

Q1 | 2016

Hapag-Lloyd AG

Interim Group Report

1 January to 31 March 2016



SUMMARY OF HAPAG-LLOYD KEY FIGURES | INTERIM GROUP REPORT Q1 2016

		1.1. – 31.3. 2016	1.1. – 31.3. 2015	Change absolute
KEY OPERATING FIGURES¹⁾				
Total vessels (as at 31 March)		175	190	-15
Aggregate capacity of vessels	TTEU	955	1,005	-50
Freight rate (average for the quarter)	USD/TEU	1,067	1,331	-264
Transport volume	TTEU	1,811	1,774	+37
Revenue	million EUR	1,926	2,302	-376
EBITDA	million EUR	123.4	283.6	-160.2
EBIT	million EUR	4.8	174.3	-169.5
Group profit/loss	million EUR	-42.8	128.2	-171.0
Cash flow from operating activities	million EUR	141.2	195.3	-54.1
KEY RETURN FIGURES¹⁾				
EBITDA margin (EBITDA/revenue)	%	6.4	12.3	-5.9 ppt
EBIT margin (EBIT/revenue)	%	0.2	7.6	-7.4 ppt
ROIC (Return on Invested Capital) ³⁾	%	0.0	8.6	-8.6 ppt
KEY BALANCE SHEET FIGURES AS AT 31 MARCH²⁾				
Balance sheet total	million EUR	10,527	11,079	-552
Equity	million EUR	4,767	5,046	-279
Equity ratio (equity/balance sheet total)	%	45.3	45.5	-0.2 ppt
Borrowed capital	million EUR	5,760	6,033	-273
Financial debt	million EUR	3,698	3,907	-209
Cash and cash equivalents	million EUR	456	574	-118

¹⁾ The comparison of key operating figures and key return figures refers to the prior year period 1 January to 31 March 2015.

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

³⁾ The Return on Invested Capital (ROIC) is measured as the ratio between the operating profit after tax (NOPAT) and the invested capital (sum of the assets excluding cash and cash equivalents less debt excluding financial debt). The ratio is calculated on an annualised basis.

Main developments in Q1 2016:

- Increase in transport volume of around 2% to 1.8 million TEU
- Intense competition and muted global economic growth continue to impact negatively on performance of freight rates; decline of around 20%
- Lower bunker price (down more than 50% on previous year) and implementation of efficiency programmes lead to significant improvement in cost items
- Clearly positive EBITDA of EUR 123.4 million in first quarter of 2016
- Positive EBIT recorded in Q1 2016, although significantly below previous year due to further drop in freight rates
- Liquidity reserve of EUR 794.6 million

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 13 May 2016.

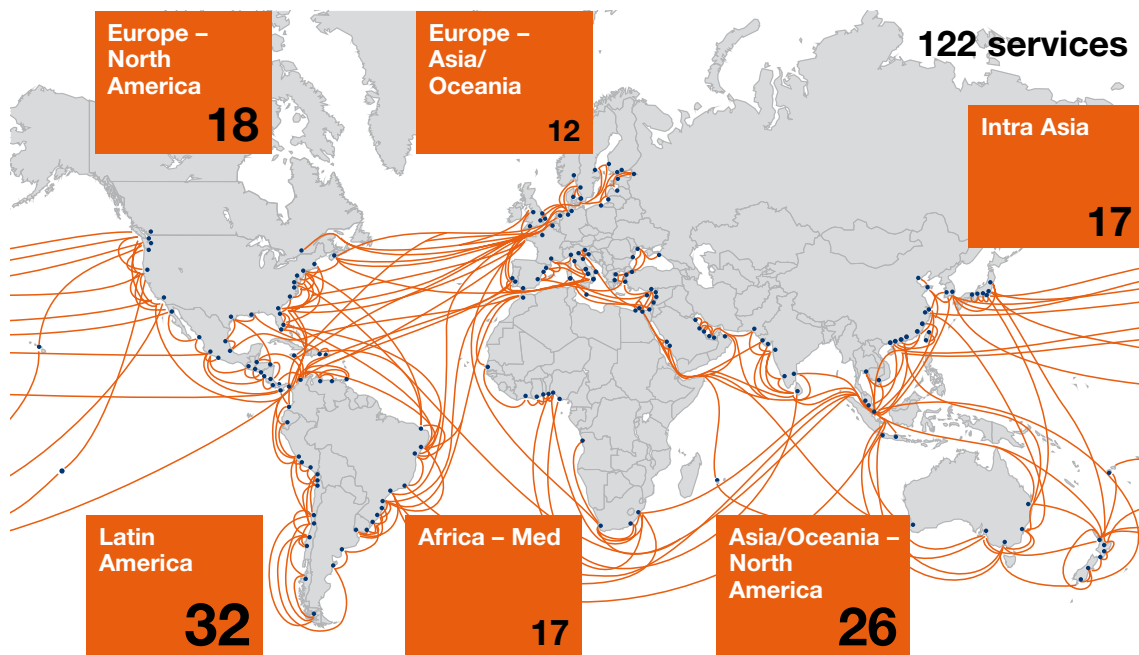
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INTERIM GROUP MANAGEMENT REPORT

OPERATING ACTIVITIES

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



The Hapag-Lloyd fleet comprises 175 container ships (31 March 2016). The Group currently has 361 sales offices in 118 countries and offers its customers worldwide access to a network of 122 liner services. In the first quarter of 2016, Hapag-Lloyd served approximately 14,500 customers around the world.

Hapag-Lloyd conducts its container liner 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. The reporting currency of Hapag-Lloyd AG is, however, the euro. Assets and liabilities recognised in the consolidated financial statements of Hapag-Lloyd AG are translated into euros as at the balance sheet date (closing date rate) using the middle rate of that day. The transactions listed in the consolidated statement of cash flows and the expenses and income shown in the consolidated income statement are translated at the average exchange rate for the reporting period.

GROUP OBJECTIVES AND STRATEGY

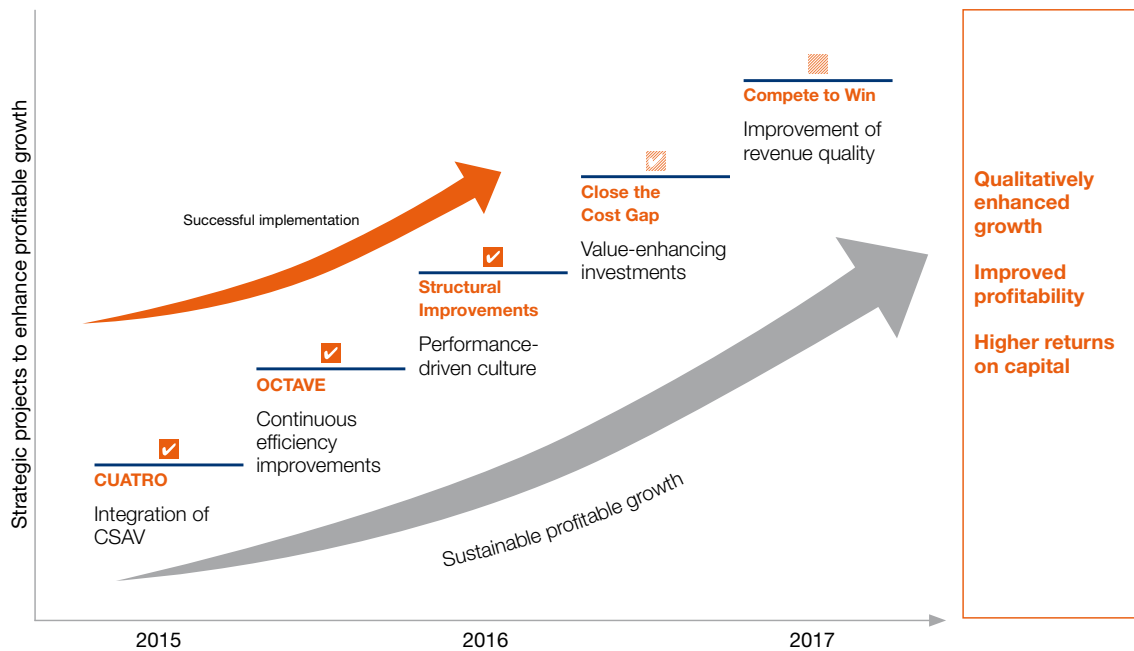
The prime objective of the Hapag-Lloyd Group is to achieve long-term profitable growth. The achievement of this target is measured on the basis of developments in the transport volume, the key performance indicators of EBITDA and EBIT as well as the Return on Invested Capital (ROIC). As a result of the changing market and sector environment, Hapag-Lloyd intends to secure its leading competitive position by making use of value-enhancing measures within the scope of the sector consolidation process, in order to support the targeted organic growth.

Increasing global demand for container shipping forms the basis for this targeted organic growth. Based on current forecasts (IHS Global Insight, April 2016), the volume of global container shipments should grow by 3.0% to around 133 million TEU in 2016 and by a further 5.1% to some 140 million TEU in 2017. Overall, Hapag-Lloyd intends to achieve an organic increase in the transport volume in line with market growth.

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

The following measures will help to achieve the profitability targets:

Our way forward: sustainable profitable growth



It should be possible to record a sustainable EBITDA margin of 11% to 12% from 2017 by achieving synergies in full and by means of additional cost savings and efficiency improvements, expected growth in volume and an improvement in revenue quality. 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 efficiency project also contributed to the improvement in cost structures in the first three months of 2016. In the first quarter of 2016, the OCTAVE efficiency project was further intensified and expanded to include additional measures. In addition to the improvements already achieved, these measures should lead to further cost savings and efficiency improvements in a high double-digit million US dollar amount until the end of 2017.

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 11. 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 55% 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 31 March 2016, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 764.6 million (31 December 2015: EUR 962.4 million; 31 March 2015: EUR 1,021.7 million).

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 three months of 2016 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 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 31 March 2016, Hapag-Lloyd's fleet comprised a total of 175 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 TEU capacity of the entire Hapag-Lloyd fleet amounted to 955,485 TEU. Based on the TEU capacities, around 55% of the fleet was owned by the Group as at 31 March 2016 (Q1 2015: approximately 52%). The average age of the vessels (capacity-weighted) was 8.1 years. The average ship size within the Hapag-Lloyd Group fleet was 5,460 TEU, which is 6.3% above the comparable figure for the ten largest container liner shipping companies and around 66% above the average ship size in the global fleet. Hapag-Lloyd also owned or leased 935,316 containers with a transport capacity of 1,508,120 TEU for shipping cargo. Around 43% of containers were owned by the Group as at 31 March 2016 (Q1 2015: around 34%).

STRUCTURE OF HAPAG-LLOYD'S CONTAINER SHIP FLEET

	31.3.2016	31.12.2015	31.3.2015
Number of vessels	175	177	190
thereof			
Own vessels	69	68	72
Leased vessels	3	3	5
Chartered vessels	103	106	113
Aggregate capacity of vessels (TTEU)	955	966	1,005
Aggregate container capacity (TTEU)	1,508	1,564	1,638
Number of services	122	121	125

The efficiency of the Hapag-Lloyd fleet should be improved as a result of five newbuilds, each with a transport capacity of 9,300 TEU, being placed into service in 2015. Bunker consumption totalled around 821,000 tonnes (metric tons) in the first quarter of 2016. Around 10% of this was bunker with a low proportion of sulphur (MDO). Bunker consumption per slot (as measured by the container storage space in the first quarter of 2016 and annualised) was 3.42 metric tons. The increase of around 1% in comparison to the average in 2015 (3.39 metric tonnes) is mainly due to a slight reduction in the total transport capacity of the containers ships to 955 TTEU in the first quarter of 2016.

Hapag-Lloyd's order book as at 31 March 2016 comprised five vessels, each with a capacity of 10,500 TEU. The new Hapag-Lloyd ships will each have 2,100 slots for reefer containers. The ships are scheduled for delivery between October 2016 and April 2017.

With demand for container shipping services continuing to rise, container shipping will remain a growth industry in the long term. Hapag-Lloyd will continue to invest in new ship systems in order to utilise the medium-term expansion opportunities resulting from market growth and to realise economies of scale in its ship operations.

Customers

Long-term, close business relations with customers are also important in driving value for corporate development. 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 three months of the 2016 financial year, Hapag-Lloyd completed transport contracts for approximately 14,500 customers (prior year period: approximately 15,500).

Employees

The Hapag-Lloyd Group employed 9,412 people as at 31 March 2016 (31 December 2015: 9,417). The number of shore-based employees as at 31 March 2016 was 7,823 (31 December 2015: 7,771). 1,390 people were employed in the marine division as at 31 March 2016 (31 December 2015: 1,411). Hapag-Lloyd employed 199 apprentices as at 31 March 2016.

NUMBER OF EMPLOYEES			
	31.3.2016	31.12.2015	31.3.2015
Marine personnel	1,390	1,411	1,417
Shore-based personnel	7,823	7,771	8,973
Apprentices	199	235	201
Total	9,412	9,417	10,591

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

Economic growth remained weak in important newly industrialised countries while growth was muted in industrialised countries, prompting the International Monetary Fund's (IMF) economic experts to revise its forecast for global economic growth in 2016 by 0.2 percentage points to 3.2% in April 2016. Growth prospects in industrialised countries have further strengthened overall. The IMF's current economic outlook (April 2016) predicts an increase of 3.5% in global growth for 2017. This means that the growth forecast for 2017 is 0.1 percentage points lower than the figure expected at the start of 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 3.1% in the current year – also less than the IMF's previous prediction (3.4%, January 2016). Growth of 3.8% is now expected in 2017.

Based on current forecasts, the growth in global cargo volumes could reach up to 5.1% in 2017. Accordingly, global container shipping volumes could again increase more strongly in 2017 than the forecast rate of growth for global trade. For the period 2016 to 2020, IHS Global Insight is predicting average annual growth of 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	3.5	3.2	3.1	3.4
Industrialised countries	2.0	1.9	1.9	1.8
Developing and newly industrialised countries	4.6	4.1	4.0	4.6
World trading volume (goods and services)	3.8	3.1	2.8	3.5
Increase in the global container shipping volume (IHS)	5.1	3.0	1.3	4.3

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

SECTOR-SPECIFIC CONDITIONS

With the total capacity of the global container ship fleet estimated at 20.9 million TEU at the beginning of 2016 (MDS Transmodal, April 2016), based on the container ships on order and planned deliveries, the supply capacity should see increases of around 1.4 million TEU in 2016 and again in 2017. Due to the sharp fall in orders for new vessels, the tonnage of the commissioned container ships (approximately 3.9 million TEU) is currently equivalent to around 19% of the present global container fleet's capacity (20.9 million TEU). It therefore remains well below the highest level seen to date, which was around 56% in 2008.

DEVELOPMENT OF GLOBAL CONTAINER FLEET CAPACITY					
million TEU	2017e	2016e	2015	2014	2013
Total capacity (start of year)	22.3	20.9	19.3	18.3	17.4
Planned deliveries	1.4	1.4	1.6	1.0	0.9

Quelle: MDS Transmodal. 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 38 container ships with a transport capacity of approximately 230,000 TEU were placed into service in the first quarter of 2016, which was a significant decrease on the previous year (Q1 2015: 62 ships with a transport capacity of 438,000 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 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 Clarkson Research Services, the scrapping of inefficient vessels in the first three months of 2016 equated to 114,000 TEU, which was already more than half of the total volume scrapped in 2015 (193,000 TEU). For 2016, Drewry Maritime Research Network expects scrappings to increase to approximately 350,000 TEU.

Based on existing orders, predictions for scrappings and postponed deliveries, the capacity growth of the global container ship fleet totalled around 1.6 million TEU in 2015. This means that, based on current data and forecasts, the increase in transport capacities in 2015 was considerably lower than the original growth projection of approximately 11%.

With pressure on freight rates continuing, the capacity level of idle vessels has risen sharply in recent quarters and totalled 1.47 million TEU (Alphaliner March 2016) at the end of March 2016, or around 7.0% of the overall capacity of the global container fleet. The idle capacity was therefore significantly higher than the figure of approximately 290,800 TEU recorded at the end of March 2015 (year-end 2015: 1.36 million TEU). The majority of idle ships have a tonnage of up to 5,100 TEU.

GROUP EARNINGS POSITION

The first three months of 2016 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 in the first quarter of 2016. By contrast, additional synergy effects and cost savings as well as a slight year-on-year strengthening of the US dollar against the euro and a further drop in the bunker price compared with the previous 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 1.10/EUR, the average US dollar/euro exchange rate was stronger than in the prior year period (USD 1.13/EUR). Overall, Hapag-Lloyd recorded a Group loss after taxes of EUR 42.8 million in the first quarter of 2016.

CONSOLIDATED INCOME STATEMENT

million EUR	Q1 2016	Q1 2015
Revenue	1,925.7	2,302.3
Other operating income	22.5	99.5
Transport expenses	1,592.0	1,839.5
Personnel expenses	141.7	119.2
Depreciation, amortisation and impairment	118.6	109.3
Other operating expenses	96.9	163.8
Operating result	-1.0	170.0
Share of profit of equity-accounted investees	5.8	8.2
Other financial result	0.0	-3.9
Earnings before interest and tax (EBIT)	4.8	174.3
Interest result	-43.1	-38.3
Income taxes	4.5	7.8
Group profit/loss	-42.8	128.2
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	-44.0	127.9
thereof profit/loss attributable to non-controlling interests	1.2	0.3
Basic earnings per share (in EUR)	-0.37	1.22
EBITDA	123.4	283.6
EBITDA margin (%)	6.4	12.3
EBIT	4.8	174.3
EBIT margin (%)	0.2	7.6

The average freight rate in the first three months of the 2016 financial year was USD 1,067/TEU, which was USD 264/TEU (19.8%) down on the prior year period (USD 1,331/TEU). The main reason for the decline was the persistently difficult market environment, with pressure on freight rates continuing. Freight rates could not be increased as announced due to the sustained competitive pressure being felt in all trades.

FREIGHT RATES PER TRADE		
USD/TEU	Q1 2016	Q1 2015
Atlantic	1,382	1,512
Transpacific	1,351	1,757
Far East	780	1,086
Latin America	961	1,259
Intra-Asia	556	745
EMAO (Europe, Mediterranean, Africa, Oceania)	1,079	1,272
Total (weighted average)	1,067	1,331

The transport volume climbed year-on-year in the first three months of 2016, from 1,774 TTEU to 1,811 TTEU, which was a rise of 2.1%. Overall, the subdued performance of transport volumes was due, in particular, to weak economic developments in Latin America and China.

TRANSPORT VOLUME PER TRADE		
TTEU	Q1 2016	Q1 2015
Atlantic	376	367
Transpacific	347	315
Far East	306	333
Latin America	536	542
Intra-Asia	144	130
EMAO (Europe, Mediterranean, Africa, Oceania)	102	87
Total	1,811	1,774

Revenue decreased by EUR 376.6 million year-on-year in the first three months of the 2016 financial year, from EUR 2,302.3 million to EUR 1,925.7 million, as a result of the sharp decline in the average freight rate.

REVENUE PER TRADE		
million EUR	Q1 2016	Q1 2015
Atlantic	472.2	492.1
Transpacific	424.4	492.0
Far East	216.2	321.2
Latin America	466.6	606.2
Intra-Asia	72.7	85.7
EMAO (Europe, Mediterranean, Africa, Oceania)	100.2	98.2
Others	173.4	206.9
Total	1,925.7	2,302.3

Transport expenses fell by EUR 247.5 million in the first three months of 2016 to EUR 1,592.0 million (prior year period: EUR 1,839.5 million). This represents a drop of 13.5%. This development was particularly attributable to a decline of EUR 137.0 million (–49.4%) in expenses for raw materials and supplies. In the first quarter of 2016, the average bunker price (MFO) was USD 178 per tonne, down USD 199 on the figure for the prior year period. The cost of purchased services was also down by EUR 110.5 million (–7.1%) year on year, despite a 2.1% increase in transport volume. This was due to the realisation of additional synergy effects from the merger with CSAV's container shipping activities, as well as to savings resulting from cost-cutting measures initiated in the previous years.

TRANSPORT EXPENSES		
million EUR	Q1 2016	Q1 2015
Expenses for raw materials and supplies	140.3	277.3
Cost of purchased services	1,451.7	1,562.2
thereof		
Port, canal and terminal costs	687.1	681.5
Chartering, leases and container rentals	246.4	260.8
Container transport costs	460.1	575.4
Maintenance/repair/other	58.1	44.5
Transport expenses	1,592.0	1,839.5

The breakdown of the cost of purchased services as part of transport expenses has been adjusted for the first quarter of 2015 as a result of an allocation correction.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the first three months of the current financial year came to 17.3% (prior year period: 20.1%).

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 2.8 million in the first three months of 2016 (prior year period: exchange rate gain of EUR 16.8 million).

Personnel expenses rose by EUR 22.5 million year-on-year to EUR 141.7 million in the first three months of 2016. The main reason for this increase was the change in exchange rate effects in connection with the valuation of pension provisions as at the reporting date of EUR 18.2 million.

Depreciation and amortisation came to EUR 118.6 million in the first three months of 2016 (prior year period: EUR 109.3 million). The year-on-year increase in depreciation and amortisation was due to scheduled depreciation of the ship newbuilds and containers acquired in the previous year.

The Group's earnings before interest and taxes (EBIT) amounted to EUR 4.8 million in the reporting period. They were therefore well below the corresponding figure in the prior year period of EUR 174.3 million. The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) came to EUR 123.4 million in the first three months of the 2016 financial year (prior year period: EUR 283.6 million). The return on invested capital (ROIC) for the first quarter of 2016 amounted to 0.0% (prior year period: 8.6%). Earnings per share for the first three months of 2016 came to EUR –0.37 (prior year period: EUR 1.22).

KEY EARNINGS FIGURES		
million EUR	Q1 2016	Q1 2015
Revenue	1,925.7	2,302.3
EBIT	4.8	174.3
EBITDA	123.4	283.6
EBIT margin (%)	0.2	7.6
EBITDA margin (%)	6.4	12.3
Basic earnings per share (in EUR)	–0.37	1.22
Return on Invested Capital (ROIC annualised) (%)	0.0%	8.6%

The interest result for the first three months of 2016 was EUR –43.1 million (prior year period: EUR –38.3 million). This amount includes income of EUR 7.6 million (prior year period: income of EUR 16.1 million) from a change in the fair value of the embedded derivative of the bonds issued.

The Group recorded a loss of EUR 42.8 million in the first quarter of 2016 (prior year period: profit of EUR 128.2 million).

GROUP FINANCIAL POSITION

CONDENSED STATEMENT OF CASH FLOWS		
million EUR	Q1 2016	Q1 2015
Cash flow from operating activities	141.2	195.3
Cash flow from investing activities	-107.9	-179.2
Free cash flow	33.3	16.1
Cash flow from financing activities	-129.6	-44.5
Changes in cash and cash equivalents	-96.3	-28.4

Cash flow from operating activities

The Group generated an operating cash flow of EUR 141.2 million in the first three months of the 2016 financial year (prior year period: EUR 195.3 million).

Cash flow from investing activities

The cash outflow from investing activities amounted to EUR 107.9 million in the first three months of the 2016 financial year (prior year period: EUR 179.2 million). This mainly consisted of payments for investments in newbuilds and containers totalling EUR 110.6 million.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 129.6 million in the current reporting period (prior year period: EUR 44.5 million). Cash inflows from new borrowing in the amount of EUR 123.0 million were essentially offset by interest and capital repayments of EUR 250.5 million. The inflow of cash and cash equivalents related to the utilisation of a credit facility.

CHANGES IN CASH AND CASH EQUIVALENTS		
million EUR	Q1 2016	Q1 2015
Cash and cash equivalents at beginning of period	573.7	711.4
Changes due to exchange rate fluctuations	-21.4	91.9
Net changes	-96.3	-28.4
Cash and cash equivalents at end of period	456.0	774.9

Overall, the aggregate cash outflow totalled EUR 96.3 million in the first three months of 2016, such that after accounting for exchange rate effects in the amount of EUR 21.4 million, cash and cash equivalents of EUR 456.0 million were reported at the end of the reporting period on 31 March 2016 (previous year: EUR 774.9 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item "Cash and cash equivalents". In addition, the Company had unused credit facilities of EUR 338.6 million as at 31 March 2016.

Net debt

At EUR 3,241.8 million, the Group's net debt had decreased as at 31 March 2016 from the end of 2015, when it stood at EUR 3,333.6 million. This was due, in particular, to the fall in financial debt as a result of capital repayments and exchange rate effects as at the reporting date.

FINANCIAL SOLIDITY		
million EUR	31.3.2016	31.12.2015
Financial debt	3,697.8	3,907.3
Cash and cash equivalents	456.0	573.7
Net debt	3,241.8	3,333.6
EBITDA	123.4	831.0
Gearing (%)*	68.0	66.1
Unused credit lines	338.6	388.7
Equity ratio (%)	45.3	45.5

* Ratio net debt to equity

GROUP NET ASSET POSITION

CHANGES IN THE NET ASSET STRUCTURE		
million EUR	31.3.2016	31.12.2015
Assets		
Non-current assets	9,116.0	9,514.1
of which fixed assets	9,052.8	9,457.3
Current assets	1,410.9	1,565.0
of which cash and cash equivalents	456.0	573.7
Total assets	10,526.9	11,079.1
Equity and liabilities		
Equity	4,767.4	5,046.2
Borrowed capital	5,759.5	6,032.9
of which non-current liabilities	3,431.4	3,633.8
of which current liabilities	2,328.1	2,399.1
of which financial debt	3,697.8	3,907.3
of which non-current financial debt	3,074.4	3,297.2
of which current financial debt	623.4	610.1
Total equity and liabilities	10,526.9	11,079.1
Asset coverage ratio I (%)	52.7	53.4
Asset coverage ratio II (%)	90.6	91.8
Liquidity ratio I (%)	19.6	23.9
Net debt	3,241.8	3,333.6
Equity ratio (%)	45.3	45.5

As at 31 March 2016, the Group's balance sheet total was EUR 10,526.9 million – EUR 552.2 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 weaker US dollar. The US dollar/euro exchange rate was quoted at 1.14 on 31 March 2016 (31 December 2015: 1.09).

Within non-current assets, exchange rate effects as at the reporting date of EUR 384.2 million and scheduled depreciation of EUR 118.6 million reduced the carrying amount of fixed assets. Investments in fixed assets related largely to ocean-going vessels, and amounted to EUR 94.9 million in the first quarter of 2016.

The change in current assets compared to the level at the end of 2015 primarily resulted from a decrease of EUR 43.3 million in trade accounts receivable.

Cash and cash equivalents declined due to cash outflows of EUR 96.3 million. Exchange rate effects totalling EUR 21.4 million also contributed to the fall in cash and cash equivalents. Cash and cash equivalents totalled EUR 456.0 million as at 31 March 2016 (31 December 2015: EUR 573.7 million).

On the liabilities side, the Group's equity fell by EUR 278.8 million to EUR 4,767.4 million. This decrease is mainly due to the balance of unrealised gains and losses from currency translation recognised in other comprehensive income and amounting to EUR 201.0 million and also the Group loss of EUR -42.8 million. The change in the reserve for the remeasurement of defined benefit pension plans (EUR -32.4 million) also led to a decline in equity. The equity ratio was approximately 45% as at 31 March 2016 (31 December 2015: approximately 45%).

The Group's borrowed capital fell by EUR 273.4 million to EUR 5,759.5 million compared to the end of 2015. This decrease includes a EUR 209.5 million drop in financial debt relating, in particular, to capital repayments of EUR 207.9 million as well as to exchange rate effects of EUR 130.2 million as at the reporting date. This was offset by the utilisation of a credit facility to finance investments in containers of USD 135.0 million (EUR 118.7 million) that was concluded in the 2015 financial year.

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

EVENTS AFTER THE BALANCE SHEET DATE

On 12 April 2016, Hapag-Lloyd sold containers held by the Company to a group of investors on the basis of a Japanese operating lease contract and then leased them back for up to seven years, with the option of buying them back upon their respective maturity. The lease contract is essentially a form of borrowing, with the containers transferred by way of security. The refinancing volume associated with this transaction amounted to USD 50.9 million (EUR 44.8 million).

In order to secure the long-term financing of the two 3,500-TEU vessels that were acquired from shipping company NileDutch in the first quarter and in April 2016, Hapag-Lloyd signed a loan agreement with a bank on 8 April 2016 for USD 57.4 million (EUR 50.5 million) with a seven-year term. The loan was paid out in two tranches, with payments made on 15 April 2016 and 26 April 2016.

On 21 April 2016, Hapag-Lloyd published an ad-hoc notification in accordance with Section 15 of the German Securities Trading Act (WpHG) announcing that talks with United Arab Shipping Company SAG (UASC) on possible forms of a partnership, including a merger of their respective container shipping activities, are currently being held. Should a merger of the container shipping activities take place, Hapag-Lloyd and United Arab Shipping Company expect a relative valuation of the two companies of 72% (HL) to 28% (UASC). At the time that this report was published, no binding agreement had yet been reached between the companies. The rating agency Standard & Poor's announced on 26 April 2016 that it has placed the Hapag-Lloyd rating of B+/Stable on "CreditWatch Negative" due to the potential merger with UASC.

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.

NOTE ON SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

The notes on relationships and transactions with related parties can be found in the disclosures on page 34 of the Notes to the condensed interim consolidated financial statements.

OUTLOOK

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

In April 2016, the IMF adjusted the forecast for global GDP growth, as a result of the continuous decline in emerging countries as well as subdued growth in industrial countries, by 0.2 percentage points to 3.2%, as well as the forecast for global trading volume, by 0.3 percentage points to 3.1%. In May 2016, the sector specialist IHS Global Insight lowered its forecast for growth in global container transport volume for 2016 from 3.5% initially to 3.0%. Taking the still ambitious macroeconomic and sector-specific conditions into consideration, Hapag-Lloyd expects its transport volume to increase slightly. Due to the unexpected substantial decline of the average freight rate in the first quarter of 2016, the average freight rate is now forecast to decrease clearly for 2016 as a whole. If synergy effects, additional cost savings, a clearly decreasing bunker consumption price, the planned improvement in revenue quality and slight growth in volumes are achieved, and assuming that the peak season is better in 2016, Hapag-Lloyd continues to expect a moderate increase in EBITDA and a clear rise in EBIT compared with the previous year. No other disclosures for the 2016 outlook have changed since December 2015.

Key benchmark figures for the 2016 outlook

Global economic growth (IMF)	+ 3.2%
Increase in global trade (IMF)	+ 3.1%
Increase in global container transport volume (IHS)	+ 3.0%
Transport volume, Hapag-Lloyd	Slightly increasing
Average bunker consumption price, Hapag-Lloyd	Clearly decreasing
Average freight rate, Hapag-Lloyd	Clearly decreasing
EBITDA (earnings before interest, taxes, depreciation and amortisation)	Increasing moderately
EBIT (earnings before interest and taxes)	Clearly increasing

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

In particular in the first half of 2015, Hapag-Lloyd's earnings development was determined by the achievement of initial synergy effects and cost savings, the positive development of key external factors, primarily the sharp fall in bunker prices, the significant increase in the US dollar against the euro and relatively stable freight rate developments. Given that the third quarter – the peak season – has a major impact on the earnings position, Hapag-Lloyd expects the focus of its earnings development in 2016 to be on the realisation of earnings in the second half of 2016.

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 2015 annual report (page 120 ff.). Significant risks include a further slowdown in global economic and trade volume growth, a significant and lasting rise in bunker prices (MFO, MDO) extending beyond the average level in 2015 and a further significant reduction in freight rates. The occurrence of one or more of these risks in the course of 2016 could have a significant negative impact on the industry and, by extension, on the business development of Hapag-Lloyd in 2016 as a whole. There had been no changes to the earnings outlook as at the time of publication of the report.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG FOR THE PERIOD 1 JANUARY TO 31 MARCH 2016		
million EUR	Q1 2016	Q1 2015
Revenue	1,925.7	2,302.3
Other operating income	22.5	99.5
Transport expenses	1,592.0	1,839.5
Personnel expenses	141.7	119.2
Depreciation of intangible and tangible assets	118.6	109.3
Other operating expenses	96.9	163.8
Operating result	-1.0	170.0
Share of profit of equity-accounted investees	5.8	8.2
Other financial result	0.0	-3.9
Earnings before interest and taxes (EBIT)	4.8	174.3
Interest income	1.2	1.4
Interest expenses	44.3	39.7
Earnings before income taxes	-38.3	136.0
Income taxes	4.5	7.8
Group profit/loss	-42.8	128.2
thereof attributable to shareholders of Hapag-Lloyd AG	-44.0	127.9
thereof attributable to non-controlling interests	1.2	0.3
Basic/Diluted earnings per share (in EUR)	-0.37	1.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG
FOR THE PERIOD 1 JANUARY TO 31 MARCH 2016**

million EUR	Q1 2016	Q1 2015
Group profit/loss	-42.8	128.2
Items which will not be reclassified to profit and loss:	-32.4	-34.1
Remeasurements from defined benefit plans after tax	-32.4	-34.1
Remeasurements from defined benefit plans before tax	-32.3	-34.7
Tax effect	-0.1	0.6
Items which may be reclassified to profit or loss:	-201.5	517.8
Cash flow hedges (no tax effect)	-0.3	0.0
Changes in fair values recognised in cumulative other equity	-26.3	0.0
Release from cumulative other equity	26.0	0.0
Currency translation (no tax effect)	-201.2	517.8
Other comprehensive income after tax	-233.9	483.7
Total comprehensive income	-276.7	611.9
thereof attributable to shareholders of Hapag-Lloyd AG	-277.7	611.1
thereof attributable to non-controlling interests	1.0	0.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG AS AT 31 MARCH 2016		
million EUR	31.3.2016	31.12.2015
Assets		
Goodwill	1,542.2	1,610.8
Other intangible assets	1,298.7	1,376.3
Property, plant and equipment	5,880.0	6,143.6
Investments in equity-accounted investees	331.9	326.6
Other assets	22.4	22.5
Derivative financial instruments	17.6	10.7
Deferred tax assets	23.2	23.6
Non-current assets	9,116.0	9,514.1
Inventories	83.5	94.1
Trade accounts receivable	672.8	716.1
Other assets	153.2	148.5
Derivative financial instruments	13.5	0.7
Income tax receivables	31.9	31.9
Cash and cash equivalents	456.0	573.7
Current assets	1,410.9	1,565.0
Total assets	10,526.9	11,079.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
AS AT 31 MARCH 2016

million EUR	31.3.2016	31.12.2015
Equity and liabilities		
Subscribed capital	118.1	118.1
Capital reserves	1,263.2	1,263.2
Retained earnings	3,008.3	3,052.3
Cumulative other equity	371.1	604.8
Equity attributable to the shareholders of Hapag-Lloyd AG	4,760.7	5,038.4
Non-controlling interests	6.7	7.8
Equity	4,767.4	5,046.2
Provisions for pensions and similar obligations	220.7	186.2
Other provisions	130.3	144.2
Financial debt	3,074.4	3,297.2
Other liabilities	4.1	4.7
Deferred tax liabilities	1.9	1.5
Non-current liabilities	3,431.4	3,633.8
Provisions for pensions and similar obligations	5.2	5.6
Other provisions	275.5	285.9
Income tax liabilities	25.1	22.9
Financial debt	623.4	610.1
Trade accounts payable	1,241.0	1,293.8
Other liabilities	155.2	158.5
Derivative financial instruments	2.7	22.3
Current liabilities	2,328.1	2,399.1
Total equity and liabilities	10,526.9	11,079.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG FOR THE PERIOD 1 JANUARY TO 31 MARCH 2016										
million EUR	Equity attributable to shareholders of Hapag-Lloyd AG							Non-controlling interests	Total equity	
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Cumulative other equity			
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	-	-	127.9	-34.1	0.0	517.3	483.2	611.1	0.8	611.9
Group profit/loss	-	-	127.9	-	-	-	-	127.9	0.3	128.2
Other comprehensive income	-	-	-	-34.1	0.0	517.3	483.2	483.2	0.5	483.7
Transactions with shareholders thereof	-	-	-	-	-	-	-	-	-0.3	-0.3
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-0.3	-0.3
As per 31.3.2015	104.9	1,651.9	2,414.0	-138.9	0.0	743.5	604.6	4,775.4	5.8	4,781.2
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	-	-	-44.0	-32.4	-0.3	-201.0	-233.7	-277.7	1.0	-276.7
Group profit/loss	-	-	-44.0	-	-	-	-	-44.0	1.2	-42.8
Other comprehensive income	-	-	-	-32.4	-0.3	-201.0	-233.7	-233.7	-0.2	-233.9
Transactions with shareholders thereof	-	-	-	-	-	-	-	-	-2.1	-2.1
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-2.1	-2.1
As per 31.3.2016	118.1	1,263.2	3,008.3	-107.6	0.9	477.8	371.1	4,760.7	6.7	4,767.4

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG FOR THE PERIOD 1 JANUARY TO 31 MARCH 2015		
million EUR	Q1 2016	Q1 2015
Group profit/loss	-42.8	128.2
Income tax expenses (+)/income (-)	4.5	7.8
Interest result	43.1	38.3
Depreciation, amortisation and impairment (+)/write-backs (-)	118.6	109.3
Other non-cash expenses (+)/income (-)	7.9	-58.7
Profit (-)/loss (+) from disposals of non-current assets	-0.4	-1.2
Income (-)/expenses (+) from equity-accounted investees and dividends from other investments	-5.8	-8.3
Increase (-)/decrease (+) in inventories	6.8	19.0
Increase (-)/decrease (+) in receivables and other assets	-5.1	63.1
Increase (+)/decrease (-) in provisions	-2.7	-48.2
Increase (+)/decrease (-) in liabilities (excl. financial debt)	21.9	-54.2
Payments for income taxes	-5.0	-0.2
Payments received (+) for interest	0.2	0.4
Cash inflow (+)/outflow (-) from operating activities	141.2	195.3
Payments received from disposals of property, plant and equipment and intangible assets	2.6	0.3
Dividends received	0.1	0.1
Payments received from the disposal of assets held for sale	-	40.1
Payments made for investments in property, plant and equipment and intangible assets	-110.6	-219.7
Cash inflow (+)/outflow (-) from investing activities	-107.9	-179.2
Payments made for dividends	-2.1	-0.3
Payments received from raising financial debt	123.0	154.0
Payments made for the redemption of financial debt	-207.9	-145.5
Payments made for interest and fees	-42.6	-52.7
Cash inflow (+)/outflow (-) from financing activities	-129.6	-44.5
Net change in cash and cash equivalents	-96.3	-28.4
Cash and cash equivalents at beginning of period	573.7	711.4
Change in cash and cash equivalents due to exchange rate fluctuations	-21.4	91.9
Net change in cash and cash equivalents	-96.3	-28.4
Cash and cash equivalents at end of period	456.0	774.9

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

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 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 notes to the interim financial statements 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 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 interim consolidated financial statements are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

These interim consolidated financial statements cover the period 1 January to 31 March 2016. The accounting and measurement principles applied in the interim consolidated financial statements are the same as those used for the last consolidated financial statements as at 31 December 2015, with the exception of the necessary adoption of new standards since 1 January 2016.

Hapag-Lloyd is an international liner shipping group domiciled in Germany whose primary purpose is to provide ocean liner shipping services, logistical services and all other associated business operations and services.

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

As at 31 March 2016, the closing US dollar/euro exchange rate was quoted as USD/EUR 1.1377 (31 December 2015: USD/EUR 1.0893). The strength of the dollar in comparison to the prior year period resulted in an average dollar/euro exchange rate in the first quarter of 2016 of USD/EUR 1.1030 (prior year period: USD/EUR 1.1263).

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 EBIT and EBITDA at the Group level.

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

TRANSPORT VOLUME PER TRADE

TTEU	Q1 2016	Q1 2015
Atlantic	376	367
Transpacific	347	315
Far East	306	333
Latin America	536	542
Intra-Asia	144	130
EMAO (Europe, Mediterranean, Africa, Oceania)	102	87
Total	1,811	1,774

FREIGHT RATES PER TRADE

USD/TEU	Q1 2016	Q1 2015
Atlantic	1,382	1,512
Transpacific	1,351	1,757
Far East	780	1,086
Latin America	961	1,259
Intra-Asia	556	745
EMAO (Europe, Mediterranean, Africa, Oceania)	1,079	1,272
Total (weighted average)	1,067	1,331

REVENUE PER TRADE		
million EUR	Q1 2016	Q1 2015
Atlantic	472.2	492.1
Transpacific	424.4	492.0
Far East	216.2	321.2
Latin America	466.6	606.2
Intra-Asia	72.7	85.7
EMAO (Europe, Mediterranean, Africa, Oceania)	100.2	98.2
Others	173.4	206.9
Total	1,925.7	2,302.3

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 shown in following table. The profits of the segment's equity-accounted investees as well as the Group's earnings before income taxes (EBT) correspond to those of the Group.

million EUR	Q1 2016	Q1 2015
EBIT	4.8	174.3
Depreciation, amortisation and impairment	118.6	109.3
EBITDA	123.4	283.6
EBT	-38.3	136.0
Share of profit of equity-accounted investees	5.8	8.2

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 2016 financial year. Their first-time application did not have a significant effect on the net asset, financial and earnings position of the Hapag-Lloyd Group or on the disclosures made in the Notes to the financial statements: Changes that have no significant effect have not been included in the Notes.

- Amendment to IAS 1: *Disclosures in the Notes to the Financial Statements*
- Amendment to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendment to IAS 16 and IAS 41: *Bearer Plants*
- Amendment to IAS 27: *Equity Method in Separate Financial Statements*
- Amendment to IFRS 11: *Accounting for Acquisitions of Interests in Joint Operations*
- *Annual Improvements to IFRS (2012–2014)*

With regard to the new standards and interpretations that were adopted, amended or newly issued by the IASB and were not yet mandatory in the first quarter of 2016, we refer to the Notes to the consolidated financial statements as at 31 December 2015.

Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and equity-accounted investments. Hapag-Lloyd AG and 102 companies were fully consolidated within the interim financial statements as at 31 March 2016, with four additional equity-accounted investees.

Some subsidiaries were combined with each other as part of the successful integration of CSAV's container shipping activities and the subsequent restructuring at the level of the respective countries. In connection with this, a further subsidiary was removed from the group of consolidated companies in the first quarter of 2016 as a result of a merger.

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 in the amount of EUR –43.1 million (prior year period: EUR –38.3 million) essentially comprised interest expenses for bank loans and bonds, fees for guarantees and interest from finance leases.

Earnings per share

EARNINGS PER SHARE		
	Q1 2016	Q1 2015
Basic earnings per share in EUR	–0.37	1.22
Profit/loss attributable to shareholders in million EUR	–44.0	127.9
Weighted average number of shares	118,110,917	104,882,240

There were no dilutive effects in the first quarter of 2016 or in the corresponding prior year period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

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

Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT		
million EUR	31.3.2016	31.12.2015
Vessels	4,605.1	4,832.5
Container, chassis	952.1	1,023.2
Other equipment	132.9	134.2
Prepayments on account and assets under construction	189.9	153.7
Total	5,880.0	6,143.6

The changes in property, plant and equipment resulted mainly from currency effects of EUR –257.3 million and depreciation amounting to EUR 98.9 million. Investments in ocean-going vessels and payments on account for newbuilds had a counteractive effect on this change in the amount of EUR 90.9 million.

The vessels recognised in conjunction with existing finance lease contracts had a net carrying amount of EUR 99.7 million as at 31 March 2016 (31 December 2015: EUR 106.4 million). The finance lease containers were recognised with a total of EUR 75.7 million as at 31 March 2016 (31 December 2015: EUR 82.0 million).

Cumulative other equity

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

The item for remeasurements from defined benefit plans (31 March 2016: EUR –107.6 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 fund assets.

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR 0.9 million as at 31 March 2016 (31 December 2015: EUR 1.2 million).

The differences from currency translation of EUR –201.0 million recognised in the first quarter of 2016 (prior year period: EUR 517.3 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve as at 31 March 2016 amounted to EUR 477.8 million (31 December 2015: EUR 678.8 million).

Financial debt

FINANCIAL DEBT		
million EUR	31.3.2016	31.12.2015
Liabilities to banks	2,607.6	2,786.2
Bonds	775.2	779.9
Liabilities from finance lease contracts	137.3	149.5
Other financial debt	177.7	191.7
Total	3,697.8	3,907.3

FINANCIAL DEBT BY CURRENCY		
million EUR	31.3.2016	31.12.2015
Financial debt denoted in USD (excl. transaction costs)	2,950.1	3,167.0
Financial debt denoted in EUR (excl. transaction costs)	789.6	789.9
Interest liabilities	32.6	33.1
Transaction costs	–74.5	–82.7
Total	3,697.8	3,907.3

A credit facility to finance investments in containers of USD 135.0 million (EUR 118.7 million) was fully utilised in the first quarter of 2016. The Hapag-Lloyd Group had available credit facilities of EUR 338.6 million as at 31 March 2016.

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

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

million EUR	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	672.8	672.8	672.8
Other assets	175.6	78.2	78.2
Derivative financial instruments	31.1	31.1	31.1
Cash and cash equivalents	456.0	456.0	456.0
Liabilities			
Financial debt	3,560.5	3,560.5	3,635.2
Liabilities from financial lease contracts ¹⁾	137.3	137.3	153.6
Trade accounts payable	1,241.0	1,241.0	1,241.0
Derivative financial instruments	2.7	2.7	2.7
Other liabilities	159.3	48.1	48.1

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 were measured 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 were 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 were measured on the basis of their market-traded forward price as at the reporting date.

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

For financial debt to banks and other non-current financial liabilities, the fair value was determined as the net present value of the future cash flows taking account of yield curves and the relevant credit spreads. Traded bonds were 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.

OTHER NOTES

Legal disputes

There have been no significant changes regarding legal disputes in comparison with the 2015 consolidated financial statements.

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. 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 quarter of 2016, lease payments of EUR 261.5 million were posted to expenses (prior year period: EUR 243.7 million), of which EUR 125.8 million were charter expenses (prior year period: EUR 137.1 million).

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

million EUR	31.3.2016	31.12.2015
Vessels and containers	861.3	1,035.7
Administrative buildings	99.2	110.1
Other	139.1	155.0
Total	1,099.6	1,300.8
Fair value	1,091.3	1,278.2

The fair value was ascertained by discounting the future minimum lease payments using a market interest rate of 0.35% p.a. (31 December 2015: 0.83% p.a.).

Other financial obligations

The Group's other financial obligations as at 31 March 2016 referred to a purchase obligation for investments in container ships amounting to EUR 330.9 million (31 December 2015: EUR 350.1 million), of which EUR 195.1 million 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 usual market prices. No significant changes have arisen compared to 31 December 2015. The contractual relationships with related parties described in the remuneration report of the 2015 annual report from page 80 onwards also remain unchanged, but are not of material importance to the Group.

Significant transactions after the balance sheet date

On 12 April 2016, Hapag-Lloyd sold containers held by the Company to a group of investors on the basis of a Japanese operating lease contract and then leased them back for up to seven years, with the option of buying them back upon their respective maturity. The lease contract is essentially a form of borrowing, with the containers transferred by way of security. The refinancing volume associated with this transaction amounted to USD 50.9 million (EUR 44.8 million).

In order to secure the long-term financing of the two 3,500-TEU vessels that were acquired from shipping company NileDutch in the first quarter and in April 2016, Hapag-Lloyd signed a loan agreement with a bank on 8 April 2016 for USD 57.4 million (EUR 50.5 million) with a seven-year term. The loan was paid out in two tranches, with payments made on 15 April 2016 and 26 April 2016.

On 21 April 2016, Hapag-Lloyd published an ad-hoc notification in accordance with Section 15 of the German Securities Trading Act (WpHG) announcing that talks with United Arab Shipping Company SAG (UASC) on possible forms of a partnership, including a merger of their respective container shipping activities, are currently being held. Should a merger of the container shipping activities take place, Hapag-Lloyd and United Arab Shipping Company expect a relative valuation of the two companies of 72% (HL) to 28% (UASC). At the time that this report was published, no binding agreement had yet been reached between the companies. The rating agency Standard & Poor's announced on 26 April 2016 that it has placed the Hapag-Lloyd rating of B+/Stable on "CreditWatch Negative" due to the potential merger with UASC.

Hamburg, 13 May 2016

Hapag-Lloyd AG
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

FINANCIAL CALENDAR 2016

- 1 June 2016** Annual General Meeting
- 10 August 2016** Publication of interim report for the second quarter/first six months of 2016
- 14 November 2016** Publication of interim report for the third quarter/first nine months of 2016

IMPRINT

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