9M | 2017

Hapag-Lloyd AG

Quarterly financial report

1 January to
30 September 2017

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES QUARTERLY FINANCIAL REPORT 9M 2017

		1.7.–30.9. 2017	1.7.–30.9. 2016	1.1.–30.9. 2017	1.1.–30.9. 2016	Change absolute
Key operating figures [1]						
Totel vessels (as at 30 September)		215	166	215	166	49
Aggregate capacity of vessels	TTEU	1,559	953	1,559	953	606
Freight rate (average for the quarter)	USD / TEU	1,065	1,027	1,060	1,037	23
Transport volume	TTEU	2,808	1,947	7,029	5,650	1,378
Revenue	million EUR	2,796	1,928	7,314	5,714	1,600
EBITDA	million EUR	361.5	184.6	721.9	381.3	340.6
EBIT	million EUR	180.6	65.6	267.9	25.9	242.0
Group profit / loss	million EUR	54.3	8.2	8.2	–133.9	142.1
Earnings per share	EUR	0.33	0.07	0.04	–1.15	1.19
Cash flow from operating activities	million EUR	366.5	25.2	673.0	228.3	444.7
Key return figures [1]						
EBITDA margin (EBITDA / revenue)	%	12.9	9.6	9.9	6.7	3.2 ppt
EBIT margin (EBIT / revenue)	%	6.5	3.4	3.7	0.5	3.2 ppt
ROIC (Return on invested capital) [3]	%	5.5	3.1	2.6	0.2	2.4 ppt
Key balance sheet figures as at 30 September [2]						
Balance sheet total	million EUR	15,817	11,331	15,817	11,331	4,486
Equity	million EUR	5,780	5,058	5,780	5,058	722
Equity ratio (equity / balance sheet total)	%	36.5	44.6	36.5	44.6	–8.1 ppt
Borrowed capital	million EUR	10,037	6,273	10,037	6,273	3,764
Financial debt	million EUR	7,422	4,181	7,422	4,181	3,241.0
Cash and cash equivalents	million EUR	1,221	570	1,221	570	651

UASC Ltd. and its subsidiaries (subsequently referred to as the UASC Group) will be included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior-year's figures to a limited extent. The earnings development in the first nine months of 2017 is affected by one-off effects resulting from the presentation of the transaction in the financial statements.

1 The key operating figures and key return figures refer to the respective reporting period.
2 The comparison of key balance sheet figures refers to the balance sheet date 31 December 2016.
3 The return on invested capital (ROIC) is calculated as the ratio of net operating profit after taxes (NOPAT) to invested capital (assets excluding cash and cash equivalents less liabilities excluding financial debt). This key operating figure is calculated on an annualised basis and in US dollars.

This quarterly financial report was published on 14 November 2017.

MAIN DEVELOPMENTS IN 9M 2017

- Issuance of a new corporate bond on 18 July 2017: total volume of EUR 450 million, term of seven years, coupon of 5.125%. Issue proceeds used for the early repayment of existing euro bonds in October 2017
- The merger with UASC was completed on 24 May 2017 and strengthens Hapag-Lloyd's competitive position significantly
- The operational integration of the UASC Group has progressed considerably as at the end of the reporting period
- Continued strong volume growth: transport volume rises by 24.4% in the first nine months of the year, particularly due to UASC. On a pro forma basis, the transport volume would have increased by 6.5% compared to the previous year
- 9M 2017 freight rate of USD 1,060/TEU exceeds the previous year's level (9M 2016: USD 1,037/TEU), despite integration of UASC. Freight rate gains continue in Q3 2017 (USD 1,065/TEU). On a pro forma basis, the average freight rate would have increased by 9.0% compared to the previous year
- At 17.8%, transport expenses (excl. bunker costs) increase at a much lower rate than the increase in transport volume (24.4%) and demonstrate the success of the cost-cutting programmes
- Further optimisation measures already implemented in the areas of network and ship systems
- Clearly positive EBITDA of EUR 721.9 million in first nine months of 2017 (9M 2016: EUR 381.3 million). EBITDA of EUR 361.5 million achieved in Q3 2017. EBITDA margin of 12.9% in Q3 2017
- Operating result (EBIT) of EUR 267.9 million clearly above the previous year's level (9M 2016: EUR 25.9 million)
- Liquidity reserve totals EUR 1,610.6 million as at 30 September 2017 and was partly used for the repayment of existing liabilities after the balance sheet date
- Equity ratio decreases to 36.5% as at 30 September 2017 due to the substantial increase in the balance sheet total following the first-time consolidation of the UASC Group
- Capital increase of around EUR 352 million by means of a rights issue and the issuance of 11,717,353 new no-par shares completed on 17 October 2017. Transaction has positive effects on the equity ratio and gearing after the balance sheet date

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INTERIM GROUP MANAGEMENT REPORT

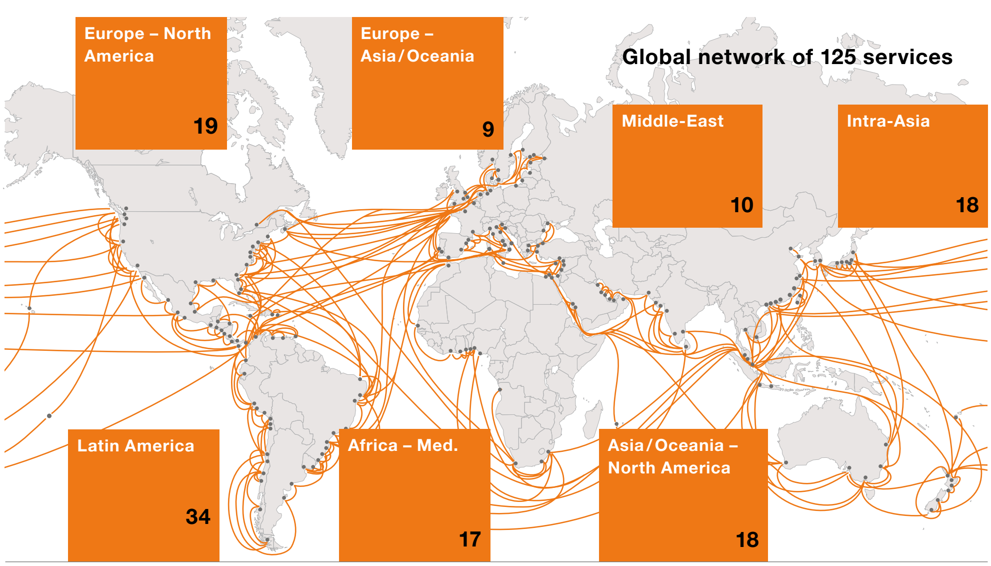
OPERATING ACTIVITIES

The legal merger between Hapag-Lloyd AG and United Arab Shipping Company Ltd. (UASC) was successfully completed on 24 May 2017. From this date, UASC Ltd. and its subsidiaries (the UASC Group) are included in the consolidated financial statements of Hapag-Lloyd AG. Due to the first-time consolidation of the UASC Group as at 24 May 2017, the previous year's figures from the consolidated statement of financial position, consolidated income statement, consolidated statement of cash flows, consolidated statement of comprehensive income, consolidated statement of changes in equity as well as the key operating figures are only comparable to a limited extent with the values as at 30 September 2017.

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 it can also encompass transport services from door to door.

Since 1 April 2017, Hapag-Lloyd has been operating the THE Alliance together with Kawasaki Kisen Kaisha Ltd. (Japan) ("K" Line), Mitsui O.S.K. Lines Ltd. (Japan) (MOL), Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (NYK) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). As at 30 September 2017, the THE Alliance covers all East-West trades with around 564 container ships.

Network of Hapag-Lloyd services



Source: company data

As at 30 September 2017, Hapag-Lloyd's fleet (including UASC's container ships) comprises 215 container ships (30 September 2016, without the UASC Group: 166 container ships). The Group currently has 420 sales offices in 126 countries and offers its customers worldwide access to a network of 125 liner services. In the first nine months of 2017, Hapag-Lloyd served around 28,150 customers (UASC Group included for nine months).

Hapag-Lloyd conducts its container liner shipping business in an international business environment. Transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities and the corresponding financing of investments. The functional currency of Hapag-Lloyd AG and its main subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For reporting purposes, the assets and liabilities of the Hapag-Lloyd Group are translated into euros using the mean exchange rate on 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.

GROUP OBJECTIVES AND STRATEGY

The prime objective of the Hapag-Lloyd Group is to achieve long-term profitable growth. Developments in the Group's transport volume and the operating performance indicators EBITDA and EBIT serve as the basis for measuring whether the corporate objectives are met. Hapag-Lloyd aims to benefit from the market opportunities for organic growth while also strategically protecting its leading competitive position by utilising measures to increase its value in the context of consolidation within the industry.

The growing global demand for container transportation is the very foundation of the organic growth which Hapag-Lloyd hopes to achieve. IHS Global Insight (August 2017) has forecast a rise in global container shipments of 4.8% to around 140 million TEU in 2017 and a further 4.9% to approximately 146 million TEU in 2018. Hapag-Lloyd intends to increase the transport volume organically in line with market growth.

Five strategic projects have been implemented in the last few years to improve efficiency and cost structures. Hapag-Lloyd's aim is to improve its profitability, based on the increasing effectiveness of the strategic measures. From 2017 onwards, the CUATRO and OCTAVE projects will deliver annual synergies, efficiency improvements and cost savings totalling approximately USD 600.0 million as against the comparable cost base in the 2014 financial year and assuming that external factors remain the same. Planned synergies and cost-saving programmes associated with the CUATRO and OCTAVE projects were implemented in full in the first quarter of 2017.

Furthermore, the performance-oriented corporate culture has been boosted, and value-adding investments carried out. Four of the five strategic projects have been completed as at the reporting date. With the fifth strategic project, “Compete to Win”, Hapag-Lloyd remains focused on improving quality of earnings.

Alongside the five strategic projects already implemented, the merger with UASC represents another major strategic step. It is anticipated that the synergies from the merger with UASC will contribute approximately USD 435 million per annum from the 2019 financial year onwards. The Executive Board of Hapag-Lloyd AG expects that the bulk of the synergies can be achieved in 2018.

The integration of the UASC Group is progressing as planned. As at the reporting date, all UASC sea voyages have been fully incorporated within the existing Hapag-Lloyd IT system (voyage cut-over). The first site optimisations and a large share of the training programmes for former UASC employees have also been successfully completed.

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 in the section “Group earnings, financial and net asset position”. 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 uses EBITDA as an important parameter for investment decisions.

The generation of sustainable cash flows, solid corporate financing, and therefore in particular a sufficient liquidity and equity base, are once again key cornerstones of the Hapag-Lloyd Group’s corporate strategy in the 2017 financial year. As at 30 September 2017, the Hapag-Lloyd Group had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 1,610.6 million (31 December 2016, without the UASC Group: EUR 759.6 million; 30 September 2016: EUR 559.2 million).

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

To make use of external growth opportunities, a business combination agreement regarding the merging of container activities was signed with the Arab shipping company UASC on 15 July 2016. The legal merger between Hapag-Lloyd and UASC occurred on 24 May 2017 via a contribution in kind in exchange for the issuing of approximately 45.9 million new Hapag-Lloyd shares.

From the Hapag-Lloyd AG Executive Board's perspective, the merger of the Hapag-Lloyd and UASC container shipping activities is expected to bring with it the following advantages:

- Strengthened market position as one of the five largest container liner shipping companies (measured by the container transportation capacity of the fleet) in a container shipping industry characterised by further consolidation
- Enhanced market presence in the attractive Middle East trade and solid position in all trades
- Efficient and young fleet with a low level of investment needed
- Annual synergies of approximately USD 435 million fully implemented in 2019
- Strong partner in THE Alliance

Following the takeover of UASC in the form of a capital increase in exchange for contributions in kind, UASC's former primary shareholders, Qatar Holding LLC on behalf of the Qatar Investment Authority (QIA) and Public Investment Fund Saudi Arabia (PIF), became additional major shareholders in Hapag-Lloyd AG, with stakes in its share capital of 14.4% (QIA) and 10.1% (PIF). The shares held by the other previous UASC shareholders (Kuwait, Iraq, United Arab Emirates and Bahrain) totalling around 3.4% of Hapag-Lloyd shares are included in the free float. CSAV Germany Container Holding GmbH, Hamburg (CSAV), Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg (HGV) and Kühne Maritime GmbH together with Kühne Holding AG (Kühne) continue to be anchor shareholders.

On 19 July 2017, 42,749,568 of the shares resulting from the capital increase in exchange for contributions in kind were listed for trading on the Frankfurt and Hamburg stock exchanges.

The business combination agreement stipulates that a cash capital increase equivalent to around USD 400 million would be carried out within six months of the completion of the merger. The shareholders of Hapag-Lloyd AG approved the creation of new authorised share capital of EUR 23.0 million at this year's ordinary Annual General Meeting on 29 May 2017.

On 27 September 2017, the Executive Board decided, with the approval of the Supervisory Board, to use a portion of the authorised share capital for a capital increase with subscription rights. On 28 September 2017, the terms for the cash capital increase announced in summer 2016 were published. The new no-par shares were offered for subscription at a ratio of 14:1 for a subscription price of EUR 30.00. The capital increase was carried out after the balance sheet date (30 September 2017) and was entered into the commercial register on 17 October 2017.

As part of the capital increase carried out in October 2017, the total number of voting rights increased from 164,042,940 to 175,760,293.

The 11,717,353 no-par shares resulting from the capital increase with subscription rights were included in the existing listing on the Frankfurt and Hamburg stock exchanges on 20 October 2017. As a result of the capital increase, the equity of Hapag-Lloyd AG was strengthened by approximately EUR 352 million after the balance sheet date, with a corresponding increase in the equity ratio and a reduction in the gearing of Hapag-Lloyd AG. The shares held by CSAV Germany Container Holding GmbH initially increased to 24.7% as part of the capital increase. In accordance with separate agreements with Hapag-Lloyd AG's anchor shareholders, CSAV increased its share in Hapag-Lloyd AG to 25% as at 30 October 2017.

Shareholder structure of Hapag-Lloyd AG

Shareholdings in %	
CSAV Germany Container Holding GmbH	25.0
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	13.9
Kühne Holding AG and Kühne Maritime GmbH	19.0
QIA Qatar Holding LLC on behalf of Qatar Investment Authority	14.5
PIF Public Investment Fund Saudi Arabia	10.2
Free float	17.4
Total	**100.0**

As at 1 November 2017

Medium-term objectives

The 2017 financial year will remain focused on the integration of UASC's activities into the Hapag-Lloyd Group as well as the continuous operational implementation of the THE Alliance. Hapag-Lloyd will publish an update on the medium-term income targets following completion of the integration. The synergies from the merger with UASC should contribute USD 435 million a year from the 2019 financial year onwards. It is expected that the bulk of these synergies will be achieved in 2018. It is currently assumed that the expenses for the transaction and the full integration of UASC's container liner shipping activities could amount to approximately USD 30 million from the fourth quarter of 2017 until the end of the first half of 2018.

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include EBITDA, the EBIT, the transport volume and the freight rate. Since the 2015 financial year, return on invested capital (ROIC) has also been used as a performance indicator. The development of the most important financial performance indicators in the first nine months of 2017 is presented in the section "Group earnings position". ROIC compares net operating profit after tax (NOPAT), defined as EBIT less income taxes, with invested capital as at the reporting date. Invested capital is defined as assets excluding cash and cash equivalents less liabilities excluding financial debt. To facilitate comparison with other international shipping companies, the return on invested capital will be calculated and presented exclusively on the basis of the functional currency, the US dollar.

Calculation of the return on invested capital is as follows:

	million EUR			million USD	
	9M 2017	9M 2016		**9M 2017**	9M 2016
Fixed assets	12,977	9,172	Fixed assets	15,331	10,241
Accounts receivable	1,059	612	Accounts receivable	1,251	683
Other assets	560	317	Other assets	662	354
Assets	**14,596**	**10,101**	**Assets**	**17,244**	**11,278**
Provisions	663	594	Provisions	783	664
Accounts payable	1,687	1,151	Accounts payable	1,993	1,285
Other liabilities	265	213	Other liabilities	314	238
Liabilities	**2,615**	**1,958**	**Liabilities**	**3,090**	**2,186**
Invested capital	**11,981**	**8,143**	**Invested capital**	**14,154**	**9,092**
EBIT	267.9	25.9	EBIT	298,9	28.8
Tax	17.9	14.8	Tax	20.0	16.4
Net operating profit after tax (NOPAT)	**250.0**	**11.1**	**Net operating profit after tax (NOPAT)**	**278.9**	**12.4**
			Return on invested capital (ROIC)*	**2.6%**	**0.2%**

* Figures are in USD, rounded, aggregated and calculated on an annualised basis.

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IMPORTANT NON-FINANCIAL PRINCIPLES

The optimum utilisation of the available ship and container capacities 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

In the third quarter of 2017, further steps were taken to boost the efficiency of the container ship fleet and to achieve the intended network synergies. Six inefficient ships were decommissioned or returned to charterers between July and September 2017. In the same period, Hapag-Lloyd AG placed two highly efficient ships into service, each with a capacity of 15,000 TEU.

As at 30 September 2017, Hapag-Lloyd's fleet therefore comprised a total of 215 container ships (30 June 2017: 219 ships). All of the ships are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the ships are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). As at 30 September 2017, the TEU capacity of the entire Hapag-Lloyd fleet came to 1,558,810 TEU and therefore remained almost unchanged compared to 30 June 2017. As a result of the merger with the UASC Group, the share of ships owned outright based on TEU capacity increased to approximately 69% as at 30 September 2017 (30 June 2017: approximately 68%). In the period from July to September 2017, Hapag-Lloyd AG obtained financing for a total of six ships in the legal form of sale and leaseback transactions (finance leases).

As at 30 September 2017, the average age of Hapag-Lloyd's total fleet (capacity-weighted) was 7.0 years. The average ship size within the Hapag-Lloyd Group fleet is 7,250 TEU, which is approximately 28% above the comparable average figure for the ten largest container liner shipping companies and around 84% above the average ship size in the global fleet (9M 2017: 3,938 TEU). The container capacity also increased substantially as a result of the merger with UASC. As at 30 September 2017, Hapag-Lloyd owned or rented 1,429,179 containers with a capacity of 2,335,565 TEU for shipping cargo. The capacity-weighted share of containers owned by the Group remained unchanged compared to 30 June 2017 at around 53% as at 30 September 2017. Furthermore, the service structures of both companies have already been merged and further steps towards optimising the new structures have taken place. As at 30 September 2017, Hapag-Lloyd now offers over 125 services following the operational integration of UASC. Hapag-Lloyd has therefore further optimised the existing service network compared with 30 June 2017 (129 services). Prior to the merger, Hapag-Lloyd had a global network of 118 services (31 March 2017) and UASC offered its customers a network of 45 services (31 March 2017).

Structure of Hapag-Lloyd's container ship fleet

	30.9.2017	30.6.2017	31.12.2016
Number of vessels	215	219	166
thereof			
Own vessels	105	112	72
Leased vessels	14	8	3
Chartered vessels	96	99	91
Aggregate capacity of vessels (TTEU)	1,559	1,557	963
Aggregate container capacity (TTEU)	2,336	2,287	1,576
Number of services	125	129	128

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As at 30 September 2017, Hapag-Lloyd used three chartered ships for the repositioning of empty containers. Together, the vessels had a capacity of 8,413 TEU. As the ships were not employed in a liner service, they are not included in the above fleet data.

Bunker consumption totalled approximately 2.84 million tonnes (metric tonnes) in the first nine months of 2017. In the prior year period, bunker consumption amounted to a total of around 2.36 million tonnes before the integration of the UASC Group. Around 13% (9M 2016, without the UASC Group: approximately 16%) of this comprised bunker with a low proportion of sulphur (MFO low sulphur, MDO). Based on the total transport volume, the bunker consumption per TEU amounted to 0.40 metric tonnes (9M 2016, without the UASC Group: 0.42 metric tonnes per TEU).

With the delivery of two container ships with a capacity of 15,000 TEU each on 27 July 2017 and 28 September 2017, the final ships from the Hapag-Lloyd order book resulting from the acquisition of UASC Group went into service. There are no further orders for newbuilds.

With demand for container shipping services continuing to rise, container shipping will remain a growth industry in the long term. Following the completed takeover of UASC's container shipping activities, Hapag-Lloyd will not invest in any more new ship systems in the next few years. The joint fleet should make it possible to utilise the medium-term expansion opportunities resulting from market growth and to realise economies of scale in ship operations. The plan is to make further optimisations in this area in the future with regard to age and efficiency.

CUSTOMERS

Long-term, close business relations with customers are also important in driving value for corporate development. A global key account team manages relationships with major customers. This enables the Company to establish and maintain sustainable customer relationships. In the first nine months of the 2017 financial year, Hapag-Lloyd and UASC completed transport contracts for around 28,150 customers (9M 2017: UASC Group integrated for nine months; prior year period, without UASC Group: approximately 20,900).

EMPLOYEES

The figures as at 30 September 2017 relate to Hapag-Lloyd including UASC. The figures regarding the previous year relate to Hapag-Lloyd only. The Hapag-Lloyd Group employed 12,078 people as at 30 September 2017 (31 December 2016: 9,413). Of this total, 10,299 were shore-based employees (31 December 2016: 7,895), while 1,515 people were sea-based (31 December 2016: 1,295). Hapag-Lloyd employed 264 apprentices as at 30 September 2017.

Number of employees

	30.9.2017	30.6.2017	31.12.2016
Marine personnel	1,515	1,583	1,295
Shore-based personnel	10,299	10,811	7,895
Apprentices	264	191	223
Total	**12,078**	**12,585**	**9,413**

UASC Ltd. and its subsidiaries are included in Hapag-Lloyd AG's consolidated financial statements from the date control was transferred on 24 May 2017. The presented figures include the effects of the transaction from this date and can therefore only be compared to the prior-year's figures to a limited extent.

ECONOMIC REPORT

General economic conditions

The experts at the International Monetary Fund (IMF) anticipate global economic growth of 3.6% in 2017, followed by stronger global growth of 3.7% in 2018 (IMF, World Economic Outlook, October 2017). The forecast economic growth has therefore increased by 0.1% on the forecast published in July 2017.

According to the IMF, the volume of global trade, which is key to the demand for container shipping services, is forecast to increase by 0.2% on the July 2017 forecast to 4.2% for the current year. Growth of 4.0% is expected in 2018.

Developments in global economic growth (GDP) and world trading volume

in %	2018e	2017e	2016	2015	2014	2013
Global economic growth	3.7	3.6	3.2	3.4	3.4	3.3
Industrialised countries	2.0	2.2	1.7	2.1	1.8	1.4
Developing and newly industrialised countries	4.9	4.6	4.3	4.3	4.6	5.0
World trading volume (goods and services)	4.0	4.2	2.4	2.6	3.8	3.4
Container transport volume (IHS)	4.9	4.8	3.2	1.1	4.3	2.2

Source: IMF, October 2017; IHS Global Insight, August 2017

Based on the current forecasts, the global cargo volume could rise to approximately 140 million TEU in 2017 (IHS Global Insight, August 2017). IHS Global Insight expects the global container shipping volume to increase by 4.8% in 2017, outpacing the forecast rate of growth for global trade. For the period 2018 to 2021, IHS Global Insight is predicting annual growth of between 4.8% and 5.1% in the global container shipping volume.

Sector-specific conditions

At the beginning of 2017, the aggregate capacity of the global container ship fleet was approximately 20 million TEU (Drewry Container Forecaster Q3 2017, September 2017). Based on the container ships on order and planned deliveries, the globally available transport capacity should see increases of around 1.1 million TEU in 2017 and around 1.3 million TEU in 2018 (Drewry Container Forecaster Q3 2017, September 2017). This includes the expected delays of deliveries in the current financial year. The tonnage of the commissioned container ships of approximately 2.9 million TEU (MDS Transmodal, September 2017) is equivalent to around 14% of the present global container fleet's capacity (approximately 20 million TEU). It therefore remains well below the highest level seen to date, which was around 56% in 2008. In the period from January to September 2017, orders were placed for the construction of 53 container ships with a transport capacity totalling approximately 564,000 TEU (FY 2016: capacity of 0.2 million TEU [Clarksons Research, October 2017]). This figure includes 20 container ships with a transport capacity of approx. 22,000 TEU each, that were commissioned by CMA CGM S. A. (France) and the Mediterranean Shipping Company S. A. (Switzerland) (MSC) in the third quarter of 2017 and that are scheduled for delivery between the end of 2019 and 2021. On 30 October 2017, COSCO Shipping announced that it would carry out a non-public capital increase of approximately USD 1.95 billion. The cash inflow is to be used to pay for 20 container ships which were commissioned between 2014 and 2015.

Development of global container fleet capacity

million TEU	2018e	2017e	2016	2015	2014
Existing fleet (end of year)	21.5	20.6	20.0	19.7	18.2
Planned deliveries	1.76	1.40	0.89	1.72	1.46
Postponed deliveries	0.45	0.28	0.00	0.00	0.00
Scrapping	0.40	0.45	0.65	0.19	0.38
Net capacity growth	0.9	0.6	0.3	1.5	1.1

Source: Drewry Maritime Research, Container Forecaster Q3 2017, October 2017. Expected nominal capacity based on planned deliveries. Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded. Rounding differences may be the result of changes in the databases.

The forecast net capacity growth of 0.6 million TEU (Drewry Container Forecaster Q3 2017) coincides with growth in global container shipping volume of 6.4 million TEU in 2018 (IHS Global Insight, August 2017).

Based on figures from MDS Transmodal, a total of 112 container ships with a transport capacity of approximately 939,000 TEU were placed into service in the first nine months of 2017 (9M 2016: 99 ships with a transport capacity of approximately 712,000 TEU). In the future, the actual growth in the global container ship fleet's transport capacity is expected to be lower than the projected nominal increase, as old and inefficient ships are scrapped and deliveries of newbuilds are postponed. According to Drewry (Container Forecaster Q3 2017), the scrapping of inefficient ships reached a record high of 654,000 TEU in 2016. Drewry expects 450,000 TEU to be scrapped in 2017. According to Drewry, scrapping is also anticipated to remain roughly on a par with this level in 2018, at around 400,000 TEU.

Idle capacity fell to around 0.4 million TEU at the end of September 2017 – approximately 75% lower than the current record of around 1.6 million TEU recorded in October 2016 (Alphaliner Weekly Issue 41, October 2017). This reduction stemmed from the large number of vessels which were scrapped and the rise in demand for chartered ships. The majority of idle ships have a capacity of up to 5,100 TEU.

Consolidation continues within the industry and new alliances are launched

The alliances operating in the East–West trades were extensively reorganised at the beginning of the second quarter of 2017. The shipping companies which had previously been operating in four alliances formed three alliances: the "2M Alliance" consists of the two market leaders – Maersk Line (Denmark) and Mediterranean Shipping Company S. A. (Switzerland) (MSC) – which started operating back in early 2015. The "Ocean Alliance" consists of CMA CGM S. A. (France), including the shipping company American President Lines Ltd. (Singapore) (APL), which was taken over by CMA CGM, Orient Overseas Container Line (Hong Kong) (OOCL), Evergreen Marine Corp. (Taiwan) Ltd. (Taiwan) (Evergreen) and China Ocean Shipping (Group) Company (China) (COSCO) Container Lines. Since 1 April 2017, Hapag-Lloyd has been operating the THE Alliance together with Kawasaki Kisen Kaisha Ltd. (Japan) ("K" Line), Mitsui O.S.K. Lines Ltd. (Japan) (MOL), Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (NYK) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming).

Capacity share of new alliances based on selected trades

Alliance	Far East Trade	Transpacific Trade	Atlantic Trade
2M	39%	22%	43%
Ocean Alliance	36%	40%	15%
THE Alliance	24%	26%	32%
Other	1%	12%	10%

Source: Alphaliner, September 2017

On 1 December 2016, A.P. Møller – Mærsk A/S (Maersk) announced the takeover of Hamburg Süd. According to Maersk, the takeover and integration of Hamburg Süd is due to be completed by the end of 2017. Furthermore, Maersk and Hamburg Süd entered into a slot chartering agreement on East–West trades in February 2017. In March 2017, MSC, Maersk and Hyundai Merchant Marine agreed to cooperate in the East–West trades. This collaboration includes slot-chartering agreements for the respective trades. On 7 July 2017, the three Japanese shipping companies “K” Line, MOL and NYK established a new holding company for the planned joint venture One Network Express (ONE). The joint venture is expected to commence operating on 1 April 2018 and integrate the container shipping business (including the terminal business outside Japan) of the three companies. On 9 July 2017, the Chinese shipping company COSCO SHIPPING Holdings Co., Ltd. (COSCO) announced a takeover bid for Orient Overseas (International) Limited (OOIL), Hong Kong. The majority shareholder of OOIL has approved the sale of the shares. However, the approvals of the regulatory bodies have not yet been fully granted. With a total transport capacity of 2.4 million TEU, this would strengthen COSCO’s market position as the fourth-largest container shipping company in the world. On 8 August 2017, 14 Korean liner shipping companies signed a memorandum of understanding, thereby founding the “Korean Shipping Partnership” (KSP). The initiative will be supported by the Korean government and the Korea Shipowners Association and led by Hyundai Merchant Marine (HMM).

According to data from MDS Transmodal (October 2017), the ten largest container liner shipping companies provide approximately 85% of the total capacity of the global fleet of container ships.

Group earnings, financial and net asset position

The UASC Group was consolidated on 24 May 2017 and is included in the Hapag-Lloyd AG group of consolidated companies. In addition to Hapag-Lloyd AG, the group of consolidated companies increased from 82 companies (31 December 2016) to 178 companies (30 September 2017). As such, the net asset, financial and earnings position figures for the first nine months of 2017 can only be compared with those of previous years to a limited extent.

Unless stated otherwise, the figures for the first nine months of 2016 refer to Hapag-Lloyd without the UASC Group.

Group earnings position

The Hapag-Lloyd Group's performance in the first nine months of 2017 was dominated by the first-time consolidation of the UASC Group and by the ongoing challenges in the container shipping industry.

The UASC Group is included in the expenses and income of the consolidated interim financial statements presented below from its first-time consolidation as at 24 May 2017. A comparison with the corresponding prior year period is therefore only possible to a limited extent.

The first-time consolidation generated one-off income of EUR 46.8 million at Hapag-Lloyd. At the same time, transaction costs and costs for implementing the restructuring of the UASC Group in relation to the operational integration of UASC's business activities into Hapag-Lloyd totalled EUR 71.0 million.

In terms of operations, Hapag-Lloyd's freight rates continued to increase in the first nine months of 2017 following their low point in the second quarter of 2016. Freight rates increased in almost all trades. This was however partly compensated by the lower average freight rate level of the newly integrated UASC Group. The freight rate increases implemented had a positive effect on the earnings position. The significant rise in the transport volume, the full realisation of synergy effects resulting from the integration of CSAV, and the cost savings from the cost-cutting programmes initiated in the preceding years also had a positive effect on earnings. By contrast, the higher bunker price had a negative effect on earnings. Hapag-Lloyd generated an operating result before interest and taxes (EBIT) of EUR 180.6 million in the third quarter of 2017 (prior year period: EUR 65.6 million) and a profit after taxes of EUR 54.3 million (prior year period: EUR 8.2 million). Overall, Hapag-Lloyd recorded earnings before interest and taxes (EBIT) of EUR 267.9 million in the first nine months of 2017 (prior year period EUR 25.9 million) and a profit after taxes of EUR 8.2 million (prior year period: EUR –133.9 million).

Group income statement

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Revenue	2,796.0	1,928.3	7,314.3	5,713.8
Other operating income	24.0	31.8	127.9	90.4
Transport expenses	2,187.3	1,571.4	5,909.6	4,772.0
Personnel expenses	172.3	123.3	516.4	377.6
Depreciation, amortisation and impairment	180.9	119.0	454.0	355.4
Other operating expenses	111.8	86.8	325.6	291.5
Operating result	**167.7**	**59.6**	**236.6**	**7.7**
Share of profit of equity-accounted investees	12.4	7.5	30.8	19.6
Other financial result	0.5	–1.5	0.5	–1.4
Earnings before interest and tax (EBIT)	**180.6**	**65.6**	**267.9**	**25.9**
Interest result	–120.4	–55.1	–241.8	–145.0
Income taxes	5.9	2.3	17.9	14.8
Group profit/loss	**54.3**	**8.2**	**8.2**	**–133.9**
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	54.1	7.5	5.7	–136.4
thereof profit/loss attributable to non-controlling interests	0.2	0.7	2.5	2.5
Basic/Diluted earnings per share (in EUR)	0.33	0.07	0.04	–1.15
EBITDA	**361.5**	**184.6**	**721.9**	**381.3**
EBITDA margin (%)	**12.9**	**9.6**	**9.9**	**6.7**
EBIT	**180.6**	**65.6**	**267.9**	**25.9**
EBIT margin (%)	**6.5**	**3.4**	**3.7**	**0.5**

The figures for the third quarter and the first nine months of 2016 relate to Hapag-Lloyd only and do not include the integration of the UASC Group.

The average freight rate including the UASC Group was USD 1,060/TEU in the first nine months of 2017 and was therefore USD 23/TEU (2.2%) up on the prior year period (USD 1,037/TEU, without UASC Group). Freight rate increases, particularly in the Far East, Middle East and Latin America trades, had a positive impact on earnings in the reporting period. On a comparable basis (if the UASC Group had been included since 1 January 2016), the average freight rate for the first nine months of the current financial year would have been USD 1,010/TEU (prior year period: USD 927/TTEU). This would have meant an increase of USD 83/TEU, or 9.0%, in the average freight rate.

Freight rates per trade*

USD/TEU	Q3 2017	Q3 2016	9M 2017	9M 2016
Atlantic	1,315	1,333	1,298	1,344
Transpacific	1,267	1,147	1,246	1,237
Far East	993	780	971	765
Middle East	878	666	884	685
Intra-Asia	615	531	593	556
Latin America	1,077	1,047	1,035	993
EMAO (Europe–Mediterranean–Africa–Oceania)	1,125	1,058	1,064	1,067
Total (weighted average)	**1,065**	**1,027**	**1,060**	**1,037**

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

The transport volume performed particularly well in the first nine months of the 2017 financial year. With the inclusion of the UASC Group and its balanced positioning in all trades, Hapag-Lloyd was able to increase its transport volume by 1,379 TTEU to 7,029 TTEU (prior year period: 5,650 TTEU). All of the trades contributed to this positive performance in the third quarter of 2017.

On a comparable basis (if the UASC Group had been included since 1 January 2016), the transport volume in the first nine months of 2017 would have come to 8,438 TTEU in total (prior year period: 7,923 TTEU), which would have meant an increase of 515 TTEU (6.5%) in the transport volume.

Transport volume per trade*

TTEU	Q3 2017	Q3 2016	9M 2017	9M 2016
Atlantic	436	385	1,254	1,159
Transpacific	465	379	1,254	1,091
Far East	503	213	1,040	625
Middle East	349	122	675	345
Intra-Asia	259	163	597	450
Latin America	649	586	1,812	1,673
EMAO (Europe – Mediterranean – Africa – Oceania)	147	100	397	308
Total	**2,808**	**1,947**	**7,029**	**5,650**

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

The Hapag-Lloyd Group's revenue increased by EUR 1,600.5 million to EUR 7,314.3 million in the first nine months of 2017 (prior year period: EUR 5,713.8 million). This 28.0% increase reflects the initial inclusion of the UASC Group as at 24 May 2017 as well as the significant increase in the transport volume and average freight rate in comparison to the prior year period.

Revenue per trade*

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Atlantic	487.3	460.7	1,462.0	1,399.0
Transpacific	504.2	388.9	1,403.5	1,211.5
Far East	435.9	148.4	907.1	428.9
Middle East	268.0	72.9	536.0	211.8
Intra-Asia	138.2	77.4	318.0	224.6
Latin America	597.4	549.3	1,684.6	1,490.5
EMAO (Europe – Mediterranean – Africa – Oceania)	141.8	94.4	379.4	295.0
Revenue not assigned to trades	223.2	136.3	623.7	452.5
Total	**2,796.0**	**1,928.3**	**7,314.3**	**5,713.8**

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Other operating income increased by EUR 37.5 million to EUR 127.9 million in the first nine months of 2017 compared to the respective prior year period. The main reason for this was the negative difference of EUR 46.8 million, which resulted from the provisional purchase allocation in accordance with IFRS 3 as part of the acquisition of the UASC Group and which had to be recognised in earnings in the reporting period.

Transport expenses rose by EUR 1,137.6 million in the first nine months of 2017 to EUR 5,909.6 million (prior year period: EUR 4,772.0 million). This represents an increase of 23.8%, that is primarily due to the acquisition of the UASC Group and the relating increase of the transport volume as well as increased bunker prices. The increase in the expenses for raw materials and supplies of EUR 372.6 million (78.1%) to EUR 849.7 million primarily results from the higher bunker price in the current reporting period. In the first nine months of the 2017 financial year, the average bunker consumption price for Hapag-Lloyd was USD 311 per tonne, up USD 99 per tonne on the figure of USD 212 per tonne for the prior year period. From the 2017 financial year onwards, the average bunker consumption price used by Hapag-Lloyd is a combined figure for marine fuel oil (MFO) and marine diesel oil (MDO). The previous year's figure has been restated accordingly.

The cost of purchased services has risen by EUR 765.0 million (17.8%) which was a disproportionally lower increase compared to revenue growth. This increase is a reflection of the rise in transport volumes and, in particular, the initial inclusion of the UASC Group.

Transport expenses

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Expenses for raw materials and supplies	308.2	190.4	849.7	477.1
Cost of purchased services	1,879.1	1,381.0	5,059.9	4,294.9
thereof				
Port, canal and terminal costs	940.3	671.8	2,472.8	1,984.0
Chartering, leases and container rentals	264.4	176.8	722.9	739.6
Container transport costs	598.5	476.7	1,664.1	1,408.1
Maintenance / repair / other	75.9	55.7	200.1	163.2
Transport expenses	**2,187.3**	**1,571.4**	**5,909.6**	**4,772.0**

The gross profit margin (ratio of revenue less transport expenses to revenue) for the first nine months of the current financial year came to 19.2% (prior year period: 16.5%).

Changes in the US dollar / euro exchange rate caused period-specific exchange rate gains and losses to increase in the period under review. This was reflected in other operating income and other operating expenses. Netted, this resulted in an exchange rate gain of EUR 16.0 million in the first nine months of 2017 (prior year period: exchange rate loss of EUR 13.0 million).

Personnel expenses rose by EUR 138.8 million to EUR 516.4 million in the first nine months of 2017 (prior year period: EUR 377.6 million). The main reason for this increase was, in particular, the initial inclusion of the personnel expenses of the UASC Group. The costs incurred for the restructuring of the UASC Group as part of the operational integration of UASC's business activities and associated one-off effects amounting to EUR 37.3 million in total also led to an increase in personnel expenses. In addition, the exchange rate losses at the balance sheet date resulting from the valuation of pension provisions in the amount of EUR 13.7 million (prior year period: EUR 3.0 million) increased personnel expenses year-on-year.

Depreciation and amortisation came to EUR 454.0 million in the first nine months of the 2017 financial year (prior year period: EUR 355.4 million). The year-on-year increase in depreciation and amortisation was primarily due to the first-time inclusion of the UASC Group as well as depreciation of the acquired newly built ships.

The earnings before interest and taxes (EBIT) amounted to EUR 267.9 million in the reporting period. They were therefore well above the corresponding figure in the prior year period (EUR 25.9 million). The earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 721.9 million in the first nine months of the 2017 financial year (prior year period: EUR 381.3 million). The annualised return on invested capital (ROIC) for the first nine months of 2017 amounted to 2.6% (prior year period: 0.2%). Basic earnings per share for the first nine months of the 2017 financial year came to EUR 0.04 per share (prior year period: EUR –1.15 per share).

Key earnings figures

million EUR	**Q3 2017**	Q3 2016	**9M 2017**	9M 2016
Revenue	2,796.0	1,928.3	7,314.3	5,713.8
EBIT	180.6	65.6	267.9	25.9
EBITDA	361.5	184.6	721.9	381.3
EBIT margin (%)	6.5	3.4	3.7	0.5
EBITDA margin (%)	12.9	9.6	9.9	6.7
Basic earnings per share (in EUR)	0.33	0.07	0.04	–1.15
Return on invested capital (ROIC) annualised (%)*	5.5	3.1	2.6	0.2

* The calculation of the return on invested capital is based on the functional currency USD.

The interest result for the first nine months of the 2017 financial year was EUR –241.8 million (prior year period: EUR –145.0 million). The change was partly due to the early redemption of a US dollar bond and euro bonds. These transactions were associated with one-off effects totalling EUR –17.4 million as a result of redemption charges, the disposal of associated embedded derivatives and other associated transaction costs. Not only did the interest expenses resulting from newly utilised ship and container financing and other financing agreements prompt overall interest expenses to rise, but also the expense of EUR –42.7 million resulting from the first-time inclusion of the UASC Group as well as a reduced income of EUR 4.7 million (prior year period: EUR 8.7 million) from a change in the fair value of the derivatives embedded in the bonds issued had a negative effect on the interest result.

The Group recorded a profit of EUR 8.2 million in the first nine months of 2017 (prior year period: loss of EUR 133.9 million).

Group financial position

Condensed statement of cash flows

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Cash flow from operating activities	366.5	25.2	673.0	228.3
Cash flow from investment activities	–87.5	–31.7	121.5	–205.1
Free cash flow	**279.0**	**–6.5**	**794.5**	**23.2**
Cash flow from financing activities	255.7	26.4	–31.8	–91.2
Changes in cash and cash equivalents	**534.7**	**19.9**	**762.7**	**–68.0**

Cash flow from operating activities

Including the UASC Group, Hapag-Lloyd generated an operating cash flow of EUR 673.0 million in the first nine months of the 2017 financial year (prior year period: EUR 228.3 million).

Cash flow from investing activities

The cash inflow from investing activities totalled EUR 121.5 million (prior year period: cash outflow of EUR 205.1 million). A net cash inflow of EUR 357.5 million resulted from the acquisition of the UASC Group. This includes the addition of cash and cash equivalents of EUR 366.3 million. The Group received additional cash inflows, in particular from dividend payments received and asset disposals. This was counteracted, in particular, by cash outflows for investments in ships and containers totalling EUR 281.7 million (prior year period: EUR 238.3 million).

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 31.8 million in the current reporting period (prior year period: EUR 91.2 million). Borrowing amounting to EUR 1,610.4 million (prior year period: EUR 528.3 million) related primarily to cash inflows from the placement of new euro bonds and to loans for the financing of vessels and containers. This was offset by cash outflows from the early repayment of the US dollar bond issued in 2010 and the euro bond issued in 2013 as well as by interest and redemption payments amounting to EUR 1,614.6 million in total (prior year period: EUR 613.6 million).

Changes in cash and cash equivalents

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Cash and cash equivalents at beginning of period	**753.7**	**473.0**	**570.2**	**573.7**
Changes due to exchange rate fluctuations	–67.2	–0.9	–111.7	–13.7
Net changes	534.7	19.9	762.7	–68.0
Cash and cash equivalents at end of period	**1,221.2**	**492.0**	**1,221.2**	**492.0**

Overall, cash inflow totalled EUR 762.7 million in the first nine months of 2017, such that after accounting for exchange rate-related effects in the amount of EUR –111.7 million, cash and cash equivalents of EUR 1,221.2 million were reported at the end of the reporting period on 30 September 2017 (30 September 2016: EUR 492.0 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item “Cash and cash equivalents”. In addition, there are available credit facilities of EUR 389.4 million (30 September 2016: EUR 67.2 million). The liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) therefore totalled EUR 1,610.6 million (30 September 2016: EUR 559.2 million). Cash and cash equivalents of EUR 57.3 million (30 September 2016: EUR 0.0 million) which serve as collateral for existing financial debt were reported under other assets due to their maturity.

Net debt

As at 30 September 2017, the Group’s net debt came to EUR 6,143.2 million, which was an increase of EUR 2,551.4 million compared with 31 December 2016 as a result of the first-time consolidation of the UASC Group. The first-time consolidation of the UASC Group also reduced the equity ratio from 44.6% as at 31 December 2016 to 36.5% as at 30 September 2017. Gearing – the ratio of net debt to balance sheet equity – increased from 71.0% to 106.3% as a result.

Financial solidity

million EUR	30.9.2017	31.12.2016
Financial debt	7,421.7	4,180.7
Cash and cash equivalents	1,221.2	570.2
Restricted cash (other assets)	57.3	18.7
Net debt	**6,143.2**	**3,591.8**
EBITDA	721.9	607.4
Gearing (%)*	**106.3**	**71.0**
Unused credit lines	**389.4**	**189.4**
Equity ratio (%)	**36.5**	**44.6**

* Net debt/equity

Restricted cash and cash equivalents in the amount of EUR 57.3 million (31 December 2016: EUR 18.7 million) essentially comprise cash and cash equivalents which serve as collateral for existing financial debt. The increase was primarily due to the ship financing utilised in relation to the newly built ships delivered in the first nine months of 2017.

Group net asset position

Changes in the net asset structure

million EUR	30.9.2017	31.12.2016
Assets		
Non-current assets	12,977.1	9,722.9
of which fixed assets	12,764.8	9,643.3
Current assets	2,840.2	1,608.0
of which cash and cash equivalents	1,221.2	570.2
Total assets	**15,817.3**	**11,330.9**
Equity and liabilities		
Equity	5,780.4	5,058.4
Borrowed capital	10,036.9	6,272.5
of which non-current liabilities	6,713.8	3,633.2
of which current liabilities	3,323.1	2,639.3
of which financial debt	7,421.7	4,180.7
of which non-current financial debt	6,348.6	3,265.5
of which current financial debt	1,073.1	915.2
Total equity and liabilities	**15,817.3**	**11,330.9**
Net debt	6,143.2	3,591.8
Equity ratio (%)	36.5	44.6

The initial inclusion of the UASC Group as at 24 May 2017 resulted in a significant change in the consolidated statement of financial position and means that comparisons with the previous year are only possible to a limited extent. The Group's balance sheet total increased by 39.6% compared to 31 December 2016, from EUR 11,330.9 million to EUR 15,817.3 million.

Fixed assets increased by EUR 3,121.5 million in the reporting period to EUR 12,764.8 million. EUR 4,521.9 million of this related to additions following the acquisition of the UASC Group, in particular the addition of ships and containers as well as intangible assets such as customer relationships, brand and software. Alongside these additions following the acquisition, five new ships with a capacity of 10,500 TEU each (three ships) and 15,000 TEU each (two ships) were delivered to Hapag-Lloyd in the first nine months of the 2017 financial year. By contrast, three ships were sold in the current reporting period, and seven further ships were reclassified as held for sale within current assets in the amount of EUR 15.8 million due to specific intentions to sell. Exchange rate effects of EUR –1,209.4 million as at the reporting date and depreciation amounting to EUR 454.0 million also prompted a fall in the carrying amounts of the fixed assets and therefore in non-current assets.

Current assets increased, particularly due to the acquisition of the UASC Group, and totalled EUR 2,840.2 million as at 30 September 2017 (31 December 2016: EUR 1,608.0 million). This figure includes a rise in trade accounts receivable of EUR 381.0 million to EUR 1,058.6 million (31 December 2016: EUR 677.6 million).

On the liabilities side, the Group's equity increased by EUR 722.0 million to EUR 5,780.4 million. This change resulted primarily from the capital increase against a contribution in kind amounting to EUR 1,285.3 million as part of the acquisition of the UASC Group. The capital increase was offset by the change of unrealised gains and losses from foreign currency translation recognised in other comprehensive income amounting to EUR –581.2 million. The equity ratio fell to 36.5% as at 30 September 2017 (31 December 2016: 44.6%), mainly as a result of the significant rise in borrowed capital following the first-time consolidation of the UASC Group.

The Group's borrowed capital rose by EUR 3,764.4 million to EUR 10,036.9 million in comparison to the 2016 consolidated financial statements, primarily as a result of the acquisition of the UASC Group.

There was a considerable change in the Company's financial debt, which increased by EUR 3,241.0 million compared with 31 December 2016 to EUR 7,421.7 million. The inclusion of the UASC Group as at 24 May 2017 contributed EUR 3,551.4 million to this increase. Financial debt also rose as a result of cash inflows of EUR 1,610.4 million, which mainly resulted from cash inflows from the placement of new bonds and to loans for the financing of vessels and containers. Hapag-Lloyd issued a new corporate bond with an issue volume of EUR 250.0 million on 1 February 2017. This was increased by EUR 200.0 million on 15 February 2017, taking the total amount to EUR 450.0 million.

A further corporate bond in the amount of EUR 450.0 million was issued on 18 July 2017.

The proceeds from bond issues were used for the early repayment of the existing US dollar bonds and euro bonds, EUR 450 million of which was used after the balance sheet date.

Hapag-Lloyd exercised its contractually agreed early termination options for each of the repayments.

Including the cash outflows for the bond repayments, financial debt was reduced overall by redemption payments of EUR 1,403.8 million and exchange rate effects as at the reporting date of EUR –529.1 million.

The significant impact of the takeover of the UASC Group on the development of borrowed capital at the Hapag-Lloyd Group was also reflected in the increase in current liabilities of EUR 683.8 million to EUR 3,323.1 million. This includes an increase in trade accounts payable of EUR 405.2 million to EUR 1,686.8 million which is primarily due to the acquisition of the UASC Group.

Net debt came to EUR 6,143.2 million as at 30 September 2017 (31 December 2016: EUR 3,591.8 million) including cash and cash equivalents of EUR 57.3 million (31 December 2016: EUR 18.7 million) which serve as collateral for existing financial debt and are classified as other assets due to their maturity.

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.

Executive Board's statement on overall expected developments

The first nine months of the 2017 financial year reflected the forecasts of the Executive Board. A clear growth in volumes led to a corresponding rise in revenue and costs. Freight rate increases on nearly all trades affected Group profit in a positive manner. In addition, during the reporting period as at 24 May 2017, the UASC Group was incorporated into the Group, leading to considerable changes to the consolidated statement of financial position. The frameworks for economic development are not subject to any material changes, however.

RISK AND OPPORTUNITY REPORT

Please refer to the 2016 annual report for details of significant opportunities and risks and an assessment of these. The assessment of the reported risks' probability of occurrence remains unchanged, while the opportunities arising from a positive deviation from the budget concerning the expected freight rates and from the bunker consumption price are classified as being lower in view of the current circumstances on the market. The existing global macroeconomic uncertainties and ongoing stiff competition could have a significant negative impact on the development of transport volumes and freight rates again in 2017.

The current political tensions between Qatar and Saudi Arabia, Egypt, the United Arab Emirates and Bahrain, as well as the associated economic and political sanctions instigated by these states against Qatar, could have considerable negative repercussions on the economic development of the region. This could in turn lead to a reduction in the container transport volume in the Middle East. Heightened sanctions and a deterioration of the economic frameworks could impact negatively on Hapag-Lloyd's economic and financial situation.

Regarding the material opportunities and risks arising from the merger with UASC, we refer to the relevant presentation in the Group management report of the 2016 annual report.

Authorities in a number of jurisdictions launched investigations into possible breaches of competition law in the 2015/2016 financial year. All of these investigations have been largely concluded, and no significant financial effects are to be expected.

Subpoenas were served to company representatives attending the twice-yearly conference of the International Council of Containership Operators (known as the "Box Club") in San Francisco on 15 March 2017, ordering them to attend a hearing by the U.S. Department of Justice Antitrust Division ("DoJ"). Concrete allegations have not been made at present, however the subpoenas have been issued in connection with the DoJ investigation into the global container liner shipping industry. Hapag-Lloyd will cooperate with the authorities in full. A quantification of a possible risk that may result from the investigations still cannot be made at the time of reporting.

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 56 of the Notes to the quarterly financial report 9M.

REVISED OUTLOOK

The outlook for the 2017 financial year published in the Group management report of the 2016 annual report was based on the Hapag-Lloyd Group's existing business activities as at 31 December 2016 and therefore does not include the UASC Group's business activities. The outlook published in the Group management report as at 31 December 2016 is no longer valid.

Hapag-Lloyd acquired the assets and assumed the liabilities of the UASC Group on 24 May 2017. With publication of the half-year financial report, the first outlook for the Hapag-Lloyd Group since the acquisition of UASC was provided for the current 2017 financial year. The following forecast for the Company's expected performance includes UASC from the date of its first-time consolidation, 24 May 2017. The forecast made here thus relates to the extended Group (including UASC's container shipping activities) and cannot therefore be compared to the forecast in the 2016 annual report with regard to the system used.

The general economic and sector-specific conditions which are of importance to container shipping are presented and analysed in the 2016 annual report (Economic report). A summary of the most important external influencing factors is given below.

In its latest economic outlook (October 2017), the International Monetary Fund (IMF) expects global economic growth to reach 3.6% in the current year. This forecast means that the global economy is set to grow at a faster rate in 2017 than in the previous year (+3.2%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 4.2% in the current year (2016: +2.4%). Compared with its previous forecast (July 2017), the IMF has raised its outlook slightly for the increase in global trade (+0.1 percentage points). This means that in 2017 the growth in global trade will outpace that of the global economy. IHS Global Insight (August 2017) is forecasting that the global container shipping volume will increase by 4.8% to approximately 140 million TEU in 2017 (2016: +3.2%). The current value is therefore 0.2 percentage points higher than the value published in the forecast from May 2017. As such, the expected rise in worldwide transport volumes in container shipping for 2017 would once again be sharper than the rate of growth for global trade.

Following a rise in transport capacities of approximately 0.9 million TEU to 20.0 million TEU in 2016 (including delays in deliveries), Drewry forecasts a nominal increase in transport capacities of up to approximately 1.4 million TEU for the current year. The growth in supply capacity could again make it difficult to push through freight rate increases in the remaining months of 2017. Based on unchanged optimism about the general economic and sector-specific conditions, Hapag-Lloyd, including the integration of UASC's business activities from 24 May 2017, expects its transport volume to increase significantly.

For 2017, Hapag-Lloyd expects a clear increase in the average bunker consumption price, above both the average level for 2016 as well as the recorded level at the end of 2016. Due to the strong focus on the Middle East and Far East trades, UASC has a lower average freight rate than Hapag-Lloyd. The expected average freight rate for the combined business activities is therefore likely to be broadly unchanged in 2017 compared to the average freight rate for 2016 (without the UASC Group).

Due to the current improvement in earnings quality and assuming no serious negative changes to the sector-specific conditions and a clearly positive earnings contribution from UASC, Hapag-Lloyd's EBITDA and EBIT, including UASC's business activities, are expected to considerably exceed the level reached in 2016 (without the UASC Group). This assumption still applies in light of the further one-off expense that has been announced in connection with the restructuring. Not accounted for here are impairments on goodwill, other intangible assets and property, plant and equipment. Although not expected at present, these cannot be ruled out, especially given current political developments.

The key benchmark figures for the 2017 outlook are contained in the following table:

Key benchmark figures for the 2017 outlook
(based on the integration of UASC into the Hapag-Lloyd Group from 24 May 2017)

Global economic growth	3.6%
Increase in global trade	4.2%
Increase in global container transport volume (IHS)	4.8%
Transport volume, Hapag-Lloyd Group	Increasing clearly
Average bunker consumption price, Hapag-Lloyd Group	Increasing clearly
Average freight rate, Hapag-Lloyd Group	Unchanged
Group earnings before interest, taxes, depreciation and amortisation (EBITDA)	Increasing clearly
Group earnings before interest and taxes (EBIT)	Increasing clearly

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

The benchmark figures for the 2017 outlook, which relate to transport volume, the average bunker consumption price, the average freight rate and the key performance indicators of EBITDA and EBIT, therefore remain unchanged on the forecast published in the 2017 half-year report.

Business developments at Hapag-Lloyd are subject to far-reaching risks in an industry environment dominated by volatile freight rates and stiff competition. The general risks are described in detail in the risk report in the Group management report of the 2016 annual report (page 110 ff.). Risks that may have an impact on the forecast for business development are also described in detail in the risk report. Significant risks for the Group's revenue and earnings development include a renewed slowdown in global economic and trade volume growth, a significant and lasting rise in bunker prices extending beyond the level seen from the start of 2017, a sharp increase in the euro against the US dollar and a stagnation or even a renewed reduction in freight rates. Additional risks could result from the further consolidation of the industry and its possible impact on Hapag-Lloyd's competitive position as well as from the changes in the composition of global alliances.

The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the further business development of Hapag-Lloyd in the remaining months of 2017.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG

for the period 1 January to 30 September 2017

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Revenue	2,796.0	1,928.3	7,314.3	5,713.8
Other operating income	24.0	31.8	127.9	90.4
Transport expenses	2,187.3	1,571.4	5,909.6	4,772.0
Personnel expenses	172.3	123.3	516.4	377.6
Depreciation, amortisation and impairment	180.9	119.0	454.0	355.4
Other operating expenses	111.8	86.8	325.6	291.5
Operating result	**167.7**	**59.6**	**236.6**	**7.7**
Share of profit of equity-accounted investees	12.4	7.5	30.8	19.6
Other financial result	0.5	–1.5	0.5	–1.4
Earnings before interest and taxes (EBIT)	**180.6**	**65.6**	**267.9**	**25.9**
Interest income	2.4	1.1	5.7	3.8
Interest expenses	122.8	56.2	247.5	148.8
Earnings before income taxes	**60.2**	**10.5**	**26.1**	**–119.1**
Income taxes	5.9	2.3	17.9	14.8
Group profit/loss	**54.3**	**8.2**	**8.2**	**–133.9**
thereof attributable to shareholders of Hapag-Lloyd AG	54.1	7.5	5.7	–136.4
thereof attributable to non-controlling interests	0.2	0.7	2.5	2.5
Basic/diluted earnings per share (in EUR)	**0.33**	**0.07**	**0.04**	**–1.15**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG

for the period 1 January to 30 September 2017

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Group profit/loss	**54.3**	**8.2**	**8.2**	**–133.9**
Items which will not be reclassified to profit and loss:	**0.7**	**–9.2**	**10.7**	**–64.8**
Remeasurements from defined benefit plans after tax	0.7	–9.2	10.7	–64.8
Remeasurements from defined benefit plans before tax	0.9	–9.2	11.1	–64.7
Tax effect	–0.2	–	–0.4	–0.1
Items which may be reclassified to profit and loss:	**–203.1**	**–3.6**	**–584.1**	**–109.3**
Cash flow hedges (no tax effect)	0.7	–0.4	–2.4	1.4
Effective share of the changes in fair value	26.8	–0.6	91.2	12.6
Reclassification to profit or loss	–26.1	0.2	–93.6	–11.2
Currency translation (no tax effect)	–203.8	–3.2	–581.7	–110.7
Other comprehensive income after tax	**–202.4**	**–12.8**	**–573.4**	**–174.1**
Total comprehensive income	**–148.1**	**–4.6**	**–565.2**	**–308.0**
thereof attributable to shareholders of Hapag-Lloyd AG	–148.0	–5.4	–567.2	–310.4
thereof attributable to non-controlling interests	–0.1	0.8	2.0	2.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG

as at 30 September 2017

Assets

million EUR	30.9.2017	31.12.2016
Goodwill	1,485.2	1,661.6
Other intangible assets	1,831.5	1,340.4
Property, plant and equipment	9,117.3	6,315.6
Investments in equity-accounted investees	330.8	325.7
Other assets	159.6	27.0
Derivative financial instruments	25.6	24.1
Income tax receivables	3.6	3.3
Deferred tax assets	23.5	25.2
Non-current assets	**12,977.1**	**9,722.9**
Inventories	175.6	124.5
Trade accounts receivable	1,058.6	677.6
Other assets	290.8	197.5
Derivative financial instruments	45.8	13.5
Income tax receivables	19.9	24.7
Cash and cash equivalents	1,221.2	570.2
Assets classified held for sale	28.3	–
Current assets	**2,840.2**	**1,608.0**
Total assets	**15,817.3**	**11,330.9**

Equity and liabilities

million EUR	30.9.2017	31.12.2016
Subscribed capital	164.0	118.1
Capital reserves	2,301.2	1,061.8
Retained earnings	3,157.1	3,152.9
Cumulative other equity	148.3	721.8
Equity attributable to shareholders of Hapag-Lloyd AG	**5,770.6**	**5,054.6**
Non-controlling interests	9.8	3.8
Equity	**5,780.4**	**5,058.4**
Provisions for pensions and similar obligations	249.3	238.0
Other provisions	89.6	114.0
Financial debt	6,348.6	3,265.5
Other liabilities	9.8	12.1
Derivative financial instruments	13.4	1.8
Deferred tax liabilities	3.1	1.8
Non-current liabilities	**6,713.8**	**3,633.2**
Provisions for pensions and similar obligations	35.5	6.6
Other provisions	288.6	211.2
Income tax liabilities	30.0	17.6
Financial debt	1,073.1	915.2
Trade accounts payable	1,686.8	1,281.6
Other liabilities	207.4	167.8
Derivative financial instruments	1.7	39.3
Current liabilities	**3,323.1**	**2,639.3**
Total equity and liabilities	**15,817.3**	**11,330.9**

CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG

for the period 1 January to 30 September 2017

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Group profit / loss	54.3	8.2	8.2	–133.9
Income tax expenses (+) / income (–)	5.9	2.3	17.9	14.8
Interest result	120.4	55.1	241.8	145.0
Depreciation, amortisation and impairment (+) / write-backs (–)	180.9	119.0	454.0	355.4
Other non-cash expenses (+) / income (–)	27.9	9.0	0.7	8.6
Profit (–) / loss (+) from hedges for financial debt	–7.5	–	–3.9	0.3
Profit (–) / loss (+) from disposals of non-current assets and assets held for sale	–0.6	1.3	–1.4	0.1
Income (–) / expenses (+) from equity accounted investees and dividends from other investments	–12.5	–7.5	–30.9	–19.7
Increase (–) / decrease (+) in inventories	9.7	–6.5	–21.3	–16.4
Increase (–) / decrease (+) in receivables and other assets	–144.0	12.9	–214.7	57.4
Increase (+) / decrease (–) in provisions	–25.9	–23.8	13.9	–86.1
Increase (+) / decrease (–) in liabilities (excl. financial debt)	146.5	–136.0	201.0	–80.2
Payments received from (+) / made for (–) income taxes	11.1	–9.1	5.9	–17.8
Payments received for interest	0.3	0.3	1.8	0.8
Cash inflow (+) / outflow (–) from operating activities	**366.5**	**25.2**	**673.0**	**228.3**
Payments received from disposals of property, plant and equipment and intangible assets	14.8	0.3	17.7	4.6
Payments received from the disposal of other investments	0.4	–	0.4	–
Payments received from dividends	–	0.2	28.1	28.6
Payments made for investments in property, plant and equipment and intangible assets	–95.7	–32.2	–281.7	–238.3
Payments made for investments in other investments	–0.5	–	–0.5	–
Net cash inflow (+) / outflow (–) from acquisitions	–6.5	–	357.5	–
Cash inflow (+) / outflow (–) from investing activities	**–87.5**	**–31.7**	**121.5**	**–205.1**

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Payments made for capital increases	–0.6	–	–0.7	–
Payments made from changes in ownership interests in subsidiaries	–	–	–0.3	–0.3
Payments made for dividends	–1.7	–3.1	–3.2	–5.4
Payments received from raising financial debt	701.4	263.9	1,610.4	528.3
Payments made for the redemption of financial debt	–363.8	–181.4	–1,403.8	–476.5
Payments made for interest and fees	–87.7	–53.1	–210.8	–137.1
Payments received (+) and made (–) from hedges for financial debt	3.9	0.1	–0.9	–0.2
Change in restricted cash	4.2	–	–22.5	–
Cash inflow (+)/outflow (–) from financing activities	**255.7**	**26.4**	**–31.8**	**–91.2**
Net change in cash and cash equivalents	**534.7**	**19.9**	**762.7**	**–68.0**
Cash and cash equivalents at beginning of period	**753.7**	**473.0**	**570.2**	**573.7**
Change in cash and cash equivalents due to exchange rate fluctuations	–67.2	–0.9	–111.7	–13.7
Net change in cash and cash equivalents	534.7	19.9	762.7	–68.0
Cash and cash equivalents at end of period	**1,221.2**	**492.0**	**1,221.2**	**492.0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG

for the period 1 January to 30 September 2017

	Equity attributable to shareholders		
million EUR	Subscribed capital	Capital reserves	Retained earnings
As at 1.1.2016	**118.1**	**1,263.2**	**3,052.3**
Total comprehensive income	**–**	**–**	**–136.4**
thereof			
Group profit/loss	–	–	–136.4
Other comprehensive income	–	–	–
Transactions with shareholders	**–**	**–**	**–**
thereof			
Acquisition of shares from non-controlling interests without change of control	–	–	–
Distribution to non-controlling interests	–	–	–
Deconsolidation	**–**	**–**	**–2.4**
As at 30.9.2016	**118.1**	**1,263.2**	**2,913.5**
As at 1.1.2017	**118.1**	**1,061.8**	**3,152.9**
Total comprehensive income	**–**	**–**	**5.7**
thereof			
Group profit/loss	–	–	5.7
Other comprehensive income	–	–	–
Transactions with shareholders	**45.9**	**1,239.4**	**–1.6**
thereof			
First-time consolidation UASC	45.9	1,240.2	–
Transaction costs	–	–0.8	–
Anticipated acquisition of shares from non-controlling interests	–	–	–
Acquisition of shares from non-controlling interests without change of control	–	–	–
Distribution to non-controlling interests	–	–	–1.6
Deconsolidation	**–**	**–**	**0.1**
As at 30.9.2017	**164.0**	**2,301.2**	**3,157.1**

of Hapag-Lloyd AG							
Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Reserve for put options on non-controlling interests	Cumulative other equity	**Total**	Non-controlling interests	**Total equity**
–75.2	**1.2**	**678.8**	**–**	**604.8**	**5,038.4**	**7.8**	**5,046.2**
–64.8	**1.4**	**–110.6**	**–**	**–174.0**	**–310.4**	**–0.1**	**–310.5**
–	–	–	–	–	–136.4	–	–136.4
–64.8	1.4	–110.6	–	–174.0	–174.0	–0.1	–174.1
–	**–**	**–**	**–**	**–**	**–**	**–6.6**	**–6.6**
–	–	–	–	–	–	–1.2	–1.2
–	–	–	–	–	–	–5.4	–5.4
–	**–**	**–**	**–**	**–**	**–2.4**	**–**	**–2.4**
–140.0	**2.6**	**568.2**	**–**	**430.8**	**4,725.6**	**1.1**	**4,726.7**
–118.9	**5.4**	**835.3**	**–**	**721.8**	**5,054.6**	**3.8**	**5,058.4**
10.7	**–2.4**	**–581.2**	**–**	**–572.9**	**–567.2**	**2.0**	**–565.2**
–	–	–	–	–	5.7	2.5	8.2
10.7	–2.4	–581.2	–	–572.9	–572.9	–0.5	–573.4
–	**–**	**–**	**–0.5**	**–0.5**	**1,283.2**	**4.0**	**1,287.2**
				–			
–	–	–	–	–	1,286.1	7.1	1,293.2
–	–	–	–	–	–0.8	–	–0.8
–	–	–	–0.5	–0.5	–0.5	–1.2	–1.7
–	–	–	–	–	–	–0.3	–0.3
–	–	–	–	–	–1.6	–1.6	–3.2
–	**–**	**–0.1**		**–0.1**	**–**	**–**	**–**
–108.2	**3.0**	**254.0**	**–0.5**	**148.3**	**5,770.6**	**9.8**	**5,780.4**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

Hapag-Lloyd AG, domiciled in Hamburg, Germany, is the parent company of the Hapag-Lloyd Group and a listed public limited company in accordance with German law. The Company's shares are traded on the Frankfurt and Hamburg Stock Exchanges. Hapag-Lloyd is an international container liner shipping group whose primary purpose is to provide ocean container liner shipping activities, logistical services and all other associated business operations and services.

Hapag-Lloyd AG and the Arab shipping company United Arab Shipping Company Ltd. (UASC) signed a business combination agreement on 15 July 2016. The legal merger came into effect as at 24 May 2017 in the form of a contribution in kind in exchange for the issuing of approximately 45.9 million Hapag-Lloyd shares. Following the capital increase in exchange for contributions in kind, UASC's former primary shareholders, Qatar Holding LLC (on behalf of the Qatar Holding Authority, with 14.4%) and Public Investment Fund Saudi Arabia (with 10.1%), are additional major shareholders in Hapag-Lloyd AG. The remaining UASC shareholders (Kuwait, Iraq, United Arab Emirates and Bahrain) hold a combined total of 3.6% of Hapag-Lloyd's shares. On 19 July 2017, 42.7 million shares resulting from the capital increase went into circulation; these shares were assigned to UASC's existing shareholders in the course of the merger between Hapag-Lloyd and UASC.

On 27 September, the Executive Board decided, with the approval of the Supervisory Board, to use a portion of the authorised share capital for a capital increase with subscription rights. The new no-par shares were offered for subscription at a ratio of 14:1 for a subscription price of EUR 30.00. The capital increase was carried out after the balance sheet date and was entered into the commercial register on 17 October 2017. As part of this capital increase, the total number of voting rights increased from 164.0 million to 175.8 million. The 11,717,353 new no-par shares with subscription rights resulting from the capital increase were included in the existing listing on the Frankfurt and Hamburg stock exchanges on 20 October 2017. The shares held by CSAV Germany Container Holding GmbH initially increased to 24.7% as part of the capital increase. In accordance with separate agreements with Hapag-Lloyd AG's anchor shareholders, CSAV increased its share in Hapag-Lloyd to 25% as at 30 October 2017. The subscribed capital increased by EUR 11.7 million and the capital reserves by EUR 339.8 million as a result of the capital increase.

The interim consolidated financial statements cover the period 1 January to 30 September 2017 and are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

On 14 November 2017, the Executive Board approved the condensed interim consolidated financial statements for publication.

Accounting principles

The interim consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee, as they are to be applied in the European Union (EU). This interim report as at 30 September 2017 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and interim Group management report of Hapag-Lloyd AG have not been subject to an audit review nor have they been reviewed in accordance with Section 317 of the German Commercial Code (HGB).

The standards and interpretations valid in the EU since 1 January 2017 were applied during the preparation of the interim consolidated financial statements. As regards the possible effects of standards and interpretations that have already been adopted, but that are not yet mandatory, we refer to the explanations in the Notes to the consolidated financial statements as at 31 December 2016, which remain valid and have not changed. The project activities relating to implementation of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* were continued in 2017. In this regard, there have thus far not been any significant new findings in comparison to 31 December 2016. The statements made in the Notes to the consolidated financial statements as at 31 December 2016 regarding the likely impacts of the first-time application of these standards otherwise remain valid. This means the first-time application of IFRS 15 within the Hapag-Lloyd Group as at 1 January 2018 is still not expected to have any significant impact on the amount of revenue and when it is recognised. Likewise, the first-time application of IFRS 9 within the Hapag-Lloyd Group as at 1 January 2018 is not expected to have any significant impact on the existing accounting practices in accordance with IAS 39. Please note that the Hapag-Lloyd Group uses bunker options to hedge against fuel price risks, with only the intrinsic value being included in the hedging relationship. The resulting changes in fair value of EUR –1.0 million (31 December 2016: EUR 4.6 million) were therefore recognised immediately through profit or loss in the current financial statements under IAS 39. Under IFRS 9, these measurement gains would be recognised through other comprehensive income, as a result of which there would be lower measurement fluctuations in the income statement for the same amount. As regards the equity instruments that Hapag-Lloyd does not hold for trading, the company has the option of classifying them either as fair value through other comprehensive income (FVOCI) or as fair value through profit and loss (FVTPL) when IFRS 9 is applied for the first time. Hapag-Lloyd has now decided to allocate them to the FVTPL category.

The interim consolidated financial statements as at 30 September 2017 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2016 and were prepared in compliance with the same accounting and measurement principles which formed the basis for these. Estimates and discretionary decisions were made in the same manner as in the previous year. The actual values may differ from the estimated values.

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

As at 30 September 2017, the closing US dollar / euro exchange rate was quoted as USD 1.1814 / EUR (31 December 2016: USD 1.0560 / EUR). For the first nine months of 2017, the average US dollar / euro exchange rate was USD 1.1133 / EUR (prior year period: USD 1.1138 / EUR). The average US dollar / euro exchange rate relating to the incorporated UASC Group was USD 1.1620 / EUR for the period from the acquisition date.

Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and equity-accounted investments. In addition to Hapag-Lloyd AG, the group of consolidated companies comprised 169 fully consolidated companies (31 December 2016: 78) and nine equity-accounted investees as at 30 September 2017 (31 December 2016: four). Three companies have been deconsolidated since 31 December 2016 on the grounds of immateriality and three companies have been liquidated and are therefore no longer part of the group of consolidated companies. As part of the integration process, three companies have been amalgamated into other companies within the Hapag-Lloyd Group. No significant effects on earnings arose as a result of these deconsolidations, liquidations and amalgamations.

With the incorporation of the UASC Group into the Hapag-Lloyd Group as at 24 May 2017, 100 fully consolidated companies and five equity-accounted investees were included in the group of consolidated companies.

Company acquisitions

Acquisition of UASC Group

On 24 May 2017, Hapag-Lloyd acquired 100% of the shares and voting rights in UASC. As at the acquisition date, UASC was the biggest container liner shipping company in the Middle East. The shares in UASC are not publicly traded. The merger between Hapag-Lloyd and UASC strengthens Hapag-Lloyd's market position in an industry which is continuing to consolidate. As a result of the integration, Hapag-Lloyd now operates one of the largest container ship fleets in the world. It also gives Hapag-Lloyd access to UASC's customer relationships. The merger is expected to result in annual synergies of USD 435 million starting in 2019.

UASC's shareholders were granted 45,932,023 new ordinary shares as consideration for the share acquisition. The consideration had a fair value of EUR 1,286.1 million. In return for this transfer, the sellers received 28% of the shares in Hapag-Lloyd AG, the parent company of the Hapag-Lloyd Group. The fair value of the ordinary shares issued was based on the share price of Hapag-Lloyd AG on 24 May 2017 of EUR 28.00 per share.

Hapag-Lloyd and UASC operated an alliance (hereinafter referred to as the "mini alliance") from 1 April to 24 May 2017 in order to incorporate UASC's ships into the network of the THE Alliance.

The THE Alliance is an alliance of autonomous container shipping companies. The mini alliance operated at market conditions.

Costs were incurred for Hapag-Lloyd in the amount of EUR 15.7 million in relation to the business combination, which were recognised as other operating expenses and mainly result from consultancy fees. Of this, EUR 8.6 million was accrued in the 2016 financial year and EUR 7.1 million in the current financial year. The costs of EUR 0.8 million relating to the issue of the new ordinary shares transferred as a consideration were accounted for as a deduction from equity.

The fair values recognised for the acquired assets and liabilities at the time of acquisition are summarised below. The amounts are preliminary measurements:

Provisional fair values as at the date of acquisition

million EUR	
Assets	
Other intangible assets	734.2
Property, plant and equipment	3,783.9
Investments in equity-accounted investees	3.8
Other assets and receivables	137.4
Deferred tax assets	0.4
Non-current assets	**4,659.7**
Inventories	48.3
Trade account receivables	238.0
Other assets and receivables	139.3
Cash and cash equivalents	366.3
Non-current assets held for sale	13.4
Current assets	**805.3**
Total assets	**5,465.0**
Equity and liabilities	
Provisions for pensions and similar obligations	17.8
Other provisions	6.1
Financial debt	3,099.0
Derivative financial instruments	19.2
Deferred tax liabilities	0.7
Non-current liabilities	**3,142.8**
Provisions for pensions and similar obligations	65.1
Other provisions	59.6
Income tax liabilities	9.1
Financial debt	452.3
Trade account payables	391.1
Other liabilities and non-controlling interests	12.1
Current liabilities	**989.3**
Total equity and liabilities	**4,132.1**
Acquired net assets attributable to Hapag-Lloyd AG shareholders	1,332.9
Consideration transferred	1,286.1
Gain from bargain purchase	–46.8

Pursuant to the requirements of IFRS 3, all acquired assets, liabilities and contingent liabilities are to be measured at fair value. The valuation methods used to determine the fair values of the main assets are as follows:

Relief from royalty method: The relief from royalty method considers the discounted estimated payments of royalties that may be saved by owning the brand. This method was used for brand valuation.

Residual value method: The residual value method considers the present value of expected net cash flows generated by the customer relationships, with the exception of all cash flows that are linked to supporting assets. This method was used to evaluate customer relationships.

Incremental cash flow method: In the incremental cash flow method, expected cash flows are compared to alternative values (market value conditions). This method was used for the measurement of advantageous and disadvantageous contracts.

Market comparison method: This valuation method considers the listed market prices of similar objects if these are available and, if applicable, depreciated replacement costs. Depreciated replacement costs reflect changes relating to physical deterioration as well as functional overhauling and economic obsolescence. This method was used for the valuation of the owned ships, containers, software and inventories.

Measurement of the assets acquired and liabilities assumed as part of the acquisition of UASC depends on estimates and assumptions. Existing uncertainties were suitably applied to measurement during the purchase price allocation. All the estimates and assumptions are based on relationships and assessments as at the date of acquisition. There were no changes to these estimates and assumptions as at the reporting date.

The assumptions and estimates that could have a material impact on the carrying amounts of assets and liabilities relate mainly to the following cases:

- Setting the parameters for determining the fair value of the assets acquired and liabilities assumed (e.g. assumptions regarding business development, operating margins and market conditions [charter rates, lease rates] and assumptions used to determine capital costs).
- Determining the useful life of intangible assets (e.g. brand, customer relationships and software).
- Measurement of tax and legal risks.

Provisional nature of purchase price allocation

The valuation of all acquired assets and liabilities at the acquisition date is provisional due to the short time between the time of acquisition and the reporting date. If facts and circumstances become known within one year of the date of acquisition that existed on the date of acquisition and that would have resulted in changes to the amounts indicated above, the accounting of the company acquisition will be amended accordingly.

The provisional purchase price allocation resulted in a profit from the acquisition of UASC (EUR –46.8 million) which had been recognised in other operating income. The profit from the acquisition of UASC can be economically attributed to the participation of the seller in the expected positive share price performance, as the purchaser and the seller believe that the equity of container shipping companies is undervalued by the market.

The following table presents the net cash inflow resulting from the company acquisition:

million EUR

Acquired net assets	1,332.9
Gain from bargain purchase	–46.8
Consideration transferred	1,286.1
– Acquisition through issuance of shares	1,286.1
Cash-effective acquisition-related costs in 2017	–8.8
+ Acquired cash	366.3
Net payments received from acquisitions	**357.5**

In the course of the acquisition, receivables with a fair value of EUR 490.6 million were recognised, EUR 238.0 million of which related to trade accounts receivable. The gross amount was EUR 520.6 million, EUR 268.0 million of which related to trade accounts receivable. Of this amount, EUR 30.0 million is likely to be uncollectable. At the time of acquisition, contingent liabilities in the amount of EUR 15.2 million were recognised relating to tax risks. The settlement amount was determined on the basis of internal estimates. It is currently not possible to determine a fixed utilisation date.

Since the date of acquisition, revenue of EUR 506.6 million and earnings (EBIT) of EUR –9.1 million have been attributed to UASC, taking the purchase price allocation into account.

Had the acquisition taken place on 1 January 2017 (pro forma consideration), Group revenue would have come to EUR 8,418.3 million and earnings (EBIT) would have totalled EUR 309.1 million. The Hapag-Lloyd Group for the period 1 January to 30 September 2017 together with the UASC Group for the period 1 January to 24 May 2017, accounted for in accordance with the accounting principles of Hapag-Lloyd, served as the starting point for the preparation of the pro forma figures. The pro forma consideration was calculated including the effects of the purchase price allocation, while effects from transactions which were contractually required before the time of acquisition were not included. Furthermore, in calculating these amounts, it was assumed that the provisional adjustments made to the fair values at the time of acquisition would also have been valid if the acquisition had occurred on 1 January 2017. The required pro forma adjustments are based on the available information.

Based on the outlined assumptions, the presented pro forma net result does not necessarily equate to the Group net result that the Group would have generated had the acquisition of UASC in fact been completed on 1 January 2017. Additionally, commenting on the future development of the Group net result is only possible with some uncertainty. Influencing factors which can result in deviations from expectations comprise not only macroeconomic factors such as exchange rates, interest rates and bunker prices, but also the future development of container shipping.

Acquisition of Hapag-Lloyd Denizasiri Nakliyat A.S. after the balance sheet date

As at 5 October 2017, Hapag-Lloyd acquired 15% of the capital and voting rights in Hapag-Lloyd Denizasiri Nakliyat A.S., Izmir, Turkey ("HLOT"). As a result, the share of equity held by Hapag-Lloyd in this company rose from 50% to 65%, and Hapag-Lloyd gained control of HLOT. Previously, Hapag-Lloyd had recognised the stake as an investment in a joint venture using the equity method.

As the date of acquisition is after 30 September 2017, the acquisition will be recognised in the fourth quarter. Please refer to the information presented under "Significant events after the balance sheet date".

On 24 May 2017, Hapag-Lloyd merged with UASC. As part of the integration and restructuring of the acquired UASC business, Hapag-Lloyd will now handle the Turkish, Greek and Macedonian operations of UASC via its existing agent HLOT, thus allowing for the dismantling of the redundant agency structure and facilitating the harnessing of synergies.

With this in mind, a decision was taken to amend the shareholder structure. Hapag-Lloyd was the only participant in a HLOT capital increase in October 2017, thus increasing its stake and voting rights in HLOT to 65%. As consideration for the acquisition of the majority stake of 65% in HLOT, the former UASC agency business was transferred to HLOT. Furthermore, the stake previously held by Hapag-Lloyd in the joint venture, which is derecognised with the gaining of control over HLOT, must still be taken into account.

The costs associated with the merger are insignificant.

The initial consolidation of HLOT using the acquisition method has, at the time the consolidated financial statements were prepared by Hapag-Lloyd, not yet been concluded.

The net assets of HLOT identified as part of initial consolidation chiefly comprise trade accounts receivable, cash and cash equivalents, and trade accounts payable. Due to the short time between the time of acquisition and the reporting date, it has not yet been possible to determine the fair value of the acquired assets, liabilities and the non-controlling interests.

The carrying amount of the interest in HLOT, which was recognised using the equity method, amounted to EUR 5.7 million as at 30 September 2017. Due to the short time between the time of acquisition and the time that the financial statements were prepared, it is not possible to provide any further information on the transaction.

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 trade as well as EBIT and EBITDA at the Group level.

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

Due to the inclusion of UASC in the Hapag-Lloyd Group from the first-time consolidation date of 24 May 2017, figures provided in the segment reporting section can only be compared with those of the previous year to a limited extent.

Transport volume per trade*

TTEU	Q3 2017	Q3 2016	9M 2017	9M 2016
Atlantic	436	385	1,254	1,159
Transpacific	465	379	1,254	1,091
Far East	503	213	1,040	625
Middle East	349	122	675	345
Intra-Asia	259	163	597	450
Latin America	649	586	1,812	1,673
EMAO (Europe – Mediterranean – Africa – Oceania)	147	100	397	308
Total	**2,808**	**1,947**	**7,029**	**5,650**

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Freight rates per trade*

USD / TEU	Q3 2017	Q3 2016	9M 2017	9M 2016
Atlantic	1,315	1,333	1,298	1,344
Transpacific	1,267	1,147	1,246	1,237
Far East	993	780	971	765
Middle East	878	666	884	685
Intra-Asia	615	531	593	556
Latin America	1,077	1,047	1,035	993
EMAO (Europe – Mediterranean – Africa – Oceania)	1,125	1,058	1,064	1,067
Total (weighted average)	**1,065**	**1,027**	**1,060**	**1,037**

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Revenue per trade*

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Atlantic	487.3	460.7	1,462.0	1,399.0
Transpacific	504.2	388.9	1,403.5	1,211.5
Far East	435.9	148.4	907.1	428.9
Middle East	268.0	72.9	536.0	211.8
Intra-Asia	138.2	77.4	318.0	224.6
Latin America	597.4	549.3	1,684.6	1,490.5
EMAO (Europe – Mediterranean – Africa – Oceania)	141.8	94.4	379.4	295.0
Revenue not assigned to trades	223.2	136.3	623.7	452.5
Total	**2,796.0**	**1,928.3**	**7,314.3**	**5,713.8**

* In connection with the merger of the UASC Group, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Operating earnings before interest, taxes, depreciation and amortisation (EBITDA) are calculated on the basis of the Group's earnings before interest and taxes (EBIT) as presented in the following table. Earnings before taxes (EBT) and the share of profits of the segment's equity-accounted investees correspond to those of the Group.

EBITDA

million EUR	Q3 2017	Q3 2016	9M 2017	9M 2016
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**361.5**	**184.6**	**721.9**	**381.3**
Depreciation, amortisation and impairment	180.9	119.0	454.0	355.4
Earnings before interest and taxes (EBIT)	**180.6**	**65.6**	**267.9**	**25.9**
Earnings before income taxes (EBT)	**60.2**	**10.5**	**26.1**	**–119.1**
Share of profit of equity-accounted investees	**12.4**	**7.5**	**30.8**	**19.6**

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Detailed notes to the income statement are contained in the interim management report in the chapter "Group earnings position".

Earnings per share

	Q3 2017	Q3 2016	9M 2017	9M 2016
Profit/loss attributable to shareholders of Hapag-Lloyd AG in million EUR	54.1	7.5	5.7	–136.4
Weighted average number of shares in million	164.0	118.1	139.8	118.1
Basic earnings per share in EUR	**0.33**	**0.07**	**0.04**	**–1.15**

The new number of shares resulting from the capital increase during the year led to different weightings in the periods under review. This in turn resulted in different earnings per share in the individual quarters compared with the nine-month period as a whole.

There were no dilutive effects in the first nine months of 2017 or in the corresponding prior year period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The inclusion of UASC in the Hapag-Lloyd Group means that the acquired container shipping activities were included in the consolidated statement of financial position as at 30 September 2017 from the first-time consolidation date of 24 May 2017. As such, the figures in the consolidated statement of financial position as at 30 September 2017 can only be compared with those of previous years to a limited extent.

Goodwill and other intangible assets

Other intangible assets increased by EUR 734.2 million primarily as a result of the first-time consolidation of UASC in the Group as a whole. In addition, the goodwill and intangible assets were reduced by EUR –354.2 million compared with 31 December 2016 due to currency translation effects and by EUR 67.0 million due to the amortisation of other intangible assets.

Property, plant and equipment

million EUR	30.9.2017	31.12.2016
Vessels	7,369.6	5,024.5
Container	1,602.1	998.3
Other equipment	144.0	132.0
Prepayments on account and assets under construction	1.6	160.8
Total	**9,117.3**	**6,315.6**

Property, plant and equipment increased primarily due to the inclusion of assets of EUR 3,783.9 million following the first-time consolidation of UASC in the Group as a whole. Fixed assets increased further by EUR 236.5 million due to investments in ocean-going vessels. By contrast, the carrying amounts were reduced by depreciation in the amount of EUR 384.7 million and currency effects at the reporting date of EUR –854.3 million.

Fixed assets of EUR 191.2 million were recognised in conjunction with finance lease contracts (31 December 2016: EUR 181.6 million). Of this, EUR 103.6 million was attributable to containers (31 December 2016: EUR 81.2 million) and EUR 87.6 million to ships (31 December 2016: EUR 100.4 million).

Non-current assets held for sale

Of the three ships held for sale at the end of the first half of the year, two were sold in September 2017. The Executive Board of Hapag-Lloyd AG decided to sell six further vessels of the UASC Group that are older and inefficient in September 2017. Impairment of EUR 2.3 million was recognised in depreciation of property, plant and equipment when classifying the ships as held for sale. As at 30 September 2017, seven ships in total are held for sale and are expected to be sold by mid-2018.

The carrying amount of the ships held for sale corresponds to the fair value less costs of disposal and amounts to EUR 28.3 million as at the balance sheet date.

Cash and cash equivalents

million EUR	30.9.2017	31.12.2016
Cash at bank	1,214.9	565.9
Cash in hand and cheques	6.3	4.3
Total	**1,221.2**	**570.2**

As at 30 September 2017, a sum totalling EUR 17.2 million with a term of up to three months was deposited in pledged accounts (31 December 2016: EUR 12.7 million) and was therefore subject to a limitation on disposal.

Cash and cash equivalents totalling EUR 203.3 million were transferred to an escrow account to enable early repayment of a euro bond after the balance sheet date and were used to pay the bonds shortly after the balance sheet date.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 1.8 million (31 December 2016: EUR 3.9 million) at individual subsidiaries.

Cumulative other equity

Cumulative other equity comprises the reserve for remeasurements relating to defined benefit pension plans, the reserve for cash flow hedges, the translation reserve and the reserve for put options on non-controlling interests.

The cumulative expenses and earnings from the remeasurement of pension obligations as recognised in other comprehensive income are presented under the reserve for remeasurements relating to defined benefit pension plans (30 September 2017: EUR –108.2 million; 31 December 2016: EUR –118.9 million). Remeasurement effects in the case of defined benefit pension obligations result from changes in estimates relating to actuarial assumptions regarding measurement of the gross pension obligations and the difference between the standard (anticipated) and the actual return on plan 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 3.0 million as at 30 September 2017 (31 December 2016: EUR 5.4 million).

The currency effects of EUR –581.2 million recognised in the first nine months of 2017 (prior year period: EUR –110.6 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve amounted to EUR 254.0 million as at 30 September 2017 (31 December 2016: EUR 835.3 million).

Put options on non-controlling interests

Put options written involving a commitment to buy non-controlling interests when exercised are recognised as a financial liability in the amount of the present value of the exercise price pursuant to IAS 32. This entails application of the anticipated acquisition method which is founded on the assumption that acquisition of the non-controlling interests has already occurred: a financial obligation to acquire own equity instruments is carried as a liability. The non-controlling interests are derecognised in equity and the difference between the non-controlling interests and the likely purchase price is recognised in the remaining equity. Changes in the value of the financial liability are subsequently recognised directly in equity.

The anticipated acquisition of non-controlling interests was disclosed separately in the statement of changes in equity.

A put option measured at fair value in the amount of EUR 1.7 million was recognised under other liabilities as at 30 September 2017. This developed as follows:

million EUR	Put option
Opening balance at 1.1.2017	**–**
Addition by granting put options	1.7
Unrealised losses recognised in the reserve for put options	0.1
Currency translation differences recognised in the translation reserve within the OCI	–0.1
Closing balance at 30.9.2017	**1.7**

Measurement of the put option with the aid of the discounted cash flow method above all takes into account the anticipated net cash flows, which are discounted at a rate of 10.6%.

The fair value of the put option would increase (decrease) if the anticipated net cash flows were higher (lower) or if the discount rate was lower (higher).

Provisions

As part of the incorporation of the UASC Group on 24 May 2017 and the associated implementation of the Group's new organisational structure, a restructuring provision of EUR 34.0 million was created. The Executive Board of the Hapag-Lloyd Group decided on a restructuring plan on 30 June 2017. Following the announcement of the plan and the start of its implementation, the Group recognised a provision for expected restructuring costs, including estimated costs occurring for claims arising following the termination of agent contracts and termination benefits for employees. Due to the utilisation of termination benefits for employees in the course of the year, the provision amounts to EUR 27.7 million as at the balance sheet date.

Financial instruments

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

	Carrying amount		Fair value
million EUR	**Total**	thereof financial instruments	Financial instruments
Assets			
Trade accounts receivable	677.6	677.6	677.6
Other assets	224.5	126.2	126.2
Derivative financial instruments (held for trading)	33.0	33.0	33.0
Commodity options	6.7	6.7	6.7
Embedded derivatives	26.3	26.3	26.3
Derivative financial instruments (hedge accounting)	4.6	4.6	4.6
Commodity options	4.6	4.6	4.6
Cash and cash equivalents	570.2	570.2	570.2
Liabilities			
Financial debt	4,043.5	4,043.5	4,082.2
Liabilities from finance leases*	137.2	137.2	143.6
Trade accounts payable	1,281.6	1,281.6	1,281.6
Derivative financial liabilities (hedge accounting)	41.1	41.1	41.1
Currency forward contracts	41.1	41.1	41.1
Other liabilities	179.9	50.7	50.7

* Part of financial debt

The carrying amounts and fair values of the financial instruments as at 30 September 2017 are presented in the table below.

million EUR	Carrying amount: Total	Carrying amount: thereof financial instruments	Fair value: Financial instruments
Assets			
Trade accounts receivable	1,058.6	1,058.6	1,058.6
Other assets	450.4	323.3	323.3
Derivative financial instruments (held for trading)	29.2	29.2	29.2
Commodity options	3.6	3.6	3.6
Embedded derivatives	25.6	25.6	25.6
Derivative financial instruments (hedge accounting)	42.2	42.2	42.2
Currency forward contracts	42.2	42.2	42.2
Commodity options	0.0	0.0	0.0
Cash and cash equivalents	1,221.2	1,221.2	1,221.2
Liabilities			
Financial debt	7,289.0	7,289.0	7,338.9
Liabilities from finance leases*	132.7	132.7	137.6
Trade accounts payable	1,686.8	1,686.8	1,686.8
Derivative financial instruments (held for trading)	1.7	1.7	1.7
Currency forward contracts	1.7	1.7	1.7
Derivative financial liabilities (hedge accounting)	13.4	13.4	13.4
Interest rate swaps	13.4	13.4	13.4
Currency forward contracts	0.0	0.0	0.0
Other liabilities	217.2	68.4	68.4

* Part of financial debt

The derivative financial instruments were measured at fair value. Since the business combination with UASC, they also include interest rate swaps used to hedge against interest rate risks. Their fair value is calculated as the present value of the anticipated future cash flows. The estimates of future cash flows from variable interest payments are based on quoted swap rates and interbank interest rates. The estimate of the fair value is adjusted by the credit risk of the Group and the counterparty.

Other assets include securities in the available-for-sale category with a fair value of EUR 2.2 million (31 December 2016: EUR 0.3 million) that are allocated to level 1 of the fair value hierarchy, as their prices are quoted on an active market.

The liabilities from bonds included within financial debt, which due to the quotation on an active market are also allocated to level 1 of the fair value hierarchy, have a fair value of EUR 1,402.8 million (31 December 2016: EUR 786.7 million). The fair values indicated for the remaining financial debt, derivative financial instruments and liabilities from finance leases are assigned to level 2 of the fair value hierarchy. This means that the instruments are measured using methods which are based on factors derived directly or indirectly from observable market data.

The put options recognised under other liabilities with a fair value corresponding to the carrying amount of EUR 1.7 million belong to level 3 of the fair value hierarchy. The main non-observable input factors used for measurement of the liability are the anticipated net cash flows and the discount rate as determined internally.

The carrying amounts of all other level 2 financial instruments are a suitable approximation of the fair values.

There were no transfers between levels 1, 2 and 3 in the first nine months of 2017.

Financial debt

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

Financial debt

million EUR	30.9.2017	31.12.2016
Liabilities to banks	5,350.8	3,050.1
Bonds	1,371.7	785.2
Liabilities from finance lease contracts	132.7	137.2
Other financial debt	566.5	208.2
Total	**7,421.7**	**4,180.7**

Financial debt by currency

million EUR	30.9.2017	31.12.2016
Financial debt denoted in USD (excl. transaction costs)	5,684.0	3,394.0
Financial debt denoted in EUR (excl. transaction costs)	1,536.4	819.0
Financial debt denoted in SAR (excl. transaction costs)	215.6	–
Interest liabilities	53.5	37.4
Transaction costs	–67.8	–69.7
Total	**7,421.7**	**4,180.7**

The EUR 3,241.0 million increase in financial debt was primarily due to the inclusion of UASC in the Group as a whole. As at 30 September 2017, it accounted for EUR 3,192.7 million of the Hapag-Lloyd Group's total financial debt.

Hapag-Lloyd has drawn down long-term loan agreements for a total of USD 223.4 million (EUR 189.1 million) in connection with three 10,500 TEU ships delivered in the first nine months of 2017.

On 27 July 2017, Hapag-Lloyd placed the MV Afif into service and, on 28 September 2017, the MV Al Jmeliyah. Both ships have a transport capacity of 15,000 TEU each. The last instalments of EUR 21.6 million (USD 25.5 million) for the construction of each ship became payable to the shipyard upon delivery. Both ships were financed with a long-term loan in the amount of EUR 80.2 million (USD 94.8 million) each, which had already been utilised in full upon delivery.

In January 2017, a sale and leaseback transaction was entered into involving used containers and containers held by the Company. The lease agreement has a term of four years and comprises a volume of USD 44.1 million (EUR 37.3 million). The lease contract is essentially a form of borrowing, with the containers transferred by way of security. The Company will remain the beneficial owner of the containers, and the disposal of the containers will have no effect on earnings.

On 1 February 2017, Hapag-Lloyd issued a new corporate bond with a coupon of 6.75% and a maturity of five years at an issue price of 100.0%. Due to the high level of demand, the originally planned issue volume of EUR 150.0 million was increased to EUR 250.0 million. In the same month, some of the proceeds from the issue were used for the early repayment of the US dollar bond with an outstanding amount of USD 125.0 million.

On 15 February 2017, EUR 200.0 million was added to the corporate bond issued previously, taking the total amount to EUR 450.0 million. The issue generated additional proceeds of EUR 204.8 million (issue price: 102.375%), of which EUR 200.0 million were used for the partial repayment of an existing euro bond.

Hapag-Lloyd issued a euro bond with a volume of EUR 450.0 million on 18 July 2017. The bond has a maturity of seven years and a coupon of 5.125%. The issue proceeds were used in October 2017 for the early repayment of Hapag-Lloyd's existing 7.75% and 7.50% euro bonds which would have fallen due in 2018 and 2019.

Developments in used market prices for container ships resulted in deficits in the loan-to-value ratios in the fourth quarter of 2016. In the first nine months of 2017, Hapag-Lloyd made early repayments in the amount of USD 51.3 million (EUR 43.4 million) as requested by the financing banks.

Three sale and leaseback transactions were concluded in the first nine months of 2017 to refinance existing ship portfolios. The lease contracts amount to USD 454.0 million (EUR 384.3 million) and have a maturity of ten years.

The economic substance of these transactions is credit financing secured by the assignment of ship portfolios as collateral. Classification is in accordance with SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease, because the agreements contain purchase obligations at the end of the lease term. The Group remains the beneficial owner of the ship portfolios, and the disposal of the ocean-going vessels had no effect on earnings. The former loan liabilities of USD 308.0 million (EUR 284.1 million) associated with the ship portfolios were repaid in full.

The credit facilities of USD 260.0 million (EUR 220.1 million) utilised as at 31 December 2016 to finance container investments were also repaid in the first nine months of 2017.

The Hapag-Lloyd Group had total available credit facilities of EUR 389.4 million as at 30 September 2017 (31 December 2016: EUR 189.4 million).

OTHER NOTES

Legal disputes

Subpoenas were served to company representatives attending the twice-yearly conference of the International Council of Containership Operators (known as the “Box Club”) in San Francisco on 15 March 2017, ordering them to attend a hearing by the U.S. Department of Justice Antitrust Division (“DoJ”). Concrete allegations have not been made at present, however the subpoenas have been issued in connection with the DoJ investigation into the global container liner shipping industry. Hapag-Lloyd will cooperate with the authorities in full. A quantification of a possible risk that may result from the investigations still cannot be made at the time of reporting.

Authorities in a number of jurisdictions launched investigations into possible breaches of competition law in the 2015 and 2016 financial years. All of these investigations have been largely concluded, and no significant financial effects are to be expected.

As at the reporting date, there were EUR 139.1 million in contingent liabilities from tax risks not classified as probable (31 December 2016: EUR 128.4 million).

Obligations from operating lease contracts

The Group’s obligations from operating lease contracts above all relate to charter and lease agreements for ships and 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 first nine months of 2017, lease payments of EUR 774.9 million were posted to expenses (prior year period: EUR 785.9 million).

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

million EUR	30.9.2017	31.12.2016
Ships and containers	576.3	682.7
Administrative buildings	109.2	103.9
Other	243.3	239.2
Total	**928.8**	**1,025.8**

Other financial obligations

In August 2017, Hapag-Lloyd AG ordered a total of 7,700 new reefer containers at a purchase price of EUR 84.6 million (USD 100.0 million) in total, which will be transferred to the beneficial ownership of the company between December 2017 and January 2018.

The Group's other financial obligations as at 31 December 2016 comprised a purchase obligation for investments in container ships amounting to EUR 151.7 million, the deliveries of which were completed in full in the 2017 financial year.

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 are transacted at market prices. The volume of these supply and service relationships has increased compared to 31 December 2016 due to the first-time incorporation of the UASC Group as at 24 May 2017. The contractual relationships with related parties described in the remuneration report from page 80 onwards of the 2016 annual report remain unchanged, but are not of material importance to the Group.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 1 October 2017, Hapag-Lloyd repaid an existing euro bond in the amount of EUR 200.0 million with a coupon of 7.75% due in 2018 early at a rate of 100.0%.

As at 5 October 2017, Hapag-Lloyd acquired 15% of the capital and voting rights in Hapag-Lloyd Denizasiri Nakliyat A.S., Izmir, Turkey ("HLOT"). As a result, the share of equity held by Hapag-Lloyd in this company rose from 50% to 65%, and Hapag-Lloyd gained control of HLOT. Information on this acquisition can be found in the section "Company acquisitions".

On 15 October 2017, Hapag-Lloyd repaid a further existing euro bond in the amount of EUR 250.0 million with a coupon of 7.50% due in 2019 early at a rate of 101.875%.

In the period from 2 October to 16 October 2017, Hapag-Lloyd completed a capital increase with subscription rights. The income from this capital increase was used to repay credit facilities of approximately USD 400 million early.

Hamburg, 14 November 2017

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

PRELIMINARY FINANCIAL CALENDAR 2018

MARCH 2018
Publication of annual financial statements and annual report 2017

MAY 2018
Publication of quarterly financial report for the first three months of 2018

AUGUST 2018
Publication of half year financial report for the first six months of 2018

NOVEMBER 2018
Publication of quarterly financial report for the first nine months of 2018

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Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg, Germany

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

Corporate Communications
Phone: +49 40 3001 - 2529
Fax: +49 40 335360
www.hapag-lloyd.com

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Hapag-Lloyd Corporate Communications
Silvester Group

Hapag-Lloyd AG · Ballindamm 25 · 20095 Hamburg · www.hapag-lloyd.com