Q1 | 2016

Hapag-Lloyd AG

Investor Report

1 January to 31 March 2016

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

KEY OPERATING FIGURES[1]		Q1 2016	Q1 2015	% Change
Total vessels, of which		**175**	190	–8%
own vessels		**69**	72	–4%
leased vessels		**3**	5	–40%
chartered vessels		**103**	113	–9%
Aggregate capacity of vessels	TTEU	**955**	1,005	–5%
Aggregate container capacity	TTEU	**1,508**	1,638	–8%
Bunker price (MFO, average for the period)[2]	USD/t	**178**	378	–53%
Bunker price (MDO, average for the period)[3]	USD/t	**370**	587	–37%
Freight rate (average for the period)	USD/TEU	**1,067**	1,331	–20%
Transport volume	TTEU	**1,811**	1,774	2%
Revenue	million USD	**2,124**	2,593	–18%
Transport expenses	million USD	**1,756**	2,072	–15%
EBITDA	million USD	**136**	319	–57%
EBIT	million USD	**5**	196	–97%
Group profit/loss	million USD	**–47**	144	n.m.
Cash flow from operating activities	million USD	**156**	220	–29%
Investment in property, plant and equipment	million USD	**105**	319	–67%
KEY RETURN FIGURES[1]				
EBITDA margin (EBITDA/revenue)		**6.4%**	12.3%	–5.9 ppt
EBIT margin (EBIT/revenue)		**0.2%**	7.6%	–7.3 ppt
KEY BALANCE SHEET FIGURES AS AT 31 MARCH[4]				
Balance sheet total	million USD	**11,976**	12,069	–1%
Equity	million USD	**5,424**	5,497	–1%
Equity ratio (equity/balance sheet total)		**45.3%**	45.5%	–0.3 ppt
Borrowed capital	million USD	**6,553**	6,572	0%
KEY FINANCIAL FIGURES AS AT 31 MARCH[4]				
Financial debt	million USD	**4,207**	4,256	–1%
Cash and cash equivalents	million USD	**519**	625	–17%
Net debt (financial debt – cash and cash equivalents)	million USD	**3,688**	3,631	2%
Gearing (net debt/equity)		**68.0%**	66.1%	1.9 ppt
Unused credit lines		**385**	423	–9%
Liquidity reserve		**904**	1,048	–14%
NUMBER OF EMPLOYEES AS AT 31 MARCH				
Employees at sea		**1,483**	1,512	–2%
Employees on land		**7,929**	9,079	–13%
HAPAG-LLOYD TOTAL		**9,412**	10,591	–11%

[1]) The comparison of figures refers to the prior year period 1.1.-31.3.2015
[2] MFO = Marine Fuel Oil
[3] MDO = Marine Diesel Oil
[4] The comparison refers to the balance sheet date 31.12.2015

This report was published on 13 May 2016.

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IMPORTANT NOTICE

The information provided in this Investor Report is based on a calculation of USD figures, derived from the figures published in EUR within the respective Interim or Annual Report of Hapag-Lloyd AG (available via http://ir.hapag-lloyd.com/websites/hapaglloyd/English/4000/publications.html).

The USD figures presented herein have not been reviewed by auditors and are supplemental information to the respective Interim or Annual Report of Hapag-Lloyd AG for capital market participants. The respective Interim and Annual Reports of Hapag-Lloyd AG remain the prevailing and legally binding documents.

Hapag-Lloyd AG 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, an example being the purchase, chartering and rental of vessels and containers, as well as the corresponding financing of investments. The functional currency of Hapag-Lloyd AG is, therefore, the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the EUR.

For reconciliation to the Interim Report Q1 2016, please find below the respective exchange rates:

- Values for Q1 2015 have been converted at the respective Q1 2015 exchange rates
- Values for Q1 2016 have been converted at the respective Q1 2016 exchange rates
- Values for Q4 2015 have been calculated by subtracting the 9M 2015 figures from the FY 2015 figures
- 9M 2015 figures have been converted at the respective 9M 2015 exchange rates
- FY 2015 figures have been converted at the respective FY 2015 exchange rates

EXCHANGE RATES

	Closing rate			Average rate			
per EUR	**31.03.2016**	31.12.2015	31.03.2015	**Q1 2016**	FY 2015	9M 2015	Q1 2015
US dollars	**1.1377**	1.0893	1.0742	**1.1030**	1.1100	1.1151	1.1263

This report contains statements concerning future developments at Hapag-Lloyd AG. Due to market fluctuations, the development of the competitive situation, market prices for commodities, and changes in exchange rates and the economic environment, the actual results may differ considerably from these forecasts. Hapag-Lloyd AG 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 2015.

1. HIGHLIGHTS

- Despite the pressure on freight rates, Hapag-Lloyd was able to record a positive EBIT of USD 5 million in the first three months of 2016 based on efficiency improvements and cost savings
- The transport expenses per TEU decreased by USD 198/TEU year-on-year to USD 970/TEU in the first quarter 2016 (–17%), mainly due to reduced bunker prices, a decline in bunker consumption and the implemented efficiency programmes
- Hapag-Lloyd recorded an EBITDA of USD 136 million in the first three months of 2016 – the EBITDA margin was 6.4%. This was roughly in line with Q4 2015 (USD 152 million; 6.8%) but clearly below Q1 2015 (USD 319 million; 12.3%). This decrease was mainly attributable to subdued global economic growth and a persisting challenging operating environment with negative freight rate development
- Transport volume increased year-on-year by 2% to 1,811 TTEU (Q1 2015: 1,774 TTEU). Overall, volumes suffered from weak economic developments in Latin America and China. Due to our active capacity management, we reduced capacities on the Far East and Latin America trade which also affected our volume development
- The average freight rate in the first three month of the 2016 financial year was USD 1,067/TEU, which was 20% down on the prior year period (Q1 2015: USD 1,331/TEU) and even below the already low level of USD 1,116/TEU seen in Q4 2015, driven by intense competition and muted global economic growth which prevented freight rates from being increased as announced
- Revenue decreased by USD 469 million year-on-year in the first three months of 2016 to USD 2,124 million (Q1 2015: USD 2,593 million). This was due to the sharp decline in average in freight rate
- In spring 2016, Hapag-Lloyd purchased two modern 3,500-TEU wide-beam vessels from shipping company NileDutch. The wide-beam design of the hull means that the 2015-built ships, maintain a comparatively high slot capacity despite having a lower draught, thereby making them particularly well suited for ports with shallow water, i.e. some South American ports. Hapag-Lloyd is also chartering two more identical ships from NileDutch's same series, which will be deployed together with their sister ships
- In the first quarter of 2016, the efficiency project Octave was further intensified and expanded with additional measures. These measures should lead, in addition to already achieved improvements, to further cost savings and efficiency improvements of up to high double-digit million USD dollar amount until the year-end 2017
- On 21 March 2016, Hapag-Lloyd was included in the SDAX, marking an important step for the Hapag-Lloyd share as the increased awareness resulting from the listing is expected to increase liquidity, broaden analyst coverage and increase publicity
- On 21 April 2016, Hapag-Lloyd announced that it is discussing forms of cooperation with UASC, including a potential combination of their mutual container shipping operations. In case of a business combination, the parties are basing their discussions on a relative valuation of the two businesses at 72% (HL) and 28% (UASC), subject to a mutually satisfactory completion of the negotiations and the mutual due diligence exercise. To date, the discussions have not resulted in any binding agreement

2. SECTOR-SPECIFIC CONDITIONS

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 – less than the IMF's previous prediction (3.4%, January 2016). Growth of 3.8% is now expected in 2017.

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

in %	2014	2015	**2016e**	2017e
Global economic growth	3.4	3.1	**3.2**	3.5
World trading volume (goods and services)	3.5	2.8	**3.1**	3.8
Global container transport volume	4.3	1.3	**3.0**	5.1

Source: IMF, IHS Global Insight

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.

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.

GLOBAL CAPACITY DEVELOPMENT

in %	2014	2015	**2016e**	2017e [1]
Forecasted capacity growth	10	11	**7**	6
Capacity measures				
Delayed deliveries	3	2	**1**	1
Scrappings	2	1	**2**	1
Actual increase in capacity	5	8	**4**	4

[1] Based on current orderbook
Source: Drewry, MDS Transmodal

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 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.

3. STRUCTURE OF HAPAG-LLOYD'S VESSEL AND CONTAINER FLEET

STRUCTURE OF HAPAG-LLOYD'S VESSEL AND CONTAINER FLEET

	31.03.2016	31.12.2015	31.03.2015
Number of vessels	**175**	177	190
Aggregate capacity of vessels (TTEU)	**955**	966	1,005
thereof			
Number of own vessels	**69**	68	72
Aggregate capacity of own vessels (TTEU)	**515**	512	506
Number of leased vessels	**3**	3	5
Aggregate capacity of leased vessels (TTEU)	**12**	12	21
Number of chartered vessels	**103**	106	113
Aggregate capacity of chartered vessels (TTEU)	**428**	442	477
Aggregate container capacity (TTEU)	**1,508**	1,564	1,638
Number of services	**122**	121	125

As at 31 March 2016, Hapag-Lloyd's fleet comprised a total of 175 container ships. 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%).

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.

4. GROUP EARNINGS POSITION

4.1 Freight rate per trade

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 persistent pressure on freight rates. Freight rates could not be increased as announced due to the sustained competitive pressure being felt in all trades.

FREIGHT RATE PER TRADE

USD/TEU	Q1 2016	Q4 2015	Q1 2015	QoQ % change	YoY % change
Atlantic	**1,382**	1,476	1,512	–6%	–9%
Transpacific	**1,351**	1,452	1,757	–7%	–23%
Far East	**780**	829	1,086	–6%	–28%
Latin America	**961**	968	1,259	–1%	–24%
Intra Asia	**556**	576	745	–3%	–25%
EMAO (Europe–Mediterranean–Africa–Oceania)	**1,079**	1,131	1,272	–5%	–15%
Total (weighted average)	**1,067**	**1,116**	**1,331**	**–4%**	**–20%**

4.2 Transport volume per trade

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	Q4 2015	Q1 2015	QoQ % change	YoY % change
Atlantic	**376**	368	367	2%	2%
Transpacific	**347**	347	315	0%	10%
Far East	**306**	307	333	0%	–8%
Latin America	**536**	549	542	–2%	–1%
Intra Asia	**144**	153	130	–6%	11%
EMAO (Europe–Mediterranean–Africa–Oceania)	**102**	98	87	4%	17%
Total	**1,811**	**1,822**	**1,774**	**–1%**	**2%**

4.3 Revenue per trade

Revenue decreased by USD 469.1 million year-on-year in the first three months of the 2016 financial year, from USD 2,593.1 million to USD 2,124.0 million, as a result of the sharp decline in the average freight rate.

REVENUE PER TRADE

million USD	**Q1 2016**	Q4 2015	Q1 2015	QoQ % change	YoY % change
Atlantic	**520.8**	544.0	554.3	–4%	–6%
Transpacific	**468.1**	503.8	554.1	–7%	–16%
Far East	**238.5**	253.9	361.8	–6%	–34%
Latin America	**514.7**	532.6	682.8	–3%	–25%
Intra Asia	**80.2**	88.3	96.5	–9%	–17%
EMAO (Europe–Mediterranean–Africa–Oceania)	**110.5**	111.0	110.6	0%	0%
Other	**191.3**	191.4	233.0	0%	–18%
Total	**2,124.0**	**2,225.0**	**2,593.1**	**–5%**	**–18%**

4.4 Consolidated income statement

The first three months of 2016 at the Hapag-Lloyd Group were 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 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. Overall, Hapag-Lloyd recorded a Group loss after taxes of USD 47.2 million in the first quarter of 2016.

CONSOLIDATED INCOME STATEMENT

million USD	**Q1 2016**	Q4 2015	Q1 2015	QoQ % change	YoY % change
Revenue	**2,124.0**	**2,225.0**	**2,593.1**	**–5%**	**–18%**
Other operating income	**24.8**	52.3	112.1	–53%	–78%
Transport expenses	**–1,756.0**	–1,857.3	–2,071.8	–5%	–15%
Personnel expenses	**–156.3**	–136.2	–134.3	15%	16%
Depreciation, amortisation and impairment	**–130.8**	–134.3	–123.1	–3%	6%
Other operating expenses	**–106.8**	–173.6	–184.5	–38%	–42%
Operating result	**–1.1**	**–24.1**	**191.5**	**–95%**	**n.m.**
Share of profit of equity-accounted investees	**6.4**	6.5	9.2	–2%	–31%
Other financial result	**0.0**	35.6	–4.4	n.m.	n.m.
Earnings before interest and tax (EBIT)	**5.3**	**18.0**	**196.3**	**–71%**	**–97%**
Interest result	**–47.5**	–63.8	–43.1	–26%	10%
Income taxes	**–5.0**	–6.7	–8.8	–25%	–43%
Group profit/loss	**–47.2**	**–52.5**	**144.4**	**–10%**	**–133%**

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 USD 3.1 million in the first three months of 2016 (prior year period: exchange rate gain of USD 18.9 million).

Depreciation and amortisation came to USD 130.8 million in the first three months of 2016 (prior year period: USD 123.1 million). The year-on-year increase in depreciation and amortisation was due to scheduled depreciation in prior year acquired newbuilds and containers.

4.5 Transport expenses

Transport expenses fell by USD 315.8 million in the first three months of 2016 to USD 1,756.0 million (prior year period: USD 2,071.8 million). This represents a drop of 15.2%. This development was attributable to a decline of USD 157.6 million (–50.5%) 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 200 compared to the figure for the prior year period. The cost of purchased services was also down by USD 158.2 million (–9.0%) 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. Maintenance/Repair/Other cost include within Other costs the exchange rate effects from creditor payments and accounts payables valuation. In Q1 2015, this was an exchange rate gain, which reduced the incurred maintenance and repair costs. In Q1 2016 these exchange rate effects were losses that added to the other costs. When looking only at maintenance and repair, costs declined year-on-year.

TRANSPORT EXPENSES

million USD	Q1 2016	Q4 2015	Q1 2015	QoQ % change	YoY % change
Expenses for raw materials and supplies	**154.7**	237.3	312.3	–35%	–50%
Cost of purchased services	**1,601.3**	1,620.0	1,759.5	–1%	–9%
thereof					
Port, canal and terminal costs	**757.9**	698.9	767.6	8%	–1%
Chartering, leases and container rentals	**271.8**	347.6	293.7	–22%	–7%
Container transport costs	**507.5**	532.2	648.1	–5%	–22%
Maintenance/repair/other	**64.1**	41.2	50.1	56%	28%
Transport expenses	**1,756.0**	**1,857.3**	**2,071.8**	**–5%**	**–15%**

Transport expenses per TEU decreased by USD 198.5/TEU to USD 969.6/TEU in the first three months of 2016 as compared to the prior year period. The decline was attributable to reduced bunker prices, a decline in bunker consumption and a reduction in Costs of purchased services. Costs of purchased services declined by USD -107.8/TEU as a consequence of the realised synergies and cost savings as well as due to lower container transport costs. In Q1 2015, these had been driven by long-lasting strikes in US ports and bad weather conditions in the US and Canada leading to time delays and reroutings, therewith increasing container transport costs.

TRANSPORT EXPENSES PER TEU

USD/TEU	Q1 2016	Q4 2015	Q1 2015	QoQ % change	YoY % change
Expenses for raw materials and supplies	**85.4**	130.3	176.1	–34%	–51%
Cost of purchased services	**884.2**	889.1	992.0	–1%	–11%
thereof					
Port, canal and terminal costs	**418.5**	383.6	432.7	9%	–3%
Chartering, leases and container rentals	**150.1**	190.8	165.6	–21%	–9%
Container transport costs	**280.2**	292.1	365.3	–4%	–23%
Maintenance/repair/other	**35.4**	22.6	28.2	57%	25%
Transport expenses	**969.6**	**1,019.4**	**1,168.1**	**–5%**	**–17%**

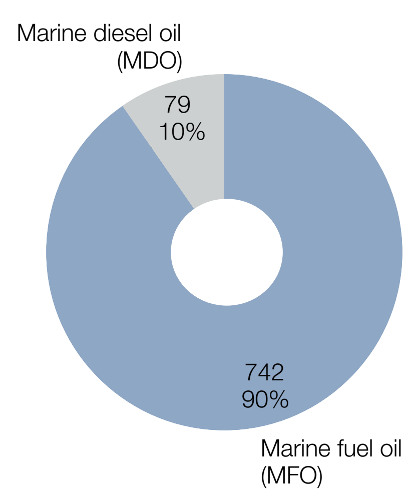
Bunker consumption development

In the first quarter of 2016, consumption of marine fuel oil (MFO) amounted to approximately 741,563 metric tons (Q1 2015: 708,017 tons). The average bunker consumption price for MFO stood at USD 178/ton (previous year: USD 378/ton). Consumption of low-sulphur marine diesel oil (MDO) amounted to approximately 79,667 metric tons (10% of bunker consumption) in the first quarter of 2016 (Q1 2015: 107,971 tons). The average bunker consumption price for MDO stood at USD 370/ton (previous year: USD 587/ton).

The annualized bunker consumption per slot (measured at the average capacity for the quarter) was at 3.42 mt. The increase of c. 1% in comparison to the average number in 2015 (3.39 mt) is mainly due to a slight reduction of total transport capacity of the container ships to 955 TTEU in the first quarter of 2016. The bunker consumption per TEU transported stood at 0.45 mt, 1% lower than the prior year figure.

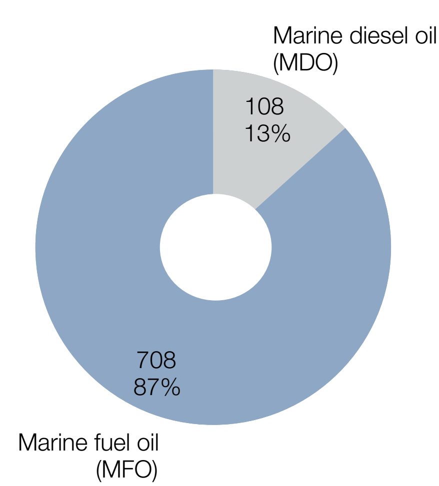
Bunker consumption

Q1 2016 [k mt]



∑ = 821

Q1 2015 [k mt]



∑ = 816

4.6 Earnings position

The Group's earnings before interest and taxes (EBIT) amounted to USD 5.3 million in the reporting period. They were therefore well below the corresponding figure in the prior year period of USD 196.3 million. The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) came to USD 136.1 million in the first three months of the 2016 financial year (prior year period: USD 319.4 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 USD –0.41 (prior year period: EUR 1.37).

The Group recorded a loss of USD 47.2 million in the first quarter of 2016 (prior year period: profit of USD 144.4 million).

EBIT AND EBITDA MARGIN

million USD	**Q1 2016**	Q4 2015	Q1 2015	QoQ % change	YoY % change
Revenue	**2,124.0**	2,225.0	2,593.1	–5%	–18%
EBIT	**5.3**	18.0	196.3	–71%	–97%
EBITDA	**136.1**	152.3	319.4	–11%	–57%
EBIT margin	**0.2%**	0.8%	7.6%	–0.6 ppt	–7.3 ppt
EBITDA margin	**6.4%**	6.8%	12.3%	–0.4 ppt	–5.9 ppt

5. GROUP NET ASSET POSITION

GROUP NET ASSET POSITION			
million USD	**31.03.2016**	31.12.2015	31.03.2015
Assets			
Non-current assets	**10,371.2**	10,363.7	10,262.2
of which fixed assets	**10,299.4**	10,301.7	10,170.3
Current assets	**1,605.2**	1,704.8	2,014.3
of which cash and cash equivalents	**518.8**	625.0	832.4
Total assets	**11,976.4**	12,068.5	12,276.5
Equity and liabilities			
Equity	**5,423.9**	5,496.8	5,136.0
Borrowed capital	**6,552.5**	6,571.7	7,140.5
of which non-current liabilities	**3,903.8**	3,958.4	4,424.4
of which current liabilities	**2,648.7**	2,613.3	2,716.1
of which financial debt	**4,207.0**	4,256.3	4,430.1
thereof			
Non-current financial debt	**3,497.7**	3,591.7	3,900.4
Current financial debt	**709.3**	664.6	529.7
Total equity and liabilites	**11,976.4**	12,068.5	12,276.5

As at 31 March 2016, the Group's balance sheet total was USD 11,976.4 million, which is USD 92.1 million lower than the figure at year-end 2015.

Total assets comprised of USD 10,371.2 million non-current assets and of USD 1,605.2 million current assets. While non-current assets increased by USD 7.5 million, current assets decreased by USD 99.6 million. The change in current assets in the first quarter of 2016 resulted mainly from a reduction in cash and cash equivalents compared to the level at the end of 2015.

Cash and cash equivalents declined by USD 106.2 million to USD 518.8 million due to cash outflows, in particular for investments, interest and capital repayments.

On the equity and liabilities side, the Group's equity decreased by USD 72.9 million to USD 5,423.9 million. This decrease was due to the Group loss of USD 47.2 million, USD 40.5 million reduction of the reserve from remeasurement from defined benefit plans, USD 0.3 million reduction in the reserve for cashflow hedges and USD 2.3 million distribution to non-controlling interests. These were partially compensated by an USD 17.4 million increase in translation reserve. The equity ratio was approximately 45% as at 31 March 2016 (31 December 2015: approximately 46%).

The Group's borrowed capital declined by USD 19.2 million to USD 6,552.5 million compared with the end of 2015. This decrease includes a USD 49.3 million decrease in financial debt due to capital repayments.

6. GROUP FINANCIAL POSITION

6.1 Developments in cash and cash equivalents

DEVELOPMENT OF LIQUIDITY RESERVE

million USD	Q1 2016	Q1 2015
Cash and cash equivalents beginning of the period	**625.0**	864.7
Unused credit lines beginning of the period	**423.4**	255.8
Liquidity reserve beginning of the period	**1,048.4**	**1,120.5**
EBITDA	**136.1**	319.4
Working capital	**23.0**	−22.9
Others	**−3.4**	−76.5
Operating cash flow	**155.7**	**220.0**
Investments	**−122.0**	−247.4
thereof vessel	**−100.3**	−220.3
thereof container	**−17.3**	−22.4
thereof other	**−4.4**	−4.7
Cash received from acquisitions	**2.9**	0.0
Disinvestments	**0.0**	45.5
Dividends received	**0.1**	0.1
Investing cash flow	**−119.0**	**−201.8**
Debt intake	**135.6**	173.5
Debt repayment	**−229.4**	−163.9
Dividends paid	**−2.3**	−0.4
Interest	**−46.9**	−59.3
Financing cash flow	**−143.0**	**−50.1**
Changes due to exchange rate fluctuations	**0.1**	−0.4
Liquidity reserve end of the period	**903.8**	**1,097.5**
Cash and cash equivalents end of the period	**518.8**	832.4
Unused credit lines end of the period	**385.0**	265.1

Cash flow from operating activities

The Group generated an operating cash flow of USD 155.7 million in the first three months of the 2016 financial year (prior year period: USD 220.0 million).

Cash flow from investing activities

The cash outflow from investing activities amounted to USD 119.0 million in the first three months of the 2016 financial year (prior year period: USD 201.8 million). This mainly consisted of payments for investments in newbuilds and containers totalling USD 117.6 million.

Cash flow from financing activities

Financing activities resulted in a net cash outflow of USD 143.0 million in the current reporting period (prior year period: USD 50.1 million). Cash inflows from new borrowing in the amount of USD 135.6 million were offset by interest and capital repayments of USD 276.3 million. The inflow of cash and cash equivalents related to the utilisation of a credit facility.

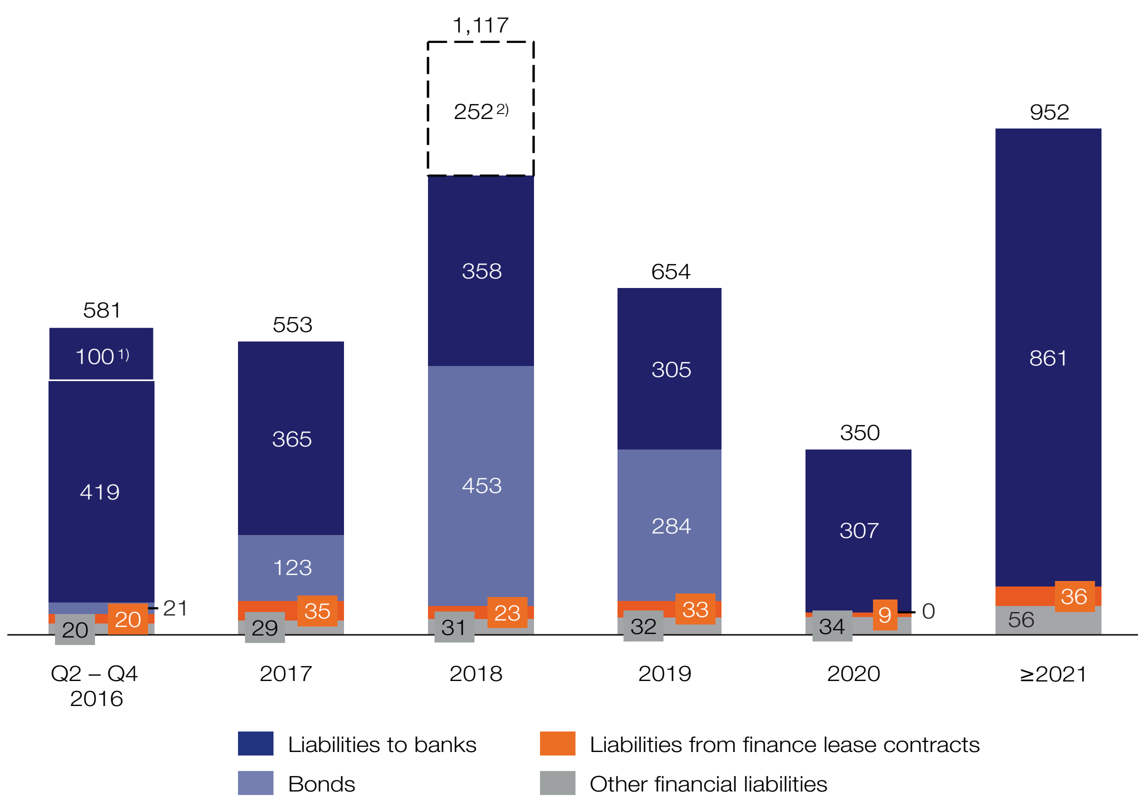
6.2 Financial position

At USD 3,688.2 million, the Group's net debt had increased by USD 56.9 million as at 31 March 2016 from the end of 2015, when it stood at USD 3,631.3 million. This was due to a reduction in cash and cash equivalents.

FINANCIAL SOLIDITY

million USD	**31.03.2016**	31.12.2015	31.03.2015
Cash and cash equivalents	**518.8**	625.0	832.4
Financial debt	**4,207.0**	4,256.3	4,430.1
Net debt	**3,688.2**	**3,631.3**	**3,597.7**
Unused credit lines	**385.0**	423.4	265.1
Liquidity reserve	**903.8**	**1,048.4**	**1,097.5**
Equity	**5,423.9**	5,496.8	5,136.0
Gearing (net debt/equity) (%)	**68.0%**	**66.1%**	**70.0%**
Equity ratio (%)	**45.3%**	**45.5%**	**41.8%**

Financial debt profile (USD millon)



[1] BLADEX financing [2] ABS programme prolongated on 3-years basis

The financial debt of USD 4,207.0 million is categorized between (1) liabilities to banks, (2) bonds, (3) liabilities from finance lease contracts and (4) other financial liabilities.

Liabilities to banks comprise loans to finance the existing fleet of vessels and containers. Furthermore, liabilities to banks include the Ballindamm financing (USD 63 million), the BLADEX financing (USD 100 million) and the ABS programme (USD 251 million).

Hapag-Lloyd has three bonds outstanding: USD 125 million 9.75% Senior Notes due October 2017, EUR 400 million 7.75% Senior Notes due October 2018 and EUR 250 million 7.50% Senior Notes due October 2019.

7. 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.

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, respectively in April 2016, Hapag-Lloyd signed a loan agreement with a bank on 8 April 2016 for USD 57.4 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.

Rating agency S&P announced on 26 April 2016 that it has placed the Hapag-Lloyd rating of B+/Stable on “CreditWatch Negative” on the potential merger with UASC.

8. 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, 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 global trade volume by 0.3 percentage points to 3.1%. In May 2016, the sector specialist IHS Global Insight had lowered their prognosis for the growth of the global container transport volume for 2016 from originally 3.5% 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 2016, the average freight rate is now forecast to clearly decrease for the total year 2016. 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 in 2016 is better than last year, Hapag-Lloyd continues to expect to record 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 unchanged 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. Significant risks include a further slowdown in global economic and trade volume growth, a significant and lasting rise in bunker prices 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.

9. FINANCIAL CALENDAR 2016

1 June 2016	Annual General Meeting
10 August 2016	Investor Report Q2/H1 2016
14 November 2016	Investor Report Q3/9M 2016

10. DISCLAIMER

This report provides general information about Hapag-Lloyd AG. It consists of summary information based on a calculation of USD figures. It does not purport to be complete and it is not intended to be relied upon as advice to investors.

No representations or warranties, expressed or implied, are made as to, and no reliance should be placed on, the accuracy, fairness or completeness of the information presented or contained in this report.

This report contains forward looking statements within the meaning of the 'safe harbor' provision of the US securities laws. These statements are based on management's current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Actual results may differ from those set forth in the forward-looking statements as a result of various factors (including, but not limited to, future global economic conditions, market conditions affecting the container shipping industry, intense competition in the markets in which we operate, potential environmental liability and capital costs of compliance with applicable laws, regulations and standards in the markets in which we operate, diverse political, legal, economic and other conditions affecting the markets in which we operate, our ability to successfully integrate business acquisitions and our ability to service our debt requirements). Many of these factors are beyond our control.

This report is intended to provide a general overview of Hapag-Lloyd's business and does not purport to deal with all aspects and details regarding Hapag-Lloyd. Accordingly, neither Hapag-Lloyd nor any of its directors, officers, employees or advisers nor any other person makes any representation or warranty, expressed or implied, as to, and accordingly no reliance should be placed on, the fairness, accuracy or completeness of the information contained in the presentation or of the views given or implied. Neither Hapag-Lloyd nor any of its directors, officers, employees or advisors nor any other person shall have any liability whatsoever for any errors or omissions or any loss howsoever arising, directly or indirectly, from any use of this information or its contents or otherwise arising in connection therewith.

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