ANNUAL REPORT 2012

SUMMARY OF HAPAG-LLOYD KEY FIGURES

KEY OPERATING FIGURES		1.1. – 31.12. 2012	1.1. – 31.12. 2011	Change absolute
Total vessels[1], of which		**144**	149	–5
own vessels[1]		**59**	58	+1
leased vessels[1]		**7**	9	–2
chartered vessels[1]		**78**	82	–4
Aggregate capacity of vessels[1]	TTEU	**670**	679	–9
Total containers[1]	TTEU	**1,047**	1,042	+5
Bunker price (average for the year)	USD/t	**660**	605	+55
Freight rate (average for the year)	USD/TEU	**1,581**	1,532	+49
Transport volume	TTEU	**5,255**	5,198	+57
Revenue	Million EUR	**6,844**	6,103	+741
Transport expenses	Million EUR	**6,182**	5,281	+901
EBITDA	Million EUR	**335**	367	–32
EBIT	Million EUR	**3**	80	–77
EBIT adjusted	Million EUR	**26**	101	–75
Consolidated net income for the year	Million EUR	**–128**	–29	–99
Cash flow from operating activities	Million EUR	**133**	244	–111
Investment in property, plant and equipment	Million EUR	**791**	262	+529
KEY RETURN FIGURES				
EBITDA margin (EBITDA / revenue)	%	**4.9**	6.0	–1.16ppt
EBIT margin (EBIT / revenue)	%	**0.0**	1.3	–1.3ppt
EBIT margin adjusted	%	**0.4**	1.7	–1.3ppt
KEY BALANCE SHEET FIGURES AS AT 31 DECEMBER				
Balance sheet total	Million EUR	**6,851**	6,614	+237
Equity	Million EUR	**3,114**	3,424	–310
Equity ratio (equity / balance sheet total)	%	**45.5**	51.8	–6.3ppt
Borrowed capital	Million EUR	**3,737**	3,189	+548
KEY FINANCIAL FIGURES AS AT 31 DECEMBER				
Financial debt	Million EUR	**2,372**	1,897	+475
Cash and cash equivalents	Million EUR	**561**	673	–112
Net debt (financial debt – cash and cash equivalents)	Million EUR	**1,811**	1,224	+587
Gearing (net debt / equity)	%	**58.2**	35.7	+22.5ppt
Asset coverage ratio I (fixed assets / equity)	%	**57.4**	67.6	–10.2ppt
Asset coverage ratio II ([equity + long-term debt] / fixed assets)	%	**99.7**	105.3	–5.6ppt
Liquidity ratio I (liquid assets / short term debt)	%	**39.1**	52.6	–13.5ppt
NUMBER OF EMPLOYEES AS AT 31 DECEMBER				
Employees at sea		**1,339**	1,303	+36
Employees on land		**5,611**	5,570	+41
Hapag-Lloyd total		**6,950**	6,873	+77

1) As at 31.12.

Disclaimer: This annual report contains statements concerning future developments at Hapag-Lloyd. Due to market fluctuations, the development of the competitive situation, world market prices for commodities, and changes in exchange rates and the economic environment, the actual results may differ considerably from these forecasts. Hapag-Lloyd neither intends nor undertakes to update forward-looking statements to adjust them to events or developments which occur after the date of this report.
At the time of preparation of this report, discussions were being held between Hapag-Lloyd and Hamburg-Süd regarding a possible merger of the two companies. The discussions are in a preliminary stage. The outcome of the discussions is as yet unknown.

This report was published in March 2013.

ANNUAL REPORT 2012

Hapag-Lloyd Holding AG

Hapag-Lloyd

Contents




Ladies and Gentlemen,

The liner shipping industry faced significant challenges once again in 2012. The bunker price reached record highs and the year was once again dominated by intense competition, especially on Asia–Europe routes. In the first six months as cargo volumes remained stable, we managed, on several occasions, to gain market acceptance for considerable rate increases. However, from the middle of the year it became increasingly clear that the transport volume on a number of key trades would remain well below the original forecasts issued at the beginning of the year. Having increased rates by over 12% between January and July, Hapag-Lloyd was unable to maintain higher prices in this environment. The debt crisis in Southern Europe and dramatically lower growth rates in major economies – such as the USA and several BRIC countries – subsequently meant that the all-important peak season failed to materialise in container shipping. During the peak season, it is usually possible to charge high mark-ups due to the large cargo volume, which make an important contribution towards overall earnings in our line of business. Last year, there was no market appetite for these premium peak-season prices given the global economic downturn and the recession in parts of Southern Europe.

Nevertheless, Hapag-Lloyd succeeded in maintaining its position as a quality provider in this tough environment. This is clearly illustrated by the 3.2% year-on-year increase in freight rates to USD 1,581/TEU. We were able to raise the average rate on transpacific and Latin America trades in particular in 2012. This illustrates the strength of a global liner shipping company like Hapag-Lloyd, which has an equally strong presence on all the main trades and thereby reduces potential risks. We grew our cargo volume by 1.1% to 5.26 million TEU in 2012. Revenue came in at EUR 6.84 billion – 12% higher than in the previous year. All our employees deserve recognition and heartfelt thanks for achieving this strong performance in a challenging year.

The results were affected by external factors, in particular bunker prices, which soared again, and other energy costs. The bunker price reached record highs, peaking at over USD 720 per tonne at times in the first half of 2012. Hapag-Lloyd had to spend an average of 9% more on bunker – the biggest cost factor for liner shipping companies – than in the previous year. Against a backdrop of weak rate developments, the Company was unable to fully compensate for energy-related cost increases in the second half of the year. Nevertheless, it posted a healthy EBITDA of EUR 335 million in the financial year just ended. The operating result (adjusted EBIT) stood at EUR 26 million. With these figures, Hapag-Lloyd met its target for last year and performed much better than the industry average again in 2012. However, earnings were unsatisfactory and fell far short of the original expectations due to the adverse macroeconomic environment.

Top left: Michael Behrendt, top right: Peter Ganz,
lower left: Jesper Praestensgaard, lower right: Ulrich Kranich

In the liner shipping industry, low, competitive costs determine how well a shipping company can perform compared to its rivals. Hapag-Lloyd operates an efficient fleet which is constantly modernised and optimised. We are always conservative and prudent when ordering new tonnage. In the second half of 2012, the first three of ten new container mega-ships went into service, including the new “Hamburg Express”. These vessels are already fully funded. This important step to purchase tonnage in the next size class further improves our already good competitive position and emphasises that Hapag-Lloyd is fit for the future. The highly efficient 13,200-TEU vessels are operating on routes between Asia and Europe. They sail under the German flag, which is both a clear expression of Hapag-Lloyd’s high quality standards and an endorsement of Germany as a shipping hub.

Throughout its 165-year history, Hapag-Lloyd has always been a driving force in shaping international shipping, forging new alliances and partnerships, setting standards, and influencing worldwide shipping policy within global industry associations. In March 2012, the new G6 Alliance started operating services between Asia and Europe. Hapag-Lloyd played a major role in establishing the alliance with five Asian shipping companies at the end of 2011. Within alliances, the partners make joint use of their vessels, enabling them to offer their customers a better product with more direct connections and shorter transit times – twinned with lower costs. At the same time, higher rates of capacity utilisation are achieved on ships within an alliance because more partners provide the cargo. These significant advantages made the G6 Alliance a resounding success last year, which will bring long-term benefits for Hapag-Lloyd. In the light of this success, the G6 Alliance is planning to expand to include trades between Asia and the North American East Coast this coming May. Hapag-Lloyd would also like to play an active role in the consolidation of the liner shipping sector and is currently engaged in talks concerning this matter.

Despite the surplus capacity, which still remains on the market in 2013, in particular affecting charter shipping companies, container shipping remains a growth industry. The growing wave of globalisation is reliant on container shipping and will ensure that cargo volumes increase further in the future. Forecasters at IHS Global Insight expect international maritime container traffic to increase by a total of 27% or 33 million TEU to 158 million TEU between 2012 and 2017. This corresponds to average annual growth of almost 5%.

The environment recently became more conducive to such developments, as the recession-hit countries in Southern Europe are making progress in overcoming the debt crisis. According to the International Monetary Fund, global economic growth will strengthen this year. In particular, the important BRIC nations China, Brazil and India are expected to return to clear growth. The USA's high budget deficit and ongoing uncertainty surrounding the key US domestic market still represent a question mark for the world economy. However, the risk of sliding into another global recession is already considered much lower. IHS Global Insight anticipates growth of 3% in world trade this year. The shipping industry will benefit from this.

Hapag-Lloyd has an outstanding position in this environment as the world's leading liner shipping company with a global service network. Freight rates in early 2013 are significantly higher than they were twelve months ago, meaning that the starting point is better for the current financial year than it was in 2012. Nevertheless, further trends in energy and bunker prices will have a crucial impact on business developments this year. Hapag-Lloyd is doing all it can to compensate for persistently high energy costs, which are driving up expenses. The Company has already announced further increases in rates for the current financial year. We are vigorously striving to raise transport prices back up to a level which will provide an attractive return on our shareholders' capital, despite high energy expenses. To achieve this, we need to post a profit, which we hope to do in 2013. Hapag-Lloyd's ability to pay dividends is – and will remain – our most important goal.

Yours,

Michael Behrendt

Chief Executive Officer

REPORT BY THE SUPERVISORY BOARD

Over the past financial year, the Supervisory Board of Hapag-Lloyd Holding AG executed the duties incumbent upon it in accordance with the law and the articles of association and as stipulated by its rules of procedure. It also advised and monitored the Executive Board in its governance of the Company.

At all times, the benchmark for all of the activities of the Supervisory Board is to protect the interests of Hapag-Lloyd Holding AG, the performance of which is predominantly influenced by Hapag-Lloyd AG as the Group's primary operating unit. A high degree of dovetailing is achieved at both the managerial and Supervisory Board level as a result of Hapag-Lloyd Holding AG and Hapag-Lloyd AG sharing the same Executive Board and having identical shareholder structures within the Supervisory Board.

Duties of the Supervisory Board
In the last financial year, the Supervisory Board was regularly, comprehensively and promptly informed by the Executive Board of the general economic conditions, considerations concerning the Company's future focus, its position and development, the key financial figures, business transactions of note and risk management.

In the 2012 financial year, the Supervisory Board convened for five meetings. The Executive Board reported to the Supervisory Board in its meetings, both orally and in writing. It answered all of the Supervisory Board's questions fully and comprehensively. The Executive Board also furnished the Supervisory Board with regular written reports between its meetings. In addition, there was a regular exchange between the Chairmen of the Supervisory Board and the Chair of the Executive Board. The Supervisory Board was therefore provided with information promptly at all times.

The Supervisory Board of Hapag-Lloyd Holding AG met for its first meeting of the reporting period on 21 March 2012. This meeting was primarily dedicated to the annual financial statements; the Supervisory Board approved both the individual and consolidated financial statements and the Group management report.

At its meeting on 11 June 2012, the Supervisory Board resolved to follow the Nomination Committee's recommendation and propose at the AGM that Dr Jürgen Weber be elected to the Supervisory Board. The Executive Board also reported to the Supervisory Board on the current business position. Amongst other things, the Supervisory Board and the Executive Board discussed the prevailing intense competition and its impact on the Company's business and earnings.

In a further meeting on 11 June 2012 after the AGM, the Supervisory Board elected Dr Jürgen Weber as its Chair.

At the meeting on 24 September 2012, the Supervisory Board looked into extending the contracts of employment held by the Chairman of the Executive Board and another member of the Executive Board. Additionally, the Supervisory Board took delivery of the Executive Board's report on the current development of business and discussed this with the Executive Board. The Supervisory Board also passed a number of resolutions pertaining to financing matters.

At the meeting on 3 December 2012, the Executive Board explained the current business position in the light of the persistently ambitious industry environment. The focal point of the meeting was the annual budget for 2013, including the Group's result, finance and investment planning, and the forecast for the period to 2017. The Executive Board gave a precise account of the annual budget and went into detail on the underlying planning assumptions. The Supervisory Board approved the Executive Board's plans. Furthermore, the Supervisory Board instructed the Executive Board to conduct an in-depth examination into the possibility of merging Hapag-Lloyd Holding AG into Hapag-Lloyd AG to simplify the Company's organisational structure. The Executive Board also informed the Supervisory Board in December about the forthcoming talks with a competitor concerning a possible business combination.

Duties of the Supervisory Board's committees

The Presiding and Personnel Committee met four times in 2012. At each meeting, it made preparations for the Supervisory Board meetings held later on the same day.

The Audit and Financial Committee convened on four occasions in the last financial year. Its meeting on 19 March 2012 was largely devoted to matters surrounding the annual financial statements. It also had the Executive Board present a variety of business development scenarios and potential financing options and then discussed these with the Executive Board.

In addition to the Executive Board's reports on the current business and financial position and its impact on financing, the Audit and Financial Committee discussed, in its meeting on 6 June 2012, the financial reporting process as well as the effectiveness of the internal control system (ICS, including compliance), the risk management system and the internal auditing system. The committee also had the Executive Board present it with an overview of hedging transactions in relation to bunker price and exchange rate risks. Furthermore, the Audit and Financial Committee considered the proposals regarding container financing.

The meeting on 10 September 2012 focused on the Executive Board's report into the current business situation and on financing matters. The Audit and Financial Committee also studied reports by the Compliance Officer and the Corporate audit department. In this context, the Head of Corporate audit gave the committee an account of the audit procedures conducted last year and the completion of an external quality assessment.

The Audit and Financial Committee's meeting on 27 November 2012 concentrated on the Group's result, finance and investment planning for 2013, and the forecast for the period to 2017. The Executive Board gave a detailed account of the assumptions upon which its plans were based, in particular in relation to the development of freight rates and the development of the hedging strategy. The committee discussed the targets and measures with the Executive Board in detail. It resolved to recommend that the Supervisory Board approve the proposed annual budget for 2013, including the finance and investment planning.

The Nomination Committee convened on 23 May 2012. The Nomination Committee recommended that the Supervisory Board propose Dr Jürgen Weber for election at the AGM as a new member of the Supervisory Board of Hapag-Lloyd Holding. The Mediation Committee did not meet in the financial year just ended.

Composition of the Supervisory Board and the Executive Board

Dr Michael Frenzel resigned from his seat on the Supervisory Board and his position as Chair of the Supervisory Board on 11 June 2012. At the AGM on 11 June 2012 Dr Jürgen Weber was elected to the Supervisory Board. At the subsequent Supervisory Board meeting Dr Jürgen Weber was elected Chair of the Supervisory Board. There were no other changes to the Supervisory Board or Executive Board of Hapag-Lloyd Holding AG in the reporting period.

Audit of individual and consolidated financial statements 2012
The individual financial statements and management report and the consolidated financial statements and Group management report of Hapag-Lloyd Holding AG for the financial year 2012 were audited and granted the unqualified auditor's report by KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, the auditors appointed by the Supervisory Board.

The financial statement documents, the proposal by the Executive Board on the appropriation of profits, and the audit reports by the auditor were available to the Supervisory Board in good time. The documents were examined and discussed at length at the meeting of the Audit and Financial Committee on 18 March 2013 in the presence of the auditor, who gave an account of the findings of their audit, and the Executive Board.

In its meeting on 19 March 2013, the Supervisory Board concurred with the findings of the audit presented by the auditor and with the recommendation of the Audit and Financial Committee and, having conducted its own examination of the financial statement documents, determined that it had no reservations. The Supervisory Board approved the financial statements and the management reports prepared by the Executive Board. The annual financial statements of Hapag-Lloyd Holding AG are thereby adopted.

Thanks
The Supervisory Board thanks the Hapag-Lloyd Group's Executive Board as well as all employees for all their commitment.

Hamburg, 19 March 2013

J. Weber

Jürgen Weber
Chairman of the Supervisory Board

HAPAG-LLOYD – CAPITAL MARKET ACTIVITIES

EXPANSIONARY MONETARY POLICY SHAPES CAPITAL MARKET TRENDS

International central banks continued to pursue highly expansionary monetary policies and countries in the eurozone took action to limit the impact of the sovereign debt crisis. Both of these factors greatly boosted confidence in the euro and the international stock markets in 2012. The stock markets were also buoyed by expectations that interest rates would remain low in the medium term and forecasts of a return to stronger economic growth in China in 2013. All in all, the key international stock market indices finished the 2012 trading year with sizeable gains and almost on a par with the yearly highs seen in Q4 2012.

Developments in the most important indices

Indices	**31.12. 2012***	31.12. 2011*	31.12. 2010*	High/Low 2012	Change 2012 vs. 2011
Dow Jones Industrial	**13,104**	12,217	11,577	13,610 / 12,101	+7.3%
MSCI World	**1,339**	1,182	1,280	1,352 / 1,151	+13.3%
EuroStoxx 50	**2,636**	2,316	2,793	2,660 / 2,069	+13.8%
DAX Index	**7,612**	5,898	6,914	7,672 / 5,671	+29.1%
Nikkei 225	**10,395**	8,455	10,229	10,395 / 8,296	+22.9%

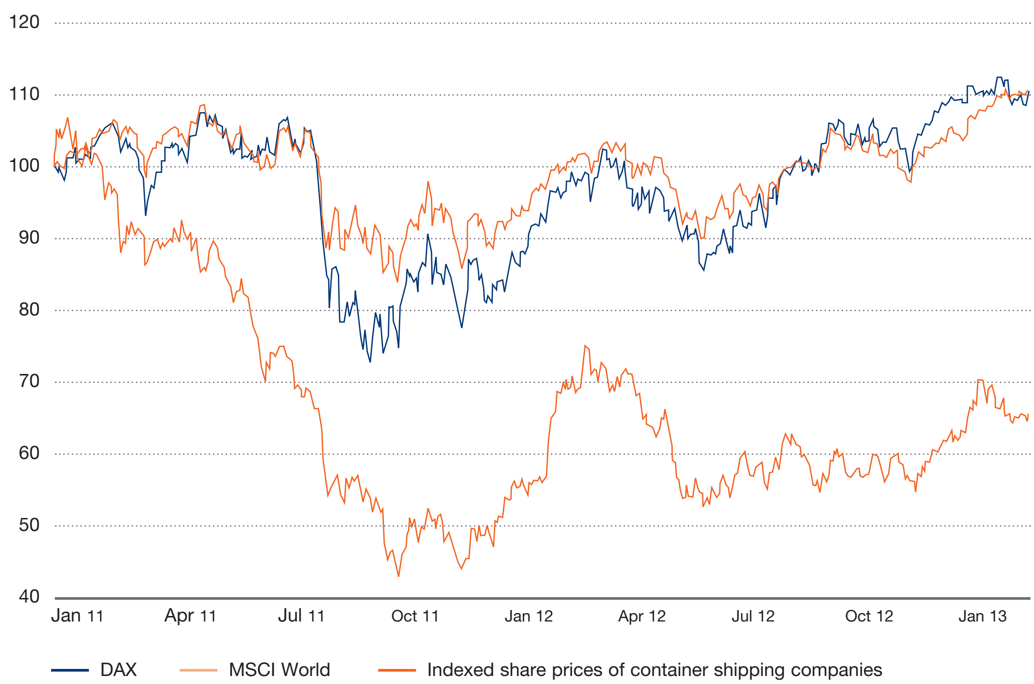
Source: Bloomberg; *Prices as at 31.12. or last trading day

VOLATILE FREIGHT RATES BURDEN SHIPPING SHARES

The high fluctuation in freight rates, caused by changes in demand for container transport services in all trade – particularly on the key Asia–Europe trade – together with the increase in expenses resulting from high crude oil prices, meant that investors remained reluctant to opt for the shipping industry’s shares in 2012.

Following the stabilisation of freight rates on the key Far East–Europe trade and publication of a positive earnings forecast for the container liner shipping industry by the consultancy firm Drewry, prices for shares in publicly listed container liner shipping companies firmed up considerably in the first weeks of 2013.

Indexed share prices of container shipping companies (January 2011 – February 2013)



Source: Bloomberg

BOND MARKETS WITH POSITIVE TREND

Inflationary pressure lessened – consumer inflation fell to 2.20% in November in the eurozone – and the US rating agency Standard & Poor's upgraded Greece's credit rating to B–, prompting a positive overall price trend on the bond markets at the end of the period under review.

Positive price trends for corporate bonds
As demand for investments remained high among both institutional and private investors and corporate bonds offered a much more attractive nominal rate of interest than government bonds, the former saw prices rise and returns fall in the reporting period. Companies capitalised on the persistently high demand and issued bonds with a record value of approximately USD 3,900 billion (Source: Bloomberg) on the international bond markets in 2012.

Hapag-Lloyd's bonds

Hapag-Lloyd's bonds were traded at 105.56% (EUR tranche) and 101.13% (USD tranche) on 31 December 2012. Prices for the EUR tranche ranged between 106.88% (high on 25 October 2012) and 88.63% (low on 2 January 2012). The US dollar bond hit a high of 101.56% on 27 December 2012. It recorded its lowest price (71.44%) on 3 January 2012. In the first few weeks of the current financial year, the euro bond was traded at 106.81% (20 February 2013). The USD bond stood at 106.38%.

In its rating update on 28 September 2012, the international rating agency Standard & Poor's downgraded its corporate rating for Hapag-Lloyd Holding AG from BB– to B+. The outlook (negative) remained unchanged.

On 31 October 2012, the rating agency Moody's also adjusted its rating from B1/negative outlook to B2/negative outlook.

Key data of bonds issued

Issue	EUR tranche	USD tranche	Additional EUR tranche
Issuer	Hapag-Lloyd AG		
Guarantor	Hapag-Lloyd Holding AG		
Amount	EUR 330,000,000	USD 250,000,000	EUR 150,000,000
Maturity*	15 October 2015	15 October 2017	15 October 2015
Issuer rating	B2 (Moody's); B+ (Standard & Poor's)		
Issue rating	Caa1 (Moody's); B– (Standard & Poor's)		
Coupon	9.00%	9.75%	9.00%
Issue price	99.50%	99.37%	103.38%**
Price as at 31 Dec. 2012***	105.56%	101.13%	
Price as at 20 Feb. 2013***	106.81%	106.38%	

*Callable; **Plus possible accrued interest as at 8 October 2010; ***Price data: Bloomberg

Also compared with its industry peers, Hapag-Lloyd still has a solid set of balance sheet ratios. The equity ratio (equity/balance sheet total) as at 31 December 2012 came to around 46%. Gearing is comparatively moderate at 58.2%. On 31 December 2012, cash and cash equivalents accounted for around 8% of the balance sheet total. Including unused credit lines, Hapag-Lloyd had a liquidity reserve totalling EUR 632.9 million as at 31 December 2012.

OPEN AND TRANSPARENT COMMUNICATION

The focus of Hapag-Lloyd's investor relations activities is on communicating promptly with all investors and capital market participants. In 2012, Hapag-Lloyd attended the following international capital market conferences:

Capital market conferences 2012

Date	Location	Conference	Host
10 January	London	8th Annual High Yield and Leveraged Finance Conference 2012	BNP Paribas
27 – 29 February	Miami	Global High Yield & Leveraged Finance Conference 2012	J.P. Morgan
29 March	London	3rd Annual Credit Opportunities Conference 2012	Knight Capital Group
26 April	Düsseldorf	German Credit Conference	IKB
14 June	London	16th Annual European Leveraged Finance Conference	Deutsche Bank
3 September	Hamburg	Ship Finance Forum	Financial Times Deutschland
5 September	New York	2012 Global Shipping Conference	Jefferies
13 September	London	European High Yield and Leveraged Finance Conference 2012	Barclays
9 – 11 October	Scottsdale	20th Annual Leveraged Finance Conference	Deutsche Bank
14 November	Frankfurt	Anleihetag Deutsches Eigenkapitalforum	Deutsche Börse
29 November	London	European Credit Conference 2012	Citi

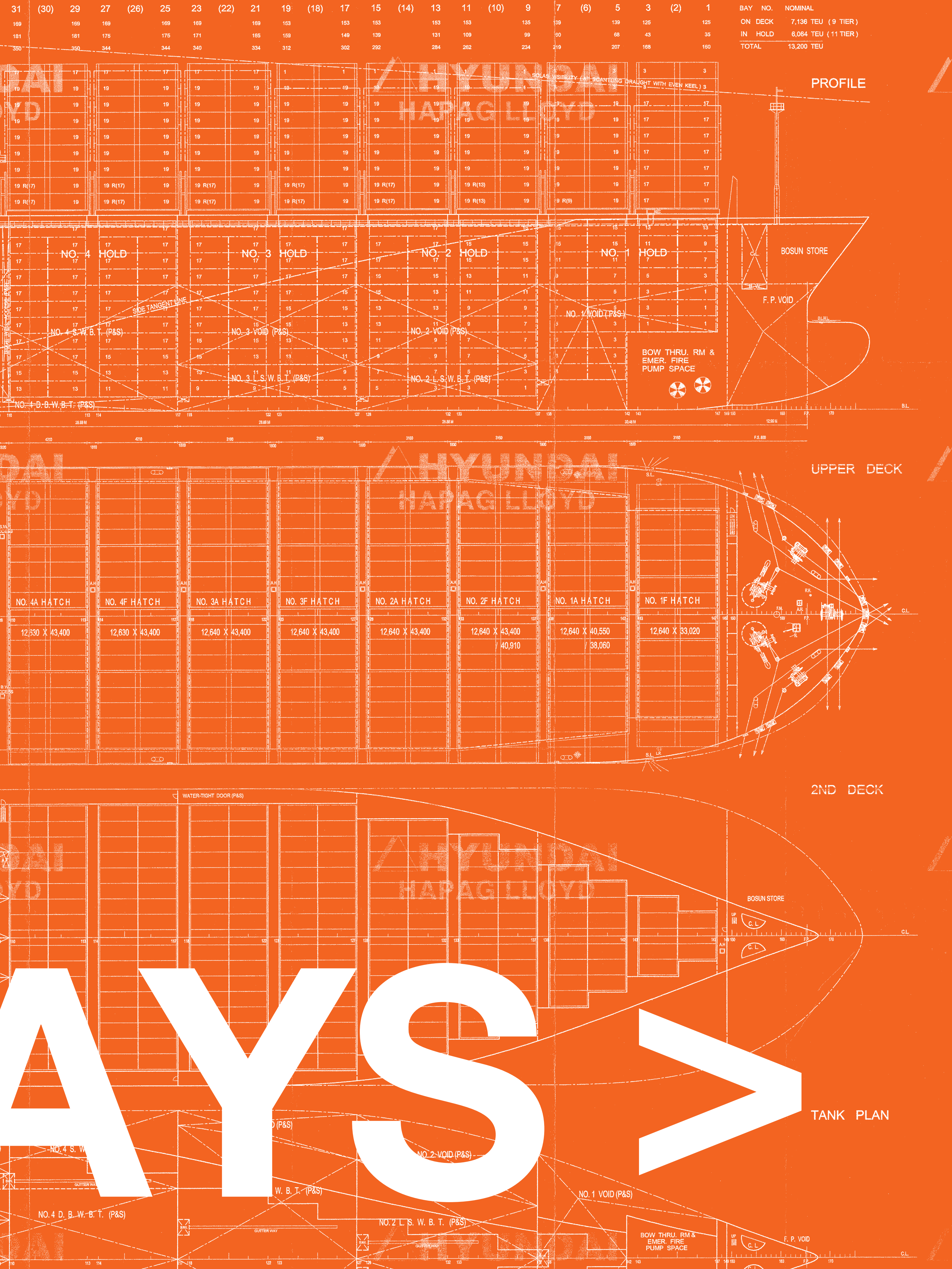
A large number of individual discussions were also held with interested international analysts and investors.

Published reports are available on the Hapag-Lloyd website –
www.hapag-lloyd.de/en/investor_relations/reports.html

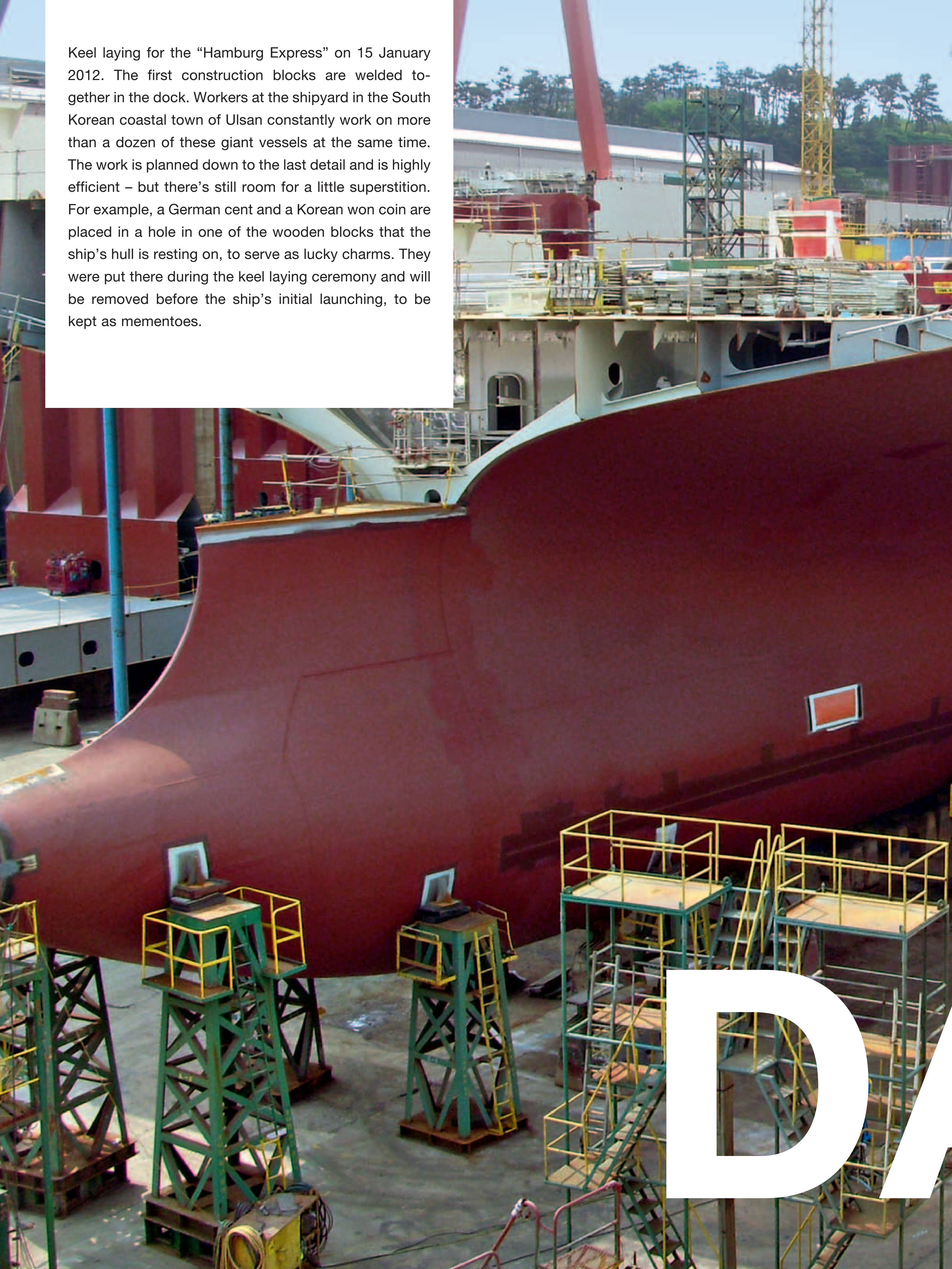
FROM THE DRAWING BOARD TO A FINISHED FLAGSHIP

How long does it take to build a flagship? The answer is just over nine months. It took the workers at the world's biggest shipyard at Hyundai Heavy Industries in Korea a total of 283 days, from the first steel cut to the ship's delivery, from the drawing board to the finished ship. The result is a technical masterpiece 366.50 metres long, 48.2 metres wide and 65.8 metres high. The task involved perfectly fitting together more than 42,000 tonnes of steel, cables, machinery, instruments and high-tech equipment. With a capacity of 13,200 TEU, the "Hamburg Express" is one of the world's biggest container ships. It is also the new flagship of Hapag-Lloyd, one of the world's biggest liner shipping companies. This is a diary of how ship #2241 was built.

283DA


BAY NO. NOMINAL
ON DECK 7,136 TEU (9 TIER)
IN HOLD 6,064 TEU (11 TIER)
TOTAL 13,200 TEU
PROFILE
HYUNDAI
HAPAG LLOYD
NO. 4 HOLD
NO. 3 HOLD
NO. 2 HOLD
NO. 1 HOLD
BOSUN STORE
F. P. VOID
BOW THRU. RM & EMER. FIRE PUMP SPACE
SIDE TANGENT LINE
NO. 4 S.W.B.T. (P&S)
NO. 3 VOID (P&S)
NO. 2 VOID (P&S)
NO. 1 VOID (P&S)
NO. 3 L.S.W.B.T. (P&S)
NO. 2 L.S.W.B.T. (P&S)
NO. 4 D.B.W.B.T. (P&S)
UPPER DECK
NO. 4A HATCH
NO. 4F HATCH
NO. 3A HATCH
NO. 3F HATCH
NO. 2A HATCH
NO. 2F HATCH
NO. 1A HATCH
NO. 1F HATCH
12,630 X 43,400
12,630 X 43,400
12,640 X 43,400
12,640 X 43,400
12,640 X 43,400
12,640 X 43,400 / 40,910
12,640 X 40,550 / 38,060
12,640 X 33,020
2ND DECK
WATER-TIGHT DOOR (P&S)
BOSUN STORE
AYS >
TANK PLAN
NO. 2 VOID (P&S)
NO. 1 VOID (P&S)
NO. 4 D. B. W. B. T. (P&S)
NO. 2 L. S. W. B. T. (P&S)
BOW THRU. RM & EMER. FIRE PUMP SPACE
F. P. VOID

Keel laying for the "Hamburg Express" on 15 January 2012. The first construction blocks are welded together in the dock. Workers at the shipyard in the South Korean coastal town of Ulsan constantly work on more than a dozen of these giant vessels at the same time. The work is planned down to the last detail and is highly efficient – but there's still room for a little superstition. For example, a German cent and a Korean won coin are placed in a hole in one of the wooden blocks that the ship's hull is resting on, to serve as lucky charms. They were put there during the keel laying ceremony and will be removed before the ship's initial launching, to be kept as mementoes.



DA

AY 112

D

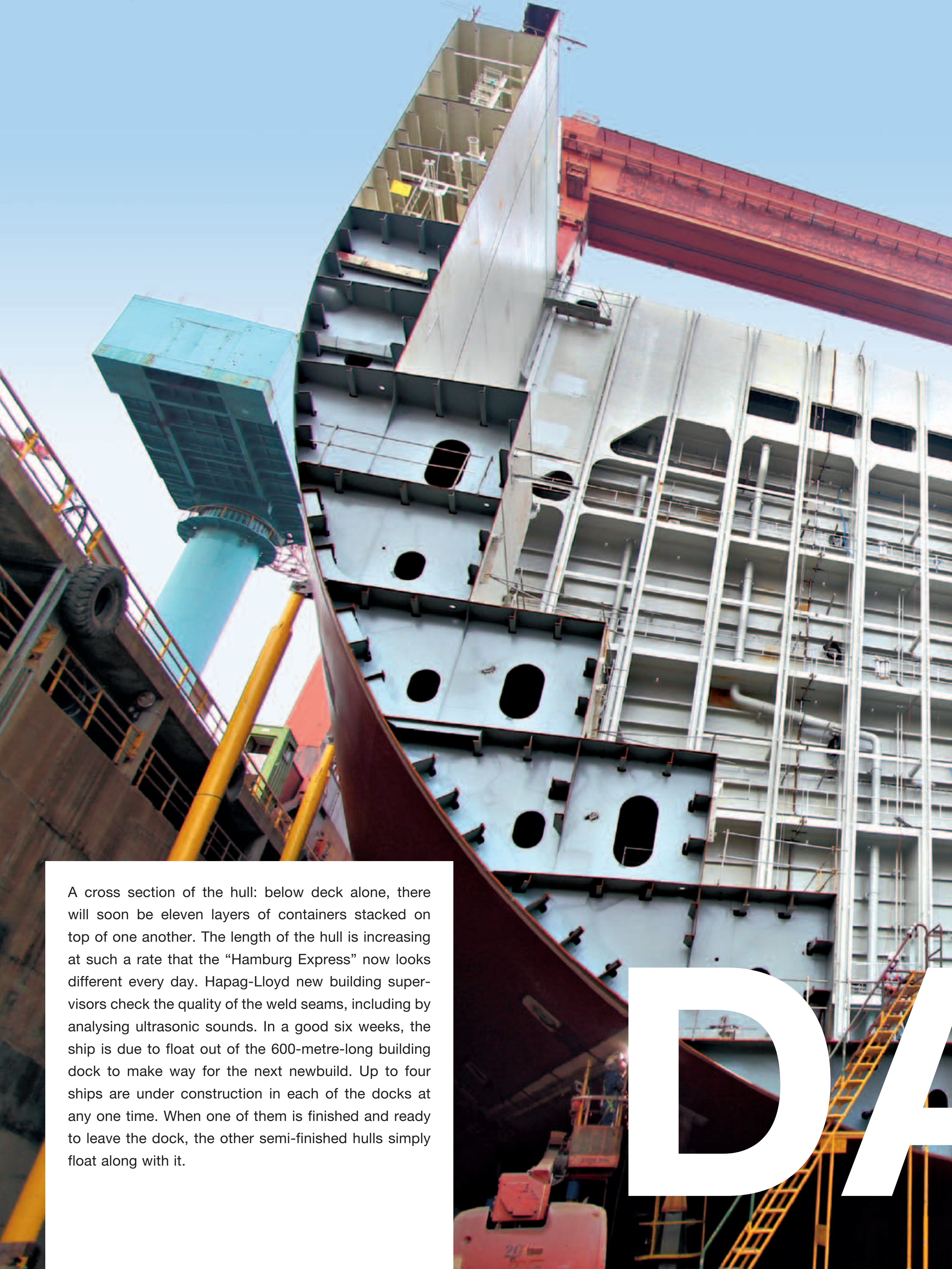
Block by block, the “Hamburg Express” is now quickly taking shape in the dock – here we see the stern. Propped up by yellow supports, the increasingly heavy, huge steel structure rests on hundreds of wooden blocks and concrete blocks of around one and a half metres in height. Since construction officially began on 26 September 2011, computer-operated laser cutting machines have been eating their way through centimetre-thick steel plates, which will be combined into blocks to make the finished ship later. The blocks, some of which weigh several hundred tonnes, are prefabricated to precise millimetre dimensions for “just in time” delivery to the dock, where they are then assembled.


AY 121
위험

DAY 1

Six blades, 105 tonnes in weight and more than nine metres in diameter: the propeller for the “Hamburg Express” is made at Hyundai’s South Korean shipyard, which is one of the largest manufacturers of propellers in the world. The aluminium/bronze/nickel alloy looks simple, but it’s actually a high-tech component – one of the most sophisticated on the entire ship – and it takes weeks to make. The production process calls for the utmost precision every step of the way, from constructing the casting mould and casting the alloy to milling, grinding and polishing the propeller. The ship will only move through the water efficiently and without any vibration if the shape of the propeller is exactly right.

40



A cross section of the hull: below deck alone, there will soon be eleven layers of containers stacked on top of one another. The length of the hull is increasing at such a rate that the “Hamburg Express” now looks different every day. Hapag-Lloyd new building supervisors check the quality of the weld seams, including by analysing ultrasonic sounds. In a good six weeks, the ship is due to float out of the 600-metre-long building dock to make way for the next newbuild. Up to four ships are under construction in each of the docks at any one time. When one of them is finished and ready to leave the dock, the other semi-finished hulls simply float along with it.

DA


AY 148

DAY 1

52

Installing the main engine. Three workers help the crane operator lower the cylinder cover weighing several tonnes into position, installing it in the ship's hull, which is still open. This is the only way to fit the ship's main engine, which is equal to a good five decks in height and weighs 1,900 tonnes. Before being installed into the belly of a ship, every main engine is first fully assembled in an assembly shop at the shipyard and put to the test to make sure it works perfectly. It is then dismantled again so that it can be installed in the ship. The eleven MAN engine cylinders generate more than 70,000 hp. The pistons of the cylinders alone measure almost a metre in diameter.

Sections weighing up to 2,000 tonnes can be attached to the hull in one piece. Sometimes, it takes several gantry cranes working together to be able to lift these huge blocks into position. It might be the entire top stern section of the ship's hull, which is 48 metres wide and several metres high. With the hold still exposed, you can clearly see what are known as the cell guides on the light-coloured partition walls between the individual holds. Later, the containers will move up and down these guidance rails below deck when being loaded and unloaded. Before the ship is delivered, the new building supervisors test all of the cell guides using a crane and a standardised container to make sure no containers can become jammed in the rails later on.

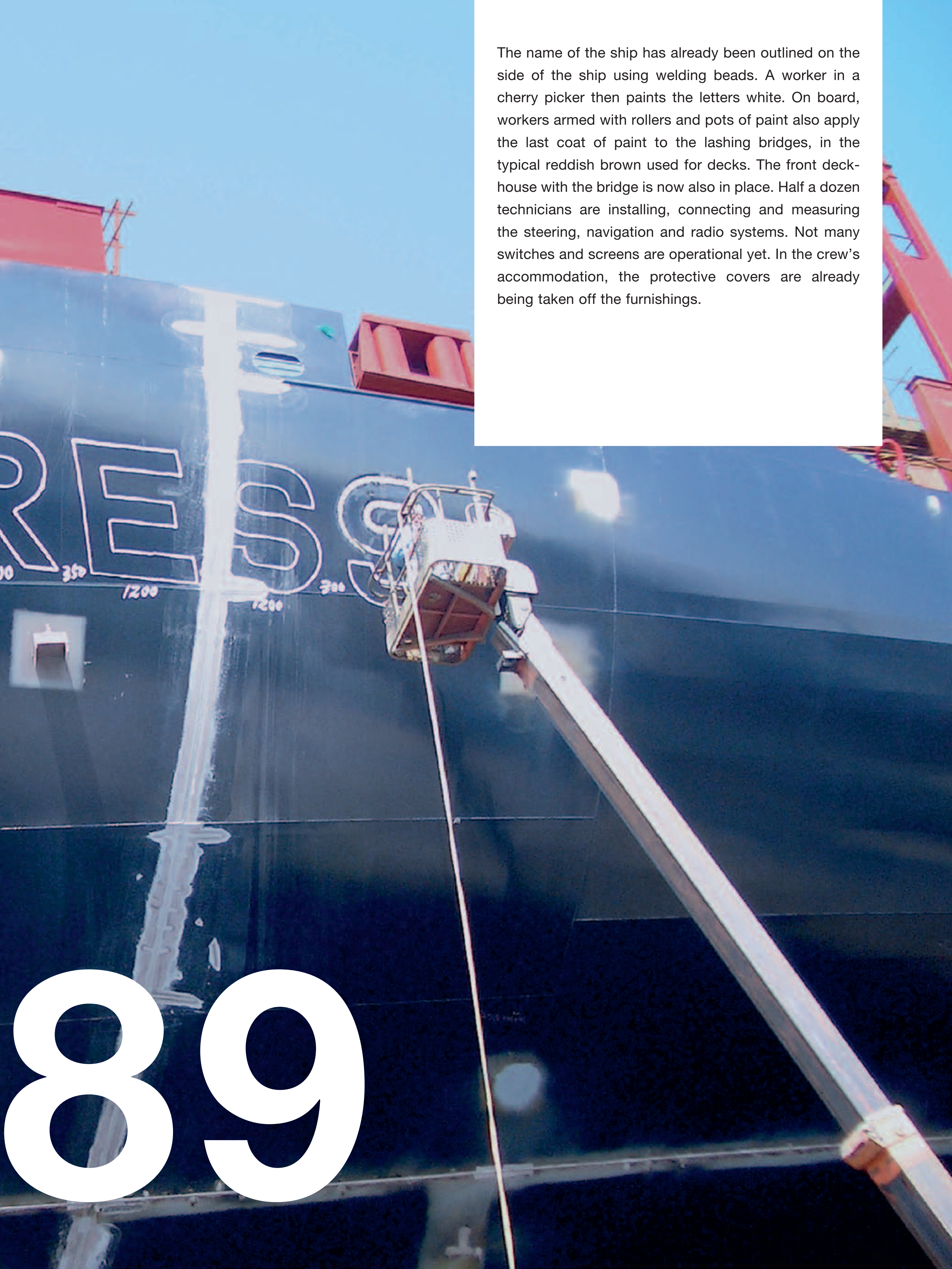

AY 163

The “Hamburg Express” now already weighs more than 25,000 tonnes. When it is finished, its light displacement tonnage will be 42,000 tonnes. It will be capable of taking on an additional 140,000 tonnes as cargo. This is the view from the aft deck superstructures with the funnel. Here we see the cargo holds that will be between the aft and fore superstructures, which is still missing at this stage. What runs alongside the top edges of the loading hatches on both external sides is known as hatch coaming. This is the backbone of the ship’s body, giving the vessel the necessary strength, while also lending it elasticity when at sea. At 86 millimetres, this is where the steel plates are at their thickest.

AY 171

DAY 1

The name of the ship has already been outlined on the side of the ship using welding beads. A worker in a cherry picker then paints the letters white. On board, workers armed with rollers and pots of paint also apply the last coat of paint to the lashing bridges, in the typical reddish brown used for decks. The front deck-house with the bridge is now also in place. Half a dozen technicians are installing, connecting and measuring the steering, navigation and radio systems. Not many switches and screens are operational yet. In the crew's accommodation, the protective covers are already being taken off the furnishings.



The state-of-the-art Becker rudder hanging in front of the propeller is as big as a three-bedroom apartment. The last pieces of equipment are removed from the building dock and the “Hamburg Express” will then be ready to float of its own accord for the first time – just 82 days after the keel laying. The ship is hauled from the building dock to an outfitting quay. It’s now only two months until the vessel’s sea trial. Around 150 to 200 shipyard workers therefore install, weld and paint at full speed every day.


AY 193

DAY 2

48

What could be mistaken for a factory building on dry land is actually one of the ship's ten cargo holds. Each one is big enough and tall enough for a decent game of football. These holds will house up to 17 containers stacked next to one another in two rows. Then more containers are stacked on top of the hatch covers above, in up to nine layers. The day after tomorrow, the vessel will embark on a four-day sea trial. All of the berths will then be occupied, with a large number of engineers and building inspectors on board for the trial. This includes Hapag-Lloyd's captain and chief engineer, who monitor the ship's construction at the shipyard in the three months up to its delivery in order to familiarise themselves with the ship as best they can before taking charge of it along with the first crew.

The “Hamburg Express” at sea: the newbuild is finished and has left the shipyard. Hyundai Heavy Industries has handed the newbuild over to Hapag-Lloyd in a brief, formal ceremony. From now on, this giant container ship will rarely be as empty as it is here – this will only happen every five years when it comes into the dry dock for its obligatory class renewal. According to the timetable, the crew’s first port of loading will be Ningbo in China. This will be followed by Shanghai, Yantian and Singapore, before the ship navigates the Suez Canal on its way to Southampton. From England’s south coast, it is then only a 36-hour journey until this new flagship arrives at its home port of Hamburg for the first time.

DA

AY 283

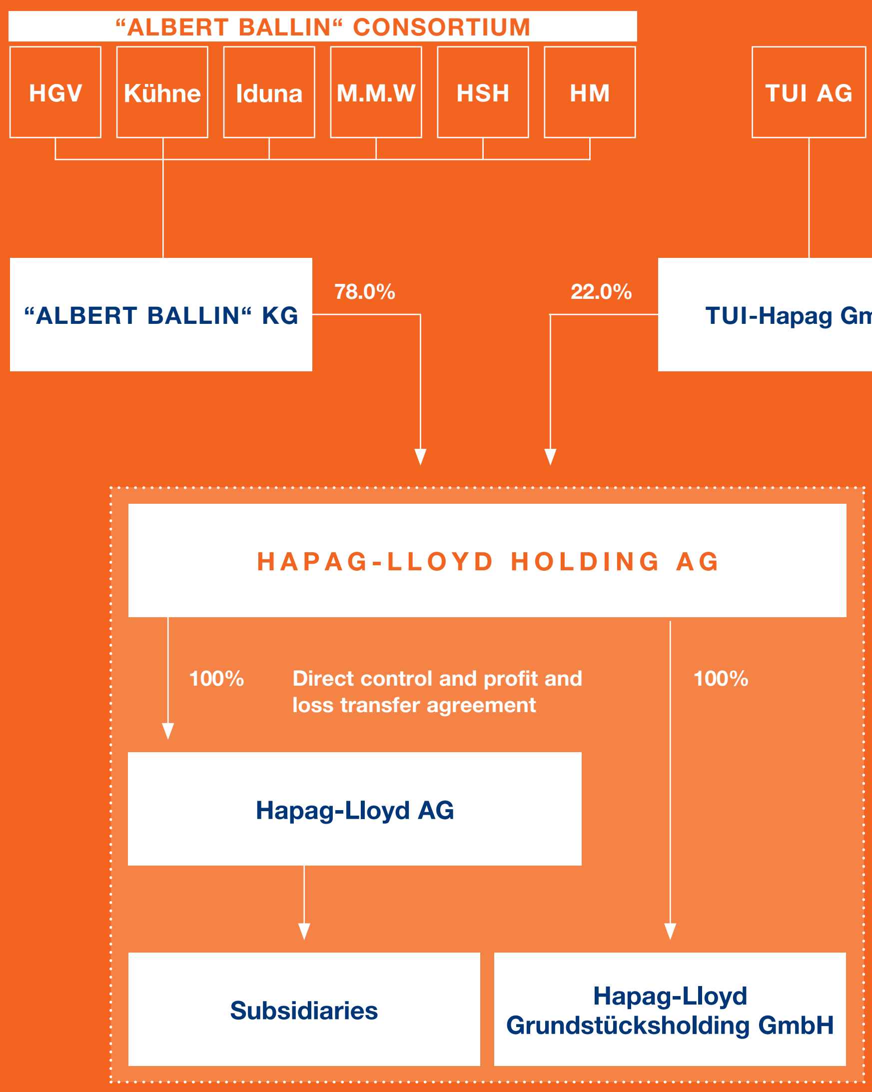
UP THE ELBE

Good morning, Hamburg! In the early hours of 15 August 2012, the “Hamburg Express” sails into its home port with 6,000 containers or more than 10,000 TEU on board. In two days’ time, the new flagship of the Hapag-Lloyd fleet will be ceremoniously named at the Container Terminal Altenwerder. It will then head off on another long journey: the first of ten newbuilds will sail out of Hamburg and head for Asia the next day – back to where it was built in just 283 days.


-Lloyd
Hapag-Lloyd

Group management report

SHAREHOLDERS AND GROUP STRUCTURE



"Albert Ballin" Consortium

HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH
Kühne Maritime GmbH
SIGNAL IDUNA Gruppe
HSH Nordbank AG
HanseMerkur Versicherungsgruppe
Investorenpool unter Leitung von M.M.Warburg & CO KGaA

As at 31 December 2012

BUSINESS AND STRATEGY

GROUP AND SHAREHOLDER STRUCTURE

Hapag-Lloyd Holding AG is the parent company of the Hapag-Lloyd Group. Hapag-Lloyd Holding AG holds all of the shares in Hapag-Lloyd AG. The Executive Board of Hapag-Lloyd Holding AG is identical to the Executive Board of Hapag-Lloyd AG.

As at 31 December 2012, shares in Hapag-Lloyd Holding AG were held by Hamburgische Seefahrtsbeteiligung “Albert Ballin“ GmbH & Co. KG (“Albert Ballin“ consortium) and the TUI Group. The shareholders of Hapag-Lloyd Holding AG reached a general agreement on a number of matters including the transfer of respective holdings back on 14 February 2012. In line with these resolutions, the “Albert Ballin“ consortium increased its stake in Hapag-Lloyd Holding AG to 78.0% on 29 June 2012.
The Executive Boards of the Hapag-Lloyd Group and of Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (Hamburg Süd), in agreement with their shareholders, are investigating if, and under what conditions, a merger of both companies would be of interest.

As the explanations in this Annual Report relate to the operating activities of Hapag-Lloyd AG and its subsidiaries, the Group as a whole is referred to uniformly in the Annual Report as the “Hapag-Lloyd Group”, “Hapag-Lloyd” or “the Group”. Insofar as individual items of information relate only to Hapag-Lloyd AG and its subsidiaries, the designation “Hapag-Lloyd AG” or “the Hapag-Lloyd subgroup” is used uniformly in this Annual Report.

The Group’s business operations comprise Hapag-Lloyd’s container shipping activities. Holdings, including an investment in terminals in Hamburg and Montreal, are accounted for in the consolidated financial statements under the equity method. At the balance sheet date, a total of 49 direct and indirect subsidiaries and five equity-accounted investees belonged to the group of consolidated companies of Hapag-Lloyd Holding AG.

A total of 48 companies are based outside of Germany. The group of consolidated companies also comprises six companies in Germany.

OPERATING ACTIVITIES

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

Hapag-Lloyd is a founding member of the Grand Alliance and the G6 Alliance, and is also a member of other international cooperations. These alliances enable Hapag-Lloyd to offer its own customers a much more comprehensive network of liner services on important trades with regular departure times.

The Hapag-Lloyd fleet comprises 144 container ships (31 December 2012). The Group currently has around 300 sales offices in 114 countries and offers its customers worldwide access to a network of 89 liner services. In the 2012 financial year, Hapag-Lloyd served some 22,100 customers around the world (2011: 21,600).

Hapag-Lloyd conducts its container shipping business in an international business environment in which transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities, an example being the purchase, chartering and rental of vessels and containers, as well as the corresponding financing of the investments.

The functional currency of Hapag-Lloyd AG and its subsidiaries is therefore the US dollar. To limit the risks of changes in exchange rates, hedging transactions are carried out.

However, the reporting currency of Hapag-Lloyd Holding AG is the euro. For the purpose of integrating the Hapag-Lloyd subgroup into the consolidated financial statements of Hapag-Lloyd Holding AG, recognised assets and liabilities are translated into euros as at the reporting date (closing date rate) using the middle rate of that day.

The translation differences are recognised directly in the Group's other comprehensive income.

GROUP OBJECTIVES AND STRATEGY

The Hapag-Lloyd Group's prime strategic objective is long-term profitable growth. Increasing global demand for container transport forms the basis for this planned organic growth. After comparatively modest growth of just 1.9% in 2012 due to the economic environment, current forecasts (IHS Global Insight, December 2012) predict that the volume of global container transport will increase by 3.0% in 2013 and rise further to 134.5 million TEU (+4.8%) in 2014. Offering services at viable prices is more important to Hapag-Lloyd than expanding volume at any cost. Achieving sustainable operating cash flows and a solid financing structure along with sound liquidity and equity are of considerable importance in conducting business successfully.

Focus on customer needs

Hapag-Lloyd has established itself as a high-quality provider among container liner shipping companies. The reliability and high quality that the customer experiences with Hapag-Lloyd services are at the very heart of the Hapag-Lloyd strategy. This quality strategy is underpinned by Hapag-Lloyd's high profile and the significance of the "Hapag-Lloyd" brand. Targeted customer services play an important part in achieving customer loyalty. Top clients are supported by the Global Account Management Team in Hamburg and as well as locally based Key Account Managers. Another important element of our focus on the needs of the customer is our global presence, both in terms of land-based administration and of providing global coverage by means of the network of the Group's own container shipping services and international cooperations.

Expanding capacity

A key aspect of the corporate strategy is having a balanced programme of investment aimed at sustainable growth. The Company's objective is to develop a fleet policy that enables it to react flexibly to market volatility. In this respect, long-term charter agreements and the considerable timespan between a newbuild being ordered and delivered pose a particular challenge. Global capacity can therefore generally only be brought into line with fluctuations in demand for transport volume subject to a delay. The resultant market imbalances have a direct impact on freight rates, and therefore on the profitability of container shipping. In order to limit the impact that these fluctuations can have on profitability, Hapag-Lloyd strives to ensure that its fleet contains roughly equal proportions of Company-owned vessels and chartered vessels.

Productivity and efficiency

Hapag-Lloyd also sets great store in productivity and efficiency. In this respect, important measures include yield management and ongoing cost control. More importance has been placed on cost management since the end of 2008 following the introduction of an extensive cost reduction programme. Since then, this programme has been consistently pursued. As a result of a purposeful yield management, the proportion of unprofitable cargo has been reduced further in the last few years.

Business operations around the globe have benefited from the deployment of customised IT systems. The globally standardised “Blueprint” organisational structure allows for a standardised exchange of information between head offices, regions and offices, thus also ensuring that this standardised information is used all over the world. This enables the Group to increase productivity and ensures that the fleet is used efficiently.

Hapag-Lloyd’s membership of the Grand Alliance, the G6 Alliance and a number of other collaborative projects makes it possible to optimise fleet deployment and expand the services provided. Also, this ensures that the fleet is used efficiently and keeps the cost per transport unit low, thereby ensuring increased productivity.

With demand for container transport services continuing to rise, container shipping is a long-term growth industry. After launching three new container ships of the “Hamburg Express” class in 2012, in order to utilise the medium-term growth opportunities and exploit economies of scale in its ship operations, Hapag-Lloyd will launch another seven new container ships of the same class into service, each with a capacity of 13,200 TEU.

Financial stability

In the financial year 2012, the Group’s financial stability was further strengthened as a result of far-reaching measures. Its equity base remains healthy and the financing of the newly ordered container ships was secured well in advance. As at 31 December 2012, Hapag-Lloyd had a liquidity reserve (consisting of liquid assets and unused credit lines) totalling EUR 632.9 million (2011: EUR 745.9 million).

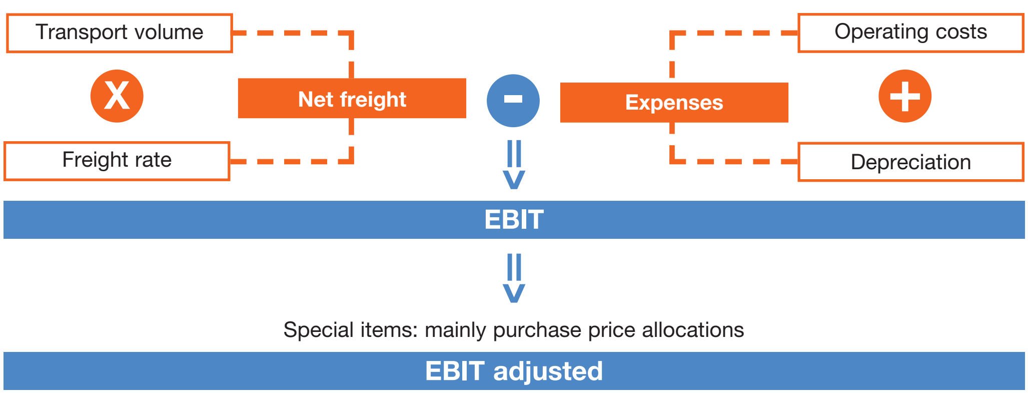
The generation of sustainable cash flows, solid corporate financing, and therefore in particular a good liquidity and equity base, are once again key objectives of the corporate strategy in the 2013 financial year.

CORPORATE MANAGEMENT

Hapag-Lloyd uses adjusted EBIT – operating earnings before interest and taxes adjusted for special items – as the key parameter for the internal management of its operating activities. The main influencing factors are transport volume, freight rate, US dollar exchange rate against the euro, and operating costs including bunker price. The strategy of achieving long-term profitable growth in operating activities is pursued with the help of these key figures.

The EBIT (and adjusted EBIT) figure is calculated from the total revenue achieved in a period less operating expenses, depreciation and amortisation.

Factors influencing adjusted EBIT



In order to calculate the adjusted operating result (adjusted EBIT), the operating result in the income statement is adjusted for special items such as the purchase price allocation.

The global transport volume is dependent on the prevailing economic developments around the world. Other factors influencing Hapag-Lloyd’s transport volume are the container ship capacity available in any given region and the accompanying change in the competitive situation. Freight rates can be managed only to a limited degree because they are heavily dependent on market capacity and market demand.

The Group follows a yield management approach, according to which the deployment of the ships and containers is examined using profitability criteria. Yield management is used to ascertain the optimum relationship between transport volume and freight rate in accordance with the market situation. Innovative IT systems are used for the continuous, real-time observation of the yield rate. Unprofitable freight can be identified and avoided, thus providing a strategic approach for ensuring a positive EBIT result.

Efficient cost management provides essential control over the EBIT value. The system of cost management is supported by a standardised, integrated IT solution, thereby providing essential and up-to-date data required for management and for implementing and maintaining cost reduction measures.

The cost base is, however, largely dependent on external influencing factors. The Group manages and hedges all of its cash outflows in euros by using options on a 12-month basis with the aim of limiting currency risks. Due to the global nature of the Group's business operations, exchange rate fluctuations can have a considerable influence on costs.

Operating costs are also influenced by bunker price changes. The bunker price correlates with the development of crude oil prices and is subject to substantial fluctuations. A portion of the fluctuations can usually be compensated for via the freight rate in the form of bunker surcharges. However, the extent to which this can be implemented depends very much on the prevailing market situation. If applicable, up to 80% of the Group's likely bunker fuel needs over twelve months are hedged using options in order to lessen the risk of increasing oil prices.

In addition to the operating result (adjusted EBIT), earnings before interest, taxes, depreciation and amortisation (EBITDA) is likewise used as an important parameter. EBITDA is an important indicator of the achievement of sustainable company results and gross cash flows. Tracking the development of EBITDA is especially important for capital-intensive companies.

Hapag-Lloyd – which has a balanced fleet structure, owning approximately 50% of its fleet – uses EBITDA as an important parameter for investment as well as financing decisions.

The liquidity reserves, which are sufficient at all times, as well as the corresponding equity base are derived from this.

In addition, the level of depreciation and amortisation is determined by the volume of investments made as well as the useful life of property, plant and equipment and intangible assets.

BUSINESS DEVELOPMENT

GENERAL ECONOMIC CONDITIONS

Experts from the International Monetary Fund (IMF) believe that the negative impact of the sovereign debt crisis in the eurozone and the slowdown in China's economic growth seen in 2012 are continuing to curb the growth of the global economy. However, the risk of a global recession has declined. In its latest economic outlook (January 2013), the IMF slightly downgraded its forecasts for global economic growth this year, cutting 0.1 percentage points off the prognosis to take it to 3.5%. However, it expects global growth to accelerate to 4.1% in 2014.

The IMF anticipates that the eurozone's economic output will fall by 0.2% this year and that it will only overcome the current recession in 2014, when it will experience growth of 1.0%. Furthermore, the USA – the world's largest economy – will only come close to capitalising on its growth potential next year, when growth is expected to reach 3.0%. Over the coming years, growth in the emerging economies in Asia and Latin America will continue to substantially outstrip growth rates in the established industrialised nations. The existing regional imbalances in economic trends, the USA's high budget deficit and the ongoing debt crisis in the eurozone remain the key risks to global economic development.

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

(in %)	2014e	2013e	2012	2011
Global economic growth	4.1	3.5	3.2	3.9
Industrialised countries	2.2	1.4	1.3	1.6
Developing and newly industrialised countries	5.9	5.5	5.1	6.3
World trading volume (goods and services)	5.5	3.8	2.8	5.9

Source: IWF, January 2013

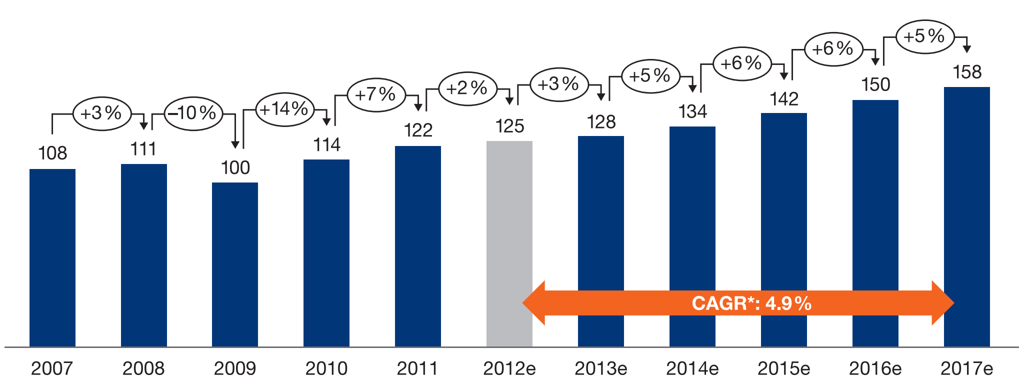
According to the IMF, the world trading volume – which is important for container shipping – should increase by 3.8% this year and rise by a further 5.5% in 2014. This means that the world trading volume is continuing to grow faster than the global economy. When a distinction is made between developed economies and emerging, newly industrialised economies, an increase of 2.2% in imports is expected in 2013 for the developed countries and an increase of 6.5% is expected for the emerging markets. Similar growth rates of 2.8% for developed economies and 5.5% for newly industrialised countries are forecast for exports.

In the reporting period, the USD/EUR exchange rate was again volatile. The favourable development of the eurozone economy at the start of 2012 caused the euro to hit a high for the year against the dollar of around USD 1.35/EUR in March 2012. Due to increasing uncertainty regarding the success of the intended debt reduction programme in the heavily indebted EU member state of Greece, the US dollar regained strength in the middle of 2012. The lowest exchange rate of the euro – around USD 1.21/EUR – was seen in July. As the EU sovereign debt crisis eased, the euro was able to recover against the US dollar at the end of the year. The year-end exchange rate of the euro was USD 1.32/EUR. On average over the 2012 financial year, the US dollar was quoted at USD 1.29/EUR, putting it USD 0.10 per euro down on the previous year's average of USD 1.39/EUR.

SECTOR-SPECIFIC CONDITIONS

Despite the prevailing uncertainty concerning short-term economic developments, container shipping will continue to be a growth industry in the medium to long term. With the world trading volume forecast to grow, demand for container transport services is likewise expected to continue to increase over the next few years. However, IHS Global Insight Industry Intelligence (December 2012) has significantly downgraded its forecasts for the growth of the global container market in 2013 and 2014. IHS Global Insight now expects the global cargo volume to increase by 3.0% in 2013 and 4.8% in 2014, taking it to 134.5 million TEU. This would put the forecast rise in worldwide transport volumes in container shipping for 2013 and 2014 roughly in line with the rate of growth for global trade. The volume of global container transport could reach some 158 million TEU in 2017.

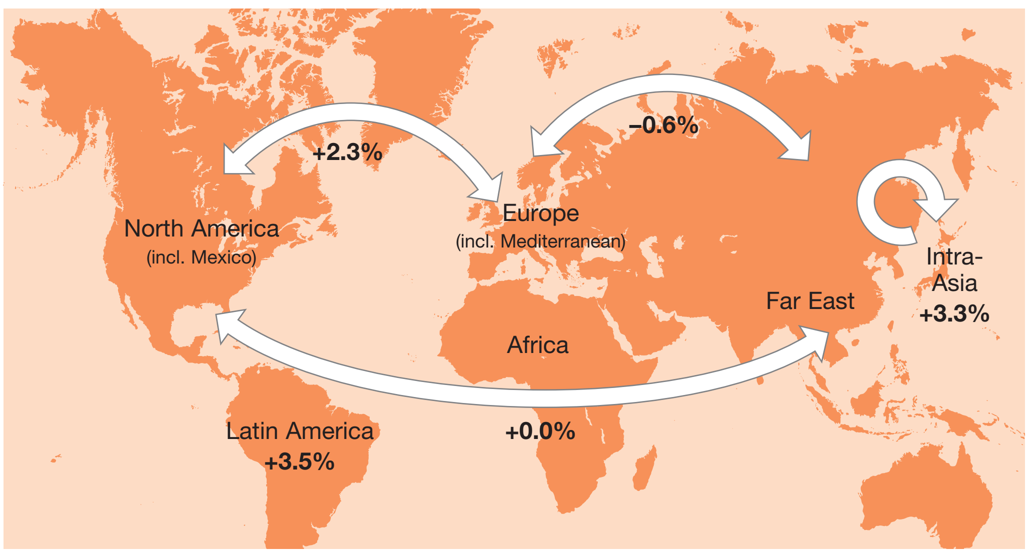
Development of global container transport volume 2007–2017 (Million TEU)



Source: IHS Global Insight December 2012; *Compound Annual Growth rate

As a result of weaker than expected growth in world trade as well as a shift of import and export flows last year the increase in global container transport services in 2012 was just 1.9% (2011: 7.0%) as per IHS Global Insight (December 2012). This was substantially lower than the 4.2% growth rate which had been forecast as recently as mid 2012. The regional trades developed at different rates again in 2012. According to calculations by IHS Global Insight, transport volumes rose on Latin American (+3.5%), Atlantic (+2.3%) and intra-Asian trades (+3.3%) in 2012. The container transport volume stagnated on the transpacific trade due to a 5.9% fall in cargo on routes between North America and Asia.

Growth rates world container shipping volume 2012



Source: IHS Global Insight December 2012

Overall, the Far East trade recorded a decrease of 0.6%. While container services rose by 5.2% on routes from Europe to Asia, the cargo volume on vessels from Asia to Europe dropped by 3.2%. This was primarily due to the recession in the eurozone's southern member states.

Transport volumes and freight rates in container liner shipping are subject to seasonal fluctuations. Demand for transport services is traditionally higher in the second and third quarters of any given year. However, modest economic growth in Europe and the USA along with the marked economic slowdown in China had a major impact on transport volumes in the peak season for container shipping in 2012.

As a result of increased scrapping, delayed deliveries and cancellation of orders, the increase in transport capacity in 2012 by 1.2 million TEU (+7%) was 0.5 million TEU lower than anticipated at the beginning of 2012. The total capacity of the global container shipping fleet therefore reached an estimated 18.0 million TEU at the end of 2012 (year-end 2011: 16.8 million TEU). According to the latest forecasts by industry experts at Transmodal (January 2013), newbuild deliveries could cause capacities to increase by a nominal 2.1 million TEU (+12%) in 2013 and a further 6% (1.1 million TEU) in 2014. At 21% of the global container fleet's capacity, the TEU capacity of the container ships commissioned in the fourth quarter of 2012 remained far below the record high of 56% seen in 2008. The heightened trend towards larger vessels is reflected in the distribution of the orders. Some 70% of the newbuild orders are for vessels with a capacity of over 8,000 TEU (Transmodal, January 2013).

In the second half of 2012, the cargo volume was unexpectedly weak in what is traditionally the peak season. As a consequence, the number of idle ships rose sharply towards the end of 2012. At around 810,000 TEU (AXS-Alphaliner, January 2013), the idle capacity corresponded to some 5% of the global container fleet's total tonnage at the end of December 2012. Of the 297 vessels currently idle, more than 60% are smaller ships of up to 3,000 TEU. Current projections suggest that the idle fleet's capacity could reach approximately 1.2 million TEU by the end of 2013 – the highest level since April 2010.

In the future as well, the actual growth in the global container fleet's transport capacity is expected to be lower than the projected nominal increase, as old and inefficient vessels are scrapped, deliveries of newbuilds are postponed and slow steaming (reducing the speed at which services operate) is used.

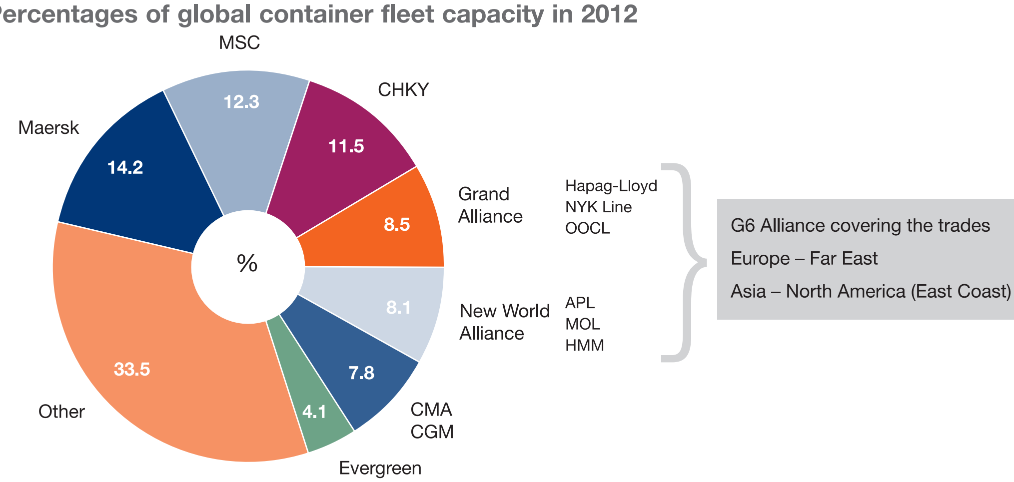
According to sector information services (AXS-Alphaliner; Clarkson; January 2013) container vessels with an aggregate transport capacity of 333,000 TEU were scrapped in 2012 (2011: 77,000 TEU). In 2013 ship scrapping is estimated to reach 400,000 TEU, which exceeds the previous all-time high of 377,000 in 2009.

Although the prospects for growth remain positive in the medium term, there may be temporary imbalances in supply and demand, which could have a substantial impact on the respective transport volumes and freight rates. For example, as more and more new vessels go into service, transport capacities will increase sharply, further affecting the development of freight rates, especially on services to and from Asia.

Leading international container liner companies have strengthened their partnerships, especially on the Asia–Europe trade, in order to improve the services they offer their customers. For example, the shipping companies MSC and CMA CGM have intensified their cooperation in various trades.

Likewise, the Taiwanese container shipping company Evergreen and the CKYH Alliance (Cosco, Hanjin, Yang Ming and K Line) forged stronger ties in the Asia–Europe trade. Together with five partner shipping companies in Asia, Hapag-Lloyd has, within the G6 Alliance, been offering its customers faster transit times, services to a large number of ports in the trade and a high density of departures from key ports in Asia and Europe since March 2012.

Percentages of global container fleet capacity in 2012



Source: Transmodal January 2013

Starting in May 2013, the G6 Alliance members will extend their partnership to the Transpacific trade – between Asia and the East Coast of North America – offering joint services there.

Uncertainties regarding short-term industry developments arise from the volatile development of freight rates and primarily from the ongoing increase in transport expenses seen in 2012. In particular, the high price level of bunker oil experienced in the first half of 2012 was one of the main factors behind the increase in transport expenses.

In the year under review, the average bunker consumption price was USD 660 per tonne. This was USD 55 per tonne more than the average for 2011. The average bunker price has almost tripled in comparison to the beginning of the 2009 financial year. Following price declines in the fourth quarter of 2009, the bunker price (MFO Rotterdam) once again substantially exceeded the level of USD 600 per tonne in the first weeks of 2013.

In order to offset the increases in transport expenses, among other things, container shipping companies were able to implement freight rate increases, some of them substantial, for various trades especially during the first half 2012.

LEGAL ENVIRONMENT

Hapag-Lloyd's business is subject to a multiplicity of legal provisions. In order to engage in business operations, it is necessary to have authorisations, licences and certificates. Compliance with the ISM Code (International Safety Management), which regulates the measures required for ensuring safety at sea, and the ISPS Code (International Ship and Port Facility Security) must be given particular emphasis. The latter stipulates what measures are to be taken to prevent hazards on board vessels and in ports, thereby contributing to supply chain security. There are also numerous country-specific rules, such as "Advance Manifest Rules", which stipulate certain disclosure obligations in relation to the ship's cargo.

IMPORTANT NON-FINANCIAL PERFORMANCE INDICATORS

The most important non-financial performance indicators are the transport volume and the freight rate. The optimum utilisation of the available ship and container capacities also has a substantial influence on whether long-term profitable growth is achieved. Furthermore, sustainable and quality-conscious corporate governance as well as highly qualified and motivated employees are important indicators for the long-term profitable growth of Hapag-Lloyd.

Flexible fleet

As at 31 December 2012, Hapag-Lloyd's fleet comprised 144 container ships, which are all certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the vessels are also certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The Hapag-Lloyd fleet's total TEU capacity amounted to approximately 670 TTEU as at the balance sheet date. With 4,652 TEU, the average ship size within the Hapag-Lloyd fleet is 1,929 TEU above the average of the world containership fleet.

Structure of Hapag-Lloyd's container ship fleet

	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Number of vessels	144	149	137	114
thereof				
own vessels	59	58	59	56
leased vessels	7	9	9	9
chartered vessels	78	82	69	49
Aggregate capacity of vessels (TTEU)	670	679	605	478
Aggregate container capacity (TTEU)	1,047	1,042	1,025	1,009
Number of services	89	84	77	72

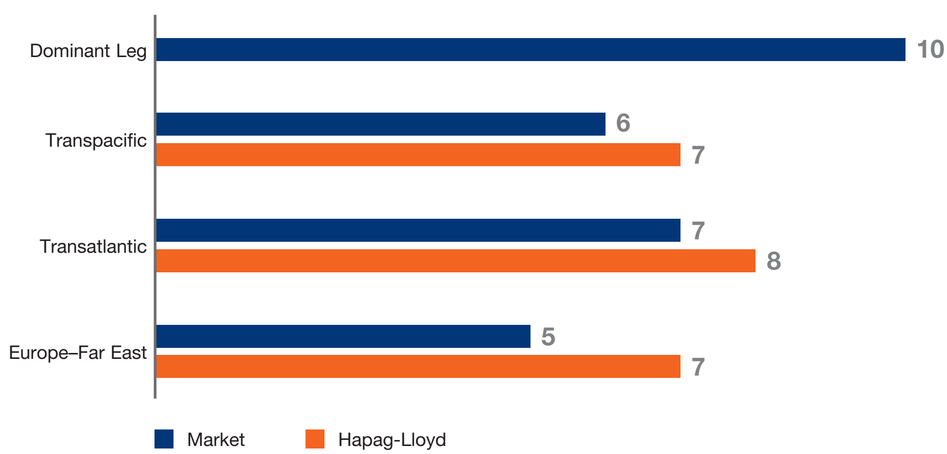
Hapag-Lloyd also owned or leased 648,082 containers with a capacity of approximately 1,047 million TEU for transporting cargo. The use of charter ships allows the Company to react relatively flexibly to fluctuations in demand and therefore exploit growth opportunities on the one hand and limit the risk of overcapacity on the other. The Company's own or leased ships represented around 53% of total TEU capacity at the end of 2012 (31 December 2011: 45%).

The "Basle Express" went into service on 15 November 2012. It follows the "Hamburg Express" and the "New York Express" as the Company's third container vessel with a capacity of 13,200 TEU. The current order book consists of further seven ships of the same class. These newbuildings will not only allow the Company to exploit medium-term market opportunities, but will also guarantee economies of scale in its ship operations. With demand for container transport services continuing to rise, container shipping will remain a growth industry in the long term.

Efficient transport services

In container shipping, the flows of goods to and from different regions vary in terms of their size and structure. This is due to volume differences in the import and export of goods. Most trades therefore have a “dominant leg” with a higher freight volume and a “non-dominant leg” with a lower freight volume. The transport capacities must be planned to meet the volumes on the dominant leg. The return transport of empty containers also involves costs. The relevant performance indicator here is the ratio of loaded containers on the dominant leg to the number of loaded containers on the non-dominant leg. The objective is to keep the number of empty container transport operations low or balance the ratio to the greatest possible extent. Furthermore, empty containers are positioned in the regions with high demand via the shortest, quickest and cheapest route. The number of loaded containers transported on the key trades remains above the market average thanks to the Company’s use of modern IT and network management systems.

Hapag-Lloyd reduces imbalances better than the market[1)]



1) Ratio between the number of full containers on the non-dominant leg per 10 full containers on the dominant leg (the higher the ratio, the more balanced in both directions).
Source: IHS Global Insight, January 2012; Hapag-Lloyd FY 2011: market data according to HLAG trade definition

Another important performance indicator in connection with the fleet’s capacity utilisation is the turnaround frequency of the containers. Here, the average number of deployments per container per year is calculated. The objective is to increase the turnaround frequency in order to boost productivity and keep the total number of containers required as low as possible. Here, also, Hapag-Lloyd makes beneficial use of modern IT systems. The section “Equipment deficit action planning” on page 64 provides additional information.

Developments in the trades

Freight rates and transport volumes are among the main performance indicators used to gauge corporate development at the Hapag-Lloyd Group.

Hapag-Lloyd shipped a global transport volume of 5,255 TTEU in the 2012 financial year. This corresponds to growth of 1.1% compared with the previous year. Trends in cargo volumes therefore largely mirrored market growth. The volume shipped was distributed relatively evenly across the various trades. Australasia was the only trade to account for a smaller percentage of Hapag-Lloyd's total cargo volume than the others. In the period under review, the Company succeeded in increasing its transport volume on the Transpacific, Australasia and Far East trades.

Developments in transport volume by trade

TTEU	**2012**	2011	2010	2009	2008
Atlantic	1,136	1,162	1,137	1,050	1,349
Latin America	1,171	1,176	1,079	915	973
Far East	1,144	1,133	1,112	1,045	1,264
Transpacific	1,199	1,143	1,087	976	1,138
Australasia	605	584	532	651	822
Total	**5,255**	**5,198**	**4,947**	**4,637**	**5,546**

The transport volume on the Atlantic trade amounted to 1,136 TTEU in the 2012 financial year. This meant the volume of shipped cargo was 2.2% lower than in the previous year. While the transport volume on trades from Europe to North America grew, cargo levels remained below the previous year's on trades in the opposite direction. The average freight rate on the Atlantic trade was USD 1,748/TEU in the reporting period, compared with USD 1,775/TEU in 2011.

At 1,171 TTEU, the transport volume recorded on trades to and from Latin America in 2012 was almost the same as in the previous year. Growth was primarily generated on trades handling imports to Latin America. The average freight rate on the Latin America trade was USD 1,444/TEU, up on the previous year's figure of USD 1,362/TEU.

Despite a disappointing peak season, the volume of cargo transported on the Far East trade was about 1.0% higher than in the previous year at 1,144 TTEU (2011: 1,133 TTEU). An increase was recorded in the volume of cargo transported on services within Europe and trades from Europe to Asia. At USD 1,343/TEU, the average freight rate was down 2.0% on the previous year's figure (USD 1,370/TEU) due to ongoing pressure on prices.

In the 2012 financial year, the volume of cargo on the transpacific trade was 1,199 TTEU (previous year: 1,143 TTEU), which was 4.9% up on the figure for 2011. Particularly the services from Asia to North America recorded an increase in the cargo volume. At USD 1,913/TEU, the average freight rate stood 11.2% higher than in the previous year (USD 1,720/TEU).

Hapag-Lloyd recorded a transport volume of 605 TTEU for the Australasia trade in the reporting period. The volumes of cargo transported on the Oceanian and intra-Asian services were therefore 3.6% higher year-on-year. The average freight rate on this trade was USD 1,326/TEU, which was approximately 1.0% lower than in the previous year (USD 1,336/TEU).

Developments in freight rates by trade

USD/TEU	**2012**	2011	2010	2009	2008
Atlantic	1,748	1,775	1,623	1,433	1,728
Latin America	1,444	1,362	1,375	1,209	1,530
Far East	1,343	1,370	1,639	1,153	1,647
Transpacific	1,913	1,720	1,762	1,422	1,720
Australasia	1,326	1,336	1,310	957	1,167
Total (weighted average)	**1,581**	**1,532**	**1,569**	**1,257**	**1,590**

In all, the average freight rate in the 2012 financial year was USD 1,581/TEU and therefore 3.2% higher than the previous year's USD 1,532/TEU. Providing services at viable prices is still more important to Hapag-Lloyd than purely achieving growth in volumes.

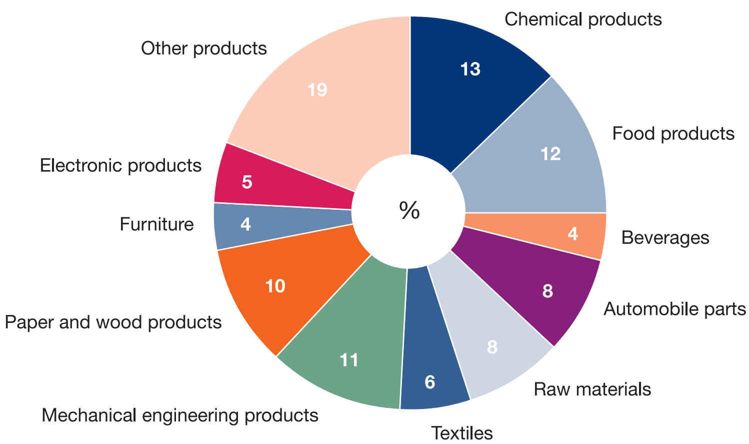
Customers

Long-term, close business relations with clients are also important in driving value for corporate development. Relationships with major customers are managed by a special key account team. This enables the Company to establish and maintain long-standing, sustainable customer relationships. In this, Hapag-Lloyd focuses on achieving a high degree of customer satisfaction and on having a diversified portfolio of customers comprising both direct customers and shipping companies, the latter guaranteeing a permanent supply of cargo volumes. In general, the Company has long-standing contractual arrangements with its direct customers. Direct customers allow Hapag-Lloyd to plan the required transport capacity better because of the framework agreements concluded with them.

Hapag-Lloyd has a balanced customer base, as demonstrated by the fact that its 50 largest customers represent considerably less than 50% of its cargo volume. In total, transport contracts were completed for approximately 22,100 customers in the 2012 financial year (previous year: approximately 21,600 customers).

Furthermore, the breakdown of the goods shipped by Hapag-Lloyd into product categories reveals a relatively balanced distribution. As in 2011, no product category accounted for a share of more than 20% during the past financial year.

Transport volume by product category in 2012



This means that the economic cycles affecting individual sectors have relatively little impact on developments in the transport volume. In a normal economic environment, the volume transported will therefore increase continuously. Together with the fact that the transport volume is relatively well balanced in regional terms, this is an important element of Hapag-Lloyd's solid business model.

INNOVATION AND SUSTAINABILITY

Sustainability and quality management

The environmental issues related to shipping and the sustainability of the services rendered have been a mainstay of Hapag-Lloyd's corporate strategy for many years now. The management acts as a role model in thinking and acting responsibly and with due consideration to the environment, and this way of thinking is also promoted among the employees. The Group has codified its self-imposed obligations in terms of environmental protection, high quality requirements, and employee health and safety in the form of the Group's sustainability policy. In 1994, Hapag-Lloyd was the first of the world's liner shipping companies to implement a quality management system for all activities along the international transport chain, from the sender to the recipient. This system was enhanced in 2003 with a certification in accordance with the ISO environmental standard 14001 and has been run as an integrated quality and environmental management system ever since. Germanischer Lloyd renewed the relevant certification in 2012, which is now valid until 21 June 2015.

As a global company, Hapag-Lloyd performs annual audits in order to maintain its high quality and environmental protection standards. In 2012, a total of 152 audits (2011: 128) were carried out in the Group.

Certificate

Hapag-Lloyd Aktiengesellschaft

Container Liner Shipping Activities
in the Regions Europe, Asia, America,
and
Yield Management & Network, Central Operations, Ship Management, Global Markets, Personnel, Information Technology, and other Service Departments.

ISO 9001:2008 and DIN EN ISO 14001:2009

Certificate no. QS-142 HH and EM-2880 HH

DAkkS

All of Hapag-Lloyd's sustainability activities, such as environmental protection measures, charitable projects and matters of quality assurance, are coordinated and managed in the Sustainability Management department. In total, there are more than 124 (2011: 110) contacts for sustainability and quality matters in all of the regions/areas around the world, in the central departments and on the ships.

As Hapag-Lloyd's customers are becoming increasingly aware of environmental issues, it is providing more and more information regarding eco-friendly transport services when it tenders for transport contracts.

IT innovations in container shipping

The efficient and smooth transport of goods around the world using a variety of vehicles places considerable demands on IT systems. Only modern, networked IT systems can guarantee a swift exchange of data along the transport chain between partners located throughout the world. The Company has developed its own IT system, which is constantly optimised.

Equipment deficit action planning

Optimising the management of containers has a considerable effect on productivity and therefore also on the economic performance of a container shipping company. Demand for container transport services is also subject to both seasonal fluctuations and regional variations. Modern predictive algorithms are used to forecast the weekly requirements at all of Hapag-Lloyd's locations. Using the forecasts generated by the system, a customised optimisation engine suggests how empty legs can be managed efficiently. This not only reduces costs, but also further improves the services offered to the customers.

Yield management: shipment appraisal

The contribution made by a single container transport to the overall operating result depends on complex cost and revenue structures. The yield management method which has been in use for many years has been modernised and simplified. It provides a clear comparison of the anticipated direct and indirect costs of a shipment and the revenue generated by it. The outcome is used for the purposes of writing quotations, for profit-oriented cargo volume management and also for designing new shipment services. In another module, the shipment appraisal is used for the comprehensive post-calculation of all completed shipments. The results are then made available in a data warehouse for business management purposes.

Cost management: invoicing of terminal services

As container handling continues to increase in volume, invoicing the loading and unloading processes is becoming more and more complex, both for container liner companies and for terminal operators. A fully automatic link between the operating system for shipment processing and the invoicing module was established within SAP in order to minimise manual input, harmonise the cost structures and improve cost and service transparency – and therefore also improve the speed and precision of invoicing.

Transshipment planning and commissioning

Hapag-Lloyd links about 500 ports in over 120 countries. More than one million containers are transferred between ships every year on their way to their destination. This process, known as transshipment, covers the schedules of all incoming and outgoing ships and the commissioning of container shipments on feeder ships.

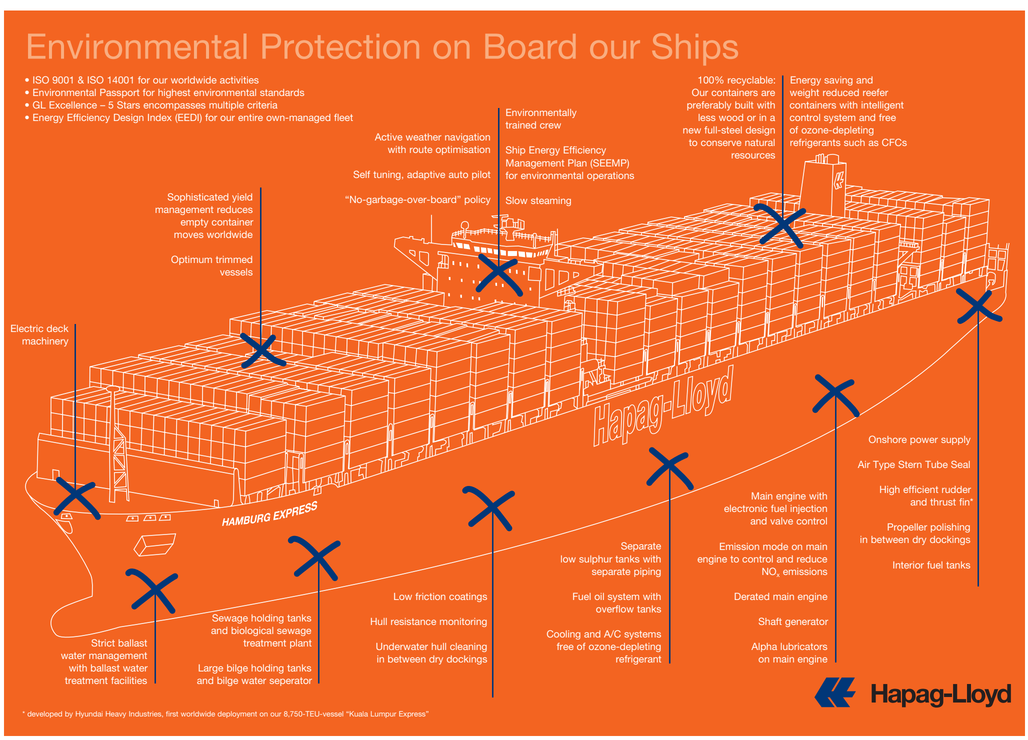
The “Transshipment and Work Order” project has vastly improved the efficiency of processing these transshippers. Thanks to the planning and commissioning module, all connections can be planned, including a proposal for the earliest possible connections. A comprehensive monitoring system then registers whether the planned connections are actually made. If anomalies occur, arrangements can be made in a single step for all of the containers to be transferred to a different ship. In addition to this, customers can now be informed more quickly in the event of deviations from the schedule.

Efficiency and environmental protection

Objectives are defined, measured and analysed, and proposals for improvements are prepared within the framework of the quality and environmental programme. A key objective is to increase fuel efficiency and consequently reduce CO_2 emissions. Hapag-Lloyd has introduced a variety of technical and operational measures to achieve this objective. One crucial measure to reduce fuel consumption and emissions is known as “derating”. By removing one of several turbo-chargers and adjusting the machine parameters of the electronically controlled motors, the output of the ships’ engines is retroactively reduced. Adapting the engine output to slower speeds (so-called slow steaming) ensures that the ships operate in a way that is more cost-effective and considerably more environmentally friendly.

In February 2012, Hapag-Lloyd became the first shipping company in the world to have its entire own-managed fleet classified in accordance with the IMO’s Energy Efficiency Design Index (EEDI). The EEDI is determined using a fixed formula and shows the CO_2 emissions of a cargo vessel in grams per tonne transported and sea mile travelled. The EEDI was developed by the International Maritime Organization (IMO), the shipping forum of the United Nations, in order to establish a standard benchmark for the energy efficiency and environmental impact of cargo vessels (container freighters, bulkers, tankers, etc.). The independent certification was carried out by Germanischer Lloyd and shows that many vessels in the Hapag-Lloyd fleet have an EEDI value which is 20 to 27% lower than the average figure for the active global fleet in their respective classes.

The efficiency and sustainability of the Hapag-Lloyd fleet will further improve when another seven ordered container ships go into service. In 2012, Hapag-Lloyd launched three of the ten “Hamburg Express” class newbuilds it has ordered.



Thanks to innovative on-board technology, the ten ships in the “Hamburg Express” class will also achieve particularly low figures for fuel consumption and emissions.

The new features include internal fuel tanks, meaning that no bunker fuel can escape if the outer hull is damaged. Only the ballast water tanks are now housed in the outer hull. In addition, all Hapag-Lloyd newbuilds are equipped with highly efficient, chemical-free ballast water treatment facilities in which ballast water is filtered and subjected to UV treatment. Hapag-Lloyd has had a strict ballast water management procedure in place for many years to avoid adverse ecological effects. For instance, ballast water is only exchanged on open seas as most organisms are unable to survive there and/or cannot migrate to foreign ecosystems.

In addition, all newbuilds will be equipped with connections, wiring and control panels to connect to shore-based power when in port. Using this shore-to-ship energy supply – also known as cold ironing – means that the on-board auxiliary diesel engines which generate electricity can be shut down. This will significantly improve air quality near the port. Emissions and noise pollution will also be reduced.

Furthermore, ships of the existing fleet will be geared up for cold ironing. When the “Dallas Express” called at the Port of Oakland, California, Hapag-Lloyd connected one of its ships to shore-based power for the first time. In 2014, it will become mandatory for a certain percentage of each shipping company’s vessels which call at ports in California to use cold ironing. Other ports around the world are also developing shore-based power concepts.

In 2012, Hapag-Lloyd again received various awards for the quality of its container shipping services.

Awards in 2012

Date	Award name	Awarded by
December 2012	2012 Global Ocean Freight Carrier of the Year	Panalpina
December 2012	2012 Global Carrier of the Year	Hellmann Worldwide Logistics
November 2012	2012 Ocean Carrier of the Year	Schenker
November 2012	Deep Sea Shipping Company of the Year	Irish Exporters Association
September 2012	Fair Company – Hapag-Lloyd offers fair working conditions for university students	Karriere.de
July 2012	Nr. 1 in the Best Carrier Award 2012	Kühne + Nagel
June 2012	Data Quality Award on the GT Nexus Cloud Supply Chain Platform	GT Nexus Shipper Council
May 2012	Ocean Carrier Award 2011	Alcoa
March 2012	Excellence Award 2011	Eastman Chemical Company
February 2012	PPG Excellent Supplier Award 2011	PPG Industries Inc.
February 2012	Gold Award Green Gateway Programms	Port of Seattle

For a number of years, Hapag-Lloyd has been committed to a number of voluntary environmental schemes run by various ports. Various measures intend to reduce the environmental impact of ships during their stay in harbour areas. For example, with the participation in the Port Facilities and Light Dues Incentive Scheme for Ocean Going Vessels of the Hong Kong port, Hapag-Lloyd has opted to use low-sulphur fuel while it is berthed.

For a number of years now, Hapag-Lloyd has been involved in the Clean Cargo Working Group (CCWG), a section of the US-based organisation “Business for Social Responsibility” (BSR). Its members include numerous large liner shipping companies and globally active shipping agents. This working group investigates and optimises the ecological and social impact of the worldwide exchange of goods. To achieve this, it develops tools which are used as standard means of gauging and gathering carbon dioxide emissions in container shipping. The Clean Cargo Working Group liaises with other initiatives throughout the global transport value chain to support and promote cooperation with other transport segments.

EMPLOYEES

As at 31 December 2012, a total of 6,950 people were employed at Hapag-Lloyd (previous year: 6,873). The average period of employment was ten years. The number of employees rose by 77 compared with the previous year. In total, 1,339 people were employed in the marine division as at 31 December 2012 (2011: 1,303). The number of staff in the land division rose by 41 to 5,611.

At the end of the reporting period, the number of full-time equivalent employees (FTE) at the Group had changed from 6,742 (31 December 2011) to 6,817.

Number of employees

	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Marine personnel	1,245	1,198	1,179	1,195
Share based personnel	5,505	5,465	5,457	5,461
Apprentices	200	210	236	247
Total	**6,950**	**6,873**	**6,872**	**6,919**

Internationality also plays a significant role at Hapag-Lloyd. Of the land-based employees, some 77% worked outside Germany as at 31 December 2012. People from 61 nations currently work at Hapag-Lloyd in more than 45 countries. In particular, employees are encouraged to take on foreign deployments and are shown possible ways of broadening their experience and their intercultural skills. This philosophy pervades all staff levels right up to the management of Hapag-Lloyd, where half the posts are occupied by international executives.

Personnel development

In 2012, Hapag-Lloyd revised its management principles as part of worldwide management training courses in consultation with senior management. This leadership culture serves as a basis for all personnel development measures and as a job specification for current and future executives. Providing the employees with further development opportunities relevant to them, for example by means of special management training courses, remains one of the most important objectives for 2013. In total, 48 management trainees are currently training within the framework of the Management Career Programme (MCP), which was established in 2002. Trainees are required to rotate between a number of different roles in various countries to prepare them for their future executive duties. In addition, a further 130 trainees around the world are advancing their individual career prospects as part of the Talent Development Program (TDP), which was launched in 2011. Tailored individual and group training courses are offered to all employees.

There is also a strong focus on vocational training and qualifications in both the land and marine division. Hapag-Lloyd attaches particular importance to extensive, high-quality training. Very often, Hapag-Lloyd's apprentices go on to become Hapag-Lloyd employees. The proportion of those offered jobs at the end of their training has been and still is between 80% and 90%. In 2012, Hapag-Lloyd employed 106 apprentices in land-based positions and 94 at sea. The trainee quota in Germany was therefore 11.9%. In recent years, the Group's apprentices have regularly achieved some of the best grades among their peers in Germany. These new employees underwent excellent further training to achieve the necessary qualification levels and performed exceptionally well during the course of this training. Back in 2011, Hapag-Lloyd was also presented with an Excellent Training Company award by the competent body for maritime vocational training, the Berufsbildungsstelle Seeschifffahrt (BBS), in recognition of its outstanding achievements in the field of ship mechanic training. Our goal is maintain this quality standard.

EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

Group income statement

Million EUR	**1.1.-31.12. 2012**	1.1.-31.12. 2011
Revenue	6,843.7	6,103.2
Other operating income	265.4	119.3
Transport expenses	6,182.3	5,281.2
Personnel expenses	359.7	337.7
Depreciation, amortisation and impairment	332.0	287.0
Other operating expenses	267.3	268.7
Operating result	**–32.2**	**47.9**
Share of profit of equity-accounted investees	31.9	19.7
Other financial result	2.8	12.5
Earnings before interest and tax (EBIT)	**2.5**	**80.1**
Interest result	–126.9	–107.3
Income taxes	3.9	1.6
Group profit/loss	**–128.3**	**–28.8**
EBITDA	**334.5**	**367.1**
EBITDA margin (%)	**4.9**	**6.0**
EBIT adjusted	**26.2**	**101.4**
EBIT margin adjusted (%)	**0.4**	**1.7**
EBIT	**2.5**	**80.1**
EBIT margin (%)	**0.0**	**1.3**

Despite a further slowdown in global growth, the continuation of the eurozone crisis and bunker consumption prices remaining high, the Hapag-Lloyd Group succeeded in increasing its revenue by 12.1% to EUR 6,843.7 million in the 2012 financial year (previous year: EUR 6,103.2 million). A number of factors boosted revenue: despite the continuing intensive competition the average freight rate increased by 3.2% to USD 1,581/TEU (previous year: USD 1,532/TEU), the transport volume rose 1.1% to 5,255 TTEU (previous year: 5,198 TTEU) and exchange rate effects also had a positive impact. As in the previous year, the earnings position was affected by considerable fluctuations in the euro/US dollar exchange rate.

At USD 1.29/EUR, the US dollar was some 10 cents stronger on average over the course of the year than in 2011 (USD 1.39/EUR). In contrast, the US dollar was around 2% weaker year-on-year on the balance sheet date, at USD 1.32/EUR (previous year's reporting date: USD 1.29/EUR).

Transport expenses

Million EUR	**1.1.-31.12. 2012**	1.1.-31.12. 2011
Expenses for raw materials and supplies	1,638.7	1,295.5
Cost of purchased services	4,543.6	3,985.7
There of		
Port, canal and terminal costs	1,834.9	1,562.5
Chartering, leases and container rentals	718.8	640.3
Container transport costs	1,826.0	1,625.4
Maintenance/repair/other	163.9	157.5
Transport expenses	**6,182.3**	**5,281.2**

Compared with the previous year (EUR 5,281.2 million), transport expenses increased by EUR 901.1 million to EUR 6,182.3 million. This represents a rise of around 17%. This development was first and foremost due to rising costs for raw materials and supplies, which were up approximately 27%. These expenses are heavily influenced by bunker prices. Following a sharp fall in bunker prices towards the end of June 2012, the price rose markedly again in the second half of the year and remained relatively high until year-end. In the financial year 2012, the average bunker price was USD 660 per tonne, up another USD 55 on the previous year's figure of USD 605 per tonne. In addition to higher bunker prices, the appreciation of the US dollar in particular drove up expenses. The cost of purchased services also increased due to higher energy prices and inflationary increases in costs.

With the market dominated by the pressures of competition, the higher energy costs could only be passed on to customers to a limited degree in the freight rates, and as a result the gross profit margin (ratio of gross earnings to revenue) fell to 9.7% (previous year: 13.5%). At EUR 265.4 million, other operating income came in substantially higher than the previous year's figure of EUR 119.3 million. This increase was primarily due to income of EUR 132.9 million from operating sale and leaseback transactions for containers and the disposal of chassis totalling EUR 35.7 million.

The volatility of the USD/EUR exchange rate in the course of the year resulted in period-specific exchange rate gains and losses, which are reflected in other operating income and other operating expenses. Netted, the exchange rate-related income and expenses resulted in a decline in earnings of EUR 27.8 million in 2012 (previous year: EUR 10.9 million).

The Group's workforce grew by 1.1% on average, driving personnel expenses up by 6.5% to EUR 359.7 million (previous year: EUR 337.7 million). The Company was able to reduce its personnel expenses ratio slightly.

Changes in personnel expenses

Million EUR	**1.1.-31.12. 2012**	1.1.-31.12. 2011
Personnel expenses	359.7	337.7
Revenue	6,843.7	6,103.2
Personnel expenses ratio	**5.3%**	**5.5%**

Depreciation, amortisation and impairment amounted to EUR 332.0 million in the reporting period and was therefore EUR 45.0 million higher than the previous year's figure of EUR 287.0 million. This was attributable to regular depreciation, primarily on additions to the ship portfolio.

The financial result comprises the share of profit from equity-accounted investees and the other financial result. The share of profit of equity-accounted investees rose by EUR 12.2 million. The other financial result of EUR 2.8 million comprises changes in the fair value of currency options totalling EUR 2.8 million. In the previous year, the other financial result also included a discount from the early repayment of a shareholder loan.

Due to high bunker and energy prices and a rise in other transport expenses, the Group's earnings before interest and taxes (EBIT) came in at EUR 2.5 million in the 2012 financial year (previous year: EUR 80.1 million). After taking into account depreciation and amortisation, EBITDA amounted to EUR 334.5 million in the period under review (previous year: EUR 367.1 million).

The EBIT margin remained positive in spite of the ongoing stiff competition, the high energy costs and the volatile USD/EUR exchange rate due to the consistent application of the cost-cutting programme. At around 5%, the EBITDA margin was just one percentage point down on the previous year's figure of 6%.

EBIT margin

Million EUR	**1.1.-31.12. 2012**	1.1.-31.12. 2011
Revenue	6,843.7	6,103.2
EBIT	2.5	80.1
EBIT adjusted	26.2	101.4
EBITDA	334.5	367.1
EBIT margin	0.0%	1.3%
EBIT margin adjusted	0.4%	1.7%
EBITDA margin	4.9%	6.0%

The Group's earnings before interest and taxes, having been adjusted for special items from the purchase price allocation to provide a key internal control figure (adjusted EBIT), came to EUR 26.2 million (previous year: EUR 101.4 million). The figure was not adjusted for income from container and chassis sales. The consequences of the financial and economic crisis in 2009 upset the normal rhythm of selling old containers and buying new ones. In light of the favourable situation on the secondary container market at present, sale and leaseback transactions were completed in the 2012 financial year. Sales of containers are generally classed as typical, regular operating transactions for liner shipping companies.

All in all, a negative interest result of EUR 126.9 million was reported for the 2012 financial year (previous year: EUR -107.3 million). The year-on-year deterioration in the interest result was primarily due to the conclusion of new financing contracts in connection with investments in ships and containers.

In the 2012 financial year, the Group recorded a loss of EUR 128.3 million (previous year: loss of EUR 28.8 million).

GROUP FINANCIAL POSITION

Principles and objectives of financial management

The Hapag-Lloyd Group's financial management system aims to ensure that the Company permanently remains solvent, thus securing its financial stability at all times.

Maintaining an appropriate minimum liquidity level is its overriding objective. Efficient financial management is therefore primarily based on optimising short and medium-term cash outflows. This is based on budgetary planning for a number of years and a rolling monthly liquidity plan that spans a period of a year. The financial management is carried out within the framework of relevant legislation as well as internal principles and regulations.

The Hapag-Lloyd Holding Group is an international company that is active around the world. It is exposed to financial risks which result from the business operations of Hapag-Lloyd AG. In particular, these risks include currency risk, fuel price risk and interest rate risk. The transactions of the group companies are conducted mainly in US dollars. The euro, Canadian dollar, British pound, Swiss franc, Hong Kong dollar, Singapore dollar, Japanese yen and Chinese renminbi are also of significance.

Derivative hedging transactions are entered into for the euro in order to hedge against exchange rate risks. Wherever possible, changes in the bunker price are passed on to the customers as surcharges. In addition, hedging instruments are used to limit fluctuations caused by changes in the prices of commodities. If applicable, up to 80% of the anticipated annual fuel requirements are hedged against price increases. Interest rate risks which arise as a result of liquidity procurement on the international money and capital markets are managed centrally within the scope of interest rate management.

Other disclosures about hedging strategies and risk management, and about financial transactions and their scope as at the balance sheet date, can be found in the risk report contained within the Group management report, and in the “Financial instruments” section in the Notes to the consolidated financial statements.

Issuer ratings

Rating/outlook	31.12.2012	31.12.2011
Standard & Poor’s	B+/negative	BB–/negative
Moody’s	B2/negative	B1/negative

Although there was no change in the Company’s strong capital structure and liquidity situation, the international rating agency Standard & Poor’s downgraded its issuer rating for Hapag-Lloyd from BB– to B+ in its rating update on 28 September 2012. This was in response to the persistently difficult economic environment in the 2012 financial year, especially in global container shipping. The outlook (negative) remained unchanged.
On 31 October 2012, the rating agency Moody’s also adjusted its rating from B1; negative outlook to B2; negative outlook.

Financing

The Group covers its financing requirements with cash inflows from operating activities and by assuming short, medium and long-term financial debt. Its financing mix is designed to optimise its financing conditions, have a balanced range of times to maturity and achieve investor diversification. The focus remained on ship and container financing in the 2012 financial year.

Financing activities

Hapag-Lloyd changed a number of existing operating lease contracts in 2012. Two vessels and a container portfolio which were under lease were acquired directly. Hapag-Lloyd also entered into an obligation to purchase another seven ships when the relevant lease agreements expire. These contracts were subsequently newly classified as finance leases. The changes made to the operating lease contracts triggered an increase in financial debt, which was counterbalanced by a reduction in other financial obligations from future lease payments. Furthermore, bilateral ship financing agreements were replaced by new fleet financing arrangements during the year under review to optimise the financial structure and a contract was signed with a group of Japanese investors, securing funding for an existing container portfolio.

Credit facilities for up to USD 165.0 million (EUR 125.1 million) were also arranged to finance investments in containers. USD 107.0 million (EUR 84.4 million) of this was utilised in the year under review. The remaining credit facility of USD 58.0 million is available for additional investments in containers.

In addition to this, pro rata tranches of the loans to fund newbuilds were paid out when the Company took delivery of the first three new vessels with a capacity of 13,200 TEU each.

Covenant clauses of a type customary on the market have been arranged for existing financing from bonds or loans. These clauses primarily concern the Group’s equity and liquidity along with certain loan-to-value ratios. As at 31 December 2012, all of the covenants were complied with. The Executive Board is assuming in its current planning that compliance with these covenants will continue in the subsequent period.

Net debt

Million EUR	**31.12.2012**	31.12.2011
Cash and cash equivalents	560.8	672.5
Financial debt	2,371.9	1,896.5
Net debt	**1,811.1**	**1,224.0**
EBITDA	334.5	367.1
Gearing (%)	**58.2**	**35.7**
Unused credit lines	**72.1**	**73.4**
Equity ratio (%)	**45.5**	**51.8**

At EUR 1,811.1 million, the Group's net debt was higher as at 31 December 2012 than one year earlier, when it stood at EUR 1,224 million. This was primarily attributable to the conversion of existing operating lease contracts, the repayment of hybrid II capital and new borrowing for investments in ships and containers.

Liquidity analysis

The Hapag-Lloyd Group's solvency was guaranteed at all times in the last financial year by cash inflows from operating activities, a portfolio of cash and cash equivalents, and bilateral and syndicated credit facilities.

Statement of cash flows and capital expenditure

Condensed statement of cash flows

Million EUR	**1.1.-31.12. 2012**	1.1.-31.12. 2011
EBITDA	**334.5**	**367.1**
Changes in working capital	–18.8	–96.4
Other effects	–183.1	–26.9
Cash flow from operating activities	132.6	243.8
Cash flow from investment activities	–272.6	–194.8
Free cash flow	**–140.0**	**49.0**
Cash flow from financing activities	39.7	–130.3
Changes in cash and cash equivalents	**–100.3**	**–81.3**

Cash flow from operating activities

Based on EBITDA of EUR 334.5 million, the Hapag-Lloyd Group generated operating cash flow of EUR 132.6 million (previous year: EUR 243.8 million).

In the 2012 financial year, working capital requirements resulted in a cash outflow of EUR 18.8 million. The balance of non-cash income and expenses and reclassifications to cash flows from investing and financing activities led to a reduction of EUR 183.1 million in operating cash flows. This related mainly to proceeds from the operating sale and leaseback of containers in the year under review as these transactions were reclassified to cash flow from investing activities.

Cash flow from investing activities

The cash outflow from investing activities totalled EUR 272.6 million. This includes investments of EUR 790.8 million. These mainly comprise cash investments in ships and containers totalling EUR 527.0 million. Non-cash investments were also made by changing seven operating lease contracts into finance lease contracts. Asset disposals generated cash inflows of EUR 236.0 million, primarily in conjunction with sale and leaseback transactions and the sale of chassis.

Cash flow from financing activities

Financing activities resulted in a cash inflow of EUR 39.7 million in the 2012 financial year (previous year: outflow of EUR 130.3 million). Cash inflows of EUR 783.3 million were offset by interest and capital repayments (EUR 606.7 million) and the repayment of hybrid II capital and associated interest (EUR 136.9 million). The new borrowing primarily relates to loans to finance vessels and containers. In addition to regular repayments, one-off repayments of EUR 239.9 million were made in conjunction with the restructuring of fleet financing in the year under review. These payments were almost offset by a cash inflow of EUR 224.7 million from fleet financing.

Changes in cash and cash equivalents

Million EUR	**1.1.-31.12. 2012**	1.1.-31.12. 2011
Cash and cash equivalents at beginning of period	**672.5**	**751.8**
Changes due to changes in the group of consolidated companies	0.0	0.1
Changes due to exchange rate fluctuations	–11.4	1.9
Net changes	–100.3	–81.3
Cash and cash equivalents at end of period	**560.8**	**672.5**

Cash and cash equivalents fell by EUR 111.7 million in the 2012 financial year with the result that, taking account of exchange rate effects, cash and cash equivalents amounting to EUR 560.8 million (previous year: EUR 672.5 million) were reported as at the end of the reporting period. The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item “cash and cash equivalents”. In addition, there continues to be an as yet unused credit facility worth USD 95.0 million (EUR 72.1 million).

The detailed statement of cash flows can be found in the Notes to the consolidated financial statements.

Capital expenditure

The Group invested a total of EUR 790.8 million in 2012 (previous year: EUR 261.9 million). This sum went towards the purchase of five ocean-going vessels, the conversion of existing long-term operating lease contracts into finance lease contracts for seven ships, prepayments for ships under construction and investments in containers.

The development of fixed assets is discussed in the “Group net asset position” section of the management report. For further details, see the Notes to the consolidated financial statements.

The changes in financial position described are reflected in the statement of financial position as at 31.12.2012 respectively.

Off-balance-sheet financial instruments

In the course of its normal business activities, Hapag-Lloyd uses assets of which it is not the beneficial owner. These are, in particular, vessels and containers which are leased within the framework of rental, lease and charter agreements as is customary in the industry. These agreements give rise to future payment obligations for the corresponding rental and charter rates. Details of the operating rental, lease and charter agreements and the structure of the remaining terms of financial obligations can be found in the “Leases” section in the Notes to the consolidated financial statements. The Company succeeded in significantly reducing its financial obligations during the reporting period by changing a number of leases.

GROUP NET ASSET POSITION

Changes in the net asset structure

Million EUR		**31.12.2012**	31.12.2011
Assets			
Non-current assets		5,502.2	5,170.9
Of which fixed assets		5,428.9	5,067.2
Current assets		1,349.1	1,442.9
Of which cash and cash equivalents		560.8	672.5
Total assets		**6,851.3**	**6,613.8**
Equity and liabilities			
Equity		3,114.0	3,424.4
Borrowed capital		3,737.3	3,189.4
Of which non-current liabilities		2,301.2	1,911.5
Of which current liabilities		1,436.1	1,277.9
Of which financial debt		2,371.9	1,896.5
Of which non-current financial debt		2,048.9	1,689.3
Of which current financial debt		323.0	207.2
Total equity and liabilities		**6,851.3**	**6,613.8**
Asset coverage ratio I	(in %)	57.4	67.6
Asset coverage ratio II	(in %)	99.7	105.3
Liquidity ratio I	(in %)	39.1	52.6
Net debt		1,811.1	1,224.0
Equity ratio	(in %)	45.5	51.8

The Group's balance sheet total came to EUR 6,851.3 million at the end of the financial year and was therefore EUR 237.5 million up on the previous year's figure. While non-current assets increased by EUR 331.3 million, current assets decreased by EUR 93.8 million. Changes in the exchange rate for the US dollar – which gained approximately 2% over the course of the year, standing at USD 1.32/EUR as at 31 December 2012 (previous year: USD 1.29/EUR) – also had an effect on a number of balance sheet items.

Within non-current assets, the carrying amounts for fixed assets increased. This was largely due to capital expenditure totalling EUR 790.8 million. Key investments were the purchase of two previously leased ships, the conversion of existing operating lease contracts into finance lease contracts for seven vessels, and the addition of new containers and three new container ships with a capacity of 13,200 TEU each. These factors were partly offset in the reporting period by the sale of two ships with carrying amounts of EUR 6.9 million, the disposal of containers, chassis and gensets with carrying amounts of EUR 24.4 million, regular depreciation totalling EUR 330.3 million and exchange rate effects in the amount of EUR 79.0 million.

Within current assets, increases were seen in both trade accounts receivable and the market value of the current financial derivatives associated with bunker price and currency hedges. The development of inventories had the opposite effect on current assets. Raw materials and supplies were down EUR 30.4 million at EUR 178.3 million due to lower stocks of fuel on the reporting date than in the previous year. The figure was also affected by lower market prices for bunker on the reporting date.

Cash and cash equivalents fell by EUR 111.7 million to EUR 560.8 million (previous year: EUR 672.5 million) due to cash outflows for investments in ships and containers.

On the liabilities side, equity dropped by EUR 310.4 million compared with 31 December 2011 to a total of EUR 3,114.0 million. This fall is largely due to the Group net result, the partial repayment of hybrid II capital totalling EUR 100.0 million and the balance of unrealised gains and losses from foreign currency translation recognised directly in equity and amounting to EUR 52.3 million. However, the reserve for cash flow hedges was higher than in the previous year, which had an opposing effect. On 12 April 2012, EUR 249.2 million was transferred to subscribed capital and capital reserves from hybrid II capital as part of a capital increase. Thereby future distribution obligations from hybrid capital will be omitted. The equity ratio was approximately 46% on 31 December 2012 (31 December 2011: approximately 52%).

The rise in non-current and current liabilities resulted first and foremost from the increase in financial debt compared to year-end 2011. Repayments and one-off repayments of financial debt were roughly offset by new borrowing. The US dollar was slightly weaker on the reporting date than it had been one year previously. This marginally reduced financial debt. A further increase in non-current liabilities resulted from an interest rate related increase of pension provisions.

A rise in trade accounts payable had the most notable impact within current liabilities.

Taking cash and cash equivalents and financial debt into account, net debt as at 31 December 2012 was EUR 1,811.1 million (31 December 2011: EUR 1,224.0 million).

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

STATEMENT ON THE OVERALL ECONOMIC POSITION

Due to the lower than expected demand for container transport services and the negative impact of high bunker consumption prices, earnings for the 2012 financial year were below expectations.
At the time that the management report was in preparation, the Executive Board considered Hapag-Lloyd AG to be in a good economic position. Hapag-Lloyd AG is well positioned on the market with its financial profile and its service portfolio. Business has developed in accordance with expectations in the first few weeks of 2013.

RISK AND OPPORTUNITY REPORT

The risk policy and the strategic focus on business opportunities are designed to enhance the Company's value by providing stable, long-term growth, contribute to the attainment of its medium-term financial goals and ensure its long-term existence as a going concern.

Strategic focus on opportunities
At Hapag-Lloyd, recognising and exploiting opportunities are core elements of strategic management. Fundamentally, opportunities are identified by systematically observing and analysing developments on the markets relevant to the Company and general and sector-specific trends from which opportunities can be derived and assessed. This analysis and assessment forms the basis for the initiation of measures which are geared towards long-term profitable growth and are designed to contribute to a lasting increase in the Company's value.

RISK MANAGEMENT

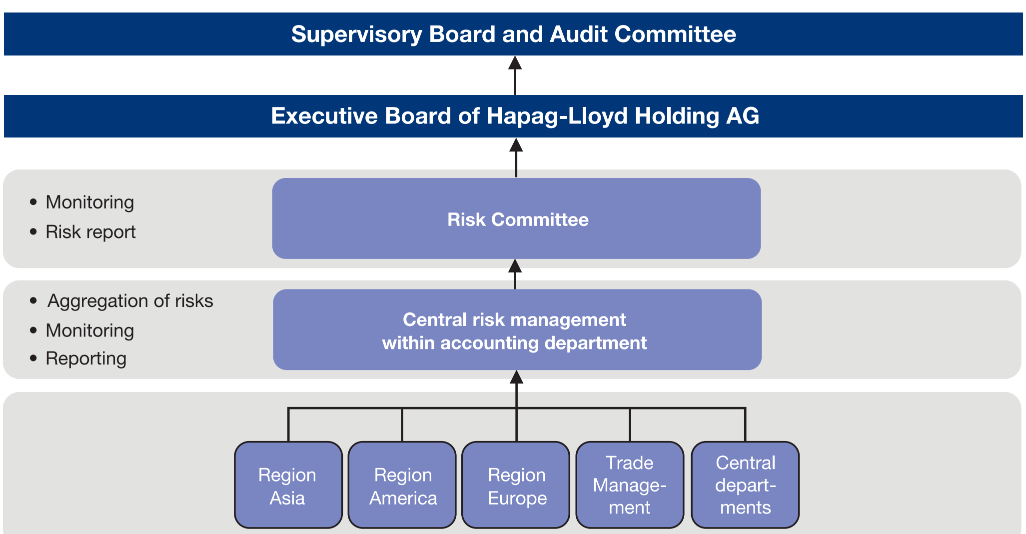
The objective of risk management is to recognise and assess risks of all kinds at an early stage and promptly minimise them by taking appropriate steps. Thanks to monitoring and control systems installed throughout the Group, business developments and their associated risks are regularly recorded, assessed and monitored with regard to their effects on the Group. The Executive Board and operations management have integrated multi-level reporting systems at their disposal for risk management purposes. The planning and controlling system, for example, conducts a monthly analysis of how actual business developments have deviated from planned developments, and uses this analysis to identify and report risks early on that may jeopardise the operating result of the Company. Active monitoring and observation of operating risks are a crucial success factor of the risk management system (RMS).

The risk management system is decentralised in accordance with the Group's organisational structure. In addition to the reports on operating risks, special, independently organised reporting systems have been set up as early-warning systems for risks that threaten the existence of the Company as a going concern. The management of these risks is entirely separate from the operational risk management. Risks are identified, documented, assessed and continuously monitored in the individual departments and regions. They are reported to the central Risk Management department on a quarterly basis, with emergency unscheduled reports being issued in urgent cases. The central Risk Management department monitors the risks faced by the entire organisation, summarises them in an overall assessment, and reports on a regular, as well as unscheduled, basis to the Risk Committee and the Group's Executive Board of the Hapag-Lloyd Group.

Risk management is monitored by the Group Internal Auditing department. It does this by conducting regular checks of the risk management processes and – in particular – the risk early-warning system, focusing on different aspects each time.
In connection with the auditing of Hapag-Lloyd AG's financial statements for 2012, the auditor examined the fundamental ability of the risk early-warning system to identify going-concern risks in accordance with the principles of Section 317 (4) of the German Commercial Code (HGB).

The necessary measures within the framework of the Group's risk management are implemented in each of the operating units. Operational systems give an overview of the measures to provide assistance. Nevertheless, the risk early-warning system (KonTraG) and the operating risk management do communicate with one another.

Risk management system chart of Hapag-Lloyd Holding AG



Duties of the relevant units:
- Risk identification
- Risk assessment
- Risk documentation and reporting
- Risk management

In risk management, the methods applied, systems used and time spent on monitoring are adapted according to the type of risk and are continuously checked, enhanced and adapted to the constantly changing business conditions. Risk management involves hedging against risks as far as is possible. Insurance policies are concluded to cover claims and various other risks that arise in everyday business operations, insofar as these are economically justifiable. The Company also holds a number of insurance policies which are customary in the industry and tailored to the requirements of Hapag-Lloyd Holding AG. These include third-party liability, property and personal insurance, as well as shipping insurance. The policies are examined regularly and adjusted if required.

Description of the significant characteristics of the accounting ICS/RMS pursuant to Section 315 (2) (5) of the German Commercial Code (HGB)

Concept and objectives

Hapag-Lloyd Holding AG has established an internal control system (ICS) on the basis of the internationally acknowledged framework "COSO (The Committee of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework". The system was documented as part of a project in 2010 and safeguarded by means of a verification process. A central ICS coordination framework was put in place in 2012 to strengthen the continuous further development of the internal control system. An improved technical platform was also developed to monitor processes globally. This internal control system includes the accounting ICS.

The primary objectives of the accounting ICS are to prevent the risk of significant errors in accounting reporting, uncover substantially incorrect valuations and ensure compliance with applicable regulations. The principles, processes and measures introduced to this end are regularly checked and enhanced. However, no absolute guarantee can be provided that an ICS will be able to achieve this goal, irrespective of its form or structure.

Organisation and significant processes in Group accounting and consolidation

Hapag-Lloyd Holding AG prepares the consolidated financial statements in accordance with the IASB international accounting standards (IFRS) as adopted by the European Commission and implemented in national legislation. This results in standard procedures for accounting being applied throughout the Group. This implementation is codified in the form of procedures and regulations. Changes to the legal provisions and standards are constantly monitored and the accounting guidelines and procedures are examined promptly for any adjustments that might be required. There is also a uniform chart of accounts for the Group.

The Accounting department has overall responsibility for the consolidation process, the preparation of the financial statements and the internal and external Group reporting.

Information is obtained from other departments and processed in the course of preparing the consolidated financial statements. This includes information from the Treasury department for the reporting of hedge relationships and financial derivatives, and information from the Controlling department pertaining to Group planning in relation to the impairment tests that are carried out.

Individual items of accounting data are calculated and examined by external specialists and appraisers, for example actuaries for pension valuation.

The process of preparing the consolidated financial statements is carried out in accordance with a detailed time schedule (the financial statements calendar), which is agreed with the departments and subsidiaries. The Accounting department is responsible for ensuring that these time limits are adhered to.

The accounting process is supported throughout the Group by the SAP IT system. The subsidiaries send their Group report packages needed for the preparation of the consolidated financial statements. These packages are compiled to form the consolidated financial statements using the SAP ECCS consolidation system. The necessary steps to be taken in the consolidation process are initiated by the Accounting department.

Principles of controlling activities

Compliance with accounting and valuation regulations is monitored by means of controlling procedures. Some of these procedures are integrated into processes, while others are established independently of them. A number of the controlling procedures serve to prevent problems; others take the form of downstream checks.

Function separation procedures and a dual control rule have been implemented as fundamental process-integrated control measures, the objective of which is to ensure proper accounting. For example, entries are always authorised by way of a multi-level approval and release procedure. Control procedures have also been implemented in the IT systems; the booking systems, for example, can only be accessed by authorised employees due to the presence of an authorisation system. In addition, reports concerning changes and exceptions, for example, are verified by means of downstream checks for sensitive areas.

In the process-independent control measures, the Group Internal Auditing department has a fundamental supervisory role to play. The Group Internal Auditing department reports directly to the CEO of Hapag-Lloyd Holding AG and has a wide range of informational, auditing and access rights to enable it to fulfil its role as an internal reviewer and advisor. In 2012, the Group Internal Auditing department conducted an independent quality assessment examining compliance with the professional regulations issued by the German Institute of Internal Auditors (Deutsches Institut für Interne Revision, DIIR). The subjects examined by Group Internal Auditing are systematically selected using a risk-based approach to auditing. They regularly include processes and controls which are relevant to accounting. Furthermore, the auditor of the annual financial statements completes an independent check of key accounting-related aspects of the ICS as part of his risk-based approach to auditing.

ICS verification process

Hapag-Lloyd Holding AG has established a procedure ("ICS verification process") to monitor the effectiveness of the ICS. This process was introduced in 2010 and has been constantly conducted and updated ever since.

The results of the effectiveness verification are compiled each year in a report. The Hapag-Lloyd Holding AG Audit Committee is kept abreast of the efficiency of the internal control system by the Executive Board. In the event of any significant alterations, findings or weaknesses, the Executive Board sends the Audit Committee a relevant interim report.

OPPORTUNITIES

As one of the world's leading container liner shipping companies, Hapag-Lloyd is subject to a wide range of changes and developments on the domestic and international markets. The general circumstances described in this report and the information regarding market, competition and business developments reveal a diversity of potential opportunities. By utilising and enhancing its own strengths and competitive advantages, the Group strives to exploit any potential opportunities that arise to the greatest possible extent.

The continuous identification of potential opportunities is an integral part of the strategy described in the chapter "Group objectives and strategy".

Significant potential opportunities are arising from the following developments:

Opportunities arising from macroeconomic and industry-specific trends
The latest economic forecasts by the International Monetary Fund (IMF) and assessments by IHS Global Insight predict that the volume of global container transport will rise roughly in line with world trade in 2013. This growth in volume predicted for the sector is an opportunity for Hapag-Lloyd to take advantage of this market trend.

Opportunities arising from developments in ship and container capacities
Fluctuations in the supply of and demand for transport services on the market can result in both opportunities and risks. For a description of the risks, see the sub-chapter "Risks". Opportunities result from the realisation of cost advantages and/or an increase in freight rates, an example of which is given below:

- If the cost of newly built vessels falls, the long lead time between ordering and the keel laying provides the opportunity to realise cost advantages by retroactively increasing the order volume or by transforming and supplementing the order.
- If there is a large inventory of chartered ships, there may be cost advantages lasting several months if ships are chartered at favourable rates and the freight rates increase as a result of higher demand.
- Hapag-Lloyd is working continuously on the further development of IT-based forecast models in order to minimise empty legs and reduce the costs incurred by them. This results in revenue advantages if efforts to reduce the empty leg ratio to below the market average prove to be successful.

Opportunities arising from membership of the Grand Alliance and the G6 Alliance
Hapag-Lloyd's membership of the Grand Alliance and the G6 Alliance puts it in a position to offer its own customers a more comprehensive network of liner services on important trades with a high density of departures from relevant ports, which would not be possible with its own fleet. This means the Company is better able to capitalise on opportunities arising from developments in transport volumes and ship capacities.

Hapag-Lloyd established the G6 Alliance with five of the world's leading liner shipping companies from the Grand Alliance and the New World Alliance to serve the Far East–Europe trade. This alliance has been operating up to six services between Asia and Europe and two services between Asia and the Mediterranean since March 2012. The G6 Alliance partners have hereby vastly expanded and improved the services they offer their customers. As of May 2013, the G6 Alliance partners will extend their joint range of services to the transpacific trade- between Asia and the East coast of North America. This could result in additional growth and efficiency-enhancing opportunities for Hapag-Lloyd.

Opportunities arising from the trend towards sustainability and energy efficiency
Hapag-Lloyd sees the trend towards sustainability – in particular environmental protection and energy efficiency – as an opportunity. This trend provides Hapag-Lloyd with an opportunity to achieve cost advantages and reduce CO_2 emissions by means of measures to reduce fuel consumption and optimise ship operations. In connection with this, please refer to the explanations in the chapter "Innovation and sustainability".

The various risks described individually and in detail in the next section, particularly those risks of a financial nature, also represent opportunities that would arise given appropriate positive developments. These opportunities have not been given specific mention in this opportunities report.

RISKS

STRATEGIC RISKS

Macroeconomic risks
Container shipping is heavily dependent on the general prevailing conditions in the world's economies. Fluctuations in the economic climate have an above-average effect on this industry. The development of freight rates, which have a significant influence on Hapag-Lloyd's financial and earnings position, is particularly dependent on the transport volume on routes and therefore on economic developments in individual regions. The ongoing impact of the European debt crisis on the real economy and the persistence of relatively modest economic growth in the USA increased the level of risk for the global economy in com-

parison to the previous year. Furthermore, economic developments in China – the world's second largest economy – lost pace in 2012. With economic expansion of 7.8% in 2012, China experienced its weakest growth since 1999. It is therefore impossible to completely rule out the potential for the global economic picture to become much gloomier in 2013. This could lead to a significant decrease in the global transport volume in the container shipping segment.

Risks resulting from intense competition

Global container shipping is characterised by intense competition among the shipping companies. Some of the competitors are larger than Hapag-Lloyd in respect of business volume, fleet size, transport volume and capacities. Others have better capital resources. This means that these competitors can be better positioned on the market to achieve economies of scale and are able to invest in more highly developed technologies. They would therefore be able to offer more cost-effective service and lower freight rates. This, in turn, might have an adverse effect on Hapag-Lloyd's market share.

Generally, Hapag-Lloyd does not conclude long-term or exclusive contracts with its customers. Many of the forwarders maintain similar business relationships with other shipping companies. Depending on the market circumstances, customers may partially or solely use other shipping companies' services. In global container shipping there are no restrictions for competitors who want to expand their service to cover other trades or routes. Each of the competitors might therefore offer a comparable service on the routes where Hapag-Lloyd maintains a liner service and try to undercut the Group's freight rates. In view of the currently low charter rates for ships, new competitors could also emerge and provide a liner service with particularly low freight rates.

Container shipping has gone through a phase of consolidation in recent years. If there is another round of cost-cutting measures, some individual shipping companies might achieve greater economies of scale and increase their financial strength, with the result that these companies could be more competitive in terms of price and more able to endure greater market volatility than Hapag-Lloyd.

Risks arising from changes in trade flows

As a result of weaker than expected growth in world trade as well as a shift of import and export flows last year, the increase in global container transport services in 2012 was just 1.9% (2011: 7.0%) as per IHS Global Insight (December 2012). This was substantially lower than the 4.2% growth rate which had been forecast as recently as mid 2012. The utilisation of the Group's capacities is influenced by the development of the trading flows between the various regions. In the case of transport between regions comprising net exporters and regions comprising net importers, capacity utilisation in the two directions is divergent. This results in empty legs and the costs that arise from them. An increase in the imbalances in global trade could further push up the costs associated with empty legs.

OPERATING RISKS

Raw materials price risks

Hapag-Lloyd's business activity exposes it to market price risks arising from the procurement of fuels (bunker fuel) for the container fleet. Bunker fuel expenditure accounts for a substantial proportion of overall operating costs. In the financial year 2012, the cost of the vessels' fuel accounted for 23.9% of revenue. A further rise in bunker fuel prices, especially in the first six months of 2012, was one of the main factors behind the increase in transport expenses in the reporting year. Changes in the price of bunker fuel are aligned with the price of crude oil, which has been subject to substantial fluctuations and influenced by a number of economic and geopolitical factors in the past. These include global terrorism as well as political instability and tensions in the Middle East. In the long term, the price is determined by global demand and by developments in emerging, newly industrialised countries such as China and India.

To limit the effect that high bunker prices have on its shipping costs, Hapag-Lloyd is endeavouring to offset a large proportion of the raw materials price fluctuations by means of a bunker fuel surcharge on freight rates. However, the extent to which this can be implemented depends very much on the prevailing market situation.

In addition, price risks emanating from fuel procurement are hedged against by means of hedging transactions in accordance with the internal hedging strategy. This involves hedging up to a maximum of 80% of the Company's anticipated bunker requirements. Please refer to Note 27 in the Notes to the consolidated financial statements for more information on the scope and type of the hedging instruments used as at the balance sheet date. As of February 2013, 52% of the planned fuel consumption volumes for the financial year 2013 were hedged.

Another method for limiting the risk from increasing bunker prices is reducing bunker fuel consumption with measures such as slow steaming. This method achieves above-average savings in fuel consumption by reducing the container ships' speed. In connection with this, please refer additionally to the explanations in the chapter "Innovation and sustainability".

Risk from fluctuations in charter rates

Within the framework of a charter contract, a shipowner puts a ship at the disposal of a container shipping company for a contractually agreed period, with the owner also providing the crew, insuring the vessel and being responsible for maintenance. As the charter rates are subject to severe fluctuations influenced by how market participants anticipate that supply and demand will develop in the future – especially for short-term contracts – chartering ships in periods of increasing demand can be more expensive than operating own vessels. It cannot be ruled out that charter rates could rise sharply in the future and that it might not be possible to pass on these cost increases to customers in the form of higher freight rates.

Generally, charter rates are determined by the supply of and demand for ship capacities and by developments in freight rates in the various trades.

This time lag is caused by the contractual bond between the ship's owner and the liner shipping company. This means that in the event of increasing demand, the owner cannot raise his charter rates before the contract expires. If demand is weakening, on the other hand, the shipping company cannot reduce its charter rates before existing contracts expire. In this case, falling freight rates accompanied by fixed charter rates can lead to a decrease in revenue, particularly after a phase of high demand for ship chartering. As a result, Hapag-Lloyd may be unable to reduce its portfolio of chartered ships with above-average charter rates in comparison to the market for several months as a response to falling freight rates. The proportion of own and leased ships in terms of the total capacity (in TEU) of the Hapag-Lloyd fleet as at 31 December 2012 was approximately 53%. The remaining 47% is chartered. In addition to the Group's 59 own container ships, seven are leased long-term. 18 ships are chartered long-term, 10 for the medium term and 50 for the near future.

Risks from capacity bottlenecks at individual ports

Over the past few years, capacities in container shipping have grown more quickly than the number of available berths at the ports. This leads to waiting times at the ports in question and results in a sometimes considerable amount of lost time during loading and unloading of the vessels. If capacities were further increased, the loss of time at the ports concerned could be even greater. This would make it harder to keep to the timetables and could put pressure on the Company's earnings and financial position. Decisions on whether to expand the ports are the responsibility of the respective governments and are therefore beyond the influence of Hapag-Lloyd.

Risks from long delivery periods for newly built ships

The lead time between the ordering and delivery of newly built ships is two to three years, with the placement of the order being based on expectations of future demand for transport capacities. The market situation can change by the time new ships are delivered. There is also the hazard that the available capacity will be too low and Hapag-Lloyd cannot meet its customers' demands. This would lead to falls in revenue and a loss of market share. If additional capacities had to be chartered to retain customers, higher charter rates would have to be paid as a consequence of increased demand, leading to an additional cost burden. If, on the other hand, capacity demand falls short of expectations, overcapacity might develop.

Risk in the operation of ships

The operation of ships involves specific risks which include accidents, collisions, total loss of a ship, environmental damage, fire, explosions, loss of or damage to the cargo, damage caused by material defects, human error, war, terrorism, piracy, political activities in individual countries, difficult weather conditions and delays resulting from strikes by the crews or dock employees.

All of the points listed above can impede a shipment's progress or lead to the death or injury of people as well as to the loss of or damage to property. This could damage the reputation of the Company and put pressure on customer relationships. Hapag-Lloyd has concluded economically appropriate insurance policies to counter these risks as far as possible. However, it cannot be ruled out that the existing insurance policies do not cover the full amount of all types of damage.

Risks caused by general political conditions and protectionism

Hapag-Lloyd is active in many countries around the world. Its commercial activities can be hindered by political tension, wars, terrorism, and economic and social problems. This can result in disruptions to the production processes of its customers or interruptions in its own liner services. The use of ports or other major shipping channels (Panama Canal, Suez Canal) might be hindered as a further result.

Individual countries can react to financial or economic crises by resorting to protectionist measures, for example by restricting imports. Other countries could initiate countermeasures, thereby encouraging protectionism around the world. This would have a negative impact on the development of container shipping.

Risks from piracy

Piracy has long had a considerable adverse effect on commercial shipping. Since 2008, there has been a significant increase in the levels of piracy in the Gulf of Aden, in the south of the Red Sea and across increasingly large swathes of the Indian Ocean. However, the number of attacks initiated and successfully completed by pirates fell sharply in this region in 2012, thanks in part to greater use of armed security officers.

Since 2011, there has also been a rise in piracy off the western coast of Africa (Gulf of Guinea). While the Somali pirates tend to take people hostage and then demand a ransom, ransoms were not initially the primary motive in the Gulf of Guinea as well as in pirates' traditional stamping grounds, such as the South China Sea. However, there has been an increase in demands for ransom resulting from piracy in this region since 2012, where violent attacks have also become more commonplace. When Hapag-Lloyd employs its own vessels in these regions, the increased risks (of piracy) can result in significantly higher insurance premiums and can make it difficult or even impossible to secure the relevant insurance cover, including for possible ransom payments. The possibility of Hapag-Lloyd not being adequately insured for such cases, including the payment of ransom money, cannot be ruled out.

COMPLIANCE RISKS

Risks caused by regulatory frameworks
As a container shipping company, Hapag-Lloyd is confronted with numerous regulations with domestic and international applicability. The alteration or broadening of such regulations and the necessity of obtaining further authorisations can be a burden on the course of business and possibly require a change of strategy. The Company could face considerable compensation demands and fines if it infringes upon applicable regulations.

Container shipping is subject to numerous safety, security and customs regulations in the respective countries of origin, transit and destination. Checks by the competent authorities could lead to the seizure of containers or their contents, and to delays in the loading or unloading of the ships. In connection with this, customs duties could be levied or fines imposed on exporters, importers or the shipping company.

Based on current and foreseeable regulatory frameworks, there are from today's point of view no discernible factors that could lead to restrictions affecting the Group's commercial activity.

Legal disputes and legal risks
Hapag-Lloyd AG and some of its subsidiaries are currently involved in legal disputes. These include disputes with foreign tax authorities, claims asserted by departed employees and disputes arising from contractual relationships with suppliers, former agents and customers. If legal disputes are successful for the opposing party, this can involve substantial costs in the case of an uninsured event and damage the Company's reputation.

In addition, the Group is subject to regular tax audits and these may lead to the payment of tax arrears.

Since May 2011, the European Commission has been examining whether EU competition law has been violated since the exemption regulation for liner conferences was abolished in October 2008. The Company believes that the transport services were provided in line with EU competition regulations. There were no new developments in 2012.

FINANCIAL RISKS

Management of financial risks

Hapag-Lloyd is represented with its business activities all over the world. As a result, the Group is primarily exposed within the scope of its ordinary business activities to currency risks, interest rate risks, raw materials price risks and liquidity risks which can have a significant impact on its net asset, financial and earnings position.

Its corporate strategy is to limit the market price risks resulting from ordinary business operations by using hedging transactions. The individual rules, responsibility assignments and processes as well as the limits for transactions and risk positions are established in guidelines and implementation rules. Compliance with the guidelines and transaction limits is monitored on an ongoing basis. Hedging transactions are only concluded in order to hedge anticipated underlying transactions or such transactions recognised in the statement of financial position. Approved, standardised software is used for the recording, valuation and reporting of the hedging transactions concluded.

Currency risks

In international container shipping, the US dollar is the currency in which the bulk of services are usually invoiced. This applies to freight and charter rates, fuel, and the financing of containers and ships. The US dollar is the functional currency within the Hapag-Lloyd Group. However, the Group is a business which conducts its operations worldwide and is therefore exposed to the risk of currency fluctuations because various currencies account for its income and expenses. This also applies to financial debt assumed in euros. In addition to the euro and the Canadian dollar, the British pound, Swiss franc, Hong Kong dollar, Singapore dollar, Japanese yen as well as the Chinese renminbi are of importance.

Hedging transactions are completed for EUR/USD and, when necessary, CAD/USD to limit the risks arising from changes in exchange rates. Despite this, fluctuations in exchange rates can have a significant influence on the Group's earnings position.

Risks from fluctuations in bunker prices

Fuel consumption constitutes a substantial cost factor for Hapag-Lloyd and can influence the Company's result if there are market price fluctuations. To avoid fluctuating results caused by volatile bunker prices and to achieve planning reliability, Hapag-Lloyd makes use of typical market instruments to hedge against fuel price risks. The relevant basic features of financial risk management have been established and described in a financial guideline approved by the Executive Board. They are implemented by the Group's Treasury department. The Group hedges up to a maximum of 80% of its planned fuel requirements for the next twelve months.

Interest rate risks

Interest rate risks which arise as a result of liquidity procurement on the international money and capital markets are reduced with a balanced portfolio of fixed and variable interest rate structures.

Liquidity risks

Liquidity risk, i.e. the risk of not being able to fulfil existing or future payment obligations due to insufficient cash, is managed centrally at Hapag-Lloyd. The Group secures an adequate liquidity reserve for itself by means of syndicated credit facilities and bilateral bank loans, as well as its portfolio of cash and cash equivalents. Arrangements with the banks to provide lines of credit are based on a rolling liquidity plan. Bank default risk management also covers the derivative financial instruments and financial investments in the Hapag-Lloyd Group. The maximum default risk of the derivative financial instruments concluded is restricted to the sum of the current values of all of these instruments, because the financial damages in the event of their non-fulfilment by the contractual partners would not exceed this amount. Default risks are not expected as derivative financial instruments have been concluded with different borrowers of impeccable credit standing. Nonetheless, the counterparty risk is monitored constantly and managed by means of internal bank limits. The bonds issued entail certain limitations with regard to possible payments to the shareholders and subordinated creditors. In addition, there are termination clauses which are customary in the market relating to much of the financial debt in the event that more than 50% of the company's shares are acquired by a third party.

Credit default risks

In order to prevent or reduce bad debt losses, Hapag-Lloyd operates a uniform, centrally controlled receivables management system across the Group. Its components include a standardised approval procedure for granting loans, complete with a creditworthiness risk check by Dun & Bradstreet (the world's largest provider of business information and analyses), securing the customer receivables by means of credit insurance, and a centrally managed monthly reporting system for monitoring the outstanding amounts, including their age structure and the guidelines and rules of receivables management.

With regard to derivative financial instruments, all the counterparties must have a credit rating or, alternatively, a corresponding internal credit assessment determined according to clear specifications.

Risks arising from debt

As at 31 December 2012, the Company's financial debt amounted to EUR 2,371.9 million (previous year: EUR 1,896.5 million). The ability to finance the operating capital, debt servicing and other expenditure depends on the future course of business and the development of income. Due to the existing borrowed capital, a portion of income has to be used to pay interest and service debt. An increase in the total interest-bearing liabilities could possibly make it more difficult for the Company to fulfil the payment obligations for its bonds. In addition, it may hamper Hapag-Lloyd in raising new funds.

Covenant clauses that are customary in the market are in place for existing financing from bonds or loans. They primarily require the Company to comply with EUR 2,750 million minimum equity requirements (adjusted for positions not effecting net income), maintain liquidity of at least USD 250 million and achieve loan-to-value ratios of between 60 and 83%. As at 31 December 2012, all of the covenants were complied with. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

Risks from a downgrading of the rating

The bonds already issued are assessed by the rating agencies Moody's and Standard & Poor's. In principle, the Company would intend possible future bond issues to be rated in the same way. The credit rating given by the rating agencies influences the Group's ability to take on additional financial debt. Any downgrading of the Hapag-Lloyd Group's rating or that of the bonds it issues could result in less favourable conditions for raising new funds and could adversely affect the price and the fungibility of the securities it has already issued. In its rating update on 28 September 2012, the international rating agency Standard & Poor's downgraded its corporate rating for Hapag-Lloyd Holding AG from BB- to B+. The outlook (negative) remained unchanged.

On 31 October 2012, the rating agency Moody's also adjusted its rating from B1; negative outlook to B2; negative outlook.

If there is no sustained improvement in the Hapag-Lloyd Group's earnings position, the rating agencies could further downgrade Hapag-Lloyd's creditworthiness.

Risks of taxation

In 1999, Hapag-Lloyd decided to avail itself of the possibility of having its commercial activities taxed on the basis of the transport capacities utilised ("tonnage tax"). There are also comparable taxation systems in other European countries. In this way, the tax burden is determined by the capacity of the fleet, not by the earnings actually achieved. It requires a particular proportion of the fleet to be registered in Germany (managed domestically) and deployed in international waters or only as a liner service between foreign ports. Any change in or discontinuation of tonnage tax or any failure of the Company to meet the prerequisites for continuing to use the tonnage tax option could considerably increase the tax burden, particularly in periods of high earnings.

Some of the older ships do not fulfil these requirements, and as a result approximately 9% of the Group's income was subject to regular German taxation in 2012.

OTHER RISKS

IT risks

Hapag-Lloyd ensures that all necessary data on transport volumes, freight rates, transport costs, container locations and timetables is supplied by means of its own IT systems. The availability of the systems is necessary for the management of the fleet and the containers, for the efficient management of business processes and for cost control. An IT systems failure could hinder business processes and lead to higher costs.

The IT systems are protected in several ways. It can nevertheless not be ruled out that damage, for example caused by fire, power failures, system errors, hacker attacks, cases of fraud or terrorism, could lead to the loss of data. The recovery of this data, if at all possible, could lead to increased costs and/or negatively affect the customer or partner relationship.

Risks from membership of alliances

Membership of the Grand Alliance and the G6 Alliance can involve risks alongside the opportunities described above. The conditions within the Grand Alliance could change or other shipping companies could relinquish or not renew their membership. Any member of the Grand Alliance can terminate its membership with six months' notice. The Grand Alliance's predecessor organisation – the Global Alliance – was established back in 1995. Membership agreements have been renewed regularly to date. The contract which currently applies will expire in 2018. In the event of a dissolution of the Grand Alliance, Hapag-Lloyd would lose the benefits that the Group gains from the collaboration. This would considerably restrict the flexibility, capacities and available spectrum of liner services. The aforementioned risks apply equally to membership of the G6 Alliance. The agreement reached between the members of the G6 Alliance is due to expire in 2016.

OVERALL ASSESSMENT OF THE RISKS

The assessment of the Group's overall risk situation is the result of an examination of all of the Group's significant individual risks as they affect the Group as a whole. At present, there are no indications of any risks, either alone or in combination with other risks, that endanger the continued existence of Hapag-Lloyd as a going concern.

EVENTS AFTER THE BALANCE SHEET DATE

Hapag-Lloyd had access to an uncommitted credit facility of USD 58.0 million (EUR 44.0 million) at the end of the 2012 financial year to fund investments in containers. An amount of USD 15.1 million (EUR 11.3 million) was drawn down from this credit line on 15 January 2013 in connection with a payment to purchase 1,300 reefer containers. The remaining USD 42.9 million (EUR 32.1 million) can be paid out in 2013 if the Company decides to make new investments in containers.

On 28 February 2013, Hapag-Lloyd took delivery of the “Hong Kong Express” – the fourth ship from the new “Hamburg Express” class with a capacity of 13,200 TEU. As a result, another USD 92.5 million tranche of the USD 925.0 million K-sure II financing package was paid out. Hapag-Lloyd’s remaining order book contains six further newbuilds, each with a capacity of 13,200 TEU. Three of them will be delivered in the first half of 2013.

The last three “Hamburg Express” class ships are due to join the fleet in the first six months of 2014. These vessels were originally set to go into service in the second half of 2013. Hapag-Lloyd is currently negotiating a later delivery date with the shipyard. It will have a minimal impact on liquidity as the existing K-sure II financing package will be used. The milestone payments – several of which have been brought forward – will be funded using interim financing.

PROSPECTS

The development of the macroeconomic conditions, for example global economic growth and the resultant increase in worldwide trade flows, is of particular significance for the long-term development of container shipping.

There has been a further increase in the number of negative factors affecting international economic growth since the second half of 2012. In addition to the worsening of the eurozone debt crisis, these include the USA's high and rising budget deficit and the significant reduction in China's pace of growth last year. Experts from the International Monetary Fund (IMF) believe that the negative impact of the sovereign debt crisis in the eurozone and the slowdown in China's economic growth seen in 2012 are continuing to curb the growth of the global economy. However, the risk of a global recession has fallen. In its latest economic outlook (January 2013), the IMF slightly downgraded its forecasts for global economic growth this year, cutting 0.1 percentage points off the prognosis to take it to 3.5%. However, it expects global growth to accelerate to 4.1% in 2014. According to the IMF, the world trading volume – which is important for container shipping – should increase by 3.8% this year and rise by a further 5.5% in 2014. This means that the world trading volume is continuing to grow faster than the global economy.

As a result of weaker than expected growth in world trade as well as a shift of import and export flows last year, the increase in global container transport services in 2012 was just 1.9% (2011: 7.0%) as per IHS Global Insight (December 2012). This was substantially lower than the 4.2% growth rate which had been forecast as recently as mid 2012. In the light of persistent economic uncertainty, IHS Global Insight Industry Intelligence (December 2012) has significantly downgraded its forecasts for the growth of the global container market in 2013 and 2014. IHS Global Insight now expects the global cargo volume to increase by 3.0% in 2013 and 4.8% in 2014. All in all, the forecast rise in worldwide transport volumes in container shipping for 2013 and 2014 should be roughly in line with the rate of growth for global trade.

Given the unexpectedly sharp global economic slowdown which occurred in the second half of 2012, the trends forecast by the research institutes are still subject to a high degree of uncertainty.

With demand for container transport services rising further in the medium to long term (IHS Global Insight, December 2012), container shipping will continue to be a growth industry

Significant general economic and sector-specific parameters in 2013

Influencing factor	Anticipated development in 2013	Anticipated impact in 2013
Global economic growth	Faster global economic growth in the second half of 2013. Increase of approx. 3% in the global container transport volume	Positive effect on revenue
Transport volume	Overall increase	Positive effect on revenue
Transport costs	Tending higher	Increase in transport expenses
Freight rates	Moderate improvement in freight rates over the course of the year, with uncertainty remaining high due to ongoing competitive pressure	Positive effect on revenue and earnings

in the long term. In order to utilise the medium-term growth opportunities resulting from market growth and realise economies of scale in its ship operations, Hapag-Lloyd will launch another seven new large container ships into service, each with a capacity of 13,200 TEU. Hapag-Lloyd concluded appropriate financing agreements at an early stage in order to safeguard its financing requirements for investments. All of the planned ship investments will be funded through long-term loan agreements. Although investing in newbuilds has an effect on net debt, Hapag-Lloyd expects its liquidity situation to remain adequate for the 2013 financial year.

Based on the general economic conditions expected, Hapag-Lloyd is striving to increase its transport volume in 2013 and 2014. A further improvement in freight rates is also anticipated in 2013 and 2014. Hapag-Lloyd aims to achieve a positive operating result again in 2013, following on from its performance in the 2012 financial year, when a further sharp rise in transport expenses and stiff competition in the market had a more pronounced negative impact than expected. It continues to pursue the medium-term goal of profitable growth based on its operating result.

Uncertainty continues to surround anticipated industry and company developments, especially given the substantial slowdown in global economic growth since the second half of 2012. However, the possibility of another slump in economic growth, a further sustained increase in the price of crude oil above the reduced level reached at year end 2012 and high freight rate volatility – the latter primarily because of the ongoing commissioning of very large container ships on the Asian trades – could hit the industry hard again in 2013 and therefore could also have a significant negative impact on the development of Hapag-Lloyd's business in the current financial year.

19 March 2013 Hapag-Lloyd Holding AG The Executive Board

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

Consolidated income statement of Hapag-Lloyd Holding AG for the period 1 January to 31 December 2012

Million EUR	Notes	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Revenue	(1)	6,843.7	6,103.2
Other operating income	(2)	265.4	119.3
Transport expenses	(3)	6,182.3	5,281.2
Personnel expenses	(4)	359.7	337.7
Depreciation, amortisation and impairment	(5)	332.0	287.0
Other operating expenses	(6)	267.3	268.7
Operating result		**–32.2**	**47.9**
Share of profit of equity-accounted investees	(12)	31.9	19.7
Other financial result	(7)	2.8	12.5
Earnings before interest and tax (EBIT)		**2.5**	**80.1**
Interest income	(8)	6.7	10.2
Interest expenses	(8)	–133.6	–117.5
Earnings before income taxes		**–124.4**	**–27.2**
Income taxes	(9)	3.9	1.6
Group profit/loss		**–128.3**	**–28.8**
thereof attributable to shareholders of Hapag-Lloyd Holding AG		–129.0	–28.8
thereof attributable to non-controlling interests	(21)	0.7	-

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income of Hapag-Lloyd Holding AG for the period 1 January to 31 December 2012

Million EUR	Notes	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Group profit/loss		**–128.3**	**–28.8**
Cash flow hedges (no tax effect)	(19)	9.1	–36.1
Addition to other comprehensive income (OCI)		37.1	170.0
Reclassification to income statement due to realisation		–28.0	–206.1
Actuarial gains (+) and losses (–) from pension provisions and related fund assets, after tax	(19)	–39.0	–8.3
Actuarial gains (+) and losses (–) from pension provisions and related fund assets, before tax		–40.9	–9.9
Tax effect		1.9	1.6
Currency translation (no tax effect)	(19)	–52.3	96.0
Other comprehensive income		**–82.2**	**51.6**
Total comprehensive income		**–210.5**	**22.8**
thereof attributable to shareholders of Hapag-Lloyd Holding AG		–211.2	22.8
thereof attributable to non-controlling interests	(21)	0.7	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position of Hapag-Lloyd Holding AG as of 31 December 2012

Million EUR	Notes	**31.12.2012**	31.12.2011
Assets			
Goodwill	(10)	693.9	707.3
Other intangible assets	(10)	619.5	729.6
Property, plant and equipment	(11)	3,785.6	3,314.4
Investments in equity-accounted investees	(12)	329.9	315.9
Other assets	(13)	25.7	43.8
Derivative financial instruments	(14)	32.5	46.9
Deferred tax assets	(9)	15.1	13.0
Non-current assets		**5,502.2**	**5,170.9**
Inventories	(15)	178.3	208.7
Trade accounts receivable	(13)	449.5	419.6
Other assets	(13)	110.4	106.5
Derivative financial instruments	(14)	37.0	17.1
Income tax receivables	(9)	13.1	7.7
Cash and cash equivalents	(16)	560.8	672.5
Non-current assets held for sale	(17)	-	10.8
Current assets		**1,349.1**	**1,442.9**
Total assets		**6,851.3**	**6,613.8**

Million EUR	Notes	**31.12.2012**	31.12. 2011
Equity and liabilities			
Subscribed capital	(18)	66.1	60.0
Capital reserves	(18)	3,269.8	3,026.6
Retained earnings	(18)	–190.4	–61.3
Cumulative other equity	(19)	–32.3	49.9
Hybrid capital	(20)	-	348.9
Equity attributable to the shareholders of Hapag-Lloyd Holding AG		**3,113.2**	**3,424.1**
Non-controlling interests	(21)	0.8	0.3
Equity		**3,114.0**	**3,424.4**
Provisions for pensions and similar obligations	(22)	151.8	104.8
Other provisions	(23)	87.5	110.1
Financial debt	(24)	2,048.9	1,689.3
Other liabilities	(25)	5.4	5.8
Derivative financial instruments	(26)	6.0	-
Deferred tax liabilities	(9)	1.6	1.5
Non-current liabilities		**2,301.2**	**1,911.5**
Provisions for pensions and similar obligations	(22)	3.7	5.1
Other provisions	(23)	119.5	129.4
Income tax liabilities	(9)	4.4	4.3
Financial debt	(24)	323.0	207.2
Trade accounts payable	(25)	886.4	791.8
Other liabilities	(25)	99.1	140.1
Current liabilities		**1,436.1**	**1,277.9**
Total equity and liabilities		**6,851.3**	**6,613.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity of Hapag-Lloyd Holding AG for the period 1 January to 31 December 2012

Million EUR	Equity attributable to shareholders			
	Capital provided by limited partners	Sub-scribed capital	Capital reserves	Retained earnings
Notes	(18)			(18)
As per 1.1.2011	**3,086.6**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**–28.8**
thereof				
Group profit/loss	-	-	-	–28.8
Other comprehensive income	-	-	-	-
Transactions with shareholders	**–3,086.6**	**60.0**	**3,026.6**	**–32.5**
thereof				
Paid interest hybrid I	-	-	-	-
Paid interest hybrid II	-	-	-	–32.5
Change of legal form	–3,086.6	60.0	3.026.6	-
Planned payment of interests on hybrid capital	-	-	-	-
As per 31.12.2011	**-**	**60.0**	**3,026.6**	**–61.3**
Total comprehensive income	**-**	**-**	**-**	**–129.0**
thereof				
Group profit/loss	-	-	-	–129.0
Other comprehensive income	-	-	-	-
Transactions with shareholders	**-**	**6.1**	**243.2**	**–0.1**
thereof				
Partial repayment of hybrid II	-	-	-	-
Realisation transaction costs	-	-	-	-
Capital increase from contribution of hybrid II	-	6.1	243.9	-
Reclassification transaction costs	-	-	–0.7	–0.1
Changes in the group of consolidated companies	-	-	-	-
Distribution to non-controlling interest	-	-	-	-
As per 31.12.2012	**-**	**66.1**	**3,269.8**	**–190.4**

of Hapag-Lloyd Holding							
Reserve for cash flow hedges	Actuarial gains and losses	Translation reserve	Cumulative other equity	Hybrid capital	Total	Non-controlling interests	Total equity
			(19)	(20)		(21)	
36.1	–15.4	–22.4	**–1.7**	**357.6**	**3,442.5**	**0.3**	**3,442.8**
–36.1	–8.3	96.0	**51.6**	**-**	**22.8**	**-**	**22.8**
-	-	-	-	-	–28.8	-	–28.8
–36.1	–8.3	96.0	51.6	-	51.6	-	51.6
-	-	-	**-**	**–8.7**	**–41.2**	**-**	**–41.2**
-	-	-	-	–4.3	–4.3	-	–4.3
-	-	-	-	32.5	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	–36.9	–36.9	-	–36.9
-	–23.7	73.6	**49.9**	**348.9**	**3,424.1**	**0.3**	**3,424.4**
9.1	–39.0	–52.3	**–82.2**	**-**	**–211.2**	**0.7**	**–210.5**
-	-	-	-	-	–129.0	0.7	–128.3
9.1	–39.0	–52.3	–82.2	-	–82.2	-	–82.2
-	-	-	**-**	**–348.9**	**–99.7**	**–0.2**	**–99.9**
-	-	-	-	–100.0	–100.0	-	–100.0
-	-	-	-	0.3	0.3	-	0.3
-	-	-	-	–250.0	-	-	-
-	-	-	-	0.8	-	-	-
-	-	-	-	-	-	–0.1	–0.1
-	-	-	-	-	-	–0.1	–0.1
9.1	–62.7	21.3	**–32.3**	**-**	**3,113.2**	**0.8**	**3,114.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows of Hapag-Lloyd Holding AG for the period 1 January to 31 December 2012

Million EUR	Notes	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Group profit/loss		–128.3	–28.8
Depreciation, amortisation and impairment (+) / write-backs (–)		332.0	285.8
Other non-cash expenses (+) / income (–)		46.1	28.4
Interest expenses (excl. interest expenses relating to pension obligations)		124.1	108.4
Profit (–) / loss (+) from hedges of financial liabilities		1.6	–12.7
Profit (–) / loss (+) from disposals of non-current assets		–192.1	–21.0
Income from dividends (–)		–32.0	–19.9
Increase (–) / decrease (+) in inventories		27.1	–55.5
Increase (–) / decrease (+) in receivables and other assets		–120.9	2.9
Increase (+) / decrease (–) in provisions		–16.4	–31.2
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)		91.4	–12.6
Cash inflow/outflow from operating activities	(28)	**132.6**	**243.8**
Payments received from disposals of property, plant and equipment and intangible assets		225.0	24.1
Payments received from disposals of other non-current assets		11.0	11.9
Dividends received		18.4	31.1
Payments made for investment in property, plant and equipment and intangible assets		–526.7	–261.9
Payments made for investment in other non-current assets		–0.3	-
Cash inflow/outflow from investing activities	(29)	**–272.6**	**–194.8**

Million EUR	Notes	1.1.–31.12. 2012	1.1.–31.12. 2011
Payments received from capital increase		-	-
Payments made from hybrid capital		–136.9	–4.3
Payments received from issuance of financial debt		763.1	516.9
Payments made for redemption of financial debt		–482.2	–543.5
Interest paid		–124.5	–106.4
Payments received (+) and made (–) from hedges for financial liabilities		20.2	7.0
Cash inflow/outflow from financing activities	(30)	**39.7**	**–130.3**
Net change in cash and cash equivalents		**–100.3**	**–81.3**
Cash and cash equivalents at beginning of period		**672.5**	**751.8**
Change in cash and cash equivalents due to a change in the group of consolidated companies		-	0.1
Change in cash and cash equivalents due to exchange rate fluctuations		–11.4	1.9
Net change in cash and cash equivalents		–100.3	–81.3
Cash and cash equivalents at the end of the period	(31)	**560.8**	**672.5**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

General notes

Effective 31 March 2011 "Albert Ballin" Holding GmbH & Co. KG was converted and renamed to Hapag-Lloyd Holding AG by change of its legal form and registration in the commercial register.

Hapag-Lloyd Holding AG (hereinafter "the Company" or Hapag-Lloyd Holding) domiciled in Hamburg, Ballindamm 25, is a German corporation registered in the commercial register of Hamburg district court under HRB 117805. The purpose of the Company is the acquisition of direct or indirect investments in companies which operate globally in the container shipping market with their own or chartered ships.

The management of Hapag-Lloyd Holding and its subsidiaries, hereinafter referred to as Hapag-Lloyd Group, is geared exclusively to the container shipping segment.

Shareholders of Hapag-Lloyd Holding as at 31 December 2012 were Hamburgische Seefahrtsbeteiligung "Albert Ballin" GmbH & Co. KG with a stake of 78.0% and TUI-Hapag Beteiligungs GmbH with 22.0%. Hapag-Lloyd Holding prepares the consolidated financial statements for the largest circle of group companies.

These consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and adopted as European law by the European Union (EU), and the German commercial law provisions that must be observed pursuant to Section 315 a (1) of the German Commercial Code (HGB).

These consolidated financial statements encompass the financial year from 1 January to 31 December 2012.

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

The consolidated financial statements for the 2012 financial year will be examined and approved by the Supervisory Board on 19 March 2013.

Segment reporting

As at 31 December 2012 the Company neither traded debt instruments or equity instruments in a public market nor had presented the consolidated financial statements for the purpose of issuing instruments to a regulatory authority, there was no obligation to prepare segment reporting as at the balance sheet date.

New accounting principles

The following new standards and amendments of already endorsed existing standards issued by the IASB had to be adopted for the first time for these financial statements. The first-time adoption did not have a significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group, unless otherwise stated:

- Amendment to IFRS 7 *Financial Instruments: Disclosures*

Amendments to IFRS 7 *Financial Instruments: Disclosures* relate to required disclosures in connection with the transfer of financial assets. In particular, extensive information must now be provided on retained or assumed rights and obligations even when the financial assets are written off in full.

The following standards that were adopted, amended or newly issued by the IASB at the time these consolidated financial statements were prepared were not yet mandatory in the financial year 2012:

Standard/Interpretation		Mandatory application as per	Adopted by EU Commission
IAS 1	Amendment to IAS 1: Presentation of Items of OCI	1.7.2012	yes
IAS 12	Amendments to IAS 12: Deferred Taxes: Recovery of Underlying Assets	1.1.2012*	yes
IAS 19	Amendment to IAS 19: Employee Benefits	1.1.2013	yes
IAS 27	Amendment to IAS 27: Separate Financial Statements	1.1.2013**	yes
IAS 28	Amendment to IAS 28: Investments in Associates and Joint Ventures	1.1.2013**	yes
IAS 32, IFRS 7	Amendment to IAS 32 and IFRS 7: Offsetting Financial Assets and Financial Liabilities and respective expansion of notes	1.1.2014 or 1.1.2013	yes
IFRS 1	Amendments to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates	1.7.2011*	yes
IFRS 10	Consolidated Financial Statements	1.1.2013**	yes
IFRS 11	Joint Arrangements	1.1.2013**	yes
IFRS 12	Disclosure of Interests in Other Entities	1.1.2013**	yes
IFRS 13	Fair Value Measurement	1.1.2013	yes
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1.1.2013	yes
IFRS 1	Amendments to IFRS 1: Government Loans	1.1.2013	no
IFRS 9	Financial Instruments	1.1.2015	no
IFRS 9	Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures	1.1.2015	no
IFRS 10–12	Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance	1.1.2013**	no
IFRS 10, 12, IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	1.1.2014	no
Various	Annual Improvements to IFRSs (2011)	1.1.2013	no

*For the EU 1.1.2013, **For the EU 1.1.2014

These are regulations which will not be mandatory until the financial year 2013 or later. The Company does not plan an early application. Unless stated otherwise, the effects are currently being reviewed.

EU endorsement has been given

Due to the amendment to IAS 1 *Presentation of Items of Other Comprehensive Income,* companies must differentiate between other comprehensive income that will be reclassified in profit or loss in future periods (recycling) and those items not being recycled.

The change in IAS 12 *deferred taxes on real estate held as financial investment* clarifies that as a rebuttable presumption the carrying amount of certain assets is generally realised by sale; this applies to real estate held as financial investment and measured using the fair value model of IAS 40.

The amendment to IAS 19 *Employee Benefits* mainly affects the recognition and assessment of actuarial gains and losses for defined benefit plans and termination benefits. The revised version of IAS 19 removes the option regarding how to recognise actuarial gains and losses in the financial statements, with the result that they may in future only be recognised directly and fully in other comprehensive income. In addition, past service cost must now be recognised directly in profit or loss in the year in which it occurs. Furthermore, expected income from funded pension plans is currently calculated at the beginning of the respective period based on the executive management's forecasts regarding changes in the value of the investment portfolio. Following application of IAS 19 (revised 2011), interest on funded pension plans may in the future only be assessed based on the standard discount rate for pension obligations. The expected amount of administrative costs for plan assets was previously recognised in the interest result. In accordance with the amendments, administrative costs for plan assets should be recognised as part of the revaluation components in other comprehensive income, while other administrative costs should be allocated to operating profit at the time they are incurred. In addition, there are expanded disclosure requirements overall for employee benefits.

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

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

With the adoption of IFRS 11 *Joint Arrangements*, amendments were made to IAS 28, which governs the application of the equity method. The adoption of IFRS 11 results in a considerable expansion of the scope of application, since not only investments in associated companies, but also in joint ventures must henceforth be accounted for using the equity method. The proportionate consolidation of joint ventures therefore no longer applies. Potential voting rights and other derivative financial instruments are henceforth to be taken into consideration when assessing whether a company has a decisive influence or when assessing the investor's share of the assets of the company. Another amendment relates to accounting in accordance with IFRS 5 if only a portion of the share in an associated company or a joint venture is to be sold. IFRS 5 is partially applicable if only a share or a portion of a share in an associated company (or joint venture) is deemed to be "held for sale".

Prerequisites contained in IAS 32 regarding netting were made more concrete through additional application guidelines. On the one hand it is specified that there must be an unconditional, legally enforceable claim for compensation, even if one of the parties has filed for bankruptcy, and on the other hand exemplary criteria are provided under which the offsetting of financial assets and financial liabilities is done. In this context there was another amendment to IFRS 7. This involves new disclosure requirements for offsetting agreements.

With the amendments to IFRS 1, first-time adopters of IFRS can, after a phase of "serious hyperinflation", assess assets and liabilities at their respective fair value in the IFRS opening balance sheet. This is yet another exemption to the retroactive application of all IFRS. Additionally as the fixed date 1 January 2004 was replaced by "time of transition to IFRS", first-time adopters can do without a retroactive calculation of valuation differences for financial assets and liabilities at fair value for which there is no active market.

A further amendment to IFRS 1 concerns government loans granted at a rate of interest below the market interest rate. Insofar as such loans were granted on or after the date of transition, they are to be measured at their fair value. In the case of government loans in existence at the time of transition, these can be measured in accordance with the former financial reporting standard.

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

With the new IFRS 12 *Disclosure of Interests in Other Entities* all disclosure requirements for subsidiaries, joint ventures and associated companies as well as non-consolidated special purpose entities are combined in one standard. Thus, companies must disclose both quantitative and qualitative information concerning type, risks and financial effects in connection with the engagement of the company with these affiliated companies.

The standard IFRS 13 *Fair Value Measurement* provides uniform measurement criteria across standards for the measurement of the fair value by defining the term and describing which methods can be considered for its measurement. Furthermore, the Notes to the financial statements are expanded such that the fair values of all assets and liabilities assessed at fair value must be classified, for example depending on the type of measurement criteria used.

Interpretation of IFRIC 20 is concerned with the accounting of stripping costs in the development phase of a surface mine. The interpretation clarifies under which conditions the stripping costs can be capitalised as an asset and how initial and follow-up measurements of the asset must be performed.

EU endorsement still pending

The recognition and measurement of financial instruments in accordance with IFRS 9 will replace IAS 39. Financial assets will henceforth be classified and measured on the basis of two groups only: at amortised cost and at fair value. Financial assets at amortised cost are financial assets for which interest and capital repayments are applicable only at stipulated times and which are also held as part of a business model whose objective is to hold assets. All other financial assets belong to the group of assets carried at fair value. Changes in the value of the financial assets in the fair value category are always recognised as profit or loss. In the case of certain equity instruments, there is the option to recognise changes in value under other comprehensive income. However, dividend entitlements relating to these assets are to be recognised as profit or loss. The provisions for financial liabilities are taken from IAS 39. The primary change relates to the recognition of changes in value of financial liabilities measured at fair value. These will henceforth be divided: the proportion attributable to own credit risk will be recognised under other comprehensive income, while the remaining proportion of the change in value will be recognised as profit or loss.

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

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

Amendments were made to five standards as part of the Annual Improvement to IFRS (2011) process. These include a clarification pertaining to IFRS 1 that IFRS 1 is also applicable if reporting was already carried out in accordance with IFRS in the past and, after a hiatus, IFRS is applied anew, and also the clarification that borrowing costs capitalised before the transition to IFRS may be retained. In addition, there was a clarification to IAS 1 regarding comparative information from the previous year and relating to the amendment of financial reporting methods and retroactive adjustments, the introduction of IAS 16 provisions regarding the inclusion of servicing equipment as property, plant and equipment, the stipulation in IAS 32 that tax effects caused by distributions to investors or by the costs of an equity transaction are to be recognised in accordance with IAS 12 Income Taxes, and a clarification in IAS 34 regarding how to make segment disclosures of assets and liabilities in interim reports.

Consolidation principles and methods

The consolidated financial statements include all the significant domestic and foreign companies in which Hapag-Lloyd Holding is able to govern the financial and business policy so as to derive benefits from the activities of these companies (subsidiaries). Companies in which the Group is able to exert a significant influence over the business and financial policy (associated companies) or which are jointly controlled (joint ventures) are included in the consolidated financial statements using the equity method.

Such companies are generally consolidated for the first time as at their acquisition date. The acquisition date constitutes the time from which the possibility of controlling the subsidiary is acquired or, respectively, when it becomes possible to exert significant influence. If the possibility of controlling a company or of exerting significant influence over it comes to an end, the company in question is removed from the group of consolidated companies.

Capital consolidation is carried out using the purchase method. When the purchase method is applied, the acquisition costs of the acquired shares are compared with the proportionate fair value of the acquired assets, debts and contingent liabilities of the subsidiary or associated company as at the acquisition date. With subsidiaries, any positive difference is recognised as goodwill and recorded as an asset of the subsidiary; with associated companies, it is contained within the carrying amount of the respective investment valuation. A negative difference is recognised immediately within the income statement. The option to capitalise the proportionate goodwill on non-controlling interests is not applied. Transaction costs incurred in connection with a business combination are recognised as expenses.

Any resulting goodwill is examined for impairment at least once a year at the end of the planning process or, if there are any indications of a possible impairment in value in the subsequent periods, is examined for its recoverable amount and, in the event of impairment, is written down to the lower recoverable amount (impairment test). Any impairments of this kind are recognised separately in the consolidated income statement as impairment of goodwill. If the carrying amount exceeds the recoverable amount of an investment in an associated company, the carrying amount of the investment is written down to the recoverable amount. Impairments of the carrying amount are recognised in the pro rata earnings derived from the associated companies accounted for using the equity method.

The individual financial statements of Hapag-Lloyd Holding and its subsidiaries, which were prepared using the standard Group accounting and measurement methods and audited or reviewed by auditors, were included in the preparation of the consolidated financial statements.
If a subsidiary or a company included in the consolidated financial statements using the equity method is sold, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in other comprehensive income, is recognised at the disposal date in the consolidated income statement. The carrying amounts of the capitalised goodwill are taken into account in the calculation of the gain or loss on disposal.

Intercompany receivables and liabilities, as well as expenses and income, are eliminated during the process of consolidation. Intercompany profits and losses are eliminated insofar as they are not of minor significance for the Group. In the case of companies accounted for using the equity method, they are eliminated in accordance with the Group’s interest in the respective company. Deferred taxes are reported for consolidation measures with an impact on income taxes.

The share of Group profit and of subsidiaries' equity which is attributable to non-controlling interests is reported separately in the consolidated income statement and within Group equity. When non-controlling interests are acquired, the difference between the acquisition cost of these shares and the non-controlling interests previously reported in the Group's equity for these shares is recognised directly in equity. When shares are sold to other shareholders without any loss of control, any difference between the realisable value and the proportion of net assets attributable to other shareholders is recognised directly in equity.

Group of consolidated companies

In addition to Hapag-Lloyd Holding a total of 54 companies are consolidated as follows:

	Fully consolidated		Equity method		Total
	domestic	foreign	domestic	foreign	
31.12.2011	4	45	2	3	54
Additions	-	1	-	-	1
Disposals	-	1	-	-	1
31.12.2012	4	45	2	3	54

Hapag-Lloyd (Asia) Pte. Ltd., Singapore, and Hapag-Lloyd (Singapore) Pte. Ltd., Singapore, were merged effective 1 January 2012 and now trade as Hapag-Lloyd Pte. Ltd., Singapore.

Hapag-Lloyd Agency L.L.C., Dubai, commenced its operating activities in the first quarter of 2012 and was therefore fully consolidated for the first time. In addition to Hapag-Lloyd AG's shareholding of 49.0%, a further 2% held by a trustee on behalf of Hapag-Lloyd AG is also attributable to the Company.

In the second quarter of 2012, Hapag-Lloyd AG acquired the remaining 49% stake in Hapag-Lloyd Vietnam Ltd., Ho Chi Minh City, which was already fully consolidated. It now holds 100% of the firm's shares. This did not affect the group of consolidated companies.

Five domestic and four foreign subsidiaries of overall minor significance for the Group's net asset, financial and earnings position are not included in the consolidated financial statements. The shares are shown as other assets.

Hapag-Lloyd AG holds 49.9% of the shares in Hapag-Lloyd (Thailand) Ltd., Bangkok. Due to the control exercised, this company is fully consolidated.

Hapag-Lloyd Lanka (Pvt) Ltd., Colombo (formerly Spence Shipping (Pvt) Ltd., Colombo), is consolidated using the equity method and in contrast to the Group has a non-calendar financial year with a balance sheet date of 31 March. All other companies have financial years that correspond with Hapag-Lloyd Holding.

A complete list of the subsidiaries and associated companies in the Hapag-Lloyd Holding Group is provided in Note (41).

Currency translation

The annual financial statements of companies are prepared in the respective functional currency. The respective functional currency of a company corresponds to the currency of the primary economic environment in which the company operates. The functional currency of Hapag-Lloyd AG and its subsidiaries (Hapag-Lloyd sub-group) is the US dollar. The functional currency of Hapag-Lloyd Holding and the other companies included in the consolidated financial statements is the euro.

For purposes relating to their inclusion in the consolidated financial statements of Hapag-Lloyd Holding the assets and liabilities of the Hapag-Lloyd sub-group are translated into euros at the exchange rate applicable as at the balance sheet date (closing rate). Expenses, income and earnings shown in the statement of cash flows and in the consolidated income statement are translated at the average exchange rate for the reporting period. The resulting differences are recognised directly in other comprehensive income.

Transactions in foreign currency are recorded at the applicable exchange rate as at the date of the transaction. As at the balance sheet date, monetary items are translated at the closing rate at year-end, while non-monetary items are translated at the historical rate. Any differences arising during translation are recognised through profit or loss. Exceptions are gains and losses that must be recorded as qualified cash flow hedges as part of other comprehensive income.

Gains and losses due to exchange rates that are in connection with transport services are recorded in both sales and transport expenses. Other gains and losses due to exchange rates are shown in other operating income or other operating expenses as well as in personnel expenses.

Exchange rates of significant currencies:

per EUR	Closing rate		Average rate	
	31.12.2012	31.12.2011	**2012**	2011
US dollars	1.3185	1.2937	1.2862	1.3919
British pounds sterling	0.8155	0.8369	0.8114	0.8680
Canadian dollars	1.3116	1.3197	1.2853	1.3761
Swiss francs	1.2073	1.2164	1.2052	1.2311
Hong Kong dollars	10.2193	10.0510	9.9770	10.8346
Singapore dollars	1.6110	1.6816	1.6064	1.7493
Japanese yen	113.6200	100.1000	102.6185	110.8757
Chinese renminbi	8.3176	8.1625	8.1131	8.9965

ACCOUNTING AND MEASUREMENT

The annual financial statements of the subsidiaries included in the Group are prepared in accordance with consistent accounting and measurement principles. The amounts stated in the consolidated financial statements are not determined by tax regulations, but solely by the commercial presentation of the net asset, financial and earnings position as set out in the rules of the IASB.

Recognition of income

Revenue is primarily generated from the rendering of transport services. As a matter of principle, therefore, revenue is recorded after the service has been rendered. The revenue amount is measured by the fair value of the consideration received or to which there will be an entitlement. Revenue is recognised net of value-added tax and reductions in earnings.

Income from unfinished voyages is recognised in accordance with the proportion of the voyage completed as at the balance sheet date. The completed proportion of the voyage is determined by the ratio of the expenses incurred up to the balance sheet date to the anticipated total expenses.

Other operating income is generally recorded upon delivery of the assets and/or upon transfer of their ownership and risk.

Please refer to Note (27) for the recording of profits and losses from derivative financial instruments used in hedges.

Dividends are recorded when the legal claim to them has arisen.

Interest income and expenses are recognised pro rata using the effective interest method.

Goodwill and other intangible assets

Intangible assets acquired as a result of business combinations, including advantageous contracts, customer base and/or trademark rights, are capitalised at their fair value as at the acquisition date. Other intangible assets are capitalised at cost.

If intangible assets can be used only for a limited period, they are amortised regularly over their expected useful lives. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment at least annually (impairment test). In addition, impairment tests are conducted if there are any indications of a potential loss in value of the assets.

For detailed information about the impairment test, see the section “Impairment testing”.

The anticipated useful lives of the intangible assets have not changed since the previous year and are as follows:

	Useful life in years
Customer base	22
“Hapag-Lloyd” brand	unlimited
Charter and lease agreements	5–10
Transport and supply contracts	2–5
Order book	-
Computer software belonging to Hapag-Lloyd AG	8
Other	3

The global container liner service is exclusively operated under the acquired brand “Hapag-Lloyd”, which due to national and international declaration and registration is subject to indefinite legal protection. The indefinite useful life is the result of the brand recognition already being maintained by international operations, so that additional measures or investments for the conservation of the value of the brand are not necessary.

For intangible assets with finite useful lives, the amortisation period is examined at least at the end of every financial year. For intangible assets with indefinite useful lives, an annual check is carried out as to whether the assessment of an indefinite useful life can be maintained. Any changes in the anticipated useful life are treated prospectively as changes in estimates.

The order book contains advantageous agreements for the construction of new vessels. Therefore, the useful life equals the useful life for vessels and depreciation does not begin until delivery of these vessels. The order book itself does not have a useful life.

Property, plant and equipment

Property, plant and equipment are measured at depreciated cost. The cost of purchase comprises all costs incurred to purchase an asset and bring it to working condition. The cost of production is determined on the basis of direct costs and appropriate allocations of overheads.

Borrowing costs as defined by IAS 23 which are directly associated with the acquisition, construction or production of qualifying assets are included in the cost of acquisition or production until the assets in question are ready for their intended use. The underlying financing cost in the case of Group-internal financing is 9.25% p.a. for the current financial year and 9.31% p.a. for the previous year. Other borrowing costs are shown as current expenses.

Scheduled use-related depreciation using the straight-line method is based on the following useful economic lives, which are the same as in the previous year:

	Useful life in years
Buildings	40
Vessels	25
Containers, chassis	13
Other equipment	3–10

Vessel classification costs are depreciated as a separate component over a period of five years. Furthermore, the level of depreciation is determined by the residual values recoverable at the end of the useful economic life of an asset. The residual value of container ships is based on their scrap value.

Useful economic lives and assumed residual values are both reviewed on an annual basis during the preparation of the financial statements.

Impairment tests are conducted if there are any indications of a potential loss in value of the assets.

For detailed information about the impairment test, see the section “Impairment testing”.

Leases

A lease is the term given to all arrangements that transfer the right of use of specified assets in return for payment. This includes rent for buildings and containers as well as charter agreements for vessels. On the basis of the commercial opportunities and risks inherent in a leased item, it is assessed whether the commercial ownership of the leased item is attributable to the lessee (finance leases) or the lessor (operating leases).

Finance lease

Provided that the Hapag-Lloyd Group as lessee bears all the substantial risks and rewards associated with the lease, the leased assets are included in the statement of financial position upon recognition at the assets' fair value or the net present value of the minimum lease payments, whichever is lower. They are subject to straight-line depreciation throughout the term of the lease or the useful life of the asset (whichever is longer), provided that it is sufficiently certain at the beginning of the lease that legal ownership of the asset will be transferred to the Company once the contractual term expires.

At the same time, a lease obligation is recorded which is equivalent to the carrying amount of the leased asset upon recognition. Each leasing rate is divided into an interest portion and a repayment element. The interest portion is reported through profit and loss in the consolidated income statement; the repayment element reduces the lease obligation posted.

Operating lease

Rental expenses from operating leases are recorded through the consolidated income statement using the straight-line method over the terms of the respective contracts.

If the Group acts as lessor in the context of operating leases, the respective leasing object is still recorded and depreciated as planned in the consolidated financial statements. Lease income from operating leases is recorded in revenue or other operating income using the straight-line method over the term of the respective contracts.

Profits or losses from sale-and-leaseback transactions that result in operating leases are recognised immediately if transactions were effected at market values. If a loss is offset by future lease instalments being below the market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed sales price exceeds the fair value, the profit from the difference between these two values is also deferred and amortised.

Impairment testing

Intangible assets with finite useful lives and property, plant and equipment are tested regularly for impairment if there are any indications of a possible loss in value. This test compares the recoverable amount of the asset in question with its carrying amount. If an asset's carrying amount exceeds its recoverable amount, an impairment is recognised.

Intangible assets with indefinite useful lives are tested for impairment if circumstances require, but at least annually. This applies in particular to the Hapag-Lloyd brand, for which the recoverable amount was determined using licence price analogy procedures. A need for impairment was not ascertained.

If no recoverable amount can be ascertained for an individual asset, this value is determined for the smallest identifiable group of assets to which the asset in question can be attributed and which is capable of achieving cash inflows (cash-generating unit) largely independently of other assets.

Goodwill is also allocated to cash-generating units and tested for impairment on this basis at least once a year. An impairment loss is recognised if the recoverable amount is lower than the cash-generating unit's carrying amount. If a need for impairment has been ascertained in connection with a cash-generating unit containing goodwill, the goodwill is impaired first. Any need for impairment over and above this is spread in proportion to the carrying amount over the remaining non-current assets.

If, following an impairment recognised in previous years, the asset or cash-generating unit has a higher recoverable amount at some later date, a reversal of the impairment to no higher than the amortised cost is carried out. No reversals of impairment of goodwill are carried out as they are not permitted under IAS 36.

For impairment testing, container shipping in its entirety is defined as a cash-generating unit in the Group as it is not possible to allocate the operating cash flows to individual assets due to the complexity of the transport business. The recoverable amount corresponds to the higher of the fair value less cost to sell and the value in use. The fair value is the amount for which an informed independent third party would acquire the asset or the cash-generating unit on the balance sheet date. The value in use is ascertained by discounting the cash flows anticipated from future operational use.

The recoverable amount for the impairment test of the goodwill and the brand name is determined by ascertaining the fair value less cost to sell using the discounted cash flow method. The basis for ascertaining the recoverable amount is the medium-term planning approved by the Executive Board which covers a five-year period. The central planning assumptions for container shipping are the future development of transport volumes and freight rates as well as bunker prices and exchange rates. These are dependent on a number of macroeconomic factors, in particular the trends in gross domestic product and global trade. For that reason, the assessments of external economic and market research institutes regarding the future development of global container shipping are obtained while the plans are being prepared and are adjusted and supplemented with experiences and assessments of the Group's own competitive position on its various trades. At the time of planning, IHS Global Insight expected an increase in global container traffic of 4.4% in 2013 and of between 5.3% and 5.6% for the following years. Additionally, it is expected that freight rates will only increase slightly due to typical seasonal fluctuations, facing an increase in transport expenses. Following a lower bunker consumption price level in 2013 and 2014, bunker consumption prices are expected to rise steadily.

The budgeted after-tax cash flows are discounted using the weighted average cost of capital after tax. This is calculated on the basis of capital market-oriented models as a weighted average of the costs of equity and borrowed capital. In the process, the cost of equity is determined using a risk-free interest rate and a risk premium of altogether 9.25% (2011: 9.25%). The risk premium is produced by multiplying the market risk premium by a beta factor derived from the capital market in accordance with the figures at comparable companies (peer group). In order to extrapolate the plans beyond the planning period, a growth discount of 1.0% (2011: 1.0%) was taken into consideration. The weighted average cost of capital after income taxes which is used for discounting purposes is 9.01% (2011: 8.88%) for the planning period and, as a result of the growth discount, 8.01% (2011: 7.88%) for the extrapolation of the subsequent period. The pre-tax calculation interest rate due to tonnage tax regulations corresponds to the weighted average cost of capital after income taxes.

As part of the impairment test performed, the respective results were verified using a sensitivity analysis. Various capitalisation rates were used for the sensitivity analysis. There was no need for impairment when applying a capitalisation rate of up to 11.2%. In addition, to take account of the volatility of the value-driving factors (transport volumes, freight rates, bunker prices and the USD/EUR exchange rate) a sensitivity analysis as to the anticipated surplus (free cash flow) in the period thereafter was performed in the context of a cash flow determination. A decrease in the free cash flow of approximately 30% in the period thereafter did not result in a need for impairment. After allowing for IHS Global Insight's revised forecast in December 2012, there was still no need for impairment.

As at the balance sheet date, the fair values less costs to sell exceeded the carrying amounts on the basis of both the plans and the sensitivity analyses, with the result that no impairment needed to be recognised at the level of the cash-generating units.

Impairment test for ship portfolio

Against the backdrop of the intended sale of a ship portfolio, an individual impairment test for the designated ships was carried out in previous years. During the current financial year, possible signs for additional impairment or a reversal of impairment losses were reviewed. As a result of this review, impairments amounting to EUR 1.7 million were made for two ships. In 2011, reversals of impairment losses amounting to EUR 1.3 million were recorded in relation to two ships held for sale.

The recoverable amount for these ships was determined mainly on the basis of the budgeted disposal proceeds. Fair value less cost to sell was determined based on current sales transactions.

Financial instruments

Financial instruments are contractually agreed rights or obligations that will lead to an inflow or outflow of financial assets or the issue of equity rights. They also encompass derivative rights or obligations derived from primary financial instruments.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities measured at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments and other liabilities.

Derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39 (hedge accounting) are classified as “held for trading”. The Group also holds financial assets in the “loans and receivables” and “available for sale” categories. By contrast, there are no held-to-maturity investments in these financial statements. Only primary liabilities classified as “financial liabilities measured at amortised cost” exist.

Financial assets and financial liabilities that fall into the application area of IAS 39 can be irrevocably assigned to the subcategory “fair value option” under certain circumstances. Neither for financial assets nor for financial liabilities was the fair value option used.

In the financial year 2012, as in the previous financial year, there were no reclassifications within the individual classification categories.

Primary financial assets

Financial assets are recognised at the value as at the trading date, i.e. the date on which the Group commits to buy the asset. Primary financial assets are classified as loans and receivables or as available-for-sale financial assets when recognised for the first time. Loans and receivables as well as available-for-sale financial assets are initially recognised at fair value plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable contractual payments which are not listed on an active market. They are shown in the statement of financial position under trade receivables and other assets and classified as current receivables if they mature within twelve months of the balance sheet date.

As part of subsequent measurements, loans and receivables are measured at amortised cost using the effective interest method. Impairments are recognised for identifiable individual risks. Where default of a certain proportion of the receivables portfolio is probable, impairments are recognised to the extent that the carrying amount of a financial asset exceeds its recoverable amount. Indications for identifiable individual risks include, for example, a material deterioration in creditworthiness, considerable default as well as a high probability of insolvency and the corresponding inability of the customer to repay debt. If the reasons for impairment cease to exist, write-backs are recorded, not exceeding amortised costs. Impairments and impairment reversals are recorded in other operating expenses and income.

Impairments of trade receivables are, in part, recorded using an impairment account. The decision to record impairment either by using an impairment account or by directly reducing the trade receivable depends on the degree of reliability of the risk evaluation. Concrete losses lead to a write-off of the respective asset. For the current business year no direct impairments on trade receivables were recorded.

Available-for-sale financial assets are non-derivative financial assets which are either explicitly allocated to this category individually or unable to be allocated to any other category of financial assets. In the Hapag-Lloyd Holding Group these consist solely of shares in companies as well as securities. They are allocated to non-current assets unless the management intends to sell them within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value after their initial measurement. Changes in fair values are recorded under other comprehensive income until the disposal of the assets. A long-term reduction in fair value gives rise to impairments recognised within the income statement. In the event of a subsequent write-back of the impairment recorded in the income statement, the impairment is not reversed but posted against other comprehensive income. If no listed market price on an active market is available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

Assets are no longer recognised as at the date when all the risks and opportunities associated with their ownership are transferred or cease.

Cash and cash equivalents

Cash and cash equivalents encompass cash in hand, bank balances and other financial investments falling due no later than three months from the time of their investment. Fully utilised overdraft credit is shown under current financial debt as liabilities to banks.

Financial liabilities

Initial evaluation and recognition of a primary financial liability is carried out at fair value, taking account of directly allocable transaction costs. Within the measurement after recognition the primary financial liabilities are measured at amortised cost using the effective interest rate method. Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired.

Currency differences arising from the translation of trade receivables and payables into the functional currency are generally recorded as an adjustment to revenue or transport expenses. Currency differences arising from the translation of receivables and payables not incurred within the scope of the normal operational process are shown under other operating income or other operating expenses.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at their fair values on the day when the agreement was concluded. Subsequent measurement is also carried out at the fair value applicable on the respective balance sheet date. The method used to record gains and losses depends on whether the derivative financial instrument is classified as a hedge and on the type of hedging relationship.

The Group generally classifies derivative financial instruments either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions.

Upon conclusion of the transaction in accordance with IAS 39, the hedging relationships between the hedging instrument and the underlying transaction and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the beginning of the hedging relationship and on a continual basis as to whether the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the underlying transactions in a highly effective manner. Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

The effective proportion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in other comprehensive income. The ineffective proportion of such changes in fair value is recognised immediately in the other financial result. Hedge accounting by means of options records the changes in fair value affecting net income because they are excluded from the hedge relationship. Amounts recorded in other comprehensive income are reclassified to the consolidated income statement and recognised as income or expenses in the period in which the hedged underlying transaction impacts the consolidated income statement. In the case of hedging relationships based on currency forward contracts, the entire effective market value change in the hedging transaction is initially recorded under other comprehensive income. In the next step, the spot component is reclassified from other comprehensive income to the consolidated income statement and is recognised through profit and loss in line with the change in the value of the underlying transaction. The forward component is recognised through profit and loss on a pro rata basis over the term of the hedging relationship.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in other comprehensive income and is not recognised with effect on the consolidated income statement until the underlying transaction occurs. If the future transaction is no longer expected to occur, the cumulative gains or losses recognised outside the consolidated income statement must immediately be recognised through the consolidated income statement.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting are recognised directly in the consolidated income statement with effect on net income.

Hedging measures that do not comply with the strict requirements of hedge accounting according to IAS 39 are used to hedge currency risks of monetary liabilities on the statement of financial position. This is done based on risk management principles and effectively contributes to the hedging of a financial risk. The use of hedge accounting according to IAS 39 is foregone since gains and losses from conversions of the underlying transactions and gains and losses from the respective hedging instrument affect net income simultaneously.

Inventories

Inventories are measured at the lower of cost of purchase or net realisable value. The measurement method applied to similar inventory items is the weighted average cost formula. The net realisable value is the estimated selling price in the ordinary course of business.

Inventories mainly comprise fuel and lubricants.

Non-current assets held for sale

Non-current assets held for sale are classified as such if the associated carrying amount will be recovered principally by means of a selling transaction rather than through continued use. At the time of their classification as held for sale, these assets are measured at the lower of carrying amount or fair value less any costs to sell. If the fair value less costs to sell is below the carrying amount, impairment is recognised affecting net income. Subsequently, non-current assets held for sale are no longer depreciated.

If the fair value less costs to sell is subsequently increased, the previously recognised impairment is reversed.

Pensions and similar obligations

The valuation of defined benefit plans from pension obligations and other post-employment benefits (e.g. healthcare benefits) is carried out in accordance with IAS 19 *Employee Benefits* using the projected unit credit method. The defined benefit (defined benefit obligation, DBO) is calculated annually by an independent actuarial expert. The present value of the DBO is calculated by discounting the expected future outflows at the interest rate of first-rate corporate bonds. The corporate bonds are issued in the currency of the payment to be made and have matching maturities with the pension obligations.

Differences between the assumptions made and the actual developments, as well as changes in the actuarial assumptions for the valuation of defined benefit pension plans and similar obligations, lead to actuarial gains and losses. These are recorded in full in other comprehensive income, i.e. outside of the consolidated income statement.

If the benefits accruing from a plan are changed, the part of the change in benefits which relates to previous periods (past service cost) is recognised over the qualifying period using the straight-line method; however, if these claims are already non-lapsable, they are recognised immediately with effect on net income.

If individual benefit obligations are financed using external assets (e.g. through qualified insurances), provisions for pension benefits and similar obligations which match the present value of defined benefit obligations on the balance sheet date are recorded after deducting the fair value of the plan assets.

A negative net pension obligation resulting from advance payments for future contributions is included as an asset only insofar as it leads to a reimbursement from the plan or a reduction in future contributions. Any surplus amount is recorded in other comprehensive income (asset ceiling).

With defined benefit contribution plans, the Group makes contributions to statutory or private pension insurance plans on the basis of a legal, contractual or voluntary obligation. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are recorded as personnel expenses when they fall due.

Other provisions

Provisions are recognised for all legal or factual obligations resulting from a past event insofar as their utilisation is probable and their amount can be reliably determined. The amounts recognised constitute the best possible estimate of the expenses that will be required to fulfil the current obligation as at the balance sheet date.

Provisions are recorded at the best estimate of their repayable amount and take account of cost increases. The present value is assessed for provisions with terms exceeding twelve months. Over the course of time, the provisions are adjusted on the basis of new knowledge gained. Provision reversals are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant reversals, which are recorded as other operating income.

If there are many similar obligations, the probability of utilisation is determined on the basis of this group of obligations. A provision is also recognised even if the probability of a charge is low in relation to an individual obligation contained within this group.

Provisions for guarantee, warranty and liability risks are created based on existing or estimated future damages. Provisions for restructuring measures are created if a detailed formal restructuring plan was prepared and delivered to the affected parties.

Deferred taxes

Deferred taxes are recognised using the balance sheet liability method according to IAS 12. They result from temporary differences between the recognised amounts of assets and liabilities in the consolidated statement of financial position and those in the tax balance sheet.

Expected tax savings from the use of tax loss carry-forwards are capitalised if they are estimated to be recoverable in the future. In their valuation, time limitations are taken into account accordingly. In order to evaluate whether deferred tax assets from tax loss carry-forwards can be used, i.e. recovered, the tax-related budget of the Group is consulted. The tax-related budget is based on the medium-term budget for 2013 to 2017.

Deferred taxes are charged or credited directly to other comprehensive income if the tax relates to items likewise recognised directly in other comprehensive income.

Their valuation takes account of the respective national income tax rates prevailing when the differences are recognised.

Deferred tax assets are recorded to the extent that it is probable that future taxable income will be available at the level of the relevant tax authority for utilisation of the deductible temporary differences.

Deferred tax claims (tax assets) and deferred tax debts (tax liabilities) are netted insofar as the Company has the right to net current income tax assets and liabilities against each other and if the deferred tax assets and liabilities relate to current income taxes.

Actual income taxes

As a liner shipping company, Hapag-Lloyd AG, the largest company in the Hapag-Lloyd Holding Group, has opted for taxation in accordance with tonnage. Tax liability for tonnage taxation is not calculated using the actual profits, but rather depends on the net tonnage and the operating days of the Company’s ship fleet. Current income taxes for the reporting period and for previous periods are measured as the amount at which their payment to or rebate from the tax authority is anticipated. They are ascertained on the basis of the Company’s tax rates as at the balance sheet date. Income tax provisions are netted against the corresponding tax rebate claims if they apply in the same fiscal territory and are of the same type and maturity.

Discretionary decisions, estimates and assessments

Discretionary decisions when applying accounting and valuation methods

The preparation of consolidated financial statements in accordance with IFRS requires discretionary decisions. All discretionary decisions are continuously re-evaluated and are based on historic experiences and expectations regarding future events which seem reasonable under the existing conditions. This specifically applies to the following cases:

During the classification of leasing relationships discretionary decisions are made regarding the assignment of economic property to either the lessor or the lessee. Regarding the approach, we refer to the presentation concerning the recognition and measurement of leasing relationships; regarding the amounts see Note (35).

For differentiation between loan capital and equity according to IAS 32, the hybrid II capital repaid or obtained in 2012 was classified as equity.

For the valuation of provisions for pensions and similar obligations different possibilities for the recording of actuarial gains and losses exist. The Group records actuarial gains and losses according to IAS 19.93A immediately in other comprehensive income.

For assets that are to be sold it must be determined whether they can be sold in the current state and whether a sale is highly probable. If that is the case, assets and corresponding liabilities must be presented and measured as “non-current assets held for sale” and “liabilities in connection with non-current assets held for sale” respectively.

Management estimates and assessments

In the consolidated financial statements, a certain number of estimates and assessments are made in order to determine the assets and liabilities shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the reporting date, and the recognised income and expenses for the reporting period.

The verification of the realisable values of intangible assets and property, plant and equipment also requires assumptions and estimates to be made regarding future cash flows, anticipated growth rates, exchange rates and discount rates. All material parameters are therefore at the discretion of the management regarding the future development, particularly in terms of the global economy. They involve the uncertainty of all forecasting activity. The assumptions made for this purpose can be subject to alterations which could lead to impairments in value in future periods. Regarding the approach, we refer to the presentation concerning impairment testing; regarding the amounts see Notes (10) and (11).

The companys containers' anticipated residual values were reassessed in light of the change in the situation on the secondary container market and were adjusted retroactively as at 1 January 2012. As a result, depreciation decreased by EUR 16.7 million in the financial year 2012. Containers are now depreciated to a residual value of 10% or 20% of the purchase price depending on the container type (previous year: 5%), over a useful economic life of 13 years as previously.

The allowance for doubtful receivables comprises to a great extent estimates and valuations of both individual receivables and groups of receivables that are based on the respective creditworthiness of the customer, current economic trends as well as the analysis of maturity structures and historical defaults. For further explanations we refer to Note (13).

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (9).

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated long-term returns on the plan assets, anticipated future increases in salaries and pensions, and mortality tables. These assumptions can diverge from the actual figures as a result of changes in the economic conditions or the market situation as well as mortality rates. For detailed explanations see Note (22).

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations and/or the time of their occurrence. The Company must sometimes use empirical values as the basis for making assumptions regarding the probability of the obligation or future developments occurring, for example in respect of the costs to be estimated for the valuation of obligations. These can be subject to estimation uncertainties, particularly in the case of non-current provisions.

Provisions are made within the Group if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. Due to the uncertainties associated with this valuation the actual losses can deviate from the original estimates and the respective provision amount. For provisions for guarantee, warranty and liability risks there is particular uncertainty concerning the estimate of future damages. For detailed explanations see Note (23).

The valuation of non-current receivables and liabilities, either non-interest bearing or with interest rates not in line with the market, and of non-current other provisions, depends primarily on the choice and development of discount rates.

At the time of preparation of the consolidated financial statements no material changes in the underlying assumptions and estimates are expected, so that no material adjustment of the assessed assets and liabilities is expected in the financial year 2013 at this time.

Risks and uncertainties

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.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

Revenue in the amount of EUR 6,843.7 million (2011: EUR 6,103.2 million) was primarily generated from the rendering of transport services amounting to EUR 6,757.0 million (2011: EUR 6,039.2 million).

The revenue includes income of EUR 171.6 million (2011: EUR 172.9 million) which was included proportionately to reflect unfinished voyages as at the balance sheet date.

(2) Other operating income

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Income from the disposals of assets	192.4	21.0
Income from the reversal of provisions	22.3	15.2
Exchange rate gains	14.2	57.5
Income from write-backs	-	1.3
Other income	36.5	24.3
Total	**265.4**	**119.3**

Income from the disposal of assets related primarily to income of EUR 132.9 million from operating sale and leaseback transactions for containers and income of EUR 35.7 million from the sale of chassis. The exchange rate gains from currency items mainly contained gains from exchange rate fluctuations between the origination date and payment date of assets and liabilities, gains resulting from the evaluation as at the balance sheet date and exchange rate effects from currency options and currency forward contracts.

In the previous year, write-backs on container vessels were made amounting to EUR 1.3 million.

(3) Transport expenses

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Expenses for raw materials, supplies and purchased goods	1,638.7	1,295.5
Cost of purchased services	4,543.6	3,985.7
thereof:		
Port, canal and terminal costs	1,834.9	1,562.5
Container transport costs	1,826.0	1,625.4
Chartering, leases and container rentals	718.8	640.3
Maintenance/repair/other	163.9	157.5
Total	**6,182.3**	**5,281.2**

The cost of raw materials and supplies refers in particular to fuel expenses.

(4) Personnel expenses

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Wages and salaries	288.7	276.0
Social security costs, pension costs and other benefits	71.0	61.7
Total	**359.7**	**337.7**

Pension costs include, among other things, expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations and the expected income from the associated fund assets were recorded within the interest result. A detailed presentation of pension obligations is provided in Note (22).

Employees

The average number of employees was as follows:

	1.1.–31.12. 2012	1.1.–31.12. 2011
Marine personnel	1,228	1,207
Shore-based personnel	5,541	5,473
Apprentices	188	201
Total	**6,957**	**6,881**

(5) Depreciation, amortisation and impairment

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Scheduled amortisation/depreciation	330.3	287.0
Amortisation of intangible assets	67.6	67.2
Depreciation of property, plant and equipment	262.7	219.8
Impairment of intangible assets and property, plant and equipment	1.7	-
Total	**332.0**	**287.0**

The amortisation of intangible assets largely concerned advantageous contracts (2012: EUR 42.4 million, 2011: EUR 44.0 million).

The depreciation of property, plant and equipment was largely accounted for by ocean-going vessels (2012: EUR 213.5 million; 2011: EUR 159.7 million) as well as containers and container chassis (2012: EUR 42.1 million; 2011: EUR 53.5 million).

The impairment resulted from a portfolio of ships whose cash flows were largely determined by the budgeted sales proceeds in the planned sale process.

(6) Other operating expenses

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
EDP costs	63.2	56.6
Exchange rate losses and bank charges	49.0	68.4
Commissions	38.9	31.5
Rental and lease expenses	23.4	23.8
Other taxes	16.9	13.7
Other social security expenses	14.6	12.7
Administrative expenses	13.1	10.8
Expenses for charges, fees, consultancy and other professional services	12.3	16.3
Other operating expenses	35.9	34.9
Total	**267.3**	**268.7**

The exchange rate losses from currency items mainly contain losses from exchange rate fluctuations between the origination date and payment date of assets and liabilities, losses resulting from the evaluation as at the balance sheet date and exchange rate effects from currency options.

Other operating expenses comprise in particular travel costs, audit fees, insurance payments as well as maintenance and repair costs.

(7) Other financial result

The other financial result essentially contains changes in the fair values of derivative financial instruments amounting to EUR 2.8 million (2011: EUR -5.9 million). In the previous year, the other financial result also included a discount of EUR 18.3 million from the early repayment of a shareholder loan.

(8) Interest result

The interest result was as follows:

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Interest income	6.7	10.2
Interest income from fund assets for the financing of pensions and similar obligations	3.9	5.0
Other interest and similar income	2.8	5.2
Interest expenses	133.6	117.5
Interest expenses from the valuation of pensions and similar obligations	9.1	8.8
Other interest and similar expenses	124.5	108.7
Total	**–126.9**	**–107.3**

Other interest and similar income mainly comprises income from interest-bearing bank accounts.

Other interest and similar expenses mainly comprises interest for bank loans and fees for guarantees totalling EUR 5.8 million (2011: EUR 7.4 million) as well as interest from finance leases.

(9) Income taxes

Paid or owed taxes on income and earnings in the individual countries are disclosed as income tax. For domestic companies subject to corporate income tax, as in the previous year, a corporate income tax rate of 15.0% as well as the solidarity surcharge of 5.5% on the corporate income tax applies. Additionally, these companies are subject to trade earnings tax, which for the years 2012 and 2011 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. Furthermore, comparable actual income taxes are disclosed for foreign subsidiaries; in the Group for the years 2012 and 2011 these range from 12.5% to 42.1%.

In addition, deferred taxes were recognised in this item for temporary differences in value estimates between the statement of financial position prepared in accordance with IFRS and the tax balance sheet as well as on consolidation measures and, where applicable, realisable loss carry-forwards in accordance with IAS 12 *Income Taxes*.

Income taxes were as follows:

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Actual income taxes	4.0	5.3
thereof domestic	0.6	1.8
thereof foreign	3.4	3.5
Deferred tax income/expenses	–0.1	–3.7
thereof from temporary differences	0.1	4.2
thereof from loss carry-forwards	–0.2	–7.9
Total	**3.9**	**1.6**

Tax income relating to other periods in the amount of EUR 0.9 million (2011: EUR 1.1 million) is included in the current income taxes.

For domestic companies subject to corporate income tax, a combined income tax rate of currently 32.3% or 19.1% (2011: 32.3% or 19.1%) was used to calculate deferred taxes. The combined income tax rate takes into account corporate income tax of 15.0% (2011: 15.0%), a solidarity surcharge of 5.5% of the corporate income tax (2011: 5.5%) and trade earnings tax of 16.5% (2011: 16.5%) or 3.3% (2011: 3.3%) insofar as it relates to income from vessel operations in international transport.

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates applied for foreign-based companies for the financial year 2012 ranged from 16.5% to 42.1% (2011: 16.5% to 42.1%).

The following table shows a reconciliation statement from the expected to the reported income tax expense. In order to ascertain the expected tax expense, the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year is multiplied by the pre-tax profit, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Earnings before income taxes	–124.4	–27.2
Expected income tax expense (+) /income (–) (tax rate 32.3%)	**–40.1**	**–8.8**
Difference between the actual tax rates and the expected tax rates	2.9	3.0
Effects of income not subject to income tax	47.9	12.6
Non-deductible expenses and trade tax additions and reductions	3.4	5.5
Changes in unrecognised deferred asstes	2.4	–5.8
Effective tax expenses and income relating to other periods	–0.9	–1.1
Tax effect from equity-accounted investees	–10.1	–5.3
Exchange rate differences	–0.7	2.3
Other differences	–0.9	–0.8
Reported income tax expense (+) / income (–)	**3.9**	**1.6**

Effects due to deviating tax rates for domestic and foreign taxes from the income tax rate of Hapag-Lloyd AG are disclosed in the above reconciliation under the difference between the actual tax rates and the expected tax rate.

The effects from income not subject to income tax primarily comprise the effects from tonnage tax.

The adjustments to the recognition of deferred taxes include expenses amounting to EUR 2.3 million allocable to the non-recognition of deferred taxes on tax interest carried forward. The income in the previous year was primarily attributable to the capitalisation of loss carry-forwards previously not taken into account. In the previous year, the partial usability of loss carry-forwards could be justified for the first time on the basis of tax budgeting.

The effects from the currency conversion of the financial statements of foreign subsidiaries as well as Hapag-Lloyd AG are shown as exchange rate differences in the reconciliation above.

Deferred tax assets and deferred tax liabilities result from temporary differences and tax loss carry-forwards as follows:

Million EUR	**31.12.2012**		31.12.2011	
	Asset	**Liability**	Asset	Liability
Recognition and valuation differences for property, plant, and equipment and other non-current assets	2.3	8.9	2.2	8.7
Recognition differences for receivables and other assets	0.7	1.6	0.7	1.7
Valuation of pension provisions	5.6	-	3.9	0.1
Recognition and valuation differences for other provisions	1.5	-	1.5	-
Other transactions	4.8	0.1	4.5	-
Capitalised tax savings from recoverable loss carry-forwards	9.2	-	9.2	-
Netting of deferred tax assets and liabilities	–9.0	–9.0	–9.0	–9.0
Balance sheet recognition	**15.1**	**1.6**	**13.0**	**1.5**

The change in deferred taxes in the statement of financial position is recognised as follows:

Million EUR	**As per 1.1.2011**	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	**As per 31.12.2011**
Recognition and valuation differences for property, plant and equipment and other non-current assets	–3.2	–2.8	-	–0.5	–6.5
Recognition differences for receivables and other assets	–1.0	-	-	-	–1.0
Valuation of pension provisions	2.7	–0.9	1.6	0.4	3.8
thereof recognised directly in equity	0.8	-	1.6	0.2	2.6
Recognition and valuation differences for other provisions	3.1	–0.7	-	–0.9	1.5
Other transactions	3.7	0.2	-	0.6	4.5
Capitalised tax savings from recoverable loss carry-forwards	0.7	7.9	-	0.6	9.2
Balance sheet recognition	**6.0**	**3.7**	**1.6**	**0.2**	**11.5**

Million EUR	As per 1.1.2012	Recognised as taxes in the income statement	Recognised in other comprehen-sive income	Recognised as an ex-change rate difference	As per 31.12.2012
Recognition and valuation differences for property, plant and equipment and other non-current assets	–6.5	–0.3	-	0.2	–6.6
Recognition differences for receivables and other assets	–1.0	–0.1	-	0.2	–0.9
Valuation of pension provisions	3.8	0.2	1.9	–0.3	5.6
thereof recognised directly in equity	2.6	-	1.9	-	4.5
Recognition and valuation differences for other provisions	1.5	–0.1	-	0.1	1.5
Other transactions	4.5	0.2	-	-	4.7
Capitalised tax savings from recoverable loss carry-forwards	9.2	0.2	-	–0.2	9.2
Balance sheet recognition	**11.5**	**0.1**	**1.9**	**0.0**	**13.5**

No deferred tax liabilities were recognised for temporary differences between the net assets and the carrying amount for tax purposes of subsidiaries amounting to EUR 265.1 million (2011: EUR 219.3 million), as no reversal of the temporary differences is likely in the near future.

Deferred tax assets and liabilities are classified as non-current in the statement of financial position in accordance with IAS 1, irrespective of their expected realisation date.

Deferred tax assets are assessed on temporary differences and tax loss carry-forwards if their realisation seems certain in the near future. The amounts of unutilised tax losses and the capacity to bring forward the tax losses for which no deferred tax assets were recognised are as follows:

Million EUR	31.12.2012	31.12.2011
Loss carry-forwards for which deferred tax assets were recognised	**56.6**	**55.8**
Loss carry-forwards for which no deferred tax assets were recognised	**135.9**	**143.5**
thereof loss carry-forwards forfeitable within one year	-	0.5
thereof loss carry-forwards forfeitable between 2 and 5 years	-	0.1
thereof loss carry-forwards forfeitable in more than 5 years (excl. non-forfeitable loss carry-forwards)	0.2	0.7
Non-forfeitable loss carry-forwards	135.7	142.2
thereof for trade income tax	3.6	19.6
thereof interest carry-forwards	51.1	50.1
Total of unutilised loss carry-forwards	**192.5**	**199.3**

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(10) Intangible assets

Million EUR	Goodwill	Customer base	Advantageous contracts	Brand	Software	Other	Total
Historical cost							
As per 1.1.2011	691.2	308.6	326.6	188.2	79.7	4.4	1,598.6
Additions	-	-	-	-	1.3	-	1.3
Disposals	7.9	-	-	-	0.1	-	8.0
Transfers	-	-	-	-	-	-	-
Exchange rate differences	24.0	10.7	11.3	6.5	2.7	0.2	55.5
As per 31.12.2011	**707.3**	**319.3**	**337.9**	**194.7**	**83.6**	**4.6**	**1,647.4**
Accumulated amortisation							
As per 1.1.2011	-	24.0	89.9	-	19.2	0.6	133.7
Additions	-	13.2	44.0	-	10.0	-	67.2
Disposals	-	-	-	-	0.1	-	0.1
Transfers	-	-	-	-	-	-	-
Exchange rate differences	-	1.8	6.5	-	1.4	-	9.7
As per 31.12.2011	**-**	**39.0**	**140.4**	**-**	**30.5**	**0.6**	**210.5**
Carrying amounts 31.12.2011	**707.3**	**280.3**	**197.5**	**194.7**	**53.1**	**4.0**	**1,436.9**
Historical cost							
As per 1.1.2012	707.3	319.3	337.9	194.7	83.6	4.6	1,647.4
Additions	-	-	-	-	1.1	-	1.1
Disposals	-	-	-	-	0.2	0.3	0.5
Transfers	-	-	–40.8	-	0.4	–0.4	–40.8
Exchange rate differences	–13.4	–6.1	–6.4	–3.7	–1.6	-	–31.2
As per 31.12.2012	**693.9**	**313.2**	**290.7**	**191.0**	**83.3**	**3.9**	**1,576.0**
Accumulated amortisation							
As per 1.1.2012	-	39.0	140.4	-	30.5	0.6	210.5
Additions	-	14.3	42.4	-	10.9	-	67.6
Disposals	-	-	-	-	0.2	0.3	0.5
Transfers	-	-	–9.4	-	-	-	–9.4
Exchange rate differences	-	–1.1	–3.7	-	–0.8	-	–5.6
As per 31.12.2012	**-**	**52.2**	**169.7**	**-**	**40.4**	**0.3**	**262.6**
Carrying amounts 31.12.2012	**693.9**	**261.0**	**121.0**	**191.0**	**42.9**	**3.6**	**1,313.4**

At the end of the financial year 2012 an impairment test was carried out for the entire cash-generating unit container shipping, as was the case in the previous year. The calculations were made using the parameters described in the accounting and measurement principles. A need for impairment was not ascertained.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 693.9 million (2011: EUR 707.3 million) as well as the Hapag-Lloyd brand in the amount of EUR 191.0 million (2011: EUR 194.7 million), which had to be recognised following the acquisition of Hapag-Lloyd AG and its subsidiaries.

Existing contracts were identified as advantageous if their contract terms had a positive market value at the time of the acquisition of Hapag-Lloyd AG and its subsidiaries compared to the current market conditions. This particularly included the order book, charter and leasing contracts, and transport and delivery contracts.

The development costs for self-developed software which cannot be capitalised amounted to EUR 7.6 million (2011: EUR 5.6 million) and were recognised as expenses.

(11) Property, plant and equipment

Million EUR	Vessels	Containers, chassis	Other equip-ment	Payments on account and assets under construction	Total
Historical cost					
As per 1.1.2011	2,750.3	413.9	133.7	329.4	3,627.3
Additions	39.0	90.3	5.4	125.9	260.6
Disposals and reclassifications to held-for-sale	29.5	15.0	14.6	-	59.1
Transfers	-	-	-	-	-
Exchange rate differences	95.4	12.3	1.5	11.3	120.5
As per 31.12.2011	**2,855.2**	**501.5**	**126.0**	**466.6**	**3,949.3**
Accumulated depreciation					
As per 1.1.2011	276.9	141.6	10.5	-	429.0
Additions	159.7	53.5	6.6	-	219.8
Write-backs	1.3	-	-	-	1.3
Impairments	-	-	-	-	-
Disposals and reclassifications to held-for-sale	18.7	12.2	12.4	-	43.3
Exchange rate differences	21.7	8.3	0.7	-	30.7
As per 31.12.2011	**438.3**	**191.2**	**5.4**	**-**	**634.9**
Carrying amounts 31.12.2011	**2,416.9**	**310.3**	**120.6**	**466.6**	**3,314.4**
Historical cost					
As per 1.1.2012	2,855.2	501.5	126.0	466.6	3,949.3
Additions	370.6	138.3	6.0	274.8	789.7
Disposals	23.1	153.9	6.7	-	183.7
Transfers	428.6	-	0.5	–388.3	40.8
Exchange rate differences	–53.9	–8.3	–0.6	–8.7	–71.5
As per 31.12.2012	**3,577.4**	**477.6**	**125.2**	**344.4**	**4,524.6**
Accumulated depreciation					
As per 1.1.2012	438.3	191.2	5.4	-	634.9
Additions	213.5	42.1	7.1	-	262.7
Impairments	1.7	-	-	-	1.7
Disposals	15.9	129.4	6.3	-	151.6
Transfers	9.4	-	-	-	9.4
Exchange rate differences	–13.6	–4.3	–0.2	-	–18.1
As per 31.12.2012	**633.4**	**99.6**	**6.0**	**-**	**739.0**
Carrying amounts 31.12.2012	**2,944.0**	**378.0**	**119.2**	**344.4**	**3,785.6**

Land charges of EUR 43.4 million and EUR 18.6 million were registered in the land registry as collateral for the loan from Deutsche Genossenschafts-Hypothekenbank for the purchase of the Ballindamm property.

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 3,166.9 million as at the balance sheet date (2011: EUR 2,525.4 million). These property restrictions mainly pertain to ship mortgages from existing financing contracts for ships and containers assigned as security as well as the mortgage on the Ballindamm property.

Three newbuilds with capacity of 13,200 TEU each were delivered in the 2012 financial year. In return, in addition to the non-current assets held for sale, two ships and also containers were disposed of from property, plant and equipment.

As in the previous year, no directly allocable borrowing costs were capitalised in the 2012 financial year. Borrowing costs relating to general external financing were recognised in the amount of EUR 36.8 million (2011: EUR 33.1 million). The weighted average borrowing costs for the general raising of borrowed funds (cost of debt) amounted to 9.25% p.a. for the financial year 2012 (2011: 9.31% p.a.).

(12) Investments in equity-accounted investees

Million EUR	**2012**	2011
Share as of 1.1.	**315.9**	**324.8**
Pro-rata share of earnings after taxes	31.5	18.1
Dividend payments	–17.5	–30.1
Exchange rate differences	-	3.1
Share as of 31.12.	**329.9**	**315.9**

The equity-accounted investees are, without exception, associated companies.

No impairment losses are included in the proportionate equity result.

Proportionate losses of EUR 0.9 million (2011: EUR 1.8 million) from one associated company have not been taken into account because they were higher than the investment share and no obligation to make additional contributions exists. Dividend income amounting to EUR 0.4 million (2011: EUR 1.6 million) based on freely available cash and cash equivalents is reported for this company in the consolidated income statement under the item share of profit of equity-accounted investees.

Summarised financial information for the associated investments reported in the statement of financial position using the equity method (on a 100% basis and therefore not adjusted to the percentage holding) is contained in the following table:

Income statement information

Million EUR	**31.12.2012**	31.12.2011
Revenue	391.8	373.0
Profit/loss	91.3	66.5

Balance sheet information

Million EUR	**31.12.2012**	31.12.2011
Assets	650.3	659.1
Liabilities	531.0	545.4

(13) Trade accounts receivable and other assets

Million EUR	**31.12.2012**		31.12.2011	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Trade accounts receivable	449.5	-	419.6	-
thereof from third parties	448.3	-	418.7	-
thereof from affiliated non-consolidated companies	1.2	-	0.9	-
Other assets	136.1	25.7	150.3	43.8
Other assets and prepaid expenses	111.2	19.5	127.9	38.6
Claims arising from the refund of other taxes	24,7	6.0	22.2	5.0
Available-for-sale financial assets	0.2	0.2	0.2	0.2
Total	**585.6**	**25.7**	**569.9**	**43.8**

Within the framework of ship financing there are, as at 31 December 2012, assignments of earnings of a type customary on the market for trade accounts receivable relating to the revenue generated by the respective ships.

If no market prices listed on an active market are available and the fair value cannot be determined reliably, the available-for-sale financial assets are measured at (amortised) cost. In the financial year 2012, as in the previous year, no impairment was recognised in the "available for sale" category.

Credit risks

The following table provides information about the credit risks involved in trade accounts receivable:

Million EUR	Carrying amounts of financial instruments	Thereof neither overdue nor impaired	Thereof not impared and overdue in the following periods				
			less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	more than 180 days
31.12.2011							
Trade accounts receivable	419.6	310.4	93.2	11.3	2.2	1.1	1.4
Other assets	40.2	40.2	-	-	-	-	-
Total	**459.8**	**350.6**	**93.2**	**11.3**	**2.2**	**1.1**	**1.4**
31.12.2012							
Trade accounts receivable	449.5	304.3	115.2	20.9	4.2	4.5	0.4
Other assets	47.8	47.8	-	-	-	-	-
Total	**497.3**	**352.1**	**115.2**	**20.9**	**4.2**	**4.5**	**0.4**

With regard to the portfolio of trade accounts receivable and other assets which are neither impaired nor defaulted, there are no indications as at the balance sheet date that the respective debtors will not honour their obligations to pay.

Impairment allowances

The impairment allowances on trade accounts receivable developed as follows:

Million EUR	**2012**	2011
Impairment allowances as of 1.1.	**12.9**	**20.5**
Additions	4.7	6.2
Utilisation	4.0	13.8
Release	3.5	0.7
Exchange rate differences	–0.2	0.7
Impairment allowances as of 31.12.	**9.9**	**12.9**

In the financial year there were cash inflows of EUR 0.1 million (2011: EUR 0.1 million) from impaired trade accounts receivable.

(14) Derivative financial instruments

Million EUR	31.12.2012		31.12.2011	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Receivables from derivative financial instruments	69.5	32.5	64.0	46.9
thereof derivatives with hedge accounting applied	45.5	8.5	17.1	-
thereof derivatives with hedge accounting not applied	24.0	24.0	46.9	46.9

The derivative financial instruments are shown at fair value (market value). They serve the hedging of both the future operating business and currency risks from financing. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note [27]).

(15) Inventories

The inventories were as follows:

Million EUR	31.12.2012	31.12.2011
Raw materials and supplies	178.3	208.7
Total	**178.3**	**208.7**

The raw materials and supplies were primarily fuel and lubricating oil (EUR 176.0 million; 2011: EUR 205.4 million).

In the reporting period, impairments of fuel inventories in the amount of EUR 2.5 million (2011: EUR 0.7 million) were recognised as expenses. No write-backs were recognised.

(16) Cash and cash equivalents

Million EUR	31.12.2012	31.12.2011
Securities	0.5	0.5
Cash at bank	554.0	666.7
Cash in hand and cheques	6.3	5.3
Total	**560.8**	**672.5**

As at 31 December 2012, as in the previous year, cash and cash equivalents were not subject to any restrictions.

(17) Non-current assets held for sale

Two vessels with a carrying amount of EUR 10.8 million in total, which, due to the existing intent to sell, were recorded as non-current assets held for sale as at 31 December 2011 in accordance with IFRS 5, were sold in the first half of 2012.

(18) Subscribed capital, capital reserves and retained earnings

"Albert Ballin" Holding GmbH & Co. KG was converted into Hapag-Lloyd Holding AG effective 31 March 2011 by means of a change in its legal form. On this date, Hapag-Lloyd Holding AG had share capital of EUR 60 million. The former paid-in limited liability capital of EUR 3,026.6 million which exceeded share capital was transferred to capital reserves.

In February 2012, EUR 100.0 million of the former hybrid II capital was paid back to TUI AG. The "Albert Ballin" consortium also acquired 50% of the remaining hybrid II capital from TUI AG effective 30 March 2012.

The entry into the commercial register on 12 April 2012 completed a capital increase involving the contribution of EUR 125.0 million of hybrid II capital each by the "Albert Ballin" consortium and TUI AG to Hapag-Lloyd Holding AG in exchange for new shares from previously authorised capital. This caused subscribed capital to grow to EUR 66.1 million and prompted a EUR 243.2 million addition to capital reserves, after allowing for transaction costs.

As at 31 December 2012, Hapag-Lloyd Holding AG's subscribed capital is divided into 66.1 million no-par registered shares with equal rights.

Retained earnings include earnings from the financial year as well as previous years.

(19) Cumulative other equity

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recorded within other comprehensive income and amounted to EUR 9.1 million as at 31 December 2012 (2011: EUR 0.0 million).

The reserve for actuarial gains and losses (2012: EUR –62.7 million; 2011: EUR –23.7 million) results from actuarial gains and losses recognised in other comprehensive income, partially due to the change in actuarial parameters in connection with the measurement of pension obligations and the associated fund assets.

The differences from currency translation of EUR –52.3 million (2011: EUR 96.0 million) are due to the translation of the financial statements of subsidiaries prepared in foreign currency and from the conversion of goodwill carried in foreign currency as well as other purchase price allocation items. The translation reserve as at 31 December 2012 amounted to EUR 21.3 million (2011: EUR 73.6 million).

(20) Hybrid capital

Of the existing hybrid II capital held as at 31 December 2011 by TUI-Hapag Beteiligungs GmbH in Hapag-Lloyd Holding, EUR 100.0 million was paid back to TUI AG in February 2012. The “Albert Ballin“ consortium also acquired 50% of the remaining hybrid II capital from TUI AG effective 30 March 2012.

The entry into the commercial register on 12 April 2012 completed a capital increase involving the contribution of EUR 125.0 million of hybrid II capital each by the “Albert Ballin“ consortium and TUI AG to Hapag-Lloyd Holding AG in exchange for new shares from previously authorised capital. The hybrid II capital was thus fully converted.

The hybrid II capital as at 31 December 2011 had a nominal amount of EUR 350.0 million and was interest-bearing at 13.5% p.a. Since as at 31 December 2011 the agreements regarding the hybrid II capital neither limited the term nor required a payment of a current fee, the hybrid II capital in the previous year was classified as equity and disclosed separately in compliance with regulation IAS 32. Interest paid on 2 January 2012 for the period up to 31 December 2011 in the amount of EUR 36.9 million had already been reclassified as other liabilities as at 31 December 2011. The hybrid II capital became non-interest-bearing on 1 January 2012.

(21) Non-controlling interests

Non-controlling interests (2012: EUR 0.8 million; 2011: EUR 0.3 million) relate solely to foreign subsidiaries of the Group.

(22) Provisions for pensions and similar obligations

Defined benefit pension plans

The financing status and pension provision are determined as follows:

Million EUR	**31.12.2012**	31.12.2011	31.12.2010	31.12.2009	31.12.2008*
Net present value of defined benefit obligations	254.1	198.1	180.2	153.9	-
Less fair value of plan assets	98.6	88.2	83.0	69.6	-
Financing status	**155.5**	**109.9**	**97.2**	**84.3**	**-**
Balance of past service cost not yet recognised in balance sheet	-	-	-	–0.1	-
Due to limitations according to IAS 19.58 b not recognised as asset	-	-	-	-	-
Balance sheet amount (net)	**155.5**	**109.9**	**97.2**	**84.2**	**-**
thereof recorded in other assets	-	-	-	-	-
thereof recorded in provisions for pensions and similar obligations	155.5	109.9	97.2	84.2	-

* The Group was founded on 9 October 2008.

The net present value of defined benefit obligations and the fair value of plan assets developed as follows:

Million EUR	31.12.2012	31.12.2011
Net present value of defined benefit obligations as at 1.1	**198.1**	**180.2**
Current service cost	5.3	4.7
Interest expenses	9.1	8.8
Contributions by plan participants	0.6	1.3
Actuarial losses	45.3	8.3
Past service cost/(income)	0.3	–0.6
Benefits paid	–6.1	–5.3
Exchange rate differences	1.5	0.7
Net present value of defined benefit obligations as at 31.12.	**254.1**	**198.1**
thereof funded	120.8	91.3
thereof non-funded	133.3	106.8
Fair value of plan assets as at 1.1.	**88.2**	**83.0**
Expected return on plan assets	3.9	5.0
Actuarial (gains)/losses	5.1	–1.3
Actual income/(expenses) from plan assets	9.0	3.7
Employer contributions	3.5	3.6
Contributions by plan participants	0.6	1.3
Benefits paid	–3.6	–2.5
Exchange rate differences	0.9	–0.4
Reclassification	-	–0.5
Fair value of plan assets as at 31.12.	**98.6**	**88.2**
thereof dividend carrying shares	23.5	19.8
thereof bonds	53.9	47.5
thereof pension plan reinsurance	9.8	9.5
thereof property, plant and equipment	6.5	5.6
thereof cash	0.6	1.4
thereof other	4.3	4.4

The projected benefit obligations of a defined benefit pension plan in Thailand were incorporated for the first time in the 2012 financial year.

The plan assets contain neither the Group’s own financial instruments nor real estate used by the Group itself.

Net pension expenses were as follows:

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Current service cost	5.3	4.7
Interest expenses	9.1	8.8
Expected return on plan assets	–3.9	–5.0
Past service cost	0.3	–0.6
Net pension expenses/(income)	**10.8**	**7.9**

The expenses incurred in connection with pensions and similar obligations are contained in the following items in the consolidated income statement:

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Personnel expenses	5.6	4.1
Interest result	5.2	3.8
Total	**10.8**	**7.9**

The valuation date for pension obligations and plan assets is generally 31 December. The valuation date for current net pension expenses is generally 1 January. The parameters established for the calculation of the pension obligations and the assumptions for the long-term interest on the plan assets vary in accordance with the prevailing market conditions in the currency region in which the pension plan was set up.

Hapag-Lloyd Holding maintains domestic and foreign benefit plans. Provisions for benefit obligations and similar obligations are primarily made in Germany due to benefit commitments for pensions, survivorship annuities and disability benefits. The amount of the benefit depends on which benefit group, based on years of service, the employees belong to and therefore on the total number of years of service.

The following valuation factors were used to calculate the domestic pension obligations:

Percentage points	**31.12.2012**	31.12.2011
Discount factors	3.20	4.50
Expected rate of salary and wage increases	2.50	2.50
Expected rate of pension increases	1.80	1.80
Fluctuation rate	1.00	1.00

As a biometric foundation, the mortality table 2005 G from Heubeck was used. A different set of measurement factors was used to calculate foreign pension obligations. In terms of the Group’s overall pension obligations, the expected foreign wage and salary increases, pension increases and fluctuation rates are of minor significance.

Amortisation of domestic benefit expenses is based on the following factors:

Percentage points	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Discount factors	4.50	4.70
Expected long-term rate of return on plan assets	4.50	4.50
Expected rate of salary and wage increases	2.50	2.50
Expected rate of pension increases	1.80	1.80
Fluctuation rate	1.00	1.00

Furthermore, discount factors for benefit obligations and expected long-term returns on the plan assets for the following countries are particularly important:

Percentage points	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Discount factors for pension obligations		
– the United Kingdom	4.30	4.70
– the Netherlands	3.20	4.50
– Canada	3.50	4.40
Expected long-term rate of return on plan assets		
– the United Kingdom	5.40	5.40
– the Netherlands	3.20	2.50
– Canada	3.50	4.00

The discounting factors for the pension plans are determined annually as at 31 December on the basis of first-rate corporate bonds with maturities and values matching those of the pension payments. An index based on corporate bonds with relatively short terms is used as the basis for this purpose. The resultant interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk premium, and the discounting rate is determined in accordance with the duration of the obligation.

The returns on the plan assets which are expected in the long term are derived from the plan assets' investment allocation and from the expected returns on the investment categories contained in the portfolios. For this purpose, the Hapag-Lloyd Group's investment committees use yield forecasts for the relevant capital market indices prepared by banks and asset managers. The average yield forecast, weighted for allocations, serves as the starting point for determining the anticipated yields from the individual plan assets. In addition, the Group keeps track of the long-term actual yields from the plan assets and historical yields from the market as a whole when determining the anticipated interest, the aim being to take sufficient account of the long-term character of the plan assets as well.

The adjustments based on experience, i.e. the difference between the previous actuarial assumptions and actual developments, in relation to the obligations and plan assets as at 31 December 2012 or 31 December 2011 respectively, can be seen in the following table:

Million EUR	**31.12.2012**	31.12.2011
Net present value of obligations	5.2	0.6
Fair value of plan assets	–5.1	1.3

The amount disclosed in other comprehensive income for actuarial gains and losses from defined benefit obligations before tax and before consideration of deferred tax was EUR –39.0 million (2011: EUR –9.8 million) as at 31 December 2012. The cumulative amount for actuarial gains and losses recorded in other comprehensive income, after taxes, totalled EUR –62.7 million as at 31 December 2012 (2011: EUR –23.7 million).

For 2013, the Group is planning to make payments amounting to EUR 4.0 million (2012: EUR 4.6 million) into pension plan assets. Payments for unfunded pension plans are anticipated in the amount of EUR 2.6 million in 2013 (2012: EUR 2.4 million).

Defined contribution pension plans

At Hapag-Lloyd, the expenses for defined contribution pension plans relate predominantly to the contributions to the statutory retirement pension system. In the period from 1 January to 31 December 2012, expenses incurred in connection with defined contribution pension plans totalled EUR 18.0 million (2011: EUR 14.8 million).

The amount includes an expense of EUR 3.9 million (2011: EUR 3.4 million) in connection with a joint plan operated by several employers. In the financial year 2008 pension and medical benefit obligations in the USA were transferred from the Company’s own benefit plan to the joint plan of several employers. This plan is a defined benefit plan. As the joint plan does not provide sufficient data regarding the development of the entitlement of employees of the Group or the Group’s share in the plan assets, this plan has been recognised as a defined contribution plan since then. Due to past contribution claims and refunds in connection with this plan, a net liability of EUR 0.8 million (2011: EUR 0.9 million) is disclosed.

(23) Other provisions

Other provisions developed as follows in the financial year and previous year:

Million EUR	As per 1.1.2011	Reclassi-fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12.2011
Guarantee, warranty and liability risks	70.6	-	4.2	11.6	17.1	2.4	74.3
Risks from pending transactions	69.3	-	10.5	-	-	2.4	61.2
Personnel costs	61.5	0.1	46.2	5.9	32.3	1.2	43.0
Insurance premiums	12.1	-	5.5	-	5.1	0.3	12.0
Provisions for other taxes	3.9	–1.1	2.7	-	2.6	–0.1	2.6
Restructuring	2.5	-	1.3	0.3	-	-	0.9
Other provisions	36.1	0.3	9.8	11.7	30.4	0.2	45.5
Other provisions	**256.0**	**–0.7**	**80.2**	**29.5**	**87.5**	**6.4**	**239.5**

Million EUR	As per 1.1.2012	Reclassi-fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12.2012
Guarantee, warranty and liability risks	74.3	-	4.8	14.2	9.7	–1.4	63.6
Risks from pending transactions	61.2	-	10.3	-	-	–1.1	49.8
Personnel costs	43.0	-	30.7	1.5	28.6	–0.6	38.8
Insurance premiums	12.0	-	4.0	5.3	9.1	–0.2	11.6
Provisions for other taxes	2.6	-	2.2	-	2.9	0.1	3.4
Restructuring	0.9	-	0.3	-	-	-	0.6
Other provisions	45.5	-	12.6	2.8	9.5	–0.4	39.2
Other provisions	**239.5**	**0.0**	**64.9**	**23.8**	**59.8**	**–3.6**	**207.0**

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo.

Provisions for risks from pending transactions relate to existing contracts identified within the purchase price allocation of the purchase of Hapag-Lloyd AG and its subsidiaries in 2009 that showed a negative fair value for their contract terms at the time of the purchase compared to current market conditions. Provisions for risks from pending transactions are utilised over the respective contractual terms of the underlying contracts. Some contracts have terms exceeding five years.

Provisions for personnel costs comprise provisions for holidays not yet taken, bonuses not yet paid, severance compensation and anniversary payments.

Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with an insurer outside the Group.

Restructuring provisions comprise payments for the premature termination of tenancies as well as severance payments to employees.

Other provisions in particular include provisions for fees from a new financing contract for building new vessels (EUR 13.2 million; 2011: EUR 19.2 million), provisions for country-specific risks (EUR 16.7 million; 2011: EUR 18.0 million), archiving provisions (EUR 3.5 million; 2011: EUR 3.5 million) as well as provisions for audit and advisory fees (EUR 0.9 million; 2011: EUR 1.0 million).

The increase in the discounted amount during the financial year due to the passage of time is insignificant, as is the change in discounted provisions as a result of the change in the discount rate.

The maturities of the other provisions are as follows:

Million EUR	**31.12.2012**		31.12.2011	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Guarantee, warranty and liability risks	63.6	23.4	74.3	32.8
Risks from pending transactions	49.8	39.5	61.2	50.8
Personnel costs	38.8	10.8	43.0	8.3
Insurance premiums	11.6	-	12.0	-
Provisions for other taxes	3.4	-	2.6	-
Restructuring	0.6	0.1	0.9	0.5
Other provisions	39.2	13.7	45.5	17.7
Other provisions	**207.0**	**87.5**	**239.5**	**110.1**

The remaining term of non-current other provisions generally does not exceed five years, with the exception of parts of the provision for guarantee, warranty and liability risks (EUR 4.7 million) and a portion of other provisions (EUR 3.8 million) (2011: provisions for risks relating to pending transactions amounting to EUR 8.9 million).

(24) Financial debt

Million EUR	**31.12.2012**				31.12.2011			
		Remaining terms				Remaining terms		
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Liabilities to banks	1,499.0	294.1	767.9	437.0	1,239.1	209.0	737.1	293.0
Bonds	655.8	–3.6	659.4	-	655.9	–3.3	467.2	192.0
Liabilities from finance lease contracts	215.8	31.2	184.6	-	-	-	-	-
Other financial liabilities	1.3	1.3	-	-	1.5	1.5	-	-
Total	**2,371.9**	**323.0**	**1,611.9**	**437.0**	**1,896.5**	**207.2**	**1,204.3**	**485.0**

Negative amounts regarding bonds with a remaining term of up to one year relate to transaction costs spread using the effective interest rate method.

Financial debt by currency exposure

Million EUR	**31.12.2012**	31.12.2011
Financial liabilities denoted in USD (excl. transaction costs)	1,798.8	1,273.6
Financial liabilities denoted in EUR (excl. transaction costs)	599.2	646.5
Interest payable	32.0	22.1
Accounting for transaction costs	–58.1	–45.7
Total	**2,371.9**	**1,896.5**

Liabilities to banks mainly comprise loans to finance the existing fleet of vessels and to finance containers. The increase in the 2012 financial year primarily resulted from financing the acquisition of two vessels from existing operating lease contracts and from the payment of the first three tranches of the K-sure II financing for the newbuilds delivered in the financial year.

As a result of new fleet financing, the existing loans for five vessels were paid off in full and were replaced by new financing worth a total of USD 289.0 million (EUR 219.2 million).

An agreement was also signed for a total of up to USD 165.0 million to finance the acquisition of new containers and those already in use. These funds will be drawn down in line with actual container orders. The Company had associated liabilities of USD 104.0 million (EUR 78.9 million) on the reporting date.

A container portfolio was sold to a group of Japanese investors in the reporting year for USD 45.5 million (EUR 34.5 million) and was leased back as part of a 3.5-year lease contract. In accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*, the container lease contract is shown as credit financing. The lease contract is essentially a form of borrowing with the container portfolio transferred by way of security. Accordingly, the containers are still being reported and depreciated in the Group. Interest on the loan in the amount of EUR 0.6 million is recognised as an interest expense.

An existing loan for the original container financing is also connected with a container lease agreement which, in accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*, is shown as credit financing as Hapag-Lloyd has retained all the risks and opportunities associated with the containers and, with regard to the use of the containers, essentially has the same rights as before the agreement. This lease agreement is collateralised by the assignment of the containers for five years with the automatic retransfer of ownership after payment of the last instalment. The containers are reported and depreciated in the Group. Interest on the loan in the amount of EUR 1.5 million is recognised as an interest expense (2011: EUR 3.6 million).

Significant elements of the liabilities to banks are collateralised with ship mortgages as well as trade accounts receivable amounting to EUR 89.5 million (2011: EUR 88.8 million).

In the 2012 financial year, existing long-term operating lease contracts for seven ships and a container portfolio were amended, obliging Hapag-Lloyd to purchase the relevant leased assets at the end of the lease tenures. These agreements are therefore now classified as finance lease contracts. The associated payables were posted as liabilities.

In the previous year, Hapag-Lloyd contractually agreed to the restructuring of the existing financial structure with a syndicate of national and international banks. In this context, the previously unutilised revolving credit facility originally totalling USD 360.0 million was reduced to USD 95.0 million (EUR 72.1 million). This available liquidity reserve may be utilised up to the originally agreed date of 1 October 2013.

(25) Trade accounts payable and other liabilities

Million EUR	31.12.2012 Total	31.12.2012 Remaining terms up to 1 year	31.12.2012 Remaining terms 1–5 years	31.12.2012 Remaining terms more than 5 years	31.12.2011 Total	31.12.2011 Remaining terms up to 1 year	31.12.2011 Remaining terms 1–5 years	31.12.2011 Remaining terms more than 5 years
Trade accounts payable	886.4	886.4	-	-	791.8	791.8	-	-
thereof to third parties	879.7	879.7	-	-	779.7	779.7	-	-
thereof to investments	6.7	6.7	-	-	12.1	12.1	-	-
Other liabilities	104.5	99.1	4.5	0.9	145.9	140.1	4.6	1.2
Other liabilities to affiliated non-consolidated companies	0.2	0.2	-	-	0.2	0.2	-	-
Other liabilities to investments	-	-	-	-	36.9	36.9	-	-
Other liabilities and deferred income	23.3	20.8	2.2	0.3	23.3	20.2	2.7	0.4
Other liabilities from income taxes	-	-	-	-	-	-	-	-
Other liabilities from other taxes	4.1	4.1	-	-	3.4	3.4	-	-
Other liabilities as part of social security	10.0	7.3	2.3	0.4	9.2	6.7	1.9	0.6
Other liabilities to employees	1.1	0.9	-	0.2	1.1	0.9	-	0.2
Other liabilities to members of management	-	-	-	-	0.1	0.1	-	-
Prepayments received	65.8	65.8	-	-	71.7	71.7	-	-
Total	**990.9**	**985.5**	**4.5**	**0.9**	**937.7**	**931.9**	**4.6**	**1.2**

In the previous year, other liabilities included the interest on the hybrid II capital paid on 2 January 2012.

(26) Derivative financial instruments

Million EUR	31.12.2012 Total	31.12.2012 Remaining term more than 1 year	31.12.2011 Total	31.12.2011 Remaining term more than 1 year
Liabilities from derivative financial instruments	6.0	6.0	-	-
Thereof derivatives not included in hedge accounting	6.0	6.0	-	-

Liabilities from derivative financial instruments are the result of currency put options.
A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (27)).

(27) Financial instruments

FINANCIAL RISKS AND RISK MANAGEMENT

Risk management principles

The Hapag-Lloyd Group is exposed to market risks as a result of Hapag-Lloyd AG's international operations. The market risks include, in particular, the currency risk, the interest rate risk and the fuel price risk. The objective of financial risk management is to reduce market risks. For this purpose, selected derivative financial instruments are deployed at the level of Hapag-Lloyd AG; these are used solely as a hedging instrument and not for trading or other speculative purposes.

As well as the market risks, the Group is subject to liquidity risks and default risks, which involve the risk that the Group itself or one of its contractual partners cannot meet its contractually agreed payment obligations.

The basic features of financial risk management have been established and described in a financial management guideline approved by the Executive Board. The guideline stipulates areas of responsibility, describes the framework for action and the reporting function, and establishes the strict separation of trading and handling with binding force. The risk management processes are examined for their effectiveness annually by the internal auditing department and by external auditors.

The derivative financial instruments used to limit these risks are acquired only through financial institutions with first-rate creditworthiness. The hedging strategy is approved by the Executive Board of Hapag-Lloyd AG. Implementation, reporting and ongoing financial risk management are the responsibility of the Treasury department.

Market risk
Market risk is defined as the risk that the fair values or future cash flows of a primary or derivative financial instrument fluctuate as a result of underlying risk factors.

The causes of the existing market price risks to which the Group is exposed lie particularly in the fuel consumption, the significant cash flows in foreign currencies at the level of Hapag-Lloyd AG as well as interest rate risks that result from external financing.

In order to portray the market risks, IFRS 7 demands sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on after-tax earnings and equity. The hypothetical changes in these risk variables relate to the respective portfolio of primary and derivative financial instruments on the balance sheet date.

The analyses of the risk reduction activities outlined below and the amounts determined using sensitivity analyses constitute hypothetical and therefore risky and uncertain disclosures. Due to unforeseeable developments on the global financial markets, actual events may deviate substantially from the disclosures provided.

Currency risks
Currency risks are hedged if they influence the Group's cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates for preventing future disadvantageous fluctuations of the currency exchange rate. Currency risks for the consolidated financial statements exist solely at the level of the Hapag-Lloyd sub-group.

The Hapag-Lloyd sub-group's functional currency is the US dollar. Currency risks mainly result from operating activities (incoming or outgoing payments in currencies other than the US dollar) and from financial debt taken on in euros.

Hapag-Lloyd AG's currency management generally provides for the hedging of euro-denominated cost exposure of up to 80%. The risks are hedged through customised use of derivative financial instruments, on a case-by-case basis in the form of currency options and currency forward contracts.

The following sensitivity analysis contains the Hapag-Lloyd sub-group's currency risks in relation to primary and derivative financial instruments. It reflects the risk that the US dollar as the functional currency might appreciate or depreciate by 10% against the major Group currencies (EUR, CAD, GBP). The analysis is depicted accordingly in US dollars.

Million USD	**31.12.2012**		31.12.2011	
	Effect on earnings	Reserve for cash flow hedges (equity)	Effect on earnings	Reserve for cash flow hedges (equity)
USD/EUR				
+10%	19.6	43.7	25.6	24.3
–10%	–7.6	–13.9	–14.9	-
USD/CAD				
+10%	–3.6	-	–4.3	-
–10%	3.6	-	4.3	-
USD/GBP				
+10%	1.1	-	1.4	-
–10%	–1.1	-	–1.4	-

Risks at the level of Hapag-Lloyd Holding's consolidated financial statements arise from the translation of Hapag-Lloyd AG's financial statements in US dollars into the functional currency, the euro (translation risk). This risk has no impact on the Group's cash flow; instead, it is reflected in equity and is not currently hedged.

As shown in the table, the Hapag-Lloyd sub-group's earnings effect is reflected analogously, taking account of the relevant USD/EUR exchange rate (see Note "Currency translation") in Hapag-Lloyd Holding's consolidated financial statements.

Fuel price risks

As a result of its operating activities, the Group is exposed to a market price risk for the procurement of bunker fuel.

The risk management's basic objective is securing up to 80% of the forecasted bunker requirements. Derivative financial instruments in the form of commodity options are used to hedge against price fluctuations.

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was performed, with an implied hypothetical market price change of +/–10%. The effects on earnings and equity resulting from the market price changes of the derivative financial instrument used are shown in the following table.

Million EUR	31.12.2012		31.12.2011	
	10%	–10%	10%	–10%
Reserve for cash flow hedges	13.6	-	7.5	-
Earnings before income taxes	13.4	–14.7	5.7	–6.1

Interest rate risks

The Group is exposed to interest rate risks affecting cash flow, particularly with financial liabilities based on variable interest rates. In order to minimise the interest rate risk, the Group strives to achieve a balanced combination of assets and liabilities with variable and fixed interest rates. Interest rate hedging instruments were not used in 2012.

In order to present the interest rate risks pursuant to IFRS 7, a sensitivity analysis was performed and used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2012 was increased or decreased by +/-100 basis points. Taking into account the low interest rate level, hypothetical, negative changes in interest rates were only made up to nil. The determined effect relates to financial debt with a variable interest rate amounting to EUR 1,232.2 million that existed at the balance sheet date (2011: EUR 948.8 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

Million EUR	31.12.2012		31.12.2011	
Change in variable interest rate	+100 basepoints	–100 basepoints	+100 basepoints	–100 basepoints
Earnings before income taxes	–12.3	5.4	–9.5	7.5

Credit risks

In addition to the market risks described above, the Group is exposed to default risks. The default risk constitutes the risk that a contracting partner will be unable to meet its contractual payment obligations. It refers to both the Group's operating activities and the counterparty credit risk vis-à-vis external banks.

Generally, a risk of this kind is minimised by the creditworthiness requirements which the respective contracting partners are required to fulfil. With regard to its operational activities, Hapag-Lloyd AG has an established credit and receivables management system at area, regional and head office level. Payment periods for customers are determined and continuously monitored within the framework of a credit check. This process takes account of both internal data based on empirical values and external information on the respective customer's creditworthiness and rating. To provide protection against default risks, moreover, a credit insurance policy or bank guarantees are used to secure around 75% of the trade accounts receivable.

The Group is not exposed to a major default risk from an individual counterparty. The concentration of the default risk is limited due to the broad and heterogeneous customer base.

If there are discernible risks in the area of trade receivables and other assets, these are taken into account by means of appropriate impairment allowances. With regard to the age structure analysis for the trade receivables and other assets, please refer to Note (13).

The portfolio of primary financial assets is reported in the statement of financial position. The carrying amounts of the financial assets correspond to the maximum default risk.

With regard to derivative financial instruments, all the counterparties must have a credit rating or, alternatively, a corresponding internal credit assessment determined according to clear specifications. The maximum risk corresponds to the sum total of the positive market values as at the balance sheet date, as this is the extent of the loss that would have to be borne.

In addition to these, there are no further long-term financial obligations or loans with external contracting partners from which a potential credit risk may arise.

Liquidity risks

Generally, the liquidity risk constitutes the risk that a company will be unable to meet its obligations resulting from financial liabilities. Permanent solvency is ensured and refinancing costs are continuously optimised as part of central financial management.

To ensure solvency at all times, the liquidity requirements are determined by means of multi-year financial planning and a monthly rolling liquidity forecast and are managed centrally. Liquidity needs were covered by liquid funds and confirmed lines of credit at all times over the past financial year.

The bonds issued contain certain customary limitations concerning possible payments to shareholders and subordinated creditors. Additionally, there are customary cancellation clauses for significant portions of the financial debt in the event that more than 50% of the shares are purchased by a single third party.

Further explanatory notes regarding the management of liquidity risks are included in the Group management report.

Current undiscounted contractually fixed cash flows from both primary financial liabilities (interest and redemption) and from derivative financial instruments are as follows:

Cash flows of financial instruments (31.12.2011)

Million EUR	Cash inflows and outflows			
	2012	2013	2014–2016	from 2017
Primary financial liabilities				
Liabilities to banks	–237.2	–276.2	–493.0	–270.7
Bonds	–62.0	–62.0	–622.9	–212.1
Other financial liabilities (excl. operating leases)	–28.2	–6.2	–94.2	–62.3
Trade accounts payable	–791.8	-	-	-
Other liabilities	–55.9	–0.7	–1.5	–0.9
Total primary financial liabilities	**–1,175.1**	**–345.1**	**–1,211.6**	**–546.0**
Derivative financial instruments				
Hedging transactions – inflow	-	-	-	-
Hedging transactions – outflow	-	-	-	-
Other derivative financial instruments – inflow	-	-	-	-
Other derivative financial instruments – outflow	-	-	-	-
Total derivative financial instruments	**-**	**-**	**-**	**-**

[1] In addition, there is a contractually fixed, to date off-balance-sheet loan for the financing of new vessels (nominal amount: USD 925 million; interest rate: USD LIBOR +2.25%), which will be utilised proportionately upon delivery of the vessels. The loan has a term of 12 years starting with the delivery of the financed vessels.

Cash flows of financial instruments (31.12.2012)

Million EUR	Cash inflows and outflows			
	2013	2014	2015–2017	from 2018
Primary financial liabilities				
Liabilities to banks [1)]	–301.7	–240.5	–571.9	–430.6
Bonds	–61.7	–61.7	–768.3	-
Finance leases	–53.8	–52.4	–109.3	–78.7
Other financial liabilities (excl. operating leases)	–6.7	–6.7	–110.1	–55.1
Trade accounts payable	–886.4	-	-	-
Other liabilities	–19.8	–0.9	–1.8	–0.6
Total primary financial liabilities	**–1,330.1**	**–362.2**	**–1,561.4**	**–565.0**
Derivative financial instruments				
Hedging transactions – inflow	-	-	-	-
Hedging transactions – outflow	-	-	-	-
Other derivative financial instruments – inflow	-	-	-	-
Other derivative financial instruments – outflow	-	-	-	-
Total derivative financial instruments	**-**	**-**	**-**	**-**

[1)] In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of USD 647.5 million to be paid upon delivery of the vessels. The loan has a term of 12 years starting with the delivery of the financed vessels and is subject to a USD LIBOR interest rate of +2.25%.

All instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2012 were included. Amounts in foreign currencies were translated at the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the balance sheet date were used for the following periods as well.

Derivative financial instruments and hedges

Derivative financial instruments are generally used to hedge existing or planned underlying transactions and serve to reduce foreign currency risks and fuel price risks, which occur in day-to-day business activities as well as in the context of investment and financial transactions.

Currency risks are currently hedged predominantly by means of currency options and currency forward contracts. Commodity options are used as hedges for fuel price risks.

Hedging relationships in accordance with IAS 39 *(Hedge Accounting)* were exclusively shown as cash flow hedges in the reporting year. Until the underlying transaction is realised, the effective share of the accumulated changes in market value is shown in other comprehensive income and, upon completion of the hedged underlying transaction, is recognised in the consolidated income statement.

As at 31 December 2012 there were hedges that were classified as hedge accounting in accordance with IAS 39, with remaining terms of up to three years. Hedged cash flows from the underlying transactions are recognised through profit and loss during the same period.

In the financial year 2012, changes in the fair values of derivative financial instruments in hedging relationships resulted in gains totalling EUR 37.1 million, which were recorded in other comprehensive income (2011: EUR 170.0 million). These changes in value represent the effective share of the hedging relationship.

In the reporting period, EUR 28.0 million from other comprehensive income was reclassified and recognised through profit and loss (2011: EUR 206.1 million). EUR 17.8 million (2011: EUR 170.1 million) of this relates to commodity hedges, whose earnings contribution is shown in transport expenses. The remaining EUR 10.2 million (2011: EUR 36.0 million) relates to exchange rate hedges. Of this amount EUR 11.1 million (2011: EUR 36.0 million) was recognised in other operating income, while EUR 0.9 million (2011: EUR 0.0 million) relating to the interest portion from currency forward contracts was included in interest expenses.

In the reporting period and in the previous year, no inefficiencies from hedging relationships occurred to a significant extent.

Moreover, the Group uses optional hedges to hedge currency risks from existing foreign currency liabilities, which are in an economic relationship with the respective underlying transaction, but were not designated as a hedging relationship according to IAS 39. Derivative financial instruments were at no time used for speculative purposes.

The following table shows the nominal values of the derivative financial instruments:

Million EUR	**31.12.2012**			31.12.2011	
	Remaining term			Remaining term	
	up to 1 year	more than 1 year	Total	more than 1 year	Total
Currency options					
Asset	299.1	320.0	619.1	480.0	967.2
Liability	-	80.0	80.0	-	-
Currency forwards	-	240.0	240.0	-	-
Commodityoptionen	689.8	-	689.8	-	303.5

The fair value determined for the derivative financial instruments is the price at which a contracting party would assume the rights and/or obligations of the other contracting party.

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

The positive and/or negative fair values of derivative financial instruments shown as receivables or liabilities are as follows:

Million EUR	**31.12.2012**		31.12.2011	
	Positive market values	Negative market values	Positive market values	Negative market values
Hedging instruments acc. to IAS 39 (Hedge accounting)				
Currency options	13.4	-	7.8	-
Commodity options	23.6	-	9.3	-
Currency forwards	8.5	-	-	-
Hedges	**45.5**	**-**	**17.1**	**-**
Hedging instruments (Held for trading)				
Currency options	24.0	–6.0	46.9	-
Other derivative financial instruments	**24.0**	**–6.0**	**46.9**	**-**
Total	**69.5**	**–6.0**	**64.0**	**-**

Financial instruments – additional disclosures, carrying amounts and fair values
The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability settled between knowledgeable and willing parties in an arm’s length transaction. Where financial instruments are quoted in an active market, as with bond issues in particular, the fair value of the financial instrument corresponds to the respective price on the balance sheet date.

For cash and cash equivalents, trade accounts receivable, significant portions of other assets, trade accounts payable and other liabilities, the carrying amount corresponds to the fair value because of the short residual term to maturity.

The available-for-sale financial assets included in other assets are generally measured at fair value. If no reliable fair value is available, the assets are measured at cost.

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

Carrying amounts, value estimates and fair values by class and valuation category as at 31 December 2011

Million EUR	Classification category according to IAS 39	Carrying amount 31.12.2011	Amount recognised in the balance sheet under IAS 39				Carrying amount of financial instruments	Fair value of financial instruments
			Amortised cost	Acquisiton cost	Fair value with no effect on profit or loss	Fair value through profit and loss		
Assets								
Other assets	LaR	150.1	40.0	-	-	-	40.0	40.0
	AfS	0.2	-	0.2	-	-	0.2	0.2
Derivative financial instruments								
Derivatives (Held for trading)	FAHfT	46.9	-	-	-	46.9	46.9	46.9
Hedges (Hedge accounting)	n.a.	17.1	-	-	-	17.1	17.1	17.1
Trade accounts receivable	LaR	419.6	419.6	-	-	-	419.6	419.6
Cash and cash equivalents	LaR	672.5	672.5	-	-	-	672.5	672.5
Liabilities								
Financial debt	FLAC	1,896.5	1,896.5	-	-	-	1,896.5	1,822.9
Other liabilities	FLAC	145.9	59.0	-	-	-	59.0	59.0
Derivative financial liabilities								
Derivatives (Held for trading)	FLHfT	-	-	-	-	-	-	-
Hedges (Hedge accounting)	n.a.	-	-	-	-	-	-	-
Trade accounts payable	FLAC	791.8	791.8	-	-	-	791.8	791.8
Thereof aggregated according to IAS 39 classification category								
Loans and receivables (LaR)		1,132.1	1,132.1	-	-	-	-	-
Held-to-maturity investments (HtM)		-	-	-	-	-	-	-
Available-for-sale financial assets (AfS)		0.2	-	0.2	-	-	-	-
Financial assets held for trading (FAHfT)		46.9	-	-	-	46.9	-	-
Financial liabilities measured at amortised cost (FLAC)		2,747.3	2,747.3	-	-	-	-	-
Financial liabilities held for trading (FLHfT)		-	-	-	-	-	-	-

Carrying amounts, value estimates and fair values by class and valuation category as at 31 December 2012

Million EUR	Classification category according to IAS 39	Carrying amount 31.12.2012	Amount recognised in the balance sheet under IAS 39				Amount recognised in the balance sheet under IAS 17	Carrying amount of financial instru-ments	Fair value of financial instru-ments
			Amortised cost	Acquisiton cost	Fair value with no effect on profit or loss	Fair value through profit and loss			
Assets									
Other assets	LaR	135.9	47.6	-	-	-	-	47.6	47.6
	AfS	0.2	-	0.2	-	-	-	0.2	0.2
Derivative financial instruments									
Derivatives (Held for trading)	FAHfT	24.0	-	-	-	24.0	-	24.0	24.0
Hedges (Hedge accounting)	n.a.	45.5	-	-	9.1	36.4	-	45.5	45.5
Trade accounts receivable	LaR	449.5	449.5	-	-	-	-	449.5	449.5
Cash and cash equivalents	LaR	560.8	560.8	-	-	-	-	560.8	560.8
Liabilities									
Financial debt	FLAC	2,156.0	2,156.0	-	-	-	-	2,156.0	2,236.2
Liabilities from finance lease [1]	n.a.	215.9	-	-	-	-	215.9	215.9	223.0
Other liabilities	FLAC	104.7	23.1	-	-	-	-	23.1	23.1
Derivative financial liabilities									
Derivatives (Held for trading)	FLHfT	6.0	-	-	-	6.0	-	6.0	6.0
Hedges (Hedge accounting)	n.a.	-	-	-	-	-	-	-	-
Trade accounts payable	FLAC	886.4	886.4	-	-	-	-	886.4	886.4
Thereof aggregated according to IAS 39 classification category									
Loans and receivables (LaR)		1,057.9	1,057.9	-	-	-	-	-	-
Held-to-maturity investments (HtM)		-	-	-	-	-	-	-	-
Available-for-sale financial assets (AfS)		0.2	-	0.2	-	-	-	-	-
Financial assets held for trading (FAHfT)		24.0	-	-	-	24.0	-	-	-
Financial liabilities measured at amortised cost (FLAC)		3,065.5	3,065.5	-	-	-	-	-	-
Financial liabilities held for trading (FLHfT)		6.0	-	-	-	6.0	-	-	-

[1] Part of financial debt

The financial instruments in the available-for-sale category which are included in other assets contain, among other things, investments not listed on a stock exchange for which there are no market prices listed on an active market. A reliable determination of the market value could only be achieved in the context of actual sales negotiations. Their disposal is not planned at present.

Fair value hierarchy

The following table shows the classification of the financial instruments measured at fair value in the three levels of the fair value hierarchy:

Level 1:

Unchanged adoption of prices from active markets for identical financial assets or financial liabilities.

Level 2:

Use of input factors whose prices are not the listed prices referred to in level 1, but can be observed either directly (i.e. as price) or indirectly (i.e. in the derivation of prices) for the financial asset or liability in question.

Level 3:

Use of factors not based on observable market data for the measurement of the financial asset or liability (non-observable input factors).

Million EUR	31.12.2011			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments (Hedge accounting)	-	17.1	-	17.1
Derivative financial instruments (Trading)	-	46.9	-	46.9

Million EUR	**31.12.2012**			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments (Hedge accounting)	-	45.5	-	45.5
Derivative financial instruments (Trading)	-	24.0	-	24.0
Liabilities				
Derivative financial instruments (Trading)	-	–6.0	-	–6.0

Net earnings

The net earnings of the financial instruments by classification category pursuant to IAS 39 are as follows:

Million EUR	31.12.2012 From interest	31.12.2012 Other net earnings	31.12.2012 Net earnings	31.12.2011 From interest	31.12.2011 Other net earnings	31.12.2011 Net earnings
Loans and receivables	0.9	–1.9	–1.0	5.2	–13.5	–8.3
Available-for-sale financial assets	-	-	-	-	-	-
Financial assets and liabilities held for trading	-	–8.4	–8.4	-	10.7	10.7
Financial liabilities measured at amortised cost	–121.4	11.2	–110.2	–108.6	30.2	–78.4
Total	**–120.5**	**0.9**	**–119.6**	**–103.4**	**27.4**	**–76.0**

In addition to interest income and expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of Hapag-Lloyd AG's trade accounts receivable as well as valuation losses from derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39.

Capital management

The Hapag-Lloyd Group strives to achieve an adequate financial profile in order to guarantee the continuation of the Company and its financial flexibility and independence. Its objective is to strengthen the trust of shareholders and other parties involved in the Company in a lasting manner. To achieve this, the Group is aiming for an equity ratio of 50%.

The goal of its capital management is to safeguard the capital base at its disposal over the long term. It intends to achieve this with a healthy balance of financing requirements for the desired profitable growth.

One of the most essential control parameters within the scope of capital risk management is the relationship between equity and the balance sheet total (equity ratio).

Covenant clauses that are customary in the market have been arranged for existing financing from bonds or loans (financial covenants regarding equity, liquidity and loan-to-value ratio), and are used as an additional control tool. In the reporting period, as in the previous year, the financial covenants were adhered to for all the reporting dates. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows shows the development of cash and cash equivalents using separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of changes in the group of consolidated companies are eliminated.

(28) Cash inflow/outflow from operating activities

In the financial year, interest amounting to EUR 2.4 million (2011: EUR 4.4 million) was received. Income tax payments in the financial year 2012 led to a cash inflow of EUR 1.9 million (2011: EUR 10.6 million) and a cash outflow of EUR 4.9 million (2011: EUR 6.9 million).

The other non-cash expenses and income contained in the reconciliation from Group profit/loss to cash inflow/outflow from operating activities essentially encompass reclassifications to cash flow from investing and financing activities, in particular in relation to the sale and leaseback transactions effected in the financial year.

(29) Cash inflow/outflow from investing activities

In the financial year under review, the cash outflow from investing activities amounted to EUR 272.6 million (2011: EUR 194.8 million). Cash payments for investments in property, plant and equipment mainly consist of final payments for newbuilds delivered in 2012, prepayments on account for new container vessels currently being built and investments in containers.

The proceeds from disposals of property, plant and equipment and intangible assets totalling EUR 225.0 million mainly relate to container disposals, in particular from operating sale and leaseback transactions of EUR 139.1 million.

Cash flows from investing activities contain capitalised interest on debt amounting to EUR 36.8 million (2011: EUR 33.1 million).

(30) Cash inflow/outflow from financing activities

Cash inflow from financing activities amounted to a balance of EUR 39.7 million (2011: cash outflow of EUR 130.3 million).

Borrowing and proceeds from hedging transactions amounting to EUR 783.3 million (2011: EUR 516.9 million) related primarily to loans for the financing of vessels and containers. By contrast, there were interest and capital repayments in the amount of EUR 606.7 million (2011: EUR 649.9 million) and hybrid II capital repayments of EUR 136.9 million including interest. One-off repayments of EUR 239.9 million were made in relation to the new fleet financing. In return, new funds of USD 289.0 million in total were received (EUR 224.7 million).

Payments of EUR 14.4 million were made in order to repay liabilities from financing leases.

(31) Development of cash and cash equivalents

Cash and cash equivalents encompass all liquid funds, i.e. cash in hand, bank balances and cheques. The impact of changes in cash and cash equivalents due to exchange rate fluctuations is shown separately.

As at 31 December 2012, as in the previous year, cash and cash equivalents were not subject to any restrictions.

OTHER NOTES

(32) Government assistance

The Federal Maritime and Hydrographic Agency approved training subsidies and subsidies for marine personnel totalling EUR 7.9 million in 2012 (2011: EUR 4.1 million) according to the guideline for lowering indirect labour costs in the German marine industry; this amount is recorded as other operating income.

(33) Contingencies

Contingencies are contingent liabilities not accounted for in the statement of financial position which are recognised in accordance with their amounts repayable estimated as at the balance sheet date.

As at 31 December 2012, there were merely guarantees and sureties for liabilities of affiliated consolidated companies.

(34) Legal disputes

Hapag-Lloyd AG and several of its foreign subsidiaries are involved in legal proceedings. These encompass a range of topics, such as disputes with foreign tax authorities, claims asserted by departed employees and disputes arising from contractual relationships with customers, former agents and suppliers. It is regarded as unlikely that these proceedings will result in any noteworthy payment obligations. Insofar as it is considered unlikely that significant payment obligations will arise as a result of these proceedings, no provisions for process risks were recognised, nor were contingent liabilities disclosed in the Notes to the financial statements.

Since May 2011, the European commission has been investigating whether there were any violations of EU antitrust laws in Europe after the abolition of exemptions for liner shipping conferences in October 2008. The Company expects that transport services are in line with EU antitrust regulations. There were no new developments in this context in 2012. Consequently, no provisions for litigation risks were formed and no contingent liabilities were reported in the Notes.

The outcome of the legal disputes cannot, of course, be predicted with any certainty. The Group forms provisions for pending and imminent proceedings if a payment obligation is probable and its amount can be determined reliably. It is also possible, however, that the outcome of individual proceedings for which no provisions were formed will compel the Group to make payments whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2012. In our opinion, such payments will not have any significant influence on the Group's net asset and earnings positions.

(35) Leases

Lessee – finance leases

The items leased on the basis of finance lease contracts are primarily vessels and containers. In the 2012 financial year, seven operating lease contracts for vessels and one for containers were amended such that Hapag-Lloyd committed to purchasing these assets at the end of their lease tenures. These contracts have now become finance lease contracts. The contracts state that legal ownership will be transferred at the end of the non-cancellable terms between 2013 and 2015. The contracts thus include purchase options. As at 31 December 2012, the vessels recognised in connection with the finance lease contracts had a net carrying amount of EUR 225.6 million; the containers were recognised at EUR 11.7 million as at 31 December 2012.

The future minimum lease payments and their present values are as follows:

Million EUR	**31.12.2012**				31.12.2011			
		Remaining terms				Remaining terms		
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Future minimum lease payments	244.4	45.1	199.3	-	-	-	-	-
Interest portion	28.6	13.9	14.7	-	-	-	-	-
Present value	**215.8**	**31.2**	**184.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

At the balance sheet date, there were no expectations of future income from non-cancellable sub-letting arrangements, nor were there any conditional payments.

Lessee – operating leases

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for vessels and containers, and rental agreements for business premises, in particular for the central administration building in Rosenstrasse. The agreements have terms of between one year and 18 years, with the majority of them having a term of up to five years. Some of the agreements include prolongation and purchase options and price adjustment clauses. The containers are used in the short term at standard market leasing rates until they are ultimately transferred to the purchaser. There is no obligation to repurchase them. Some of the rental agreements for business premises include conditional rental payments based on the consumer price index for Germany.

In the financial year 2012, leasing payments of EUR 767.2 million (2011: EUR 685.4 million) were recognised in expenses.

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

Million EUR	**31.12.2012**				31.12.2011			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Vessels and containers	733.6	350.1	383.5	-	1,200.1	398.0	688.0	114.1
Business premises	117.3	18.4	51.2	47.7	126.5	19.3	52.4	54.8
Other	143.6	47.1	96.5	-	162.5	44.2	118.1	0.2
Total	**994.5**	**415.6**	**531.2**	**47.7**	**1,489.1**	**461.5**	**858.5**	**169.1**

The decline in obligations from operating lease contracts in the 2012 financial year is due in part to the restructuring of nine existing operating lease contracts, which meant that the Company acquired two ships while the agreements for the remaining seven vessels were converted into finance lease contracts. The obligations rose marginally due to the completed container sale and leaseback transactions.

As at 31 December 2012, future minimum lease income from sub-letting arrangements relating to non-cancellable sub-letting arrangements totalled EUR 3.0 million (2011: EUR 3.2 million).

Lessor – operating leases

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. The assets let within the scope of the operating lease contracts are essentially fully owned vessels and slot charter agreements.

The following future minimum lease payments relate to non-cancellable operating lease contracts:

Million EUR	31.12.2012 Remaining terms Total	up to 1 year	1–5 years	more than 5 years	31.12.2011 Remaining terms Total	up to 1 year	1–5 years	more than 5 years
Vessels	16.3	16.3	-	-	10.0	10.0	-	-
Business premises	0.5	0.2	0.3	-	0.6	0.3	0.3	-
Total	**16.8**	**16.5**	**0.3**	**0.0**	**10.6**	**10.3**	**0.3**	**0.0**

At the reporting date, the gross carrying amount of the five chartered ships (2011: five) amounted to EUR 463.0 million (2011: EUR 467.0 million). The accumulated depreciation amounted to EUR 101.2 million (2011: EUR 79.6 million) and depreciation for the period amounted to EUR 23.7 million (2010: EUR 21.7 million). In the financial year 2012 no contingent rent payments were recognised through the income statement.

(36) Other financial obligations

The Group's other financial obligations as at 31 December 2012 include a purchase obligation for investments in container ships amounting to EUR 502.1 million (2011: EUR 744.1 million), of which EUR 502.1 million is for a term of up to a year (2011: EUR 232.4 million). Neither in the 2012 financial year nor in the previous year was the remaining term of the purchase obligation greater than five years.

(37) Utilisation of Section 264 (3) of the German Commercial Code (HGB)

The following corporate entities, which are affiliated consolidated subsidiaries of Hapag-Lloyd Holding and for which the consolidated financial statements of Hapag-Lloyd Holding are the discharging consolidated financial statements, are utilising the discharging option provided by Section 264 (3) of the German Commercial Code (HGB) in respect of disclosure:

- Hapag-Lloyd AG, Hamburg
- Hapag-Lloyd Grundstücksholding GmbH, Hamburg
- Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg

(38) Services provided by the auditors of the consolidated financial statements

For the financial year 2012, the fee for audit services rendered by KPMG AG Wirtschaftsprüfungsgesellschaft within the worldwide KPMG network amounted to EUR 1.0 million (2011: EUR 0.9 million), of which EUR 0.4 million was domestic (2011: EUR 0.4 million). Fees were mainly related to the audit of the consolidated financial statements as well as the statutory audit of Hapag-Lloyd AG and Hapag-Lloyd Holding. In addition, other audit services amounting to EUR 0.1 million (2011: EUR 0.5 million), of which EUR 0.1 million (2011: EUR 0.4 million) was domestic, and other services amounting to EUR 0.4 million (2011: EUR 0.3 million), of which EUR 0.3 million (2011: EUR 0.3 million) was domestic, were provided.

(39) Related party disclosures

In carrying out its ordinary business activities, Hapag-Lloyd Holding maintained indirect or direct relationships with related parties as well as with its own subsidiaries included in the consolidated financial statements.

Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. During the reporting period, transactions were made with the HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), which is a wholly owned subsidiary of the Free and Hanseatic City of Hamburg and an indirect shareholder of Hapag-Lloyd Holding via Hamburgische Seefahrtsbeteiligung “Albert Ballin“ GmbH & Co. KG. Payments in the amount of EUR 3.9 million (2011: EUR 2.5 million) were mainly made to HGV, its affiliates and its associated companies for harbour dues and mooring fees.

As at 31 December 2012 and 2011 respectively, the following companies were indirect shareholders in Hapag-Lloyd Holding:

Shares in %	2012	2011
Hamburgische Seefahrtsbeteiligung “Albert Ballin“ GmbH & Co. KG	**78.0%**	**61.6%**
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	36.9%	23.6%
Kühne Maritime GmbH	28.2%	24.6%
SIGNAL IDUNA Gruppe	5.3%	5.5%
HSH Nordbank AG	2.9%	3.2%
HanseMerkur Versicherungsgruppe	1.8%	1.5%
Pool of investors lead by M.M.Warburg & CO KGaA	2.9%	3.2%
TUI AG / TUI-Hapag Beteiligungs GmbH	**22.0%**	**38.4%**
Total	**100.0%**	**100.0%**

Given the decision-making process of the indirect shareholders of Hamburgische Seefahrts-beteiligung “Albert Ballin“ GmbH & Co. KG, the following information considers all indirect shareholders as related.

Transactions with related parties (excluding management in key positions):

Million EUR	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
	1.1.–31.12. 2012	1.1.–31.12. 2011	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Parent company	0.1	-	-	-
Shareholders	269.7	276.7	35.7	87.9
Associated companies	0.1	-	98.0	88.5
Other investments	4.2	2.7	1.4	1.3
Total	**274.1**	**279.4**	**135.1**	**177.7**

Million EUR	Receivables		Liabilities	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
Parent company	2.2	-	-	-
Shareholders	116.1	222.4	275.0	283.4
Affiliated non-consolidated companies	-	-	0.2	0.2
Associated companies	0.5	-	10.7	12.6
Other investments	0.8	0.5	0.3	0.2
Total	**119.6**	**222.9**	**286.2**	**296.4**

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 272.9 million; 2011: EUR 257.8 million), interest income (EUR 0.8 million; 2011: EUR 2.6 million) and other services (EUR 0.4 million; 2011: EUR 19.0 million).

Of the expenses shown above, EUR 112.7 million result from operating services (2011: EUR 110.8 million), EUR 22.0 million relate to interest expenses (2011: EUR 23.8 million), and EUR 0.4 million are from other services (2011: EUR 0.1 million). In the previous year, there were also rental and lease expenses amounting to EUR 43.0 million, in particular for ocean-going vessels and containers. Partner companies were no longer included in related parties in the year under review due to changes in the shareholding structure.

All of the transactions with regard to the operating activities with related parties were executed on the basis of international price comparison methods in accordance with IAS 24 on terms that are also usual with non-Group third parties.

The remuneration of key management personnel in the Group to be disclosed under IAS 24 encompasses the remuneration paid to the active members of the Executive Board and Supervisory Board of Hapag-Lloyd Holding AG.

The active members of the Executive Board were remunerated as follows:

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Short-term benefits	2.0	3.3
Post-employment benefits	0.7	1.1
Total	**2.7**	**4.4**

Post-employment benefits refer to the allocations to pension provisions for active Executive Board members.

Pension obligations to current and former members of the Executive Board amount to EUR 19.1 million (2011: EUR 13.6 million). The fair value of plan assets for members of the Executive Board amounts to EUR 9.8 million (2011: EUR 9.5 million).

Pensions were paid to former members of the Executive Board in the amount of EUR 0.2 million in the reporting period 2012 (2011: EUR 0.1 million).

The active members of the Supervisory Board were remunerated as follows:

Million EUR	**1.1.–31.12. 2012**	1.1.–31.12. 2011
Short-term benefits	1.1	1.0
Total	**1.1**	**1.0**

The amount includes salaries paid for employee representatives that were also employed with the Group. These salaries were appropriate to the positions and functions.

(40) Significant transactions after the balance sheet date

Hapag-Lloyd had access to an uncommitted credit facility of USD 58.0 million (EUR 44.0 million) at the end of the 2012 financial year to fund investments in containers. An additional USD 15.1 million (EUR 11.3 million) was drawn down from this credit line on 15 January 2013 in connection with a payment to purchase 1,300 reefer containers. The remaining USD 42.9 million (EUR 32.1 million) can be paid out in 2013 if the Company decides to make new investments in containers.

On 28 February 2013, Hapag-Lloyd took delivery of the "Hong Kong Express" – the fourth ship from the new "Hamburg Express" class with a capacity of 13,200 TEU. As a result, another USD 92.5 million tranche of the USD 925.0 million K-sure II financing package was paid out. Hapag-Lloyd's remaining order book contains six further newbuilds, each with a capacity of 13,200 TEU. Three of them will be delivered in the first half of 2013.

The last three "Hamburg Express" class ships are due to join the fleet in the first six months of 2014. These vessels were originally set to go into service in the second half of 2013. Hapag-Lloyd is currently negotiating a later delivery date with the shipyard. It would have a minimal impact on liquidity as the existing K-sure II financing package would be used. The milestone payments – several of which have been brought forward – would be funded using interim financing.

(41) List of share holdings pursuant to Section 315 a of the German Commercial Code (HGB)

Name and registered office of the company	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/ loss for the year in TCU*
Affiliated consolidated companies				
Hapag-Lloyd AG, Hamburg	100.00	EUR	1,086,589	**)
Hapag-Lloyd Grundstücksholding GmbH, Hamburg	100.00	EUR	30,045	**)
Hamburg-Amerika Linie GmbH, Hamburg	100.00	EUR	61	2
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg	100.00	EUR	26	**)
Hapag-Lloyd Spain S.L., Barcelona	90.00	EUR	643	57
Hapag-Lloyd (Italy) S.R.L., Milan	100.00	EUR	987	222
Hapag-Lloyd Portugal LDA, Lisbon	100.00	EUR	131	4
Hapag-Lloyd Africa PTY Ltd., Durban	100.00	ZAR	990	–1,244
Oy Hapag-Lloyd Finland AB, Helsinki	100.00	EUR	149	18
Hapag-Lloyd (Ireland) Ltd., Dublin	100.00	EUR	178	25
Hapag-Lloyd (UK) Ltd., London	100.00	GBP	3,295	92
Hapag-Lloyd (Sweden) AB, Gothenburg	100.00	SEK	1,802	329
Hapag-Lloyd Belgium N.V., Antwerp***)	100.00	EUR	5,392	0
Hapag-Lloyd (France) S.A.S., Paris	100.00	EUR	4,533	22
Hapag-Lloyd (Austria) GmbH, Vienna	100.00	EUR	1,173	–23
Hapag-Lloyd Polska Sp.z.o.o., Gdynia	100.00	PLN	614	70
Hapag-Lloyd (Schweiz) AG, Basel	100.00	CHF	250	36
Hapag-Lloyd Special Finance Limited, Dublin	100.00	USD	10	4
Hapag-Lloyd (Thailand) Ltd., Bangkok	49.90	THB	4,971	88
Hapag-Lloyd (Japan) K.K., Tokyo	100.00	JPY	224,072	7,841
Hapag-Lloyd (Korea) Ltd., Seoul	100.00	KRW	1,228,116	59,266
Hapag-Lloyd (China) Ltd., Hong Kong	100.00	HKD	5,233	500
Hapag-Lloyd (Eastwind) Pte. Ltd., Singapore	100.00	USD	363	1
Hapag-Lloyd (China) Shipping Ltd., Shanghai	100.00	CNY	47,169	3,539
Hapag-Lloyd (Taiwan) Ltd., Taipei	100.00	TWD	84,808	972
Hapag-Lloyd Pte. Ltd., Singapore	100.00	USD	5,981	127
Hapag-Lloyd Crew Management Pte. Ltd., Singapore	100.00	USD	70	–7
Hapag-Lloyd (South East Asia) Sdn. Bhd., Kuala Lumpur	100.00	MYR	2,423	–40
Hapag-Lloyd (Malaysia) Sdn. Bhd., Kuala Lumpur	100.00	MYR	1,310	29
Hapag-Lloyd (Australia), Pty. Ltd., Sydney	100.00	AUD	1,834	247
Hapag-Lloyd (New Zealand) Ltd., Auckland	100.00	NZD	694	32
Hapag-Lloyd Vietnam Ltd., Ho Chi Minh City	100.00	VND	2,691,689	–460,778
Hapag-Lloyd Global Services Pvt. Ltd., Mumbai	100.00	INR	441,139	106,385
Hapag-Lloyd India Private Ltd., Mumbai	100.00	INR	172,656	127,322
Hapag-Lloyd Agency L.L.C., Dubai	49.00	AED	6,377	6,077
Hapag-Lloyd Venezuela C.A., Caracas	100.00	VEF	765	239
Hapag-Lloyd Costa Rica S.A., San Jose	100.00	CRC	139,416	7,465
Hapag-Lloyd Argentina S.R.L., Buenos Aires	100.00	ARS	4,122	481
Hapag-Lloyd Brasil Agenciamento Maritimo Ltda., Sao Paolo	100.00	BRL	12,536	171
Hapag-Lloyd Chile Agencia Maritima Ltda., Santiago	100.00	CLP	105,482	27,207
Hapag-Lloyd (Peru) S.A.C., Lima	100.00	PEN	3,701	8,126
Hapag-Lloyd Colombia Ltda., Bogota	100.00	COP	185,223	–3,334
Hapag-Lloyd Mexico S.A. de C.V., Mexico City	100.00	MXN	337,619	28,114
Servicios Corporativos Portuarios S.A. de C.V., Mexico City	100.00	MXN	11,463	3,000
Hapag-Lloyd (Canada) Inc., Montreal	100.00	CAD	359	210
Hapag-Lloyd (America) Inc., Piscataway	100.00	USD	6,742	707
Hapag-Lloyd USA LLC, Tampa	100.00	USD	305,988	69,091
Florida Vessel Management LLC, Tampa	75.00	USD	40	–3
Hapag-Lloyd Guatemala S.A., Guatemala	100.00	GTQ	247	19

Name and registered office of the company	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/ loss for the year in TCU*
Associated companies				
HHLA Container-Terminal Altenwerder GmbH, Hamburg	25.10	EUR	74,072	**)
HHLA CTA Besitzgesellschaft mbH, Hamburg	25.10	EUR	6,360	**)
Hapag-Lloyd Denizasiri Nakliyat A.S., Izmir	50.00	TRY	22,832	16,169
Montreal Gateway Terminals Ltd. Partnership, Montreal	20.00	CAD	37,227	7,700
Hapag-Lloyd Lanka (Pvt) Ltd., Colombo (formerly Spence Shipping (Pvt) LTD, Colombo)****)	40.00	LKR	111,186	128,213
Affiliated non-consolidated companies				
Hamburg-Amerikanische Packetfahrt-Gesellschaft mbh, Hamburg	100.00	EUR	61	2
Norddeutscher Lloyd GmbH, Bremen	100.00	EUR	30	1
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg	100.00	EUR	26	**)
Hapag-Lloyd Ship Funding GmbH, Hamburg***)	100.00	EUR	24	0
Verwaltung „Albert Ballin“ Holding GmbH, Hamburg	100.00	EUR	16	–1
Hapag-Lloyd Ships Ltd., London	100,00	EUR	104	6
Hapag-Lloyd Container Ltd, Barking	100,00	EUR	1	1
Hapag-Lloyd Container (No. 2) Ltd, Barking	100,00	EUR	0	0
Hapag-Lloyd GP Inc., Montreal	100,00	CAD	–14	–4

*) TCU = thousand of currency units as at 31.12.2012
**) Profit and loss transfer agreement
***) In liquidation
****) Financial statements as at 31.03.2012

Hamburg, 19 March 2013

Hapag-Lloyd Holding AG
Executive Board

Michael Behrendt

Peter Ganz

Ulrich Kranich

Jesper Praestensgaard

AUDITOR'S REPORT

Auditor's report

We have audited the consolidated financial statements prepared by Hapag-Lloyd Holding AG, Hamburg – consisting of consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, and notes to the consolidated financial statements – and the Group management report for the financial year from 1 January to 31 December 2012. The preparation of the consolidated financial statements and the Group management report in accordance with IFRS, as applicable in the EU, and the provisions of German commercial law in accordance with Section 315a (1) of the German Commercial Code (HGB) is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements established by the Institute of German Certified Public Accountants (Institut der Wirtschaftsprüfer – IDW). These stipulate that we plan and conduct the audit in such a way that misstatements which have a material impact on the presentation of the net asset, financial and earnings position as conveyed by the consolidated financial statements, taking account of the applicable accounting principles, and by the Group management report are detected with a reasonable degree of certainty. Knowledge of the business activities and the economic and legal environment of the Group and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a sample basis within the framework of the audit. The audit includes an assessment of the annual financial statements of the companies in the consolidated group, the determination of the scope of the consolidated group, the accounting and consolidation principles used and significant estimates made by the Company's legal representatives, as well as an assessment of the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit, the consolidated financial statements are in compliance with the IFRS, as adopted by the EU, and the additional provisions stated in Section 315a (1) of the German Commercial Code (HGB) and give a true and fair view of the net asset, financial and earnings position of the Group in accordance with these provisions. The Group management report is consistent with the consolidated financial statements and as a whole provides an accurate picture of the Group's position and an accurate description of the opportunities and risks of future development.

Hamburg, 19 March 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Gutsche
Wirtschaftsprüfer (German Public Auditor)

Heckert
Wirtschaftsprüfer (German Public Auditor)

CORPORATE GOVERNANCE

RESPONSIBLE CORPORATE GOVERNANCE

Hapag-Lloyd Holding AG and its management bodies feel committed to good and responsible corporate governance. This ethos is shared by the shareholders of Hapag-Lloyd Holding AG.

Hapag-Lloyd Holding AG is not listed on the stock market. Therefore, its Executive Board and Supervisory Board are not obliged to issue a declaration on the extent to which they are implementing the recommendations of the German Corporate Governance Code (DCGK). Nevertheless, Hapag-Lloyd still uses the DCGK as a guideline for the quality and structure of good corporate management and supervision.

In addition to the observation of these generally acknowledged principles of good corporate management, the companies' own internal guidelines and standards are also contributing to the good, sustainable corporate development at Hapag-Lloyd.

In July 2010, Hapag-Lloyd introduced a code of ethics which embodies Hapag-Lloyd's commitment to lawful, upright and sustainable actions and to social responsibility. The code of ethics is intended to act as a guide to all employees as they go about their business. In particular, it serves as a set of guidelines on the fair treatment of customers, suppliers and competitors. It also applies to dealings within the Company.

Not only do the staff of Hapag-Lloyd act with a sense of responsibility and observe high legal and ethical standards, the ethos of Hapag-Lloyd also attaches particular importance to environmental protection, high quality standards, and employee health and safety.

This ethos is firmly anchored in the Company's sustainability policy.
The sustainability policy can be viewed at:
http://www.hapag-lloyd.com/en/about_us/environment_policy.html

The great importance attached to quality and environmental protection at Hapag-Lloyd is also reflected in an integrated quality and environmental management system (ISO 9001 and 14001) that is applicable throughout the world. As one of the world's few container liner shipping companies, Hapag-Lloyd covers all of the activities along the global transport chain with this system.
Detailed information about Hapag-Lloyd's quality and environmental protection programmes is available at:
http://www.hapag-lloyd.com/en/about_us/environment_overview.html

EXECUTIVE BOARD AND SUPERVISORY BOARD

The Executive Board directs the business operations of Hapag-Lloyd Holding AG and represents the Company. It manages the Company on its own responsibility for the benefit of the Company and pursues the goal of sustainable value creation. It also develops the corporate strategy and steers and monitors its implementation. The Executive Board of Hapag-Lloyd Holding AG has identical membership to that of the Executive Board of Hapag-Lloyd AG. This is to reflect the fact that Hapag-Lloyd AG is the primary subsidiary of Hapag-Lloyd Holding AG and is responsible for generating 98% of its consolidated revenue. At both Company levels, the Executive Board ensures that statutory provisions and internal Company guidelines are complied with. In addition, it has implemented an effective internal control and risk management system.

The Supervisory Board has issued rules of procedure for the Executive Board. These rules stipulate the allocation of duties on the Executive Board, the appointment of its Chairman (CEO), and the transactions and measures for which a resolution of the entire Board is required. In addition, the Supervisory Board has established a catalogue of transactions in its rules of procedure which may only be executed with the consent of the Supervisory Board.

The Executive Board currently consists of four members. They work together as colleagues and continuously inform each other about important measures and activities in their areas of business. In general, the Executive Board adopts resolutions at regular meetings. All resolutions require a simple majority. If the vote is tied, the Chairman has the casting vote.

The members of the Executive Board are Michael Behrendt (Chief Executive Officer), Peter Ganz, Ulrich Kranich and Jesper Praestensgaard. None of the members of the Executive Board has a remaining term exceeding three years.

Members of the Executive Board of Hapag-Lloyd Holding AG

Michael Behrendt Born 1951	**Chairman of the Executive Board / CEO**
First appointment:	Member of the Executive Board at Hapag-Lloyd AG from 1999 Chairman of the Executive Board at Hapag-Lloyd AG since 2002
Current appointment:	Until 30 June 2014

Peter Ganz Born 1967	**Member of the Executive Board / CFO**
First appointment:	Member of the Executive Board at Hapag-Lloyd AG from 2009
Current appointment:	Until 31 December 2015

Ulrich Kranich Born 1950	**Member of the Executive Board / COO**
First appointment:	Member of the Executive Board at Hapag-Lloyd AG from 2006
Current appointment:	Until 30 June 2014

Jesper Praestensgaard Born 1964	**Member of the Executive Board / CCO**
First appointment:	Member of the Executive Board at Hapag-Lloyd AG from 2011
Current appointment:	Until 31 December 2013

The Executive Board and the Supervisory Board of Hapag-Lloyd Holding AG work together closely and in confidence for the good of the Company. The Executive Board agrees the Company's strategic focus with the Supervisory Board and they discuss in detail how this strategy is being implemented at regular intervals. The Executive Board informs the Supervisory Board regularly, promptly and comprehensively about all matters relevant to the Company pertaining to planning, business development, the risk position, the internal control and risk management system, and compliance. The Chief Executive Officer also exchanges information with the Chairman of the Supervisory Board regularly between Supervisory Board meetings.

Hapag-Lloyd has concluded a pecuniary damage liability insurance policy (D&O insurance) for the members of the Executive Board and the Supervisory Board. For the Executive Board members, an excess of 10% of the loss or damage caused not exceeding one and a half times the annual fixed remuneration of the Executive Board member in question has been agreed.

The Supervisory Board of Hapag-Lloyd Holding AG advises the Executive Board on the management of the Company and supervises its conduct of business. It appoints the members of the Executive Board and, if necessary, also dismisses them. It examines the annual financial statements and the consolidated financial statements and is responsible for their approval and adoption. The Supervisory Board has issued rules of procedure for its work.

The Supervisory Board has 12 members. The six representatives of the shareholders are elected at the AGM, while the six employees' representatives are elected in accordance with the provisions of the German Co-Determination Act (MitbestG). In submitting the proposals for election of Supervisory Board members, attention is paid to the candidates' possession of the knowledge, skills and professional experience necessary to perform the duties required of them. Consideration is also given to the diversity of the Board's composition.
In order to guarantee that the Executive Board receives independent advice and supervision, the Supervisory Board contains no former members of the Executive Board. At least one independent member has specialist knowledge of accounting or auditing.

SUPERVISORY BOARD

Members of the Supervisory Board of Hapag-Lloyd Holding AG

Dr Jürgen Weber
(Chairman of the Supervisory Board)
(since 11.6.2012)
Chairman of the Supervisory Board
Deutsche Lufthansa AG, Frankfurt

Dr Michael Frenzel
(Chairman of the Supervisory Board)
(until 11.6.2012)
Former Chairman of the Executive Board
TUI AG, Hannover

Dietmar Stretz
(1st Deputy Chairman of the Supervisory Board)
Former Director of cargo traffic
ver.di – Vereinte
Dienstleistungsgewerkschaft,
Hamburg

Karl Gernandt
(2nd Deputy Chairman of the Supervisory Board)
Delegate of the Board of Directors
Kühne Holding AG, Schindellegi, Switzerland

Horst Baier
Member of the Executive Board
TUI AG, Hannover

Renate Commerell
Commercial clerk
Hapag-Lloyd AG, Hamburg

Manfred Kade
Member of the Marine Works Council
Hapag-Lloyd AG, Hamburg

Dr Rainer Klemmt-Nissen
Managing Director
HGV Hamburger Gesellschaft
für Vermögens- und
Beteiligungsmanagement mbH,
Hamburg

Ulrich Leitermann
Member of the Boards
SIGNAL IDUNA Group

Arnold Lipinski
Director of Human Resources, Marine
Hapag-Lloyd AG, Hamburg

Martina Neumann
Commercial clerk
Hapag-Lloyd AG, Hamburg

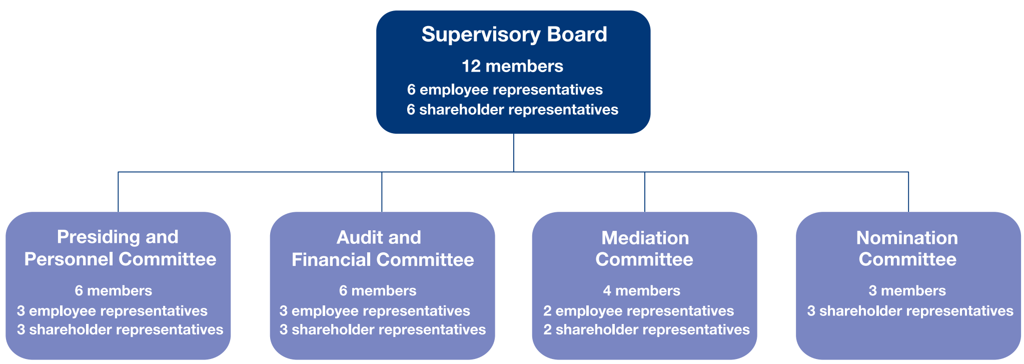
Dr Andreas Rittstieg
Lawyer and partner
Gleiss Lutz Hootz Hirsch
Partnerschaftsgesellschaft
von Rechtsanwälten, Steuerberatern,
Hamburg

Wolfgang Rose
Former District Chairman
ver.di – Vereinte
Dienstleistungsgewerkschaft,
Hamburg

Supervisory Board committees

To help it perform its tasks efficiently, the Supervisory Board has constituted a total of four committees which prepare the Supervisory Board's resolutions and the topics to be dealt with in the joint meetings. In specific cases, decision-making powers of the Supervisory Board are transferred to its committees as far as this is legally permissible. The Supervisory Board has constituted a Presiding and Personnel Committee, an Audit and Financial Committee, a Nomination Committee and a Mediation Committee as permanent committees in accordance with Section 27 (3) of the German Co-Determination Act (MitbestG).

Supervisory Board and Committees of Hapag-Lloyd Holding AG



The Presiding and Personnel Committee coordinates the work of the Supervisory Board and its committees. It does the preparation work for the Supervisory Board's meetings and monitors the implementation of the resolutions drawn up by the Supervisory Board. As a general rule, it prepares those resolutions of the Supervisory Board that pertain to legal transactions requiring approval. The Presiding and Personnel Committee also prepares the Supervisory Board's decisions on the appointment and dismissal of Executive Board members, on the conclusion, alteration or termination of contracts of employment with the members of the Executive Board, and on the Executive Board's remuneration system. The Presiding and Personnel Committee maintains permanent contact with the Executive Board and also advises the Executive Board between the Supervisory Board's meetings.

Members:
Dr Jürgen Weber (Chairman), Karl Gernandt, Manfred Kade, Dr Rainer Klemmt-Nissen, Martina Neumann, Dietmar Stretz.

The Supervisory Board's Audit and Financial Committee concerns itself with budgetary planning and examines the Hapag-Lloyd Group's proposed investment projects. It is incumbent upon the Audit and Financial Committee to perform the preliminary examination of the documents for the annual financial statements and the consolidated financial statements. It prepares the adoption of the annual financial statements and the approval of the consolidated financial statements by the Supervisory Board, as well as its decision on the Executive Board's proposed resolution on the appropriation of profits. In addition, the Audit and Financial Committee prepares the Supervisory Board's proposal for the election of the auditor at the AGM, conducts negotiations with the auditors concerning their fee and awards the audit assignment. It also monitors the auditor's independence. In addition to the above, it is responsible for monitoring the effectiveness of the internal control system, the risk management system, the compliance management system and the internal auditing system.

Members:
Karl Gernandt (Chairman), Horst Baier, Manfred Kade, Ulrich Leitermann, Arnold Lipinski, Dietmar Stretz

The Nomination Committee makes proposals to the Supervisory Board regarding suitable candidates to act as shareholders' representatives. In turn, the Supervisory Board puts forward proposals to the AGM.

Members:
Dr Jürgen Weber (Chairman), Karl Gernandt, Dr Rainer Klemmt-Nissen

In addition, a Mediation Committee has been constituted in accordance with Section 27 (3) of the German Co-Determination Act (MitbestG).

Members:
Dr Jürgen Weber (Chairman), Manfred Kade, Dr Rainer Klemmt-Nissen, Dietmar Stretz

Remuneration of the Executive Board and the Supervisory Board

A remuneration system structure for the Executive Board and the Supervisory Board that provides incentives and rewards good performance is an important component of responsible corporate governance. The remuneration of the Executive Board's members currently consists of fixed basic remuneration and a performance-related remuneration component. The Supervisory Board's remuneration is fixed.

Shareholders
Hapag-Lloyd Holding AG, based in Hamburg, is the parent company of the Hapag-Lloyd Group. As at 31 December 2012, 78.0% of the shares in Hapag-Lloyd Holding AG were held by Hamburgische Seefahrtbeteiligung “Albert Ballin“ GmbH & Co. KG and 22.0% by the TUI Group.

Accounting and auditing
The annual financial statements and associated management report of Hapag-Lloyd AG are prepared by the Executive Board in accordance with the German Commercial Code (HGB). The consolidated financial statements and the Group management report are prepared in line with the International Financial Reporting Standards (IFRS) as applicable within the European Union. The annual and consolidated financial statements and their respective management reports are examined by the auditors and by the Supervisory Board.

The annual and consolidated financial statements of Hapag-Lloyd AG were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The audits were carried out in accordance with German auditing rules and in compliance with the principles of proper auditing established by the Institute of German Certified Public Accountants (Institut der Wirtschaftsprüfer).

Supervisory Board members' seats on other supervisory boards and other supervising bodies

Dr Jürgen Weber
Allianz Lebensversicherungs-AG · *Member of the Supervisory Board*
Deutsche Lufthansa AG · *Chairman of the Supervisory Board*
Voith GmbH · *Member of the Supervisory Board*
Willy Bogner GmbH & Co. KGaA · *Chairman of the Supervisory Board*
Loyalty Partner GmbH · *Chairman of the Supervisory Board*
Tetra Laval Group · *Member of the Supervisory Board*

Horst Baier
TUI Deutschland GmbH · *Member of the Supervisory Board*
TUIfly GmbH · *Member of the Supervisory Board*
TUI Travel PLC · *Non-Executive Director*
TUI Leisure Travel GmbH · *Member of the Supervisory Board*
RIUSA II S.A. · *President*

Karl Gernandt
Kühne + Nagel International AG · *Chairman of the Board of Directors*
Kühne + Nagel AG, Luxembourg · *Managing Director*
HCI Capital AG · *Member of the Supervisory Board*
Holcim Deutschland AG · *Member of the Supervisory Board*
Kühne Logistics University · *Member of the Supervisory Board*

Ulrich Leitermann
Signal Iduna Bauspar AG · *Chairman of the Supervisory Board*
HANSAINVEST Hanseatische Investment-Gesellschaft mbH · *Chairman of the Supervisory Board*
Donner & Reuschel AG · *Chairman of the Supervisory Board*
Balance Vermittlungs- und Beteiligungs AG · *Chairman of the Supervisory Board*
Signal Iduna Asset Management GmbH · *Chairman of the Supervisory Board*
Signal Iduna Rückversicherung AG, Zug, Switzerland · *Member of the Board of Directors*
Dortmunder Volksbank eG · *Member of the Supervisory Board*
FORMAXX AG · *Member of the Supervisory Board*

Arnold Lipinski
Knappschaft Bahn See · *Member of the Delegates' Conference*
BG Verkehr · *Member of the Delegates' Conference*

Dr Rainer Klemmt-Nissen
Hamburger Hochbahn AG · *Member of the Supervisory Board*
HSH Nordbank AG · *Member of the Supervisory Board*
HMC Hamburg Messe und Congress GmbH · *Member of the Supervisory Board*
Vattenfall Wärme Hamburg GmbH · *Member of the Supervisory Board*

Dr Andreas Rittstieg
TOMORROW Focus AG · *Deputy Chairman of the Supervisory Board*
Brenntag AG · *Member of the Supervisory Board*
Huesker Holding GmbH, Gescher, and affiliated companies · *Member of the Advisory Board*
Berenberg Bank · *Member of the Advisory Council*
Kühne Holding AG, Schindellegi · *Member of the Advisory Board*

Wolfgang Rose
Asklepios Kliniken (Hamburg) GmbH · *Member of the Supervisory Board*
Hamburger Hafen und Logistik AG (HHLA) · *Deputy Chairman of the Supervisory Board*
Verwaltungsrat AOK Rheinland/Hamburg · *Member of the Supervisory Board*

Dietmar Stretz
Lufthansa Technik AG · *Deputy Chairman of the Supervisory Board*
Hamburger Hochbahn AG · *Deputy Chairman of the Supervisory Board*
HHLA Container Terminals GmbH · *Deputy Chairman of the Supervisory Board*
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH ·
Deputy Chairman of the Supervisory Board

PRELIMINARY FINANCIAL CALENDAR

May 2013
Publication of interim report for first quarter of 2013

August 2013
Publication of interim report for second quarter/first six months of 2013

November 2013
Publication of interim report for third quarter/first nine months of 2013

IMPRINT

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