Habben Jansen assumed the position of CEO with effect from 1 July 2014. Furthermore, Mr Anthony James Firmin became a member of the Executive Board on 1 July 2014.

Merger with Compañía Sud Americana de Vapores

Hapag-Lloyd AG and Compañía Sud Americana de Vapores (CSAV) signed a business combination agreement on 16 April 2014. CSAV's container business is to be integrated into the Hapag-Lloyd Group in exchange for shares, subject to the approval of the antitrust authorities. CSAV will therefore initially hold a 30% stake in Hapag-Lloyd. There will be a cash capital increase in the amount of EUR 370 million once the transaction has been concluded, which will increase CSAV's share of Hapag-Lloyd to 34%.

The first important milestones, such as the approval by competition authorities of key jurisdictions like the USA, have already been achieved. Therefore, the Executive Board of Hapag-Lloyd AG still expects the transaction to close in the fourth quarter 2014.

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 transporting of containers by sea, but also encompasses transport services from door to door.

Network of Hapag-Lloyd services



The Hapag-Lloyd fleet comprises 154 container ships (30 June 2014). The Group currently has 334 sales offices in 112 countries and offers its customers worldwide access to a network of 101 liner services. In the first half of 2014, Hapag-Lloyd served around 15,600 customers around the world.

Hapag-Lloyd conducts its container shipping business in an international business environment in which transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities such as the acquisition and the corresponding financing of investments. The functional currency of Hapag-Lloyd AG and its subsidiaries is therefore the US dollar. To limit the risks of changes in exchange rates, hedging transactions are carried out. 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 reporting 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. The translation differences are recognised in the Group's other comprehensive income.

GROUP OBJECTIVES AND STRATEGY

The Hapag-Lloyd Group's prime objective is long-term profitable growth. Increasing global demand for container shipping forms the basis for this targeted organic growth. Based on current forecasts (IHS Global Insight, April 2014), the volume of global container shipments should grow by 4.3% to around 127 million TEU in 2014 and by a further 5.3% in 2015.

Hapag-Lloyd focuses on adjusted EBIT – earnings before interest and taxes adjusted for special items – as the key parameter for the internal management of its operating activities. The main factors influencing this parameter are transport volume, freight rate, the US dollar exchange rate against the euro, and operating costs including bunker price. The strategy of achieving long-term profitable growth in operating activities is pursued with the help of this key figure. In addition to the operating result (adjusted EBIT), earnings before interest, taxes, depreciation and amortisation (EBITDA) is likewise used as an important parameter. 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 55% of its fleet – 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 corporate strategy in the 2014 financial year. As at 30 June 2014, Hapag-Lloyd had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 497.2 million (31 December 2013: EUR 533.8 million). In line with its financial strategy, it secured financing for all its completed and planned investments in ships and containers before placing orders.

With demand for container transport services continuing to rise, container shipping will remain a growth industry in the long term. In order to utilise the medium-term expansion opportunities resulting from market growth and to realise economies of scale in its ship operations, Hapag-Lloyd put a total of ten new very large container vessels into service up to the end of April 2014, each with a capacity of approximately 13,200 TEU.

In addition to organic growth, Hapag-Lloyd seeks to actively participate in industry consolidation, if promising transactions present themselves.

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include (adjusted) EBIT and EBITDA, as well as the transport volume and freight rates. The development of the most important financial performance indicators in the first half of 2014 is presented in the section “Group earnings position”.

IMPORTANT NON-FINANCIAL PRINCIPLES

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

Efficient fleet

As at 30 June 2014, Hapag-Lloyd’s fleet comprised a total of 154 container ships, which are all certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the vessels are also certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The Hapag-Lloyd fleet’s total TEU capacity amounted to 777,469 TEU. Hapag-Lloyd also owned or leased 708,619 containers with a capacity of 1,140,463 TEU for transporting cargo.

STRUCTURE OF HAPAG-LLOYD’S CONTAINER SHIP FLEET

	30.6.2014	31.12.2013	30.6.2013
Number of vessels	154	151	154
thereof			
Own vessels	61	57	63
Leased vessels	6	7	7
Chartered vessels	87	87	84
Aggregate capacity of vessels (TTEU)	777	729	733
Aggregate container capacity (TTEU)	1,140	1,072	1,077
Number of services	101	97	93

By the end of April 2014, Hapag-Lloyd had taken delivery of ten “Hamburg Express” class vessels with a capacity of approximately 13,200 TEU. At present, Hapag-Lloyd has not placed orders for further vessels. In the first half of 2014, the average bunker price was USD 594 per tonne, down USD 30 from USD 624 per tonne in the prior year period. The bunker consumption per TEU could be reduced by 2% compared to the prior year period.

Sustainability and quality management

The efficiency and sustainability of the Hapag-Lloyd fleet will improve further by the commissioning of the ten new “Hamburg Express” class vessels, completed in April 2014. The ten units in the “Hamburg Express” class achieve particularly low figures for fuel consumption and emissions thanks to innovative on-board technology. Bunker consumption per slot (container storage space) has been considerably reduced over the past four years.

In the first half of 2014, Hapag-Lloyd’s integrated quality and environmental management system was internally and externally inspected according to the ISO Standards 9001 for quality and 14001 for environment. In total, 68 internal audits and 26 external audits were carried out.

The experienced certification company Det Norske Veritas and Germanischer Lloyd (DNV GL) successfully concluded the external audit in June. There were no deviations.

Customers

Long-term, close business relations with clients are also important in driving value for corporate development. Relationships with major customers are managed by a global key account team. This enables the Company to establish and maintain sustainable customer relationships. In the first six months of the 2014 financial year, transport contracts were completed for approximately 15,600 customers (prior year period: approximately 17,100).

Employees

The Hapag-Lloyd Group employed a workforce of 6,971 as at 30 June 2014. The number of employees remains unchanged from that of 30 June 2013. Of the shore-based employees, some 77% worked outside Germany as at 30 June 2014.

NUMBER OF EMPLOYEES			
	30.6.2014	31.12.2013	30.6.2013
Marine personnel	1,256	1,254	1,256
Shore-based personnel	5,561	5,553	5,556
Apprentices	154	194	159
Total	6,971	7,001	6,971

As at 30 June 2014, employee numbers for both the marine division and land-based staff were virtually unchanged at 1,256 and 5,561 respectively. Hapag-Lloyd employed 154 apprentices as at 30 June 2014.

The number of full-time equivalent employees (FTE) was 6,808 (30 June 2013: 6,830).

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

More than 70% of goods transported around the world are carried by ship. Container ships play a significant role in handling the global transport volume. The pace at which the global economy grows and, by extension, at which global trade expands are significant factors that influence demand for container transport services and the development of the container liner shipping companies' cargo volumes.

Economic experts from the International Monetary Fund (IMF) believe that the outlook for economic growth in Europe and the United States has continued to strengthen in recent months. In contrast, the outlook for economic growth in developing and emerging markets was once again revised downwards slightly. In its latest economic outlook (April 2014), the IMF expects global economic growth to reach 3.4% overall in 2014 (2013: 3.2%) and to gather pace and reach 4.0% in 2015.

Despite weakening, the pace of economic growth in the emerging markets of Asia and Latin America will continue to comfortably outstrip growth rates in the established industrialised nations in 2014 and 2015. The lasting economic impact of the debt crisis in the eurozone, the sanctions imposed on Russia and the present slowdown in emerging markets represent the most imminent risks to global economic growth in 2014.

According to the IMF, the volume of global trade, which is key to the demand for container transport services, is forecast to increase by 4.0% in the current year and by 5.3% in 2015.

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

%	2012	2013	2014e	2015e
Global economic growth	3.5	3.2	3.4	4.0
Industrialised countries	1.4	1.3	1.8	2.4
Developing and newly industrialised countries	5.1	4.7	4.6	5.2
World trading volume (goods and services)	2.8	3.1	4.0	5.3

Source: IMF July 2014

SECTOR-SPECIFIC CONDITIONS

In the medium term, demand for container transport services should rise in tandem with expected ongoing growth in the world trading volume.

Growth in the global container transport volume is set to pick up pace noticeably in 2014. In its current forecast, IHS Global Insight anticipates a 4.3% rise in global cargo volumes to 127.4 million TEU. The growth in global cargo volumes may reach 5.3% in the coming year. This would put the rise in global container shipping volumes in 2014 and 2015 roughly in line with the forecast rate of growth for global trade. For the period 2014 to 2019, the average annual growth rate in the global container transport volume is expected to be 5.2%.

With the total capacity of the world container ship fleet estimated at 18.3 million TEU at the beginning of 2014 (MDS Transmodal, February 2014), the supply capacity should see increases totalling 1.2 million TEU in 2014 and 1.1 million TEU in 2015. Due to the sharp fall in orders for new vessels, the tonnage of commissioned container ships is currently equivalent to approximately 18% of the global container fleet's capacity. It is therefore at its lowest since Q4 2002 and still well below the highest level seen to date, which was approximately 56% in 2008.

FACTORS INFLUENCING CAPACITY DEVELOPMENT

Million TEU	2011	2012	2013	2014e	2015e
Planned deliveries	1.5	1.7	2.1	1.9	1.7
Postponed deliveries	0.1	0.6	0.7	0.2	0.2
Scrappings	0.1	0.3	0.5	0.5	0.4
Actual increase in capacity	1.3	0.8	0.9	1.2	1.1

Source: MDS Transmodal, Drewry Maritime Research

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 vessels 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 Clarksons Shipping Intelligence Network (June 2014), the volume of container ship scrapping is likely to be around 0.5 million TEU in the current year and to remain around this high level next year.

Although the prospects for growth remain positive in the medium term, there may be temporary imbalances in supply and demand, which could have a substantial impact on the respective transport volumes and freight rates. The persistently high level of energy costs, in particular, is likely to weaken short-term industry developments. The bunker price has more than trebled since the beginning of 2009. As competitive pressure has remained high, it has only been possible to implement the necessary freight rate increases to a limited degree. Once again in 2014, freight rates in the various trades are likely to fluctuate considerably in some cases.

The continued pressure on freight rates is also due to a relatively low level of idle vessels. At around 255,000 TEU (Alphaliner, July 2014), the laid-up capacity corresponded to approximately 1.3% of the global container fleet's total tonnage at the end of June 2014, well below the highest level reached in the first quarter of 2013 of 830,000 TEU. The majority of idle ships have a tonnage of up to 3,000 TEU.

GROUP EARNINGS POSITION

The first half of the 2014 financial year was mainly characterised by persistently strong competition and the associated pressure on the freight rates, as well as by negative exchange rate effects as a result of the weak US dollar against the euro.

CONSOLIDATED INCOME STATEMENT				
Million EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Revenue	1,659.7	1,705.8	3,213.7	3,357.7
Other operating income	13.8	48.5	26.3	62.1
Transport expenses	1,471.4	1,464.4	2,874.9	2,954.0
Personnel expenses	87.8	97.5	184.5	191.1
Depreciation, amortisation and impairment	85.2	86.9	168.7	169.8
Other operating expenses	59.7	54.9	128.5	126.4
Operating result	-30.6	50.6	-116.6	-21.5
Share of profit of equity-accounted investees	9.7	11.0	17.4	18.4
Other financial result	0.0	-0.7	-2.3	5.1
Earnings before interest and tax (EBIT)	-20.9	60.9	-101.5	2.0
Interest result	-31.2	-39.2	-68.8	-73.3
Income taxes	2.1	0.8	3.0	1.4
Group profit/loss	-54.2	20.9	-173.3	-72.7
EBITDA	64.3	147.8	67.2	171.8
EBITDA margin (%)	3.9	8.7	2.1	5.1
EBIT adjusted	-10.5	66.7	-73.7	13.5
EBIT margin adjusted (%)	-0.6	3.9	-2.3	0.4
EBIT	-20.9	60.9	-101.5	2.0
EBIT margin (%)	-1.3	3.6	-3.2	0.1

The development of the average freight rate, which was significantly lower than expectations, and a comparatively weak US dollar against the euro had a negative impact on the Group's earnings position and could only be partially offset by transport volume growth. At USD 1.37/EUR, the average dollar/euro exchange rate was significantly weaker than in the prior year period (USD 1.31/EUR). The continued competitive pressure being felt in all trades meant that once again the announced freight rate increases could not be implemented in the second quarter of 2014. At USD 1,424/TEU, the average freight rate in the first half-year 2014 remained 6.4% below the level of USD 1,522/TEU in the prior year period.

DEVELOPMENTS IN FREIGHT RATES BY TRADE				
USD/TEU	Q2 2014	Q2 2013	H1 2014	H1 2013
Atlantic	1,614	1,676	1,618	1,682
Far East	1,158	1,266	1,165	1,287
Latin America	1,349	1,406	1,350	1,424
Transpacific	1,739	1,759	1,717	1,823
Australasia	1,163	1,276	1,156	1,271
Total (weighted average)	1,426	1,499	1,424	1,522

Meanwhile, there was a positive development in transport volumes in the period under review. In the first half of 2014, Hapag-Lloyd was able to increase its transport volume by around 6% to 2,873 TTEU (prior year period: 2,715 TTEU) as a result of its balanced positioning in all trades and the ongoing expansion of its service network. During the second quarter of 2014, the transport volume was increased in all trades in comparison with both the prior year period and the first quarter of 2014.

DEVELOPMENTS IN TRANSPORT VOLUME BY TRADE				
TTEU	Q2 2014	Q2 2013	H1 2014	H1 2013
Atlantic	331	307	635	602
Far East	352	310	692	617
Latin America	307	295	602	566
Transpacific	318	314	631	612
Australasia	166	164	313	318
Total	1,474	1,390	2,873	2,715

Despite the significant rise in the transport volume of around 6%, revenue fell by EUR 144.0 million or by 4.3% year on year to EUR 3,213.7 million. In addition to declining freight rates, this was primarily caused by the significant weakening of the US dollar. Adjusted for exchange rate fluctuations, the revenue generated was just 0.1% below that of the prior year period.

REVENUE PER SHIPPING AREA				
Million EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Atlantic	389.7	393.2	749.9	770.9
Far East	297.4	300.7	588.2	604.5
Latin America	302.0	317.5	593.2	614.3
Transpacific	403.3	422.2	789.7	848.8
Australasia	141.3	160.0	264.2	307.4
Other	126.0	112.2	228.5	211.8
Total	1,659.7	1,705.8	3,213.7	3,357.7

Transport expenses decreased by EUR 79.1 million in the first six months of 2014 to EUR 2,874.9 million (previous year: EUR 2,954.0 million). This represents a decline of around 3%. This development was attributable to a reduction of EUR 63.4 million (8.6%) in expenses for raw materials and supplies, which came to EUR 675.9 million. This decline was due primarily to a drop of around 5% in bunker consumption prices offset by expenses for bunker hedges. In the first half of 2014, the average bunker price was USD 594 per tonne, down USD 30 from USD 624 per tonne in the prior year period. Hapag-Lloyd was able to improve bunker efficiency in the first six months of 2014 in comparison to the prior year period. At EUR 2,199.0 million, the cost of purchased services was also slightly down year on year, despite the higher transport volume. In addition to cost savings, this was caused partly by lower charter rates for chartered ships in comparison with the prior year period.

TRANSPORT EXPENSES				
Million EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Expenses for raw materials and supplies	342.7	373.4	675.9	739.3
Cost of purchased services	1,128.7	1,091.0	2,199.0	2,214.7
thereof				
Port, canal and terminal costs	490.2	463.6	963.2	928.2
Chartering, leases and container rentals	154.0	171.5	301.5	345.7
Container transport costs	447.9	415.5	863.8	863.6
Maintenance/repair/other	36.6	40.4	70.5	77.2
Transport expenses	1,471.4	1,464.4	2,874.9	2,954.0

Changes in the USD/EUR exchange rate caused period-specific exchange rate gains and losses to decrease considerably in the first half of 2014. This was reflected in other operating income and other operating expenses. On balance, exchange-rate-related income and expenses in the first six months of the financial year resulted in a drop in earnings of EUR 2.3 million (previous year: EUR 12.2 million).

The other financial result totalled EUR –2.3 million (prior year period: EUR 5.1 million) and primarily included changes in the fair value of currency options.

The Group's earnings before interest and taxes (EBIT) amounted to EUR –101.5 million in the reporting period, significantly below the prior year period figure of EUR 2.0 million. The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 67.2 million in the first six months of the financial year (prior year period: EUR 171.8 million).

EBIT MARGIN				
Million EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Revenue	1,659.7	1,705.8	3,213.7	3,357.7
EBIT	–20.9	60.9	–101.5	2.0
Purchase price allocation	5.5	5.8	12.7	11.5
Project costs	4.9	0.0	15.1	0.0
EBIT adjusted	–10.5	66.7	–73.7	13.5
EBITDA	64.3	147.8	67.2	171.8
EBIT margin (%)	–1.3	3.6	–3.2	0.1
EBIT margin adjusted (%)	–0.6	3.9	–2.3	0.4
EBITDA margin (%)	3.9	8.7	2.1	5.1

Having been adjusted for special items from the purchase price allocation and project costs, the Group's earnings before interest and taxes (adjusted EBIT) – which is used as the key internal performance indicator – totalled EUR –73.7 million in the first half of the current financial year (prior year period: EUR 13.5 million).

The Group recorded a loss of EUR 173.3 million in the first half of 2014 (prior year period: loss of EUR 72.7 million).

GROUP FINANCIAL POSITION

CONDENSED STATEMENT OF CASH FLOWS				
Million EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Cash flow from operating activities	8.9	14.9	73.3	-9.4
Cash flow from investing activities	-30.8	-163.9	-104.6	-336.3
Free cash flow	-21.9	-149.0	-31.3	-345.7
Cash flow from financing activities	-15.6	61.4	-3.7	122.8
Changes in cash and cash equivalents	-37.5	-87.6	-35.0	-222.9

Cash flow from operating activities

The Group generated a positive operating cash flow of EUR 73.3 million in the first half of the 2014 financial year (prior year period: EUR -9.4 million).

Cash flow from investing activities

The cash outflow from investing activities amounted to EUR 104.6 million in the first half of the 2014 financial year (prior year period: EUR 336.3 million). This mainly consisted of payments for investments in newbuilds. Further non-cash investments were made in the second quarter of 2014. An obligation was entered into in relation to two existing container operating lease contracts to exercise the purchase options they include by the end of the financial year. Both container lease contracts will be recognised as finance leases until final transfer of ownership (EUR 27.9 million).

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 3.7 million in the reporting period (prior year period: cash inflow of EUR 122.8 million). Cash inflows in the amount of EUR 331.5 million were partially offset by interest and capital repayments of EUR 334.3 million. New borrowing primarily related to payments for ship newbuilds put into service, the financing of containers, and payments from the existing ABS facility.

DEVELOPMENTS IN CASH AND CASH EQUIVALENTS				
Million EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Cash and cash equivalents at beginning of period	466.2	437.0	464.8	560.8
Changes due to exchange rate fluctuations	-1.1	-7.7	-2.2	3.8
Net changes	-37.5	-87.6	-35.0	-222.9
Cash and cash equivalents at end of period	427.6	341.7	427.6	341.7

Overall, the aggregate cash outflow totalled EUR 35.0 million in the first six months of 2014, such that after accounting for exchange rate effects at the end of the reporting period, cash and cash equivalents of EUR 427.6 million were reported (previous year: EUR 341.7 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item "Cash and cash equivalents". In addition, there continues to be an as yet unused credit facility worth USD 95.0 million (EUR 69.6 million).

Net debt

At EUR 2,620.2 million, the Group's net debt had increased as at 30 June 2014 from the end of 2013, when it stood at EUR 2,470.2 million. This was largely due to the financing of vessels and containers.

FINANCIAL SOLIDITY		
Million EUR	30.6.2014	31.12.2013
Cash and cash equivalents	427.6	464.8
Financial debt	3,047.8	2,935.0
Net debt	2,620.2	2,470.2
Gearing (%)	95.8	84.7
Unused credit lines	69.6	69.0
Equity ratio (%)	38.8	41.9

GROUP NET ASSET POSITION

CONDENSED BALANCE SHEET		
Million EUR	30.6.2014	31.12.2013
Assets		
Non-current assets	5,778.1	5,689.7
thereof fixed assets	5,671.6	5,594.7
Current assets	1,269.8	1,260.1
thereof cash and cash equivalents	427.6	464.8
Total assets	7,047.9	6,949.8
Equity and liabilities		
Equity	2,734.6	2,915.1
Borrowed capital	4,313.3	4,034.7
thereof non-current liabilities	2,839.5	2,657.1
thereof current liabilities	1,473.8	1,377.6
thereof financial debt	3,047.8	2,935.0
thereof non-current financial debt	2,625.7	2,460.1
thereof current financial debt	422.1	474.9
Total equity and liabilities	7,047.9	6,949.8
Asset coverage ratio I (%)	48.2	52.1
Asset coverage ratio II (%)	98.3	99.6
Liquidity ratio I (%)	29.0	33.7
Net debt	2,620.2	2,470.2
Equity ratio (%)	38.8	41.9

As at 30 June 2014, the Group's balance sheet total was EUR 7,047.9 million and thereby EUR 98.1 million above the figure at year-end 2013. The change was primarily the result of an increase of EUR 88.4 million in non-current assets, while current assets rose by EUR 9.7 million.

Within non-current assets, the carrying amounts for fixed assets increased by a total of EUR 76.9 million to EUR 5,671.6 million. Investments in fixed assets in the first half of 2014 amounted to EUR 221.3 million and comprised investments of EUR 122.2 million in ship newbuilds and container acquisitions totalling EUR 93.5 million. Exchange rate effects on the reporting date of EUR 44.5 million also increased fixed assets. Offsetting this scheduled depreciation of EUR 168.7 million reduced the value of the fixed assets.

Trade receivables rose by EUR 59.1 million during the first half of 2014, leading to an increase in current assets compared with the end of 2013.

Cash and cash equivalents declined to EUR 427.6 million due to cash outflows for investments as well as scheduled interest and capital repayments (31 December 2013: EUR 464.8 million).

On the liabilities side, equity decreased by EUR 180.5 million to EUR 2,734.6 million. The decline was primarily attributable to the EUR 173.3 million loss recorded by the Group. The equity ratio was approximately 39% as at 30 June 2014 (31 December 2013: approximately 42%).

The Group's borrowed capital has risen by EUR 278.6 million to EUR 4,313.3 million since the end of 2013. This rise was primarily attributable to the increase in financial debt as a result of loan disbursements received for newbuilds and financing for containers amounting to EUR 304.8 million, offset by capital repayments in the amount of EUR 261.9 million. The increase in current liabilities arose in particular from a rise in trade payables due to invoicing reasons.

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 Notes to the consolidated financial statements.

EVENTS AFTER THE BALANCE SHEET DATE

There were no noteworthy transactions after the balance sheet date (30 June 2014).

RISK AND OPPORTUNITY REPORT

Please refer to the 2013 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 pressure on the freight rate continued into the second quarter of 2014 due to the persistently strong competition and the very low number of idle vessels. The average freight rate was therefore still substantially below expectations in the first half of 2014. We currently assess the risk of a reduction in the rate for 2014 as a whole as high, in contrast to the assessment of this risk in the 2013 annual report. The reduction in the average freight rate will have a significant impact on the earnings position in 2014 as a whole. There were no further changes to the risk situation as at 30 June 2014.

Hapag-Lloyd AG and Compañía Sud Americana de Vapores (CSAV) signed a business combination agreement on 16 April 2014. CSAV's container business is to be integrated into the Hapag-Lloyd Group, subject to the approval of the antitrust authorities. Should this transaction take place, the integration of CSAV's container activities into the Hapag-Lloyd Group could result in substantial one-off expenses in 2014. The first important milestones, such as the approval by competition authorities of key jurisdictions like the USA, have already been achieved. Therefore, the Executive Board of Hapag-Lloyd AG still expects the transaction to close in the fourth quarter.

As explained in the risk and opportunity report included in the 2013 Group management report, the downgrading of Hapag-Lloyd AG's rating and that of the bonds it issues could result in less favourable conditions for raising new funds and could adversely affect the price and the fungibility of the securities.

PROSPECTS

The statements made in the “Prospects” section of the Group management report for 2013 generally remain valid as regards the medium-term growth prospects for container shipping. In the medium term, demand for container transport services should continue to rise in tandem with expected ongoing growth in the world trading volume.

A summary of the most important external influencing factors is given below. In its latest economic outlook (July 2014), the International Monetary Fund (IMF) expects global economic growth to reach 3.4% in the current year. This means that the global economy is set to grow at a faster rate in 2014 than in the previous year (+3.2%).

According to the IMF, the volume of global trade, which is key to the demand for container transport services, is forecast to increase by 4.0% in the current year (2013: +3.1%). IHS Global Insight (July 2014) expects global container transport volumes to increase by 4.3% to approximately 127 million TEU in 2014 (2013: +2.0%). Global growth in container transport is the basis for Hapag-Lloyd's planned increase in transport volumes. Based on the general economic and industry-related conditions, Hapag-Lloyd continues to expect its transport volume to increase in 2014.

Once again, growth in the capacity of the global container fleet, largely as a result of the commissioning of very large container ships in Asia-related trades, is expected to outpace demand for container transport services in 2014. For example, the MDS Transmodal industry experts are anticipating an approximately 7% increase in transport capacities this year, to around 19.5 million TEU. The additional increase in capacity and the currently very low number of idle vessels is also likely to negatively impact the development of the average freight rate in 2014 as a whole.

The average freight rate in the first half-year fell significantly short of expectations as a result of persistently strong competition. In addition, the usual rise in freight rates at the beginning of the peak season materialised only to a degree. A decline in the average freight rate is now expected for 2014 as a whole.

The development of the transport volume and the freight rates in the peak season is extremely important for earnings development in 2014 as a whole. In view of the negative impact on earnings in the first half of 2014 resulting from the persistent pressure on the freight rate and in consideration of an unchanged difficult sector environment, Hapag-Lloyd aims furthermore for a positive operating result (adjusted EBIT) for 2014 as a whole, albeit clearly lower than in 2013.

Key benchmark figures for the 2014 outlook

Global economic growth	+3.4%
Increase in global trade	+4.0%
Increase in global container transport volume (IHS)	+4.3%
Transport volume, Hapag-Lloyd	Increasing
Average freight rate, Hapag-Lloyd	Decreasing
Operating result (EBIT adjusted)	Decreasing

The investments in ship newbuilds completed in April 2014 and the investments in containers are financed by means of long-term loan agreements and will lead to a further scheduled year-on-year increase in net debt in 2014. Overall, Hapag-Lloyd expects its liquidity situation to remain adequate for the 2014 financial year.

Risks that may have an impact on the forecast for business development are described in detail in the risk report in the Group management report of the 2013 annual report (page 91 ff.). Significant risks include the possibility of another slowdown in global economic and trade volume growth, a significant and lasting rise in bunker prices extending beyond the level seen at the end of 2013, and a further significant reduction in freight rates. The occurrence of one or more of these risks in the remaining months of this year could have a substantial negative impact on the industry and, by extension, on the business development of Hapag-Lloyd in the current financial year.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG FOR THE PERIOD 1 JANUARY TO 30 JUNE 2014				
Million EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Revenue	1,659.7	1,705.8	3,213.7	3,357.7
Other operating income	13.8	48.5	26.3	62.1
Transport expenses	1,471.4	1,464.4	2,874.9	2,954.0
Personnel expenses	87.8	97.5	184.5	191.1
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	85.2	86.9	168.7	169.8
Other operating expenses	59.7	54.9	128.5	126.4
Operating result	-30.6	50.6	-116.6	-21.5
Share of profit of equity-accounted investees	9.7	11.0	17.4	18.4
Other financial result	0.0	-0.7	-2.3	5.1
Earnings before interest and tax (EBIT)	-20.9	60.9	-101.5	2.0
Interest income	1.5	1.3	3.0	2.9
Interest expenses	32.7	40.5	71.8	76.2
Earnings before income taxes	-52.1	21.7	-170.3	-71.3
Income taxes	2.1	0.8	3.0	1.4
Group profit/loss	-54.2	20.9	-173.3	-72.7
thereof attributable to shareholders of Hapag-Lloyd AG	-54.6	20.7	-173.9	-73.1
thereof attributable to non-controlling interests	0.4	0.2	0.6	0.4

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG
FOR THE PERIOD 1 JANUARY TO 30 JUNE 2014**

Million EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Group profit/loss	-54.2	20.9	-173.3	-72.7
Items that will not be reclassified to profit or loss:	-13.1	0.4	-22.7	0.4
Remeasurements from defined benefit plans, after taxes	-13.1	0.4	-22.7	0.4
Remeasurements from defined benefit plans, before taxes	-13.2	0.7	-22.8	0.7
Tax effect	0.1	-0.3	0.1	-0.3
Items that may be reclassified to profit or loss:	25.9	-49.8	16.4	18.7
Cash flow hedges (no tax effect)	-0.6	3.7	-5.1	-6.1
Addition to other comprehensive income (OCI)	-1.1	11.3	17.9	10.0
Reclassification to income statement due to realisation	0.5	-7.6	-23.0	-16.1
Currency translation (no tax effect)	26.5	-53.5	21.5	24.8
Other comprehensive income	12.8	-49.4	-6.3	19.1
Total comprehensive income	-41.4	-28.5	-179.6	-53.6
thereof attributable to shareholders of Hapag-Lloyd AG	-41.8	-28.7	-180.2	-54.0
thereof attributable to non-controlling interests	0.4	0.2	0.6	0.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG AS AT 30 JUNE 2014		
Million EUR	30.6.2014	31.12.2013
Assets		
Goodwill	670.3	664.6
Other intangible assets	506.9	529.7
Property, plant and equipment	4,178.1	4,067.6
Investments in equity-accounted investees	316.3	332.8
Other assets	8.1	7.9
Derivative financial instruments	85.3	74.5
Deferred tax assets	13.1	12.6
Non-current assets	5,778.1	5,689.7
Inventories	178.0	168.9
Trade accounts receivable	532.4	473.3
Other assets	94.9	106.8
Derivative financial instruments	8.5	25.1
Income tax receivables	25.2	21.2
Cash and cash equivalents	427.6	464.8
Non-current assets held for sale	3.2	0.0
Current assets	1,269.8	1,260.1
Total assets	7,047.9	6,949.8

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
AS AT 30 JUNE 2014**

Million EUR	30.6.2014	31.12.2013
Equity and liabilities		
Subscribed capital	66.1	66.1
Capital reserves	935.3	935.3
Retained earnings	1,871.9	2,045.8
Cumulative other equity	-141.1	-134.8
Equity attributable to the shareholders of Hapag-Lloyd AG	2,732.2	2,912.4
Non-controlling interests	2.4	2.7
Equity	2,734.6	2,915.1
Provisions for pensions and similar obligations	168.5	142.4
Other provisions	34.8	41.7
Financial debt	2,625.7	2,460.1
Other liabilities	3.9	5.2
Derivative financial instruments	5.2	6.7
Deferred tax liabilities	1.4	1.0
Non-current liabilities	2,839.5	2,657.1
Provisions for pensions and similar obligations	4.4	4.4
Other provisions	91.7	91.3
Income tax liabilities	6.8	7.4
Financial debt	422.1	474.9
Trade accounts payable	845.7	700.3
Other liabilities	103.0	99.3
Derivative financial instruments	0.1	0.0
Current liabilities	1,473.8	1,377.6
Total equity and liabilities	7,047.9	6,949.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG FOR THE PERIOD 1 JANUARY TO 30 JUNE 2014										
Million EUR	Equity attributable to shareholders of Hapag-Lloyd AG							Non-controlling interests	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
As per 1.1.2013	66.1	3,269.8	-190.4	-62.7	9.1	21.3	-32.3	3,113.2	0.8	3,114.0
Total comprehensive income thereof	-	-	-73.1	0.4	-6.1	24.8	19.1	-54.0	0.4	-53.6
Group profit/loss	-	-	-73.1	-	-	-	-	-73.1	0.4	-72.7
Other comprehensive income	-	-	-	0.4	-6.1	24.8	19.1	19.1	-	19.1
Transactions with shareholders thereof	-	-2,334.5	2,334.5	-	-	-	-	-	-0.6	-0.6
Merger	-	-2,334.5	2,334.5	-	-	-	-	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-0.6	-0.6
As per 30.6.2013 (adjusted)	66.1	935.3	2,071.0	-62.3	3.0	46.1	-13.2	3,059.2	0.6	3,059.8
As per 1.1.2014	66.1	935.3	2,045.8	-46.6	6.4	-94.6	-134.8	2,912.4	2.7	2,915.1
Total comprehensive income thereof	-	-	-173.9	-22.7	-5.1	21.5	-6.3	-180.2	0.6	-179.6
Group profit/loss	-	-	-173.9	-	-	-	-	-173.9	0.6	-173.3
Other comprehensive income	-	-	-	-22.7	-5.1	21.5	-6.3	-6.3	-	-6.3
Transactions with shareholders thereof	-	-	-	-	-	-	-	-	-0.9	-0.9
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-0.9	-0.9
As per 30.6.2014	66.1	935.3	1,871.9	-69.3	1.3	-73.1	-141.1	2,732.2	2.4	2,734.6

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG
FOR THE PERIOD 1 JANUARY TO 30 JUNE 2014**

Million EUR	Q2 2014	Q2 2013	H1 2014	H1 2013
Cash inflow(+)/outflow(-) from operating activities	8.9	14.9	73.3	-9.4
Cash inflow(+)/outflow(-) from investing activities	-30.8	-163.9	-104.6	-336.3
Cash inflow(+)/outflow(-) from financing activities	-15.6	61.4	-3.7	122.8
Net change in cash and cash equivalents	-37.5	-87.6	-35.0	-222.9
Cash and cash equivalents at beginning of the period	466.2	437.0	464.8	560.8
Change in cash and cash equivalents due to exchange rate fluctuations	-1.1	-7.7	-2.2	3.8
Net change in cash and cash equivalents	-37.5	-87.6	-35.0	-222.9
Cash and cash equivalents at the end of the period	427.6	341.7	427.6	341.7

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

General notes

These condensed interim consolidated financial statements of Hapag-Lloyd AG and its subsidiaries, hereinafter referred to as the Hapag-Lloyd Group, were prepared for the interim report according to the International Financial Reporting Standards (IFRS) and the relevant interpretations by the International Accounting Standards Board (IASB) as they are to be applied in the European Union (EU). Therefore, these financial statements within the interim report in accordance with IAS 34 do not contain all information and notes that are necessary according to IFRS for complete consolidated financial statements to the end of a financial year.

These interim consolidated financial statements cover the period 1 January to 30 June 2014. The accounting and measurement principles applied in the interim consolidated financial statements are the same as those used for the last consolidated financial statements at the end of the financial year, with the exception of the necessary adoption of new standards since 1 January 2014.

Results of interim periods are not necessarily indicative of results that can be expected for future periods or the entire financial year. The earnings position of the Hapag-Lloyd Group is principally shaped by the seasonality of transport volumes and freight rates in the container shipping business. Fluctuations result from the usually higher demand for transport services in the container shipping business during the second and, in particular, the third quarter.

The interim consolidated financial statements are presented in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

The functional currency of Hapag-Lloyd AG and its subsidiaries is the US dollar. However, the reporting currency of Hapag-Lloyd AG is the euro. For the purpose of integrating Hapag-Lloyd AG and its subsidiaries into the financial statements of the Hapag-Lloyd Group, balance sheet assets and liabilities 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 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. The resulting differences are recognised in other comprehensive income.

As at 30 June 2014, the closing USD/EUR exchange rate stood at USD/EUR 1.3650 (31 December 2013: USD/EUR 1.3767). The weakness of the dollar in comparison to the prior year period resulted in an average dollar/euro exchange rate in the first half of 2014 of USD/EUR 1.3709 (prior year period: USD/EUR 1.3136).

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 (= revenue) by geographic region and adjusted EBIT at the overall Group level. Decisions regarding the allocation of resources (use of vessels and containers) are made on the basis of the entire liner service network and deployment of the entire fleet. 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 with which assets, liabilities and adjusted EBIT as the key performance indicators can be allocated to multiple geographic segments. All of the Group's assets, liabilities, income and expenses are 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	H1 2014	H1 2013
Atlantic	635	602
Far East	692	617
Latin America	602	566
Transpacific	631	612
Australasia	313	318
Total	2,873	2,715

FREIGHT RATE PER TRADE		
USD/TEU	H1 2014	H1 2013
Atlantic	1,618	1,682
Far East	1,165	1,287
Latin America	1,350	1,424
Transpacific	1,717	1,823
Australasia	1,156	1,271
Total (weighted average)	1,424	1,522

REVENUE PER TRADE		
Million EUR	H1 2014	H1 2013
Atlantic	749.9	770.9
Far East	588.2	604.5
Latin America	593.2	614.3
Transpacific	789.7	848.8
Australasia	264.2	307.4
Other	228.5	211.8
Total	3,213.7	3,357.7

Adjusted EBIT is calculated on the basis of the operating earnings before interest and taxes as follows:

Million EUR	H1 2014	H1 2013
EBIT	-101.5	2.0
Purchase price allocation	12.7	11.5
Project costs	15.1	0.0
EBIT adjusted	-73.7	13.5

New accounting standards

The following changes to existing standards published by the IASB, which have already been endorsed, had to be applied for the first time in the interim financial statements presented. Unless stated otherwise, their first-time application did not have a significant effect on the net asset, financial and earnings position of the Hapag-Lloyd Group:

- Amendment to IAS 27: *Separate Financial Statements*
- Amendment to IAS 28: *Investments in Associates and Joint Ventures*
- Amendment to IAS 32: *Offsetting Financial Assets and Financial Liabilities*
- Amendment to IAS 39: *Novation of Derivatives and Continuation of Hedge Accounting*
- IFRS 10: *Consolidated Financial Statements*
- IFRS 11: *Joint Arrangements*
- IFRS 12: *Disclosure of Interests in Other Entities*
- Amendments to IFRS 10, IFRS 11 and IFRS 12: *Transition Guidance*
- Amendments to IFRS 10, IFRS 12 and IAS 27: *Investment Entities*

The amendment to IAS 27 *Separate Financial Statements* is a consequence of the combination of provisions stated in the new IFRS 10 *Consolidated Financial Statements*, the previous IAS 27 *Consolidated and Separate Financial Statements* as well as SIC 12 *Consolidation – Special Purpose Entities*. Consequently, IAS 27 henceforth only comprises rulings for the accounting treatment of subsidiaries, joint ventures and associated companies in IFRS separate financial statements.

With the adoption of IFRS 11 *Joint Arrangements*, an amendment was made to IAS 28 as a result of the now expanded scope of application of IAS 28, as investments both in associated companies and in joint ventures must henceforth be measured using the equity method. The proportionate consolidation of joint ventures therefore no longer applies. Potential voting rights and other derivative financial instruments are henceforth to be taken into consideration when assessing whether a company has a significant influence or when assessing the investor's share of the assets of the company. Another amendment relates to accounting in accordance with IFRS 5 if only a portion of the share in an associated company or a joint venture is to be sold. IFRS 5 is partially applicable if only a share or a portion of a share in an associated company (or joint venture) is deemed to be "held for sale".

Prerequisites contained in IAS 32 regarding netting were made more concrete through additional application guidelines. On the one hand, it is specified that there must be an unconditional, legally enforceable claim for compensation, even if one of the parties has filed for bankruptcy, and on the other hand, exemplary criteria are provided under which the offsetting of financial assets and financial liabilities is done.

With the amendment to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*, under certain conditions, the novation of a hedging instrument to a central counterparty as required by legislation does not lead to the dissolution of an existing hedging relationship. This means that a hedging relationship does not need to be dissolved if novation becomes necessary as a result of new legislation or the introduction of legislation, if the central counterparty becomes the contractual partner of all parties to the derivative contract as a result of the novation and if there are no changes to the terms and conditions of the contract relating to the original derivative, aside from changes that are a necessary result of the novation.

The new IFRS 10 *Consolidated Financial Statements* replaces parts of the regulations of the previous IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. This standard comprehensively redefines the term "control". If one company controls another, it is the responsibility of the parent company to consolidate the subsidiary. Based on the new concept, there is an instance of control if the parent company has the power to make decisions for the subsidiary due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can influence these returns through its power to make decisions.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*. According to the new concept, it must be determined whether a joint operation or a joint venture exists. A joint operation exists if the jointly controlling parties have direct rights to assets and direct obligations for liabilities. The individual rights and obligations are proportionally accounted for in the consolidated financial statements. In a joint venture, the jointly controlling parties only have rights to the equity. This right is disclosed in the consolidated financial statements using the equity method; the option of a proportional value for the consolidated financial statements thus no longer applies.

With the new IFRS 12 *Disclosure of Interests in Other Entities*, all disclosure requirements for subsidiaries, joint ventures and associated companies as well as non-consolidated special purpose entities are combined in one standard. Thus, companies must disclose both quantitative and qualitative information concerning type, risks and financial effects in connection with the engagement of the company with these affiliated companies. The additional disclosures required pursuant to the new IFRS 12 will be implemented in the consolidated financial statements as at 31 December 2014.

The amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* clarify that the time of first-time adoption of IFRS 10 is the start of the reporting period in which the standard was first applied. Decisions as to whether investments should be consolidated in accordance with IFRS 10 or not are thus to be made at the beginning of this period. The amendments also stipulate that, in the case of the first-time application of the new consolidation rules, only comparative figures for the previous comparative period are mandatory for subsidiaries, associated companies and joint arrangements. Disclosures relating to unconsolidated structured companies are wholly exempt from the obligation to provide comparative figures.

With the amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*, a definition of investment entities is given and these are excluded from the obligation to consolidate subsidiaries in accordance with IFRS 10. Instead, subsidiaries must be recognised at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* in an investment company's consolidated financial statements. Insofar as the investment company is itself the subsidiary of a non-investment company, the exclusion does not apply to the parent company's consolidated financial statements and, as the parent company, the non-investment company must consolidate its controlled investment company and its subsidiaries in accordance with IFRS 10.

Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and investments accounted for using the equity method. Hapag-Lloyd AG and 47 companies were fully consolidated within the interim financial statements as at 30 June 2014, with four additional companies included using the equity method.

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Revenue is primarily generated from the rendering of transport services. Revenue includes proportional income from unfinished voyages as at the balance sheet date.

Transport expenses mainly comprise fuel costs, port, canal and terminal costs, expenditure for container transport services, chartering, leases and container rental expenses, maintenance and repair costs, and charges for other services.

The interest result essentially comprises interest expenses for bank loans and bonds, fees for guarantees and interest from finance leases.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT		
Million EUR	30.6.2014	31.12.2013
Vessels	3,387.8	3,126.2
Container, chassis	668.3	602.6
Other equipment	117.8	116.0
Prepayments on account and assets under construction	4.2	222.8
Total	4,178.1	4,067.6

Alongside scheduled depreciation, the changes to property, plant and equipment primarily relate to the addition of three new ocean-going vessels in the "Hamburg Express" class. The payments on account as at 31 December 2013 for the delivered vessels were reclassified accordingly.

Ownership of a vessel and a container portfolio recognised as part of finance lease contracts was transferred to the Company following the termination of the lease contracts.

In June 2014, existing operating lease contracts for containers were amended, obliging Hapag-Lloyd to acquire the leased containers at the end of the financial year. The contracts are therefore now finance lease contracts and the containers have been capitalised with a total carrying amount of USD 38.2 million (EUR 28.0 million). Legal title will be transferred to Hapag-Lloyd upon acquisition of the containers.

The vessels recognised in conjunction with existing finance lease contracts had a net carrying amount of EUR 181.4 million as at 30 June 2014 (31 December 2013: EUR 201.5 million). The finance lease containers were recognised with a total of EUR 90.8 million as at 30 June 2014 (31 December 2013: EUR 75.2 million).

Non-current assets held for sale

In the second quarter of 2014, a resolution was signed agreeing the sale of one ship in the second half of 2014. Pursuant to IFRS 5, this ship was therefore reclassified under assets held for sale, with a carrying amount of EUR 3.2 million.

Equity

Following the retrospective merging of Hapag-Lloyd Holding AG with Hapag-Lloyd AG on 1 January 2013, Hapag-Lloyd AG's capital reserves are recognised within the Hapag-Lloyd Group. The reduction in capital reserves of EUR 2,334.5 million as a result of the merger led to a corresponding increase in retained earnings and is shown in the statement of changes in equity as transactions with shareholders. The previous year's values as at 30 June 2013 have been adjusted accordingly. Overall, there were no changes to the Group's equity as a result of the merger.

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

The remeasurements relating to defined benefit plans (30 June 2014: EUR –69.3 million; 30 June 2013: EUR –62.3 million) resulted from actuarial gains and losses recognised in other comprehensive income, partially due to the change in actuarial parameters in connection with the measurement of pension obligations and the difference between the calculated interest income and the actual income from associated fund assets.

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recorded within other comprehensive income and amounted to EUR 1.3 million as at 30 June 2014 (30 June 2013: EUR 3.0 million).

The differences from currency translation of EUR 21.5 million in the first half of 2014 (prior year period: EUR 24.8 million) were due to the translation of the financial statements of subsidiaries prepared in foreign currencies and from the conversion of goodwill carried in foreign currency as well as other purchase price allocation items. The translation reserve as at 30 June 2014 amounted to EUR –73.1 million (30 June 2013: EUR 46.1 million).

Financial debt

FINANCIAL DEBT		
Million EUR	30.6.2014	31.12.2013
Liabilities to banks	1,778.5	1,694.2
Bonds	881.1	873.0
Liabilities from finance lease contracts	245.3	233.6
Other financial debt	142.9	134.2
Total	3,047.8	2,935.0

FINANCIAL DEBT BY CURRENCY EXPOSURE		
Million EUR	30.6.2014	31.12.2013
Financial debt denoted in USD (excl. transaction costs)	2,295.4	2,192.4
Financial debt denoted in EUR (excl. transaction costs)	788.4	773.3
Interest liabilities	33.8	27.9
Transaction costs	-69.8	-58.6
Total	3,047.8	2,935.0

Liabilities to banks increased, largely as a result of the drawdown of USD 276.7 million (EUR 202.7 million) in connection with the delivery of three "Hamburg Express" class newbuilds in the first half of 2014.

In addition, containers were transferred to a Japanese operating lease contract with a term of 3.5 and 4.5 years with a group of Japanese investors. Due to an existing purchase option which is likely to be exercised, it will be classified according to SIC 27 as credit financing with the container portfolio transferred by way of security.

A leasing contract with a repurchase agreement was concluded with an international leasing company for an investment in containers, which is also classified according to SIC 27. These two transactions increased financial debt by a total of EUR 51.8 million as at 30 June 2014.

In relation to existing operating lease contracts for containers, in June 2014 Hapag-Lloyd committed to purchasing the leased containers at the end of the financial year. The agreements are therefore now classified as finance lease contracts. The resulting liabilities amounted to EUR 28.0 million as at 30 June 2014.

Financial instruments

The carrying amounts and fair values of the financial instruments as at 31 December 2013 are presented in the table below.

Million EUR	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	473.3	473.3	-
Other receivables	114.9	51.2	-
Derivative financial assets	99.6	99.6	99.6
Cash and cash equivalents	464.8	464.8	-
Liabilities			
Financial debt	2,701.4	2,701.4	2,792.6
Liabilities from financial lease ¹⁾	233.6	233.6	244.6
Trade accounts payable	700.3	700.3	-
Derivative financial liabilities	6.7	6.7	6.7
Other liabilities	104.5	25.0	-

¹⁾ Part of financial debt

The carrying amounts and fair values of the financial instruments as at 30 June 2014 are presented in the table below.

Million EUR	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	532.4	532.4	-
Other receivables	103.0	46.6	-
Derivative financial assets	93.8	93.8	93.8
Cash and cash equivalents	427.6	427.6	-
Liabilities			
Financial debt	2,802.5	2,802.5	2,921.0
Liabilities from financial lease ¹⁾	245.3	245.3	256.5
Trade accounts payable	845.7	845.7	-
Derivative financial liabilities	5.3	5.3	5.3
Other liabilities	106.9	22.5	-

¹⁾ Part of financial debt

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 are shown at fair value.

All reported fair values are assigned to level two of the fair value hierarchy.

The fair values of currency and commodity options are calculated using the Black & Scholes model or the modified Turnbull & Wakeman model and are based on the current exchange rates, commodity prices, currency and commodity price volatility, yield curves and forward prices. Currency forward contracts are measured on the basis of their market-traded forward price as at the reporting date.

The fair values of the embedded derivatives are calculated using the Hull-White model together with a trinomial decision tree based on current market values.

For liabilities to banks and other non-current financial liabilities, the fair value is determined as the net present value of the future cash flows taking account of yield curves and the relevant credit spreads. Traded bonds are measured at the market price as at the balance sheet date.

The carrying amounts of all other financial instruments are a suitable approximation of the fair values. The decision was taken not to report the fair value in these cases.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Ordinary business activities resulted in an inflow of cash and cash equivalents totalling EUR 73.3 million in the first half of 2014 (prior year period: outflow of EUR 9.4 million).

The cash outflow from investing activities amounted to EUR 104.6 million in the first half of the 2014 financial year (prior year period: EUR 336.3 million). EUR 142.3 million was paid for investments in property, plant and equipment and intangible assets (prior year period: EUR 392.1 million). These payments mainly relate to the delivery of three newbuilds. They were partly offset by incoming payments from the sale of property, plant and equipment as well as dividends received totalling EUR 37.7 million (prior year period: EUR 55.8 million).

Financing activities generated an outflow of cash and cash equivalents totalling EUR 3.7 million in the first half of 2014 (prior year period: inflow of EUR 122.8 million). This primarily resulted from cash inflows of EUR 331.5 million (prior year period: EUR 382.6 million) offset by interest and capital repayments of EUR 334.3 million (prior year period: EUR 259.8 million), and dividends of EUR 0.9 million paid to subsidiaries' non-controlling interests. The inflow of funds in the first half of 2014 resulted primarily from the financing of the newbuilds delivered.

OTHER NOTES

Legal disputes

Since May 2011, the European Commission has been examining whether EU competition law has been violated since the exemption regulation for liner conferences was abolished in October 2008. Hapag-Lloyd is also affected by the investigations. The Company believes that the transport services are provided in line with EU competition regulations.

At Hapag-Lloyd Mexico, tax audits were completed for the years 2004 and 2005. The Company appealed against the resulting tax assessments which, among other things, obliged it to make significant additional value added tax payments. The lawyers handling the case are of the opinion that the tax assessments are not lawful. The quantification of a financial risk, the determination of the maturity of possible outflows and the evaluation of third-party rights to reimbursement relating to these circumstances are therefore currently not possible.

Obligations from operating lease contracts

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for vessels and containers, and rental agreements for business premises. The agreements have terms of between one year and 17 years, with the majority of them having a term of up to five years. A number of the agreements include prolongation and purchase options and price adjustment clauses. Some of the rental agreements for business premises include conditional rental payments based on the consumer price index for Germany.

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 2014, lease payments of EUR 323.9 million were posted to expenses (prior year period: EUR 368.1 million), of which EUR 163.5 million were charter expenses (prior year period: EUR 171.6 million).

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

Million EUR	30.6.2014	31.12.2013
Vessels and containers	450.9	606.5
Administrative buildings	95.6	98.7
Other	62.6	82.0
Total	609.1	787.2
Fair value	594.0	761.5

The fair value was ascertained by discounting the future minimum lease payments using a market interest rate of 1.2% p.a. (31 December 2013: 1.6% p.a.).

Related party disclosures

In carrying out its ordinary business activities, the Hapag-Lloyd Group maintains indirect or direct relationships with related companies and individuals and with its own subsidiaries included in the consolidated financial statements. Further information on related parties is included in the Notes to the consolidated financial statements for 2013 under "Other notes".

SIGNIFICANT TRANSACTIONS AFTER THE BALANCE SHEET DATE

There were no noteworthy transactions after the balance sheet date (30 June 2014).

Hamburg, 12 August 2014

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