ANNUAL REPORT 2011

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

KEY OPERATING FIGURES		1.1. – 31.12. 2011	1.1. – 31.12. 2010	Change absolute
Total vessels[1], of which		**149**	137	+12
own vessels[1]		**58**	59	–1
leased vessels[1]		**9**	9	-
chartered vessels[1]		**82**	69	+13
Aggregate capacity of vessels[1]	TTEU	**679**	605	+74
Total containers[1]	TTEU	**1,042**	1,025	+17
Bunker price (average for the year)	USD/t	**605**	453	+152
Freight rate (average for the year)	USD/TEU	**1,532**	1,569	–37
Transport volume	TTEU	**5,198**	4,947	+251
Revenue	Million EUR	**6,103**	6,204	–101
Transport expenses	Million EUR	**5,281**	4,811	+470
EBITDA	Million EUR	**367**	904	–537
EBIT	Million EUR	**80**	583	–503
EBIT adjusted	Million EUR	**101**	550	–449
Consolidated net income for the year	Million EUR	**–29**	428	–457
Cash flow from operating activities	Million EUR	**244**	664	–420
Investment in property, plant and equipment	Million EUR	**261**	498	–237
KEY RETURN FIGURES				
EBITDA margin (EBITDA / revenue)	%	**6.0**	14.6	–8.6ppt
EBIT margin (EBIT / revenue)	%	**1.3**	9.4	–8.1ppt
EBIT margin adjusted	%	**1.7**	8.9	–7.2ppt
KEY BALANCE SHEET FIGURES AS AT 31 DECEMBER				
Balance sheet total	Million EUR	**6,614**	6,570	+44
Equity	Million EUR	**3,424**	3,443	–19
Equity ratio (equity / balance sheet total)	%	**51.8**	52.4	–0.6ppt
Borrowed capital	Million EUR	**3,190**	3,127	+63
KEY FINANCIAL FIGURES AS AT 31 DECEMBER				
Financial debt	Million EUR	**1,897**	1,878	+19
Cash and cash equivalents	Million EUR	**673**	752	–79
Net debt (financial debt – cash and cash equivalents)	Million EUR	**1,224**	1,126	+98
Gearing (net debt / equity)	%	**35.7**	32.7	+3.0ppt
Asset coverage ratio I (fixed assets / equity)	%	**67.6**	69.0	–1.4ppt
Asset coverage ratio II (equity + long term debt) / fixed assets)	%	**105.3**	106.7	–1.4ppt
Liquidity ratio I (liquid assets / short term debt)	%	**52.6**	60.2	–7.6ppt
NUMBER OF EMPLOYEES AS AT 31 DECEMBER				
Employees at sea		**1,303**	1,306	–3
Employees on land		**5,570**	5,566	+4
HAPAG-LLOYD TOTAL		**6,873**	6,872	+1

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.

This report was published in March 2012.

ANNUAL REPORT 2011

Hapag-Lloyd Holding AG

Hapag-Lloyd

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(f.l.t.r)
Ulrich Kranich
Michael Behrendt
(Chairman of the Executive Board)
Jesper Praestensgaard
Peter Ganz

Ladies and Gentlemen,

2011 was a challenging year for liner shipping. After a year of record profits in 2010, business proved more difficult than expected last year, first and foremost due to the sharp increases in oil prices as well as factors specific to the industry, and languished in comparison to our original expectations. But Hapag-Lloyd remained robust in this tough market environment, in particular in comparison with the competition. Our cargo volumes increased by 5.1% to 5.2 million TEU. And we were able to keep the average freight rate virtually unchanged from the previous year, at USD 1,532/TEU in 2011, in spite of some very stiff competition in our trade. The following financial figures demonstrate our Company's solidity in the face of a difficult market environment. In the last financial year, Hapag-Lloyd generated an operating profit (adjusted EBIT) of EUR 101 million. The EBITDA achieved was around EUR 367 million. Hapag-Lloyd has an equity ratio of more than 50%, while its net debt amounts to only roughly a third of its equity. Both of these remained practically unchanged in comparison to the previous year's strong figures. The solid structures and operating excellence of our global organisation form the foundations of a bright future in terms of our economic development.

Our business performance and the major influencing factors in 2011 confirmed that we are fundamentally pursuing the right course. For example, the devastating natural disaster and nuclear reactor accidents in Japan in March and April put Hapag-Lloyd and other companies to the test for several weeks. Hapag-Lloyd was able to pull through without our employees, equipment and cargo suffering any serious damage. The impact on the economy that the disaster in Japan had did, nonetheless, have an adverse effect on Hapag-Lloyd, in particular with regard to our customers' production and supply chains and in terms of the necessary re-routing of vessels and cargo for safety reasons.

The political upheavals in North Africa had a bigger – albeit more indirect – impact on our expenses, causing crude oil prices, and therefore also bunker prices, to increase sharply in spring 2011. Bunker expenses are by far the biggest cost factor in the shipping sector. On average over the course of the year, the bunker price increased by more than 34% year on year. The negative impact on earnings caused by the sharp commodity price increases could also only be partially offset by successful hedging activities, especially in view of the fact that it was not possible to introduce rate increases as anticipated in 2011. The intense contest of certain competitors for market shares, especially for the Asia–Europe trades, made it impossible for us to balance out the rising energy costs by means of freight rate increases.

It is therefore all the more impressive that Hapag-Lloyd succeeded in increasing its revenue in dollars by more than 3%, in spite of the pressure of competition and the adverse underlying economic conditions. This was possible thanks to our established yield management system, our centralised pricing policy effected by Trade Management, and our highly

efficient IT systems. Although we chose to pass up some cargo volumes that did not offer a sufficient profit contribution, we still increased our transport volume in comparison to 2010. This, too, can be deemed a success considering the prevailing market environment. In addition, our efficient cost management once again contributed to our generating an operating profit in the last financial year. Above all, we would like to thank our employees for this achievement.

In order to continue to benefit from the development of the container shipping sector, we have consolidated and improved our competitive position as one of the top five liner shipping companies by founding the G6 Alliance. Together with five Asian partners, we will be deploying up to 90 vessels between Asia and Europe starting in March 2012. This will allow us to offer our customers daily departures from the major ports. The greater frequency of weekly services results in shorter transit times and more direct port connections – these are important factors for our customers when choosing their service providers. This new cooperation will also allow us to put our newbuilds – ten ships, each with a capacity of 13,200 TEU, which are due to be delivered between July 2012 and the end of 2013 – into service more efficiently and, thanks to a larger number of partners, make more efficient use of their TEU capacities.

Sustainability has an important part to play in our long-term success, in increasing our enterprise value, and in safeguarding jobs. Hapag-Lloyd is constantly working towards reducing its vessels' fuel requirements and the emissions caused by its container services with the help of state-of-the-art technology. We have already made some big improvements in this respect. In autumn 2011, Hapag-Lloyd introduced the most advanced emissions calculator in the industry in order to make these achievements transparent and openly document them. The online calculator EcoCalc provides our customers with comprehensive information regarding the environmental impact of every single container shipment all over the world, including on land. This includes data for the emissions of CO_2, sulphur oxide, nitrogen oxide and particulate matter.

Hapag-Lloyd strengthened its balance sheet further in 2011. For example, the existing fleet financing was transferred to a new financing arrangement in the amount of EUR 340 million, resulting in an improved maturity profile and an influx of additional funds. Cash and cash equivalents came to more than EUR 670 million at the end of the year. Taking its unused credit facilities into account, Hapag-Lloyd has an appropriate liquidity reserve of approximately EUR 750 million. Its upcoming investments, in particular its ten newbuilds, are already fully financed. Hapag-Lloyd's financial stability is underlined by its equity ratio of around 52%, which is high when compared to the industry in general.

New shareholder structures will strengthen Hapag-Lloyd further. As the main shareholder, the "Albert Ballin" consortium will further increase its stake in Hapag-Lloyd in the course of 2012. This will not only secure Hapag-Lloyd's independence in the long term, but will also improve its capital base by partially converting its Hybrid capital into share capital.

This will put Hapag-Lloyd in a good position to benefit from any continued growth in the container shipping sector, thanks to its motivated and loyal employees, its competitive costs and its efficient services. All the major liner shipping companies announced extensive rate increases in the first few weeks of 2012, especially for the Asia–Europe trades. This has been essential, especially in view of the substantial increases in bunker prices. The most recent bunker price increase is weighing heavily on the container shipping sector in all of the trades. As the overall economic and industry-specific trends remain uncertain, our primary goal for the current financial year will continue to be achieving a positive result.

We want Hapag-Lloyd to be capable of paying dividends sooner rather than later, so that we can offer our shareholders an acceptable rate of return for the capital they have invested. This will further increase Hapag-Lloyd's enterprise value and will boost the appeal of investing in one of the world's leading container shipping companies.

Michael Behrendt

Chairman of the Executive Board

REPORT BY THE SUPERVISORY BOARD

The Supervisory Board of Hapag-Lloyd Holding AG commenced its duties subsequent to the conversion of "Albert Ballin" Holding GmbH & Co. KG to Hapag-Lloyd Holding AG on 22 March 2011. As of this date, the Supervisory Board has executed the duties incumbent upon it in accordance with the law and the articles of association and stipulated by its rules of procedure, and has 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 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 the Supervisory Board level by 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 2011 financial year, the Supervisory Board convened for four meetings. The Executive Board reported to the Supervisory Board in its meetings, both orally and in writing. The Executive Board 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. There was also a regular exchange between the Chair of the Supervisory Board and the Chair of the Executive Board. The Supervisory Board was therefore provided with information promptly at all times.

The constituent meeting of the Supervisory Board of Hapag-Lloyd Holding AG was held on 22 March 2011. At the meeting, Dr Michael Frenzel was appointed as Chairman and Karl Gernandt was appointed as the second Deputy Chairman of the Supervisory Board. The Supervisory Board subsequently appointed the Company's Executive Board members and appointed Michael Behrendt as its Chairman and as Labour Director. In addition, the Supervisory Board considered in this meeting the planned conclusion of a large loan agreement for the purposes of financing ships and passed a resolution in its favour.

Following the appointment of the employee representatives, the Supervisory Board convened for its second meeting on 30 June 2011. With the Board now having equal representation, it elected Dr Michael Frenzel as its Chairman and Dietmar Stretz and Karl Gernandt as his first and second deputies respectively. The members of the Mediation Committee, the Presiding and Personnel Committee, and the Audit and Financial Committee were likewise elected. Thereby, the members of the Nomination Committee were appointed as well.

The Executive Board informed the Supervisory Board of the current business position. Among other things, the Supervisory Board and the Executive Board discussed the intensive competitive situation, which was having a negative effect on freight rates, especially in Far Eastern trade, and other factors such as the rising bunker price and the resulting effects on the business and earnings development.

In its meeting on 28 September 2011, the Supervisory Board focused on a new financing structure of the Hapag-Lloyd AG ship portfolio. It granted its approval for Hapag-Lloyd Holding AG to assume the warranties and other guarantees for loan agreements to be concluded by Hapag-Lloyd AG or other funding arrangements. 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. This report focused on the still challenging market conditions, which prevented freight rates from being raised in 2011 for the most part. Not least thanks to its consistent adherence to its cost-cutting programme and the stability of the average freight rates, Hapag-Lloyd was able to achieve a better operating profit performance than its competitors in the first half of the year.

In the meeting on 5 December 2011, the Executive Board gave an explanation of the current business position, which was still subject to the ambitious business environment for the container shipping sector. The Executive Board reported that, in spite of these developments, Hapag-Lloyd managed to increase its transport volume year on year in the third quarter and succeeded in posting a positive operating result. The focal point of the meeting was the annual budget for 2012, including the Group's finance and investment plans. 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.

Duties of the Supervisory Board's committees
In its two meetings on 28 September 2011 and 5 December 2011, the Presiding and Personnel Committee attended to the preparations for the meetings of the Supervisory Board scheduled for the same days.

The Audit and Financial Committee convened on three occasions in the last financial year. At its meeting on 1 July 2011, the committee focused on financing issues. It 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, in its meeting on 26 September 2011, the Audit and Financial Committee discussed the financial reporting process as well as the effectiveness of the internal control system (including compliance), the risk management system and the internal auditing system. In this context, the Head of Auditing gave the committee an account of the Group audit procedures implemented last year, the implementation of an external quality assessment and the ongoing development of the internal control 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.

The committee made a recommendation that the Supervisory Board grant its approval for Hapag-Lloyd Holding AG to assume the warranties and other guarantees for loan agreements to be concluded by Hapag-Lloyd AG or other funding arrangements.

The meeting on 25 November 2011 focused on the finance and investment plans for 2012 and the forecast for 2013 to 2016. 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 strategy of engaging in hedging transactions.

The committee discussed the targets and measures with the Executive Board in detail. It resolved to make a recommendation to the Supervisory Board to approve the proposed budget for 2012, together with the financing and investment plans. The committee also considered the focal points of the audit of the financial statements. The auditors therefore participated in the meeting and elucidated the individual focal points.

The Mediation Committee and the Nomination Committee did not convene last year.

Composition of the Supervisory Board and the Executive Board
The Company founders appointed Horst Baier, Dr Michael Frenzel, Karl Gernandt, Dr Rainer Klemmt-Nissen, Ulrich Leitermann and Dr Andreas Reuß as members of the Supervisory Board. Pursuant to the provisions of the German Co-Determination Act (MitbestG), Renate Commerell, Martina Neumann, Manfred Kade, Arnold Lepinski, Wolfgang Rose and Dietmar Stretz were appointed to the Supervisory Board as employee representatives. On 1 October 2011, Dr Alexander Rittstieg succeeded Dr Andreas Reuß as member of the Supervisory Board of Hapag-Lloyd Holding AG.

The Supervisory Board appointed Michael Behrendt, Peter Ganz, Ulrich Kranich and Jesper Praestensgaard to the Executive Board with effect from 22 March 2011.

Audit of individual and consolidated financial statements 2011
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 2011 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 19 March 2012 in the presence of the auditor, who gave an account of the findings of their audit, and the Executive Board.

In its meeting on 21 March 2012, 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 Executive Board, the employees and the members of the Group Works Council for their great effort and commitment.

Hamburg, 21 March 2012

Michael Frenzel

Chairman of the Supervisory Board

HAPAG-LLOYD – CAPITAL MARKET ACTIVITIES

FEARS OF RECESSION AND DEBT CRISIS DOMINATE INTERNATIONAL CAPITAL MARKETS

After a generally positive trend in the first months of 2011, the dramatic intensification of the euro debt crisis and a slowdown in global economic growth resulted in substantial falls in international stock market prices particularly in the third quarter of 2011. In addition, there was a noticeable increase in volatility on the currency markets. In particular, the value of the euro depreciated against the US dollar from the beginning of September 2011 onwards.

The interest rate cuts implemented by the European Central Bank (ECB) and the various eurozone members' endeavours to limit the effects of the debt crisis only began to influence the international capital markets positively towards the end of the reporting period. Nonetheless, the important stock exchange indices, with the exception of the indices of the leading American stock exchanges, concluded the 2011 financial year with substantial losses.

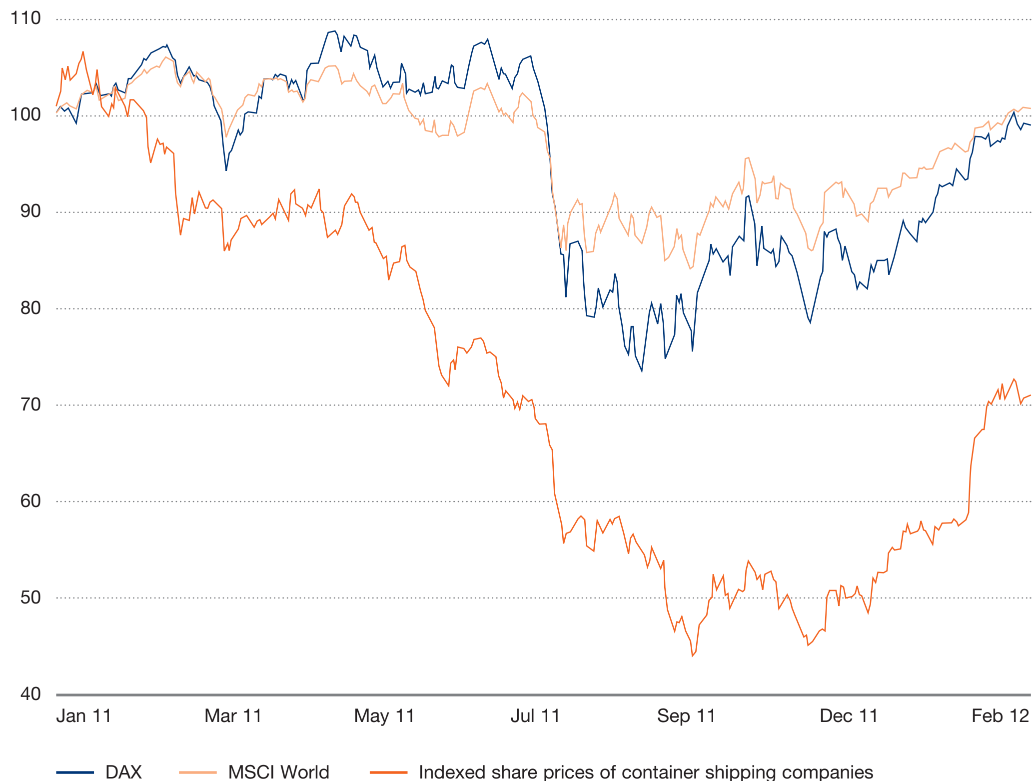
Developments in the most important indices

Indices	**30.12.2011**	31.12.2010	High/Low 2011	Change 2011 vs. 2010
Dow Jones Industrial	**12,217**	11,577	12,810 / 10,655	+5.5%
MSCI World	**1,182**	1,280	1,391 / 1,074	–7.6%
EuroStoxx 50	**2,316**	2,793	3,068 / 1,995	–17.0%
DAX Index	**5,898**	6,914*	7,527 / 5,072	–15.0%
Nikkei 225	**8,455**	10,229*	10,857 / 8,160	–17.0%

Source: Bloomberg; *Prices from 30.12.2010

Shares in the listed shipping companies were also hit by steep price falls. The negative impacts of the natural and environmental disaster in Japan, the gloomier prospects for the global economy and additional expenses due to the high crude oil price caused investors to remain very wary of shares in the shipping sector from the end of the first quarter 2011. Based on the announced freight rate increases for various trades – above all the important Asia–Europe trade – the shares of the listed container liner shipping companies were able to participate in the considerable increases in share prices on the global stock exchanges recorded in the first few weeks of the new year.

Indexed share prices of container shipping companies



Source: Bloomberg

The bond markets saw increasing price volatility as the year progressed. A good economic outlook and a low rate of inflation generated a positive trend in the bond markets in the first quarter of 2011 in particular. Towards the middle of 2011, however, investors were very much unsettled by the dramatic intensification of the European debt crisis, the threat of Greece suffering a national bankruptcy as a eurozone country and the downgrading of the credit rating of the world's biggest economy, the USA. For example, the iTraxx Crossover index, which measures the default risk of high-yield corporate bonds, hit a high for the year of 877 points on 4 October 2011. The index's low for the year was 353 points on 3 May 2011. The index had returned to a more moderate 553 points by 7 February 2012.

The continued rise in consumer prices also had a detrimental effect on the performance of bonds. In December 2011, the eurozone had a rate of inflation of 2.8% – still well above the target set by the ECB. The government bonds of debt-ridden European countries and, above all, some corporate bonds suffered at times serious price slumps. The fact that most of the issuing companies had a solid balance sheet structure and were well supplied with liquidity was relegated to a subordinate role in determining appropriate pricing.

VOLATILE PRICE DEVELOPMENT IN SPITE OF SOLID BALANCE SHEET FIGURES

The generally difficult income situation in the container shipping sector and the highly selective investment behaviour of investors in the bond market also weighed heavily on the price developments of the high-yielding corporate bonds issued by Hapag-Lloyd.

The euro bond was trading at 88.50% on 30 December 2011. Quotations ranged from 110.13% (high of 14 January 2011) to 74.19% (low of 5 October 2011). The US dollar tranche was trading at 71.44% on 30 December 2011. The US dollar bond hit a high of 112.00% on 11 February 2011. Its lowest quotation was 66.13% on 28 November 2011. In the first weeks of the current business year, the Hapag-Lloyd euro bond traded back to 103.00% (27 February 2012).

On 20 September, the rating agency Standard & Poor's confirmed its previous issuer rating for Hapag-Lloyd Holding AG of BB–. Standard & Poor's revised their outlook from "stable" to "negative", largely due to the current economic uncertainty surrounding the entire cargo shipping industry. The reasons given for the confirmation of the issuer rating were above all the adequate liquidity position and the pro-active strategy of liquidity planning. At the time this annual report was prepared, the rating agency Moody's rated Hapag-Lloyd at B1 (outlook: "negative").

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	B1 (Moody's); BB- (Standard & Poor's)		
Issue rating	B3 (Moody's); B (Standard & Poor's)		
Coupon	9.00%	9.75%	9.00%
Issue price	99.50%	99.37%	103.38%**
Price as at 30 Dec. 2011***	88.50%	71.44%	
Price as at 29 Feb. 2012***	102.75%	95.75%	

*Callable; **Plus any 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 2011 came to around 52%. Gearing remains comparatively low at 35.7%. As at 31 December 2011, cash and cash equivalents made up 10.3% of the balance sheet total. Including unused credit lines Hapag-Lloyd had EUR 746 million of liquidity reserves available at 31 December 2011. The Group generated an operating cash flow of EUR 244 million in the business year 2011.

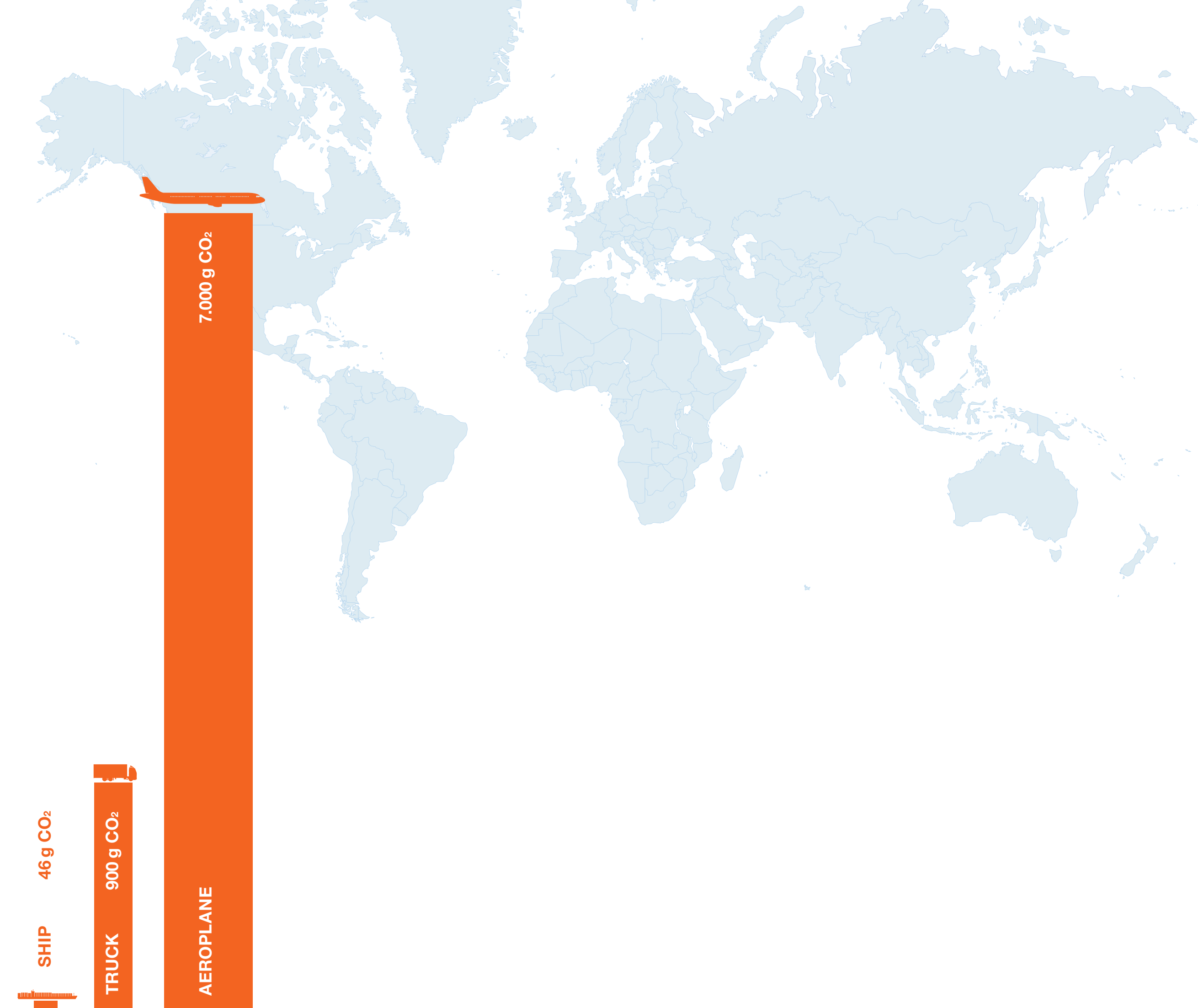
OPEN AND TRANSPARENT COMMUNICATION

The focus of Hapag-Lloyd's investor relations activities is on communicating promptly with its investors and all capital market participants.

Over the course of the year, Hapag-Lloyd took part in the following international capital market conferences in order to intensify its relations with international bond investors: 12 January 2011 Credit Conference, Bank of America Merrill Lynch, London; 9 June 2011 Leveraged Finance Conference, Deutsche Bank, London; 15 September 2011 European High Yield and Leveraged Finance Conference, Barclays Capital, London; 21 September 2011 Global Industrials Conference 2011, Citi Group, Boston; 30 November 2011 European Credit Conference 2011, Citi Group, London. A number of individual discussions were also held with potential international investors.

In addition to engaging directly with interested parties, the range of information provided online was also expanded on the Hapag-Lloyd website. Published interim and annual reports for the Group are available to download from the Hapag-Lloyd website at **www.hapag-lloyd.com/ir**.

DRIVEN BY RESPONSIBILITY



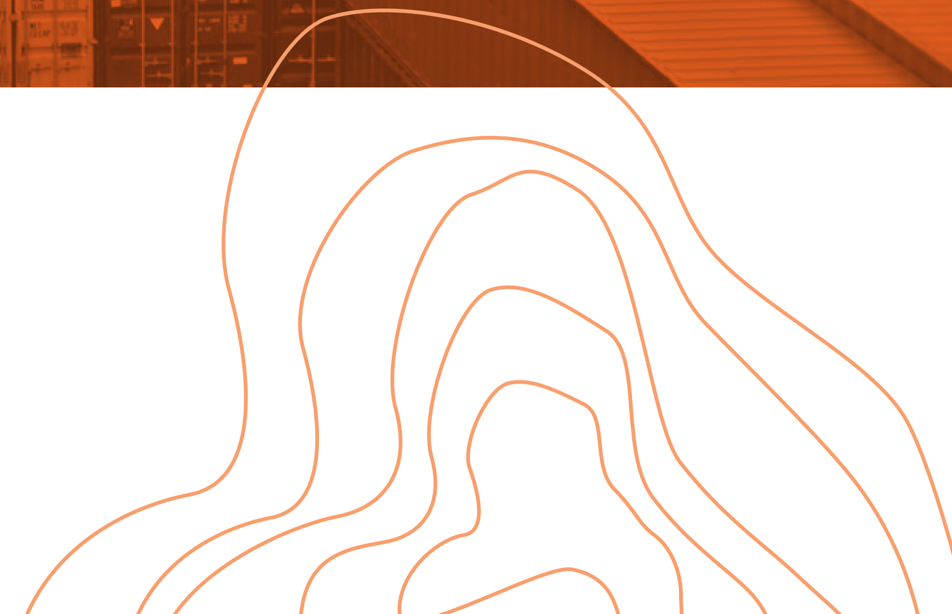
AS ONE OF THE LEADING GLOBAL PLAYERS, WE TAKE A GLOBAL VIEW OF OUR RESPONSIBILITY FOR THE ENVIRONMENT AND ACT ACCORDINGLY: BY CONTRIBUTING TOWARDS REDUCING GLOBAL CO_2 EMISSIONS, MAKING SPARING USE OF NATURAL RESOURCES, CHOOSING ULTRA-LOW-SULPHUR FUELS, FITTING THE VERY LATEST ENGINES AND DOING MUCH MORE BESIDES.

With our most modern ships, CO_2 emissions per 20-foot standard container (TEU) are only 46 grams per kilometre.

Setting standards in environmental protection In terms of CO_2 emissions, modern container ships are some of the most environmentally friendly means of transport around. Moreover, in our fleet we adhere voluntarily to stricter rules than those in force around the world. We are continuously working to further reduce CO_2 emissions throughout the transport chain, and undergo regular audits. Back in 2007, we were the first container shipping company in the world to receive a top mark from Germanischer Lloyd (GL). The “GL Excellence – 5 Stars” certificate is an acknowledgement of both our environmental and quality standards and the safety measures we have put in place for our work and our ships.

STORMS AND ADVERSE WEATHER CONDITIONS. MODERN ROUTE PLANNING UTILISES METEOROLOGICAL INFLUENCES AND HELPS OUR CAPTAINS TO SAIL THE OCEANS IN A HIGHLY ECONOMIC WAY AND PROTECT THE ENVIRONMENT.

A KEY TO SUCCESS: GOOD JOURNEY PLANNING PROTECTS THE ENVIRONMENT State-of-the-art technology helps in selecting the best route. At sea, our captains apply the same principles that work when driving on the road: looking and thinking ahead saves fuel and protects the environment. Thanks to the latest navigation and communications technology, along with weather routing, they can identify and assess storms, waves, currents and other meteorological and marine influences in good time, and then avoid them.
We also make this beneficial weather routing technology available to the captains of our charter ships, so that all vessels deployed by Hapag-Lloyd are equally well equipped to cut CO_2 emissions.



TRANSPARENCY IS THE KEYWORD AT HAPAG-LLOYD WHEN IT COMES TO OUR CARBON FOOTPRINT. WITH OUR ECOCALC EMISSIONS CALCULATOR WE CAN ASCERTAIN THE CO_2, SULPHUR OXIDE (SO_x), NITROGEN OXIDE (NO_x) AND FINE PARTICLES EMITTED BY EVERY CONTAINER TRANSPORT EASILY AND TRANSPARENTLY.

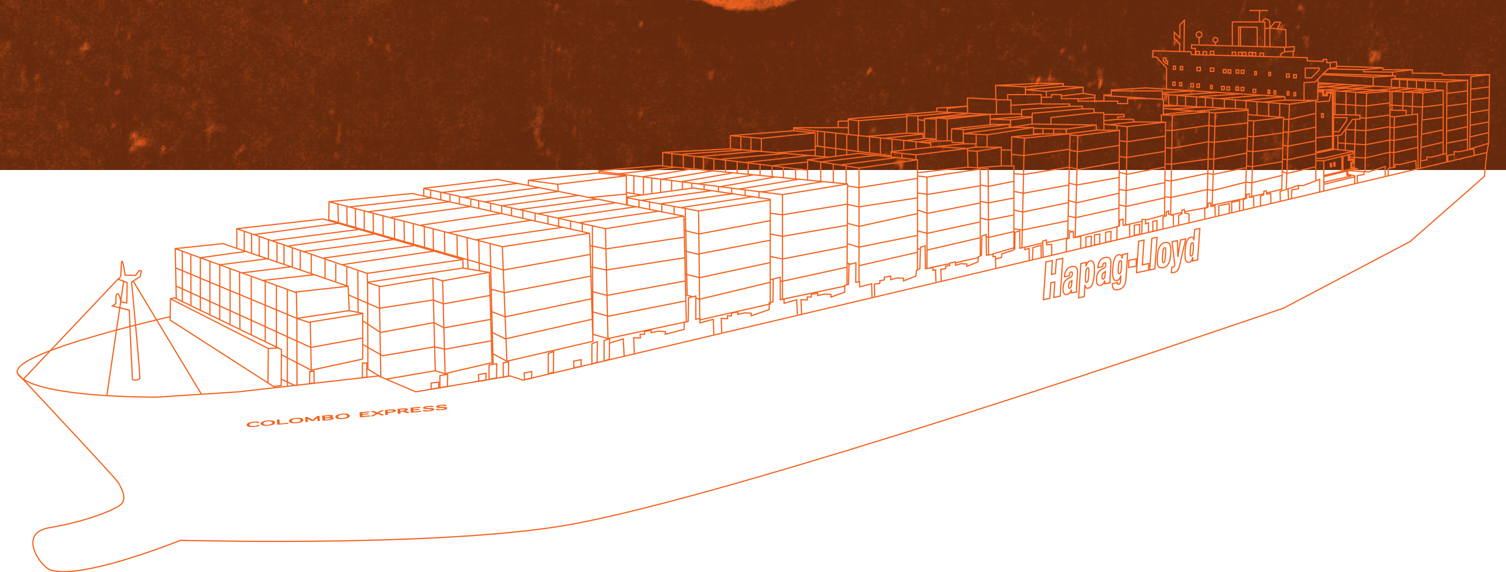
SURPRISING, BUT TRUE: ABOUT THE CARBON FOOTPRINT

It may sound astonishing, but it has been scientifically proven: the carbon footprint of food from abroad can be better than that of local products. Better climatic conditions in the countries of origin are one of the main reasons for this. Another is the very low carbon footprint of shipping, even over long distances. To make the facts about the carbon footprint of our ships available to everyone, we have posted the EcoCalc emissions calculator on our website at www.hapag-lloyd.com

FOR THE SAKE OF THE SEAS: COMPREHENSIVE RECYCLING PREVENTS RUBBISH IN THE OCEAN AND SAFEGUARDS A HABITAT THAT COVERS MORE THAN 70% OF OUR PLANET.

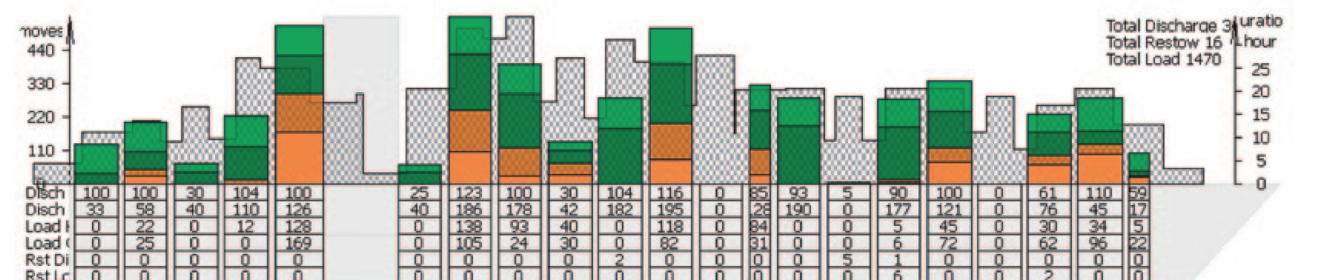
Hapag-Lloyd makes a clear commitment to sustainable management at sea and on land.

NO RUBBISH GOES OVERBOARD FROM OUR SHIPS Along with a strict "no rubbish overboard" rule that applies on all Hapag-Lloyd vessels, the treatment of waste from ship operations is precisely defined and organised. As a matter of principle, refuse is sorted, separated and brought back to land for recycling. The disposal of used oil is fully documented and takes place exclusively at registered, authorised specialist facilities on land. For the treatment of waste water, Hapag-Lloyd ships have highly efficient purification plants on board. Our vessels themselves are further proof of how seriously we take the subject of comprehensive recycling. Even at the planning stage we look ahead to the end of the life cycle and have an Inventory of Hazardous Materials (IHM) drawn up voluntarily for every newbuild. When a ship is retired after 20 or 30 years, this forestalls any risk to health and the environment because all materials can be located and disposed of properly at any time.



OUR STOWAGE PLANNERS KNOW ALL ABOUT THE SEA, THE SHIPS AND THE RISKS: ALL ARE FORMER SHIP'S CAPTAINS. NOW THEY USE COMPUTERS TO ORGANISE THE LOADING OF OUR SHIPS WITH A PROFESSIONAL EYE AND WITH INTELLIGENT SOFTWARE TO ASSIST THEM.

SAFETY, A PRECIOUS CARGO In their everyday work, our stowage planners can rely not only on their own experience, but also on intelligent IT systems. A special software program warns them of any risks that the planned loading of a ship could entail. If the stability of a ship is jeopardised or the permitted loading limits could be exceeded, it immediately sounds the alarm. In this way, humans and IT join forces in thinking ahead and can rule out hazards in advance.



NO FREE RIDES: CAREFUL BALLAST WATER MANAGEMENT ON OUR SHIPS PREVENTS HARMFUL ORGANISMS FROM RELOCATING AND PROTECTS SENSITIVE ECOSYSTEMS.

One of the best-known stowaways in ballast water is the Chinese mitten crab that arrived on the German coast in the early twentieth century.

PROTECTING SENSITIVE ECOSYSTEMS Every ship needs ballast water for stability. In the past, this ballast water was responsible for an unwanted form of globalisation. Small fish, shellfish and shrimps, plankton and microorganisms travelled in tanks in the ship's hull, were set free again far from their original habitat and migrated to foreign ecosystems.
Our ballast water management has put an end to free rides for stowaways. We never discharge near the shore or in port, but only exchange water out at sea, where most organisms cannot survive, or are at least unable to colonise foreign ecosystems. Moreover, all Hapag-Lloyd new-builds are fitted with highly efficient, non-chemical systems for the filtration and UV treatment of ballast water.

EFFICIENT CONTAINER MANAGEMENT. DESPITE HAVING MORE THAN 650,000 CONTAINERS WORLDWIDE, WE PAY HEED TO ENVIRONMENTAL FRIENDLINESS, ENERGY EFFICIENCY AND OPTIMUM USE OF CAPACITY. ONE OF OUR SPECIAL STRENGTHS IS THE TRANSPORTATION OF SENSITIVE GOODS IN MODERN REFRIGERATED CONTAINERS.

RELIABLE AND ENVIRONMENTALLY FRIENDLY: OUR REFRIGERATED CONTAINERS Hapag-Lloyd has one of the most modern fleets of refrigerated containers in the world, with consistently eco-friendly technology, constant temperatures between –35 °C and 30 °C and a wide range of management and control options. This means that the maximum deviation for transport temperatures above –10 °C is just 0.5 °C. In deep-freeze mode, the refrigerated container technology makes it possible to limit the maximum deviation to 1 °C. Thanks to intelligent power control, the compressors in Hapag-Lloyd's refrigerated containers are only activated when they are required. This has enabled us to cut the average energy consumption of our refrigerated containers by one third within eight years without compromising on performance.

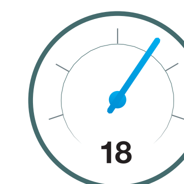
Our IT systems significantly reduce the number of empty legs worldwide – another valuable contribution towards lower emissions.

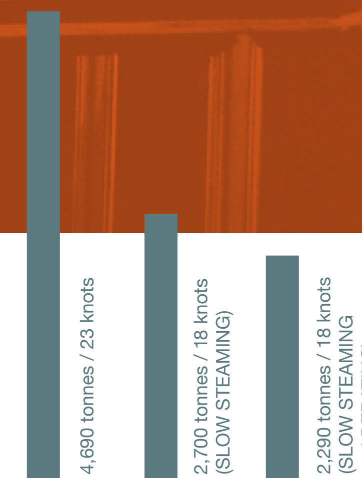
-24.7°C -25.0°C -25.3°C

SLOW STEAMING CONSERVES RESOURCES: EVEN A SMALL REDUCTION IN SPEED ON LINER SERVICES SLASHES FUEL CONSUMPTION BY UP TO 50% PER TRIP. THAT IS WHY GERMANISCHER LLOYD RECOMMENDS THIS ENVIRONMENTALLY FRIENDLY PRACTICE FOR ALL CONTAINER SHIPS.

Innovative ideas for clean air. Hapag-Lloyd reduced its specific CO_2 emissions significantly between 2006 and 2011.

LOW SPEED, HIGH IMPACT Hapag-Lloyd is a pioneer of slow steaming. Our ships generally travel at a lower speed, thereby saving a considerable amount of fuel, which directly reduces emissions of CO_2, sulphur oxide and nitrogen oxide. For vessels to make long-term use of this benefit, the output of the main engine must be adjusted to the slower average speed. Here, too, we are among the trailblazers. Newbuilds are designed with less engine power from the outset. In addition to the advantages of slow steaming, this leads to further savings of valuable fossil fuels.

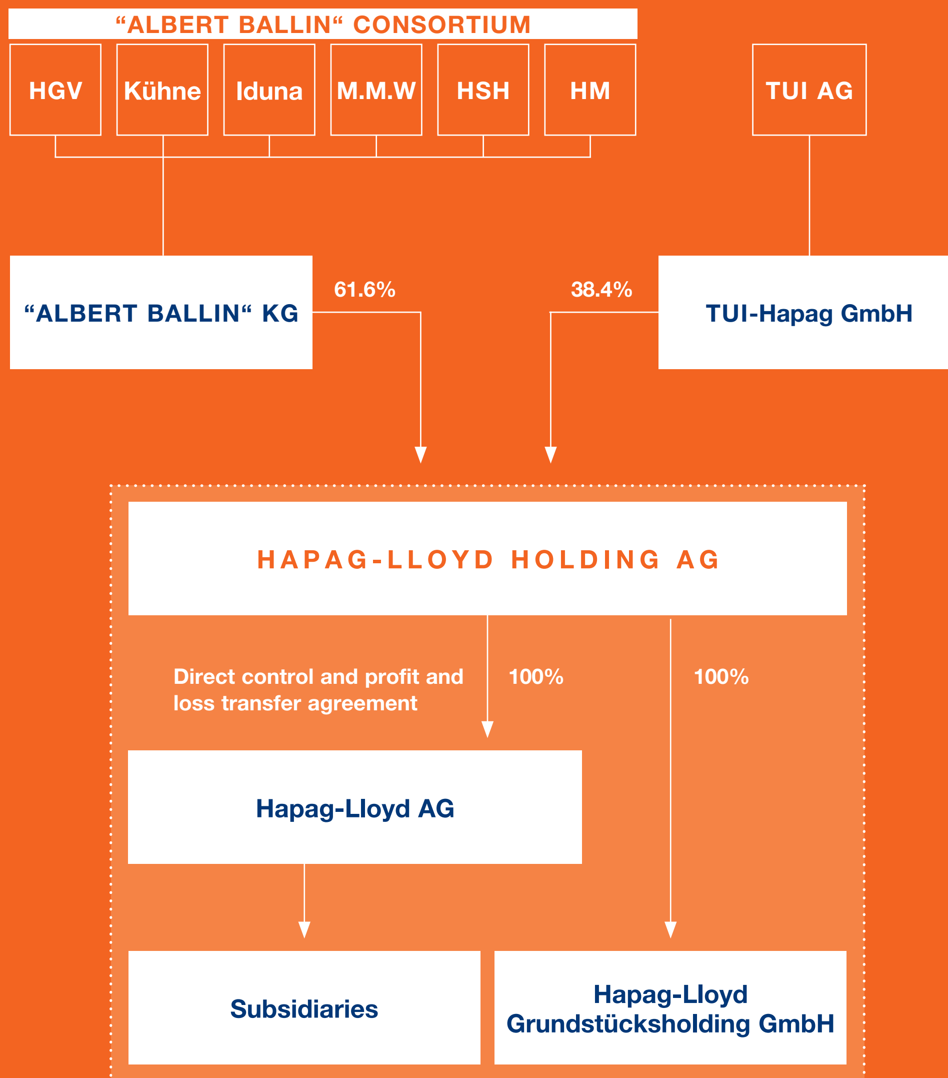




FUEL CONSUMPTION
Hamburg – Shanghai, 10,780 nautical miles

Group management report

SHAREHOLDERS AND GROUP STRUCTURE



"Albert Ballin" Consortium

HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement
Kühne Maritime GmbH
Iduna Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe
M.M.Warburg & CO Gruppe KGaA
HSH Nordbank AG
HanseMerkur Krankenversicherung AG und HanseMerkur Lebensversicherung AG

As at 31 December 2011

BUSINESS AND COMPANY FUNDAMENTALS

GROUP AND SHAREHOLDER STRUCTURE

Hapag-Lloyd Holding AG is the parent company of the Hapag-Lloyd Group. The entry into the commercial register on 31 March 2011 converted "Albert Ballin" Holding GmbH & Co. KG into Hapag-Lloyd Holding AG. 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 2011, shares in Hapag-Lloyd Holding AG were held by Hamburgische Seefahrtsbeteiligung "Albert Ballin" GmbH & Co. KG ("Albert Ballin" consortium) and the TUI Group. On 3 March 2011, the Supervisory Board of TUI AG approved the sale of an 11.3% stake in Hapag-Lloyd Holding AG to the "Albert Ballin" consortium. The "Albert Ballin" consortium therefore owns 61.6% of the shares in Hapag-Lloyd Holding AG. Since the completion of this sale at the end of May 2011, TUI Group has held 38.4% of the shares in Hapag-Lloyd Holding AG.

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 "Hapag-Lloyd subgroup" is used uniformly in this Annual Report.

The Group's business operations comprise Hapag-Lloyd's container shipping activities. Shareholdings, including a participating interest 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 shipping company and is one of the world's leading container 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, the second-largest container shipping consortium, 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 container transport services in important trades with regular departure times.

The Hapag-Lloyd fleet comprises 149 container ships (31 December 2011). The Group currently has around 300 sales offices in 114 countries and offers its customers worldwide access to a network of 84 liner services. In the 2011 financial year, Hapag-Lloyd served some 21,600 customers around the world.

Hapag-Lloyd conducts its container shipping business in an international business environment in which transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities, 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.

The reporting currency of Hapag-Lloyd Holding AG, however, 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 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. According to current forecasts, the volume of global container transport should again grow somewhat faster than world trade in 2012. Above all, selling services at viable prices is more important for 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 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 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 newbuilding 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 with 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. In particular, the proportion of cargo with low profit contribution has been reduced further in the last two 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, areas 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 in the Grand Alliance, the G6 Alliance and various other collaborative projects enables the use of the fleet to be optimised and the services provided to be expanded. This ensures that the fleet is used efficiently and keeps the cost per transport unit low, thereby increasing productivity.

With demand for container transport services continuing to rise, container shipping will remain a growth industry in the long term. In order to utilise the medium-term growth opportunities and exploit economies of scale in its ship operations, between July 2012 and November 2013 Hapag-Lloyd will launch a total of ten new large container ships – so-called very large container vessels – into service, each with a capacity of 13,200 TEU.

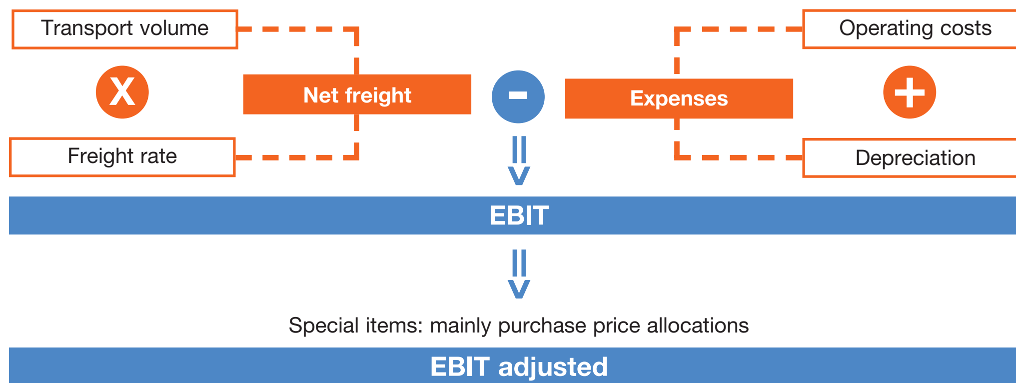
Financial stability

In the financial year 2011, the Group's financial stability was further improved as a result of far-reaching measures. Its equity base remains healthy, and it arranged the financing of the newly ordered container ships comfortably in advance. In addition, it improved the duration of the maturities for its financial liabilities. As at 31 December 2011, Hapag-Lloyd's liquidity reserve which consists of liquid assets as well as unused credit lines amounted to EUR 745.9 million (2010: EUR 1,021.3 million). The generation of sustainable cash flows and solid corporate financing, and therefore in particular a good liquidity and equity base, are once again key objectives of the corporate strategy in the 2012 financial year.

CORPORATE MANAGEMENT

Hapag-Lloyd uses adjusted EBIT – earnings before interest and taxes adjusted for special items – as the key parameter for the internal management of its operating activities. The main 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, respectively the adjusted EBIT, corresponds to the total revenue achieved in a period less operating expenses, depreciation and amortisation.



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. Freight with low profit contribution 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.

However, the cost basis is largely dependent on external influencing factors. The Group controls and ensures all of its euro disbursements by using options or forward exchange transactions on a 12-month basis with the aim of limiting currency risks. The reason for this is the global nature of the Group's business operations, meaning that exchange rate fluctuations can have a considerable influence on costs.

Operating costs are also influenced by the trend in bunker prices. The bunker price correlates with the development of crude oil prices and is subject to substantial fluctuations. A proportion of the fluctuations can usually be compensated for via the freight rate in the form of bunker surcharges. The extent to which this can be implemented, however, 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 financial derivatives in order to lessen the risk of increasing oil prices.

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

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

Other important parameters for the Hapag-Lloyd Group include having a solid equity base and maintaining a sufficient liquidity reserve at all times.

BUSINESS DEVELOPMENT

GENERAL ECONOMIC CONDITIONS

The global economic upturn that started in 2010 continued in 2011. However, estimated at 3.8%, global economic growth failed to match the growth dynamic seen in 2010. In addition, the risks for a tangible downturn in the global growth outlook increased considerably in the course of 2011, according to the economic experts of the International Monetary Fund (IMF). While economic output in the world's largest economy, the USA, and in many countries in the eurozone is only predicted to increase modestly in the quarters ahead, the performance of emerging economies in Asia and Latin America is currently still stronger than average. The large disparities between the economic developments in the various regions are therefore set to widen. Burdens for the performance of the economy could also come from the high budget deficit in the USA, the steep increase in the price of crude oil and signs of a cooling-off of economic growth in China.

In addition, there are increasing adverse effects on the development of the real economy, especially in Europe, due to the worsening of the European debt crisis and the very volatile price movements on international capital markets. Taking the current negative factors into consideration, the IMF's economic experts have lowered their forecast for global economic growth in 2012 to 3.3% (2011: 3.8%). Although global economic growth is likely to slow down considerably in the coming quarters, the IMF experts do not expect to see a global recession in 2012. The global economy is then forecast to grow by 3.9% in 2013.

However, the forecasts suggest that the regions' growth cycles may diverge. The IMF experts expect the USA's gross domestic product to increase by 1.8% in 2012, but economic growth of –0.5% is forecast for the eurozone. Meanwhile, the emerging economies of Latin America and Asia are set to once again achieve above-average economic growth.

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

(in %)	2013e	2012e	2011	2010
Global economic growth	3.9	3.3	3.8	5.2
Industrialised countries	1.9	1.2	1.6	3.2
Developing and newly industrialised countries	5.9	5.4	6.2	7.3
World trading volume (goods and services)	5.4	3.8	6.9	12.7

Source: IMF, January 2012

The volume of global trade, which is important for container shipping, continues to grow faster than the global economy. For 2012, the IMF is currently expecting the volume of trade to increase by 3.8%. When a distinction is made between developed economies and emerging, newly industrialised economies, an increase of 2.0% in imports is expected in 2012 for the developed countries and an increase of 7.1% is expected for the emerging markets. Similar growth rates of 2.4% for developed economies and 6.1% for newly industrialising countries are forecast for exports.

In the reporting period, the USD/EUR exchange rate was again volatile. The favourable development of the eurozone economy in the first quarter of 2011 caused the euro to hit a high for the year against the dollar of USD 1.49/EUR at the beginning of May 2011. However, the US dollar went on to gain back its strength in the course of 2011 as a result of the sharp increase in government debt in some of the eurozone member states and the increasing risk of Greek bankruptcy as the EU debt crisis deepened. The US dollar also appreciated further against the euro at the end of the year on the back of better than expected US economic figures. At USD 1.29/EUR, the year-end exchange rate was therefore not far off the level recorded in January 2011.

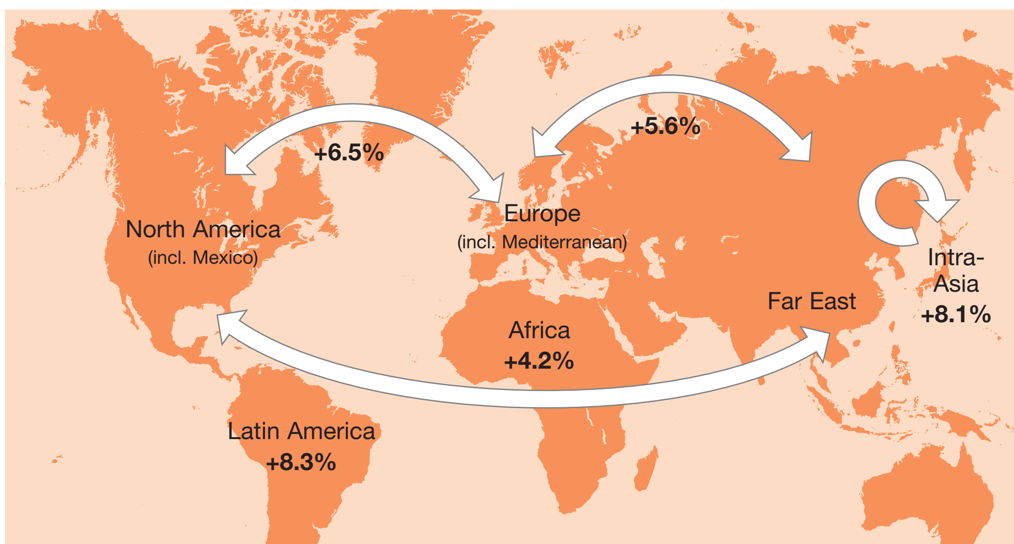
On average over the 2011 financial year, the US dollar was quoted at USD 1.39/EUR, putting it USD 0.06 up on the previous year's average of USD 1.33/EUR.

Sector-specific conditions

Despite the prevailing uncertainty concerning future 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. For instance, IHS Global Insight Industry Intelligence (January 2012) expects the global cargo volume to increase by 5.4% in 2012 and by 6.7% in 2013. This would put the forecast rise in worldwide transport volumes in container shipping in 2012 and 2013 slightly above the rate of growth for global trade once again.

IHS Global Insight (January 2012) calculated a 6.5% increase in global container transport services in 2011, with variations in the developments of the regional trades. According to the sector experts, container trade between Asia and Europe increased by 5.6% last year. Transpacific trade increased by 4.2% year on year. It was above all the lower than expected economic growth in the USA in 2011 that muted growth in transpacific trade. The container transport volume grew by 6.5% on the transatlantic trades and by 8.1% on intra-Asian trades.

Growth rates world container shipping volume 2011



The biggest increase in container transport in 2011 was for shipments from North America to the Far East, which rose by 9.1%. Liner services between Latin America and Europe came in second, rising by 8.7%. Transport volumes and freight rates in container shipping are subject to seasonal fluctuations. Again in 2011, there was greater demand for transport services in the second and third quarters in particular. However, the restrained growth in Europe and the USA put a damper on developments in the peak season for container shipping.

The increase in transport capacity in 2011 was 0.2 million TEU lower than originally anticipated, at 1.2 million TEU (+8%). The total capacity of the global container shipping fleet therefore reached an estimated 16.8 million TEU at the end of 2011 (year-end 2010: 15.6 million TEU). According to the latest forecasts of the industry experts at Transmodal (February 2012), newbuilding deliveries could cause capacities to increase by a nominal 1.7 million TEU (10%) in 2012 and by a further 1.6 million TEU (+9%) in 2013. At 26% of the global container fleet's capacity, the TEU capacity of the container ships commissioned in the fourth quarter of 2011 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 80% of the newbuild orders are for vessels with a capacity of over 8,000 TEU (Transmodal, January 2012).

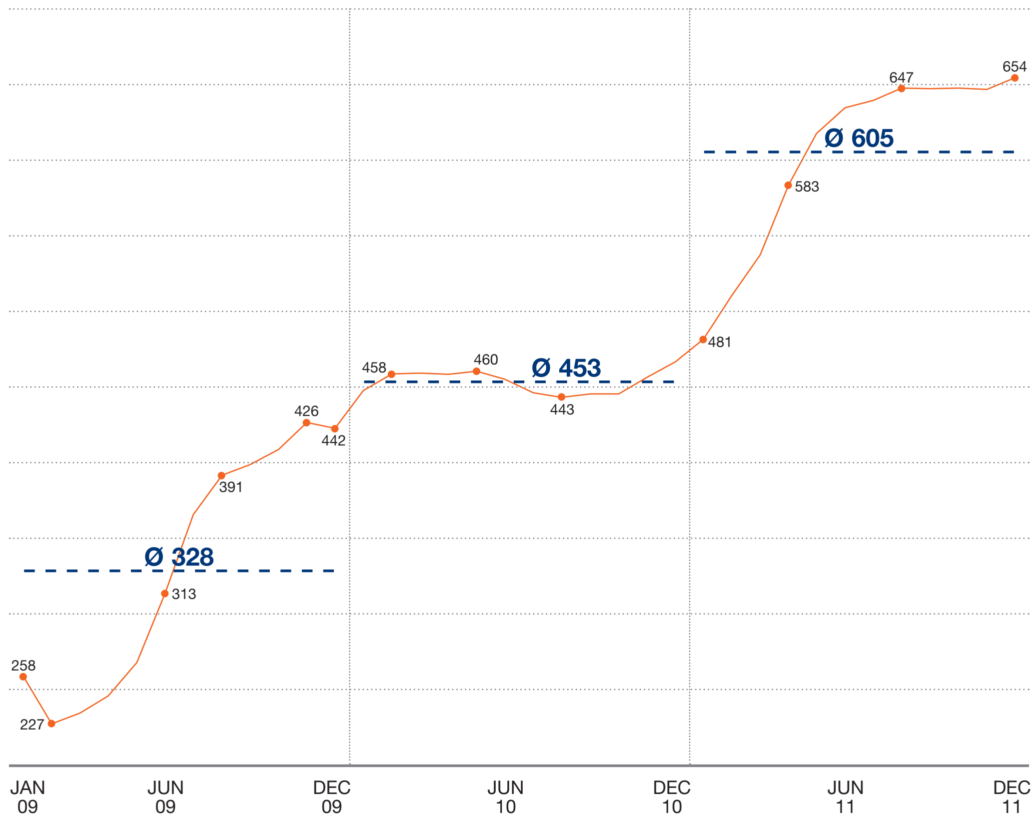
With the increase in container transport services proving to be slightly weaker than expected because of the state of the economy, the number of idle ships increased almost sevenfold in the last six months. At around 751,000 TEU (Alphaliner, February 2012), the idle capacity corresponded to 4.5% of the global container fleet's total tonnage at the end of January 2012. Of the 286 vessels currently idle, around 70% are smaller ships of up to 3,000 TEU.

In the future too, 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.

Although the prospects for growth remain positive in the medium term, we may see temporary imbalances in supply and demand, which could have a substantial impact on the respective transport volumes and freight rates. For example, the effect of new vessels going into service, resulting in a sharp increase in transport capacities, continues to affect the development of freight rates, especially on services from and to Asia.

Leading international container shipping companies have strengthened their partnerships, especially in the Asia–Europe trade, in order to improve the services they offer their customers. Together with five partner shipping companies in Asia, Hapag-Lloyd has formed the G6 Alliance and will therefore be offering its customers faster transit times, services to a large number of ports in the trade, and daily departures to the key ports in Asia and Europe as of March 2012. The shipping companies MSC and CMA CGM have likewise announced plans to cooperate more closely. Meanwhile, the Taiwanese container shipping company Evergreen intends to forge stronger ties with the CKYH Alliance in relation to Asia–Europe trade.

Development of bunker price[1] 2009–2011 USD/mt (monthly averages)



1) The bunker price (MFO) is calculated from the consumer price of bunker quantities weighted across various ports. The price for consumed quantities is ascertained using a moving average of the purchase prices for the consumed bunker stocks.

Uncertainty regarding short-term industry developments is generated primarily by the soaring transport expenses seen in 2011. This was chiefly attributable to the bunker price, which continued to climb in the course of 2011.

In the year under review, the average bunker price was USD 605 per tonne. This was USD 152 per tonne more than the average for 2010. The average bunker price has almost doubled in comparison to the 2009 financial year.

A number of shipping companies announced freight rate increases, some of them substantial, for their trades – especially the important Asia–Europe trade – in order to offset the ongoing increases in transport expenses, among other things. The majority of these freight rate increases are due to come into force at the beginning of March 2012.

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

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. Further, sustainable and quality-conscious corporate governance and highly qualified and motivated employees are important indicators for the long-term profitable growth of Hapag-Lloyd.

Flexible fleet

As at 31 December 2011, Hapag-Lloyd's fleet comprised 149 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 679 TTEU as at the balance sheet date. Hapag-Lloyd also owned or leased 644,003 containers with a capacity of 1.042 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 45% of total ship capacity at the end of 2011 (31 December 2010: 48%).

There are ten ships on the order book, which will be equipped with state-of-the-art technology and have TEU capacity of 13,200 TEU each. 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. These so-called very large container vessels will be put into operation between July 2012 and November 2013. With demand for container transport services continuing to rise, container shipping will continue to be a growth industry in the long term.

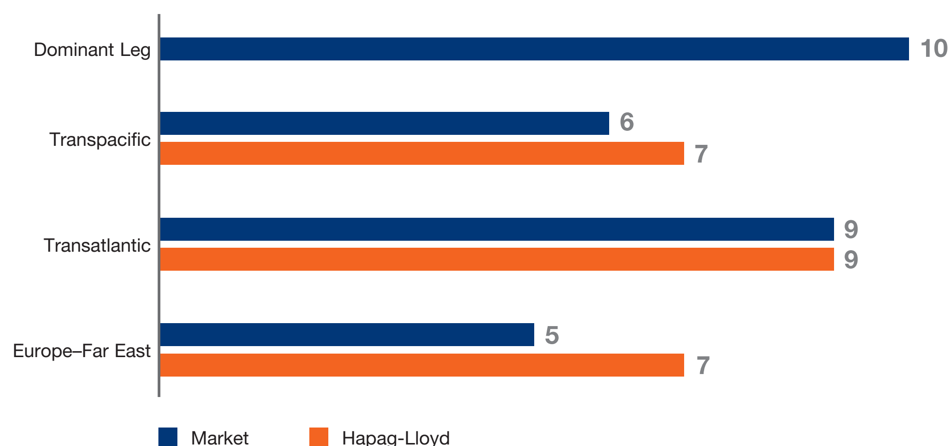
Structure of Hapag-Lloyd's container ship fleet and transport capacity

	31.12.2011	31.12.2010	31.12.2009
Number of vessels	149	137	114
Of which			
own vessels	58	59	56
leased vessels	9	9	9
chartered vessels	82	69	49
Aggregate capacity of vessels (TTEU)	679	605	478
Aggregate container capacity (TTEU)	1,042	1,025	1,009
Number of services	84	77	72

Efficient transport services

In container shipping, the flows of goods between different regions vary considerably in their magnitude and in their structure. These arise from differences in the volumes of imports and exports of goods. Most trades therefore have a "dominant leg" with a higher freight volume and a "non-dominant leg". 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 non-dominant leg to the number of loaded containers on the dominant leg. The objective is to keep the number of empty container transport operations low or balance the ratio to the greatest possible extent. To achieve this, empty containers are positioned in the regions with high demand via the shortest, quickest and cheapest route. The number of loaded containers transported in 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 non-dominant leg and dominant leg cargo (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, too, Hapag-Lloyd makes beneficial use of modern IT systems.

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 5,198 TTEU in the 2011 financial year. This corresponds to growth of 5.1% compared with the previous year. Transport volumes were increased in all of the trades in the reporting period.

Developments in transport volume by trade

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

The volume of transport in the Atlantic trade amounted to 1,162 TTEU in the 2011 financial year. This equates to a year on year increase of 2.2%. Transport volumes continued to rise on the trades to North America in particular. The average freight rate in the Atlantic trade was USD 1,775/TEU in the reporting period, which was 9.4% higher than in the previous year (USD 1,623/TEU).

The transport volumes recorded on trades to and from Latin America totalled 1,176 TTEU in 2011 and were therefore up by 9.0% year on year. This increase was primarily attributable to intra-American trades and greater volumes of cargo on the Latin American export trades. The average freight rate in the Latin America trade was down slightly year on year, at USD 1,362/TEU (previous year: USD 1,375/TEU), due to further increases in competitive pressure.

The cargo volumes transported in the Far East trade rose by 1.9% to 1,133 TTEU in a year on year comparison, even though Hapag-Lloyd endeavoured to avoid unprofitable cargo shipments because of the persistently high level of competition in the market. An increase was recorded in the volume of cargo transported on the trades from Asia to Europe. The average freight rate dropped 16.4% year on year to USD 1,370/TEU (previous year: USD 1,639/TEU), as a result of unabatedly strong downward pressure on prices.

In the 2011 financial year, the volume of cargo on the transpacific trade was 1,143 TTEU (previous year: 1,087 TTEU), which was 5.2% up on the figure for 2010. Rising exports effected by American businesses resulted in higher transport volumes on the services from North America to Asia in particular. The average freight rate was 2.4% down on the previous year, at USD 1,720/TEU.

Hapag-Lloyd recorded a transport volume of 584 TTEU for the Australasia trade in the reporting period. The volumes of cargo transported on the Oceanian and intra-Asian services were therefore 9.8% higher year on year. The average freight rate on this trade was USD 1,336/TEU, which was 2.0% higher than in the previous year (USD 1,310/TEU).

Developments in freight rates by trade

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

In all, the average freight rate in the 2011 financial year was USD 1,532/TEU and was thereby 2.4% lower than the previous year's USD 1,569/TEU because of the stiff competition in all of the trades. Selling services at viable prices is still more important to Hapag-Lloyd than purely achieving growth in volumes.

INNOVATION AND SUSTAINABILITY

Sustainability and quality management

Using scarce resources sustainably is becoming an increasingly important competitive factor for container shipping companies. Some 90% of the world trading volume is transported by sea. According to an IMO study, the world trade fleet's total CO_2 emissions amount to approximately 870 million tonnes, which equates to around 2.7% of global CO_2 emissions.

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 invites companies to tender for transport contracts.

The environmental issues related to shipping and the sustainability of the services rendered have been a mainstay of Hapag-Lloyd's corporate philosophy 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 container 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.

Certificate

GL Excellence

This is to certify that

Hapag-Lloyd

Hapag-Lloyd Aktiengesellschaft Hamburg complies
with the highest state-of-the-art standards for the operation of

CONTAINERSHIPS

Germanischer Lloyd

GL

In 2007 Hapag-Lloyd was the first container shipping company in the world to be awarded the "Excellence – 5 Stars" rating by Germanischer Lloyd, one of the world's largest ship certification and classification societies, for the high standards of its quality assurance and sustainability activities. This certification was renewed in 2011. As a global company, Hapag-Lloyd performs annual audits in order to maintain its high quality and environmental protection standards. In 2011, 128 audits were carried out in the Group.

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 110 contacts for sustainability and quality matters in all of the regions/areas around the world, in the central departments and on the ships. All of the employees in each of their respective areas are therefore systematically encouraged to act sustainably. The significance of sustainability issues to the Company's development was additionally recognised in 2011 by the appointment of a Sustainability Committee which reports directly to the Executive Board.

As well as sustainability, the quality of the transport service has a high priority for Hapag-Lloyd. To reduce transport damage, in 2011 Hapag-Lloyd and four other leading global container lines developed an electronic reporting system for damages caused by cargo. After completing its pilot phase the CINSnet (Cargo Incident Notification System Network) is now open for use by all shipping companies. It aims to improve the prevention of damage to cargo and ships.

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 reduce costs significantly and guarantee a swift exchange of data between partners in the transport chain located throughout the world. The subject of information technology has a central role at Hapag-Lloyd. The IT system used, which was developed in-house, undergoes continuous optimization.

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, however, 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 a cost-efficient level of empty legs. The equipment planners then use a fully integrated planning application to check the proposed solutions and, if necessary, adapt them in accordance with up-to-the-minute operational requirements. 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 was 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. The accountants then only have to look into discrepancies between the point of view of the terminal operator and of Hapag-Lloyd and have convenient applications at their disposal to assist them in this. The terminal invoice is then automatically generated at the press of a button.

Transshipment planning and commissioning

Hapag-Lloyd links more than 430 ports in over 110 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 a new planning and commissioning module, all connections can now 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. Until recently, these processes were primarily performed manually, but are now fully integrated into the system. As a result, 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. Between 2006 and 2009, the Hapag-Lloyd fleet’s specific CO_2 emissions per TEU kilometre were reduced by 12%. A key 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. By adapting the engine output to slower speeds, a more cost-effective and considerably more environmentally friendly operation of the ships is ensured. In addition to the savings achieved with slow steaming, the increased charge air pressure in the remaining turbo-chargers results in a cleaner combustion process in the engine and reduces fuel consumption. So far, 21 big ships have been derated in close cooperation with the ship engine manufacturers.

The efficiency and sustainability of the Hapag-Lloyd fleet will be further improved by the commissioning of ten new container ships from July 2012 onwards. These ships are equipped with a ballast water treatment system. They also feature a highly efficient Becker rudder, which reduces fuel consumption.

The use of special software on the ships in the Hapag-Lloyd fleet provides a dynamic trim (the attitude of the vessel in the water). The vessel’s attitude can now be measured and electronically optimised throughout the entire voyage. The optimum attitude being maintened at all times increases the efficiency of the ship in operation, thereby reducing costs and at the same time reducing emissions and protecting the environment.

Experienced cargo planners on land also ensure beforehand that the ships are loaded optimally, thereby improving the trim. Hapag-Lloyd cooperates closely with its industrial partners when developing new environmentally sound technologies. Furthermore, the Company advises on and supports various undertakings, such as a project to develop an innovative refrigerated container. This project uses CO_2 as a refrigerating agent because carbon dioxide – unlike conventional cooling agents – is a natural gas and is subsequently more environmentally friendly, having less of an influence on the greenhouse effect.

In 2011, Hapag-Lloyd again received various awards for its commitment to reducing the environmental impact of container shipping. These included the Blue Circle Award, which was presented to Hapag-Lloyd by Vancouver's port authority in May 2011. This award was bestowed for the Group's voluntary participation in a scheme aimed at reducing emissions in Vancouver's territorial waters.

Awards in 2011

Date	Award name	Awarded by
October 2011	Quest for Quality Award	Logistics Management, magazine
October 2011	Easyfresh Award for Excellence	Easyfresh
August 2011	Carrier Award for "Excellence in Performance"	UTI and Dow Corning
July 2011	Carrier of the Year	Canadian International Freight Forwarders Association
May 2011	2010 Blue Circle Award (EcoAction Program)	Port Metro Vancouver
March 2011	Green Flag Environmental Achievement Award	For our vessels docking at the Port of Long Beach
March 2011	Green Supplier	GreenCarrier Sweden AB, Swedish logistics provider
January 2011	Supplier Innovation Award	John Deere

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.

From 2003 onwards Hapag-Lloyd has calculated the CO_2 emissions from shipping operations using the method developed by the Clean Cargo Working Group.

The data and the methodology applied to calculating the CO_2 emissions and sulphur content are verified by Germanischer Lloyd, an independent certification agency. The accuracy of the data is confirmed in a verification statement.

Since 20 October 2011, customers wishing to do so have been able to use the Hapag-Lloyd EcoCalc to see the emissions caused by their container shipment throughout the entire transport chain, from start to finish. The emissions calculator can be found on the Hapag-Lloyd homepage at **www.hapag-lloyd.com**.

The Hapag-Lloyd EcoCalc calculates not only emissions of carbon dioxide (CO_2), but also those of nitrogen oxide (NO_x), sulphur dioxide (SO_2) and particulate matter (PM_{10}) per shipment and mode of transport for the entire point-to-point shipment route. It also provides details of the distance of each shipment. Hapag-Lloyd therefore allows its customers and business partners to choose sustainable shipment solutions.

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. To do so, 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. Generally, 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 volumes. Transport services were rendered for approximately 21,600 customers in the 2011 financial year (2010: about 21,500 customers).

EMPLOYEES

As at 31 December 2011, a total of 6,873 people were employed at Hapag-Lloyd (previous year: 6,872). The average period of employment was ten years. The number of employees rose by one compared with the previous year. Including apprentices a total of 1,303 people were employed in the marine division as at 31 December 2011 (2010: 1,306). The number of staff in the land division rose by four to 5,570, including apprentices.

At the end of the reporting period, the number of full-time equivalent employees (FTE) at the Group had fallen from 6,749 (31 December 2010) to 6,742.

Number of employees

	31.12.2011	31.12.2010	31.12.2009
Marine division	1,198	1,179	1,059
Land division	5,465	5,457	5,512
Apprentices	210	236	248
Total	**6,873**	**6,872**	**6,819**

Internationality also plays an important role at Hapag-Lloyd. People from 61 nations currently work at Hapag-Lloyd in more than 43 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. Of the land-based employees, some 78% worked outside Germany as at 31 December 2011.

In order to reinforce the organisation's basic values and give them an appropriate framework, an ethics guideline applicable to the Group's entire global workforce was issued in 2010. Its basic objective is to encourage employees to treat one another fairly, respectfully and in accordance with prevailing laws. It concerns both internal and external relationships, which means that it affects not only the way they treat each other, but also partners outside the Group.

Personnel development

Hapag-Lloyd redefined its personnel development strategy in 2010. The strategy was implemented fully in 2011. It is based on a globally applicable management profile that serves as a job specification for future executives. Providing the employees with further development opportunities relevant to them, for example by means of special management training courses, is one of the most important objectives for 2012. 62 management trainees are currently training within the framework of this Management Career Programme (MCP), which was established in 2002. Trainees are required to rotate between a number of different roles in different countries to prepare them for their future executive duties.

There is also a strong focus on vocational training and qualifications in both the land and the marine divisions. 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 2011, Hapag-Lloyd employed 105 apprentices in land-based positions and a further 105 at sea. The trainee quota in Germany was therefore 10.8%. The Group's apprentices have regularly been some of the best among their peers in Germany in recent years. These new employees underwent excellent further training to achieve the necessary qualification levels and performed exceptionally well in the course of this training. Also in 2011, Hapag-Lloyd was presented with an Excellent Training Company 2011 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.

GROUP EARNINGS POSITION

Condensed income statement

Million EUR	**1.1.-31.12. 2011**	1.1.-31.12. 2010
Revenue	6,103.2	6,204.3
Other operating income	119.3	131.2
Transport expenses	5,281.2	4,811.2
Personnel expenses	337.7	345.5
Depreciation, amortisation and impairment	287.0	321.2
Other operating expenses	268.7	283.2
Operating result	**47.9**	**574.4**
Share of profit of equity-accounted investees	19.7	31.1
Other financial result	12.5	–22.8
Earnings before interest and tax (EBIT)	**80.1**	**582.7**
Interest result	–107.3	–138.3
Income taxes	1.6	16.9
Group profit/loss	**–28.8**	**427.5**
EBITDA	**367.1**	**903.9**
EBITDA margin (%)	**6.0**	**14.6**
EBIT adjusted	**101.4**	**549.7**
EBIT margin adjusted (%)	**1.7**	**8.9**
EBIT	**80.1**	**582.7**
EBIT margin (%)	**1.3**	**9.4**

The 2011 financial year was characterised by changes in exogenous factors, some of which had a material impact on the Group's earnings, financial and net asset position. In particular, the substantial exchange rate fluctuations of the euro to the US dollar made their mark on the income statement. On average in the course of the year, the US dollar weakened to USD 1.39 against the euro (previous year: USD 1.33/EUR). As a result, consolidated revenue fell by EUR 101.1 million to EUR 6,103.2 due to exchange rate movements (previous year: EUR 6,204.3 million). Adjusted for exchange rate fluctuations, the Hapag-Lloyd Group's revenue increased by approximately 3.2%. The US dollar was about 4% stronger year on year at the reporting date, at USD 1.29/EUR (previous year's reporting date: USD 1.34/EUR).

The Group was able to increase its transport volume by 5.1% year on year, despite individual events in Japan, North Africa and the Middle East which weighed on business, and also ever-increasing competitive pressure, especially in the second half of 2011, as certain competitors endeavoured to secure a larger share of the market. Despite the negative impacts, the average freight rate declined by only 2.4% year on year, from USD 1,569/TEU to USD 1,532/TEU.

Transport expenses

Million EUR	**1.1.-31.12. 2011**	1.1.-31.12. 2010
Expenses for raw materials and supplies	1,295.5	1,063.0
Cost of purchased services	3,985.7	3,748.2
Of which		
Port, canal and terminal costs	1,562.5	1,483.9
Chartering, leases and container rentals	640.3	538.9
Container transport costs	1,625.4	1,563.8
Maintenance/repair/other	157.5	161.6
Transport expenses	**5,281.2**	**4,811.2**

Compared with the previous year (EUR 4,811.2 million), transport expenses increased by EUR 470.0 million to EUR 5,281.2 million. This represents a rise of 9.8%. This development was first and foremost due to rising costs for raw materials and supplies, which are heavily influenced by bunker prices. In the financial year 2011, the average bunker price was USD 605 per tonne, up by a considerable USD 152 per tonne from the previous year's figure of USD 453 per tonne. The bunker price rose steadily in the first half of the year, then remained high throughout the second half-year. The rise in transport expenses triggered by these price increases was partially offset by higher returns from hedging transactions. In addition to higher bunker costs (after hedging) in the reporting period, transport expenses were also pushed up by the 5.1% year on year increase in the transport volume. Significant influencing factors were, amongs others, additional charter ships because of new services as well as higher energy prices and cost increases due to inflation.

With the market dominated by the competitive pressue, the higher energy costs could only be passed on to the 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 13.5% (previous year: 22.5%).

The aforementioned 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 drop in earnings of EUR 10.9 million in 2011 (previous year: EUR 18.1 million).

Personnel expenses were reduced year on year, from EUR 345.5 million to EUR 337.7 million. The personnel expenses ratio therefore remained essentially unchanged.

Changes in personnel expenses

Million EUR	**1.1.-31.12. 2011**	1.1.-31.12. 2010
Personnel expenses	337.7	345.5
Revenue	6,103.2	6,204.3
Personnel expenses ratio	**5.5%**	**5.6%**

Depreciation, amortisation and impairment amounted to EUR 287.0 million in the reporting period and was therefore EUR 34.2 million lower than the EUR 321.2 million of the previous year. The change relates to the expiry of the useful life for a portion of the container inventory.

The financial result comprises the earnings from equity-accounted investees and the other financial result. The share of profit of equity-accounted investees fell by EUR 11.4 million. The other financial result of EUR 12.5 million includes changes to the fair value of currency options amounting to EUR –5.9 million and an opposing effect of EUR 18.3 million from the early repayment of a shareholder loan and current income from available-for-sale financial assets amounting to EUR 0.1 million.

The Group’s earnings before interest and taxes (EBIT) reflects the developments in the operating result, the share of profit of equity-accounted investees and other financial items. In the 2011 financial year, EBIT fell to EUR 80.1 million (previous year: EUR 582.7 million) because of the high bunker and energy prices and higher other transport expenses.

The EBIT margin remained positive in spite of the ongoing stiff competition, the high energy costs and the volatile USD/EUR exchange rate, and also because of the consistent application of the cost-cutting programme.

EBIT margin

Million EUR	**1.1.-31.12. 2011**	1.1.-31.12. 2010
Revenue	6,103.2	6,204.3
EBIT	80.1	582.7
EBIT adjusted	101.4	549.7
EBITDA	367.1	903.9
EBIT margin	1.3%	9.4%
EBIT margin adjusted	1.7%	8.9%
EBITDA margin	6.0%	14.6%

Adjusted for special items from the purchase price allocation and one-off factors, the Group reported an adjusted EBIT of EUR 101.4 million (previous year: EUR 549.7 million).

All in all, a negative interest result of EUR 107.3 million was posted for the 2011 financial year (previous year: EUR –138.3 million). The improvement in the interest result compared with the same period last year was attributable in particular to the interest expenses and charges recorded in the second and third quarters of 2010 in connection with the syndicated loan agreement which was, however, already terminated in the third quarter 2010. These expenses had a one-off impact on the interest result last year.

In the 2011 financial year, the Group posted a loss of EUR 28.8 million (previous year: profit of EUR 427.5 million).

GROUP FINANCIAL POSITION

THE GROUP’S CENTRAL FINANCING AND LIQUIDITY SAFEGUARDING

Principles and objectives of financial management
In relation to the Hapag-Lloyd Group’s operating, financial and strategic development, the Group’s financial management aims to ensure that the Group remains solvent at all times, thus securing financial stability in the Group.

The overriding objective is to maintain an appropriate minimum liquidity level. 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 one 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, euros and Canadian dollars; the British pound, Hong Kong dollar, Singapore dollar, Japanese yen and Chinese renminbi are also of significance.

Derivative hedging transactions are entered into 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 appliciable, 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 management report, and in the financial instruments section of the Notes to the consolidated financial statements.

Issuer ratings

Rating/outlook	31.12.2011	31.12.2010
Standard & Poor’s	BB–/negative	BB–/stable
Moody’s	B1/negative	B1/stable

Although a difficult economic environment prevailed in the 2011 financial year, especially in the field of global container shipping, Hapag-Lloyd AG was able to maintain its credit ratings of B1 from Moody’s Investors Service and BB– from Standard & Poor’s. This was the result of Hapag-Lloyd Group’s robust capital structure and liquidity situation. Both rating agencies gave Hapag-Lloyd a negative outlook, based on the underlying economic conditions. Hapag-Lloyd continues to strive to improve its credit rating in order to improve its financial profile and reduce its financing costs.

Financing

The Group covers its financing requirements with cash inflows from operating activities and by assuming short, medium and long-term financial liabilities. Its financing mix is designed to optimise its financing conditions, have a balanced range of times to maturity and achieve investor diversification. Ship and container financing were back in the financing focus in 2011, after external financing in 2010 primarily revolved around the issue of fixed-interest bonds.

Financing activities

On 7 April 2011, a contract was signed with a bank concerning the securitisation of receivables initially worth USD 100 million (EUR 77.3 million).

On 8 April 2011 (value date), shareholder loan of EUR 165.7 million including interest with an originally maturity date of the end of January 2014 was paid back to TUI-Hapag Beteiligungs GmbH early.

Likewise in April 2011, the contract was signed concerning the K-sure II financing of an order of ten container ship newbuildings. The loan amounts to USD 925 million (EUR 715 million). The loan can be drawn on pro rata as and when the ships are delivered. In 2011 the loan was not drawn upon.

On 9 August 2011, Hapag-Lloyd AG secured a loan worth USD 150 million (EUR 115.9 million) to finance the acquisition of new containers.

In November 2011, Hapag-Lloyd AG and a consortium of nine banks newly structured the existing fleet financing arrangements. The arranged loan of USD 460 million (EUR 355.6 million) has a maturity of five years. USD 281 million (EUR 217.2 million) was allocated to repaying the existing fleet financing. The remainder, USD 175 million (EUR 138.4 million), was paid out to Hapag-Lloyd AG in December 2011. The new financing arrangement runs until the end of November 2016.

On 1 October 2010, a credit line amounting to USD 360 million (EUR 278.3 million) was granted to Hapag-Lloyd AG and Hapag-Lloyd Holding AG within the framework of a facility agreement. This revolving credit facility (RCF) has not yet been utilised. It was reduced to USD 95 million (EUR 73.4 million) on 11 November 2011 in the course of restructuring the existing fleet financing. This liquidity facility can be utilised in accordance with the conditions of the revolving credit facility up to the original maturity of 1 October 2013.

Covenant clauses of a type customary on the market have been arranged for existing financing from bonds or loans. In particular, these clauses relate to equity, liquidity and the loan-to-value ratio. As at 31 December 2011, 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 borrowing

Million EUR	**2011**	2010
Cash and cash equivalents	672.5	751.8
Financial liabilities	1,896.5	1,877.5
Net debt	**1,224.0**	**1,125.7**
EBITDA	367.1	903.9
Gearing (%)	**35.7**	**32.7**
Unused credit lines	**73.4**	**269.5**
Equity ratio (%)	**51.8**	**52.4**

At EUR 1.2 billion, the Group's net debt only increased slightly year on year (EUR 1.1 billion), despite considerable capital expenditure of EUR 261.9 million, in particular for containers and prepayments on newbuildings.

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.

Cash flow statement and capital expenditure

Condensed cash flow statement

Million EUR	**1.1.-31.12. 2011**	1.1.-31.12. 2010
EBITDA	**367.1**	**903.9**
Changes in working capital	–96.4	–208.0
Other effects	–26.9	–31.8
Cash flow from operating activities	243.8	664.1
Cash flow from investment activities	–194.8	–447.4
Free cash flow	**49.0**	**216.7**
Cash flow from financing activities	–130.3	105.8
Changes in cash and cash equivalents	**–81.3**	**322.5**

Cash flow from operating activities

Based on EBITDA of EUR 367.1 million, the Hapag-Lloyd Group generated operating cash flow of EUR 243.8 million (previous year: EUR 664.1 million).

In the 2011 financial year, working capital requirements resulted in a cash outflow of EUR 96.4 million, above all due to the increase in inventory levels. The balance of non-cash income and expenses and reclassifications to cash flows from investment and financing activities led to a further reduction of EUR 26.9 million in operating cash flows.

Cash flow from investment activities

Cash outflow from investment activities amounted to EUR 194.8 million, compared with a total of EUR 447.4 million in the previous year. Of this amount, EUR 125.9 million was for prepayments for ordered container ships currently under construction and for investments in containers worth EUR 90.3 million. Capital expenditure in 2011 was wholly financed by cash inflow from operating activities.

Even taking capital expenditure and the difficult market environment into account, the Group still succeeded in achieving a positive free cash flow of EUR 49.0 million in 2011, calculated as operating cash flow less net investments.

Cash flow from financing activities

The net cash outflow from financing activities amounted to EUR 130.3 million, compared with a cash inflow of EUR 105.8 million in the previous year. Redemption payments amounting to EUR 543.5 million (previous year: EUR 439.0 million) were offset by borrowing of almost the same amount. The taking up of financial liabilities first and foremost related to the loan of USD 460.0 million for the new fleet financing arrangements. Additionally, nterest payments resulted in an outflow of EUR 106.4 million (previous year: EUR 132.6 million).

Changes in cash and cash equivalents

Million EUR	2011	2010
Cash and cash equivalents at beginning of period	**751.8**	**413.3**
Changes due to changes in the group of consolidated companies	0.1	0.0
Changes due to exchange rate fluctuations	1.9	16.0
Net changes	–81.3	322.5
Cash and cash equivalents at end of period	**672.5**	**751.8**

Cash and cash equivalents fell by EUR 79.3 million with the result that, taking account of exchange rate effects, cash and cash equivalents amounting to EUR 672.5 million (previous year: EUR 751.8 million) were reported as at the end of the reporting period. The cash and cash equivalents dealt with in the cash flow statement correspond to the balance sheet item "cash and cash equivalents". In addition, there is an as yet unused credit facility worth USD 95 million (EUR 73.4 million).

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

Capital expenditure

The Group had an investment volume of EUR 261.9 million in 2011, relating to prepayments for ships under construction, increased investments in the Group's own containers, container ship maintenance which had to be capitalised, and other investments.

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 the financial position described above are reflected accordingly in the balance sheet as at 31 December 2011.

Off-balance-sheet financial instruments

In the course of its normal business activities, Hapag-Lloyd AG 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 residual times to maturity of financial obligations can be found in the "Other financial obligations" section of the Notes to the consolidated financial statements.

GROUP NET ASSET POSITION

Changes in the net asset structure

Million EUR		31.12.2011	31.12.2010
Assets			
Non-current assets		5,170.9	5,057.1
Of which fixed assets		5,067.2	4,988.3
Current assets		1,442.9	1,512.4
Of which cash and cash equivalents		672.5	751.8
Total assets		**6,613.8**	**6,569.5**
Equity and liabilities			
Equity		3,424.4	3,442.8
Borrowed capital		3,189.4	3,126.7
Of which non-current liabilities		1,911.5	1,878.8
Of which current debt		1,277.9	1,247.9
Of which financial debt		1,896.5	1,877.5
Of which non-current financial debt		1,689.3	1,673.9
Of which current financial debt		207.2	203.6
Total equity and liabilities		**6,613.8**	**6,569.5**
Asset coverage ratio I	(in %)	67.6	69.0
Asset coverage ratio II	(in %)	105.3	106.7
Liquidity ratio I	(in %)	52.6	60.2
Net debt		1,224.0	1,125.7
Equity ratio	(in %)	51.8	52.4

The Group's balance sheet total came to EUR 6,613.8 million at the end of the financial year and was therefore slightly up on the previous year's figure. This was due to US dollar developments, with the dollar exchange rate up 4% at USD 1.29/EUR on the reporting date of 31 December 2011, from USD 1.34/EUR in the previous year. In part, this had a considerable impact on individual balance sheet items.

Within the non-current assets, the carrying amounts of fixed assets in particular increased, mostly as a result of the investments made. This was offset by depreciation of EUR 287.0 million. The increase was therefore primarily the result of exchange rate effects amounting to EUR 89.8 million. Compared with 31 December 2010 the market values of non-current derivative financial instruments also reported a positive performance.

Current assets amounted to EUR 1,442.9 million on the reporting date and were therefore EUR 69.5 million lower than their value as at 31 December 2010. The change is mainly related to the EUR 68.2 million decline in the market values of current derivative financial instruments for bunker price and currency hedges.

The development of inventories had the opposite effect on the level of current assets. Raw materials and supplies rose by EUR 64.7 million in comparison with year-end 2010 to EUR 208.7 million, due especially to the steep rise in the bunker price over the course of the year. The increase in bunker inventories caused by the year on year growth in the number of ships being operated also had an effect.

On the liabilities side, equity fell slightly compared with 31 December 2010 by a total of EUR 18.4 million to EUR 3,424.4 million. This decline stemmed from the Group loss and from the declining reserve for cash flow hedges in comparison to the previous year. The balance of unrealised gains and losses from foreign currency translation recognised directly in equity amounting to EUR 96.0 million had the opposite effect. The equity ratio remained virtually unchanged at 51.8%.

The change in non-current liabilities resulted from the balance of the repayment of financial debt and the taking up of new debt. The repayment of financial debt was mostly offset by borrowing of the same amount. Financial debt increased slightly by the US dollar being stronger on the reporting date. A further increase in liabilities was caused by higher provisions, particularly for pensions.

Current liabilities amounted to EUR 1,277.9 million and were therefore only slightly higher than at the end of 2010 (EUR 1,247.9 million). This increase was mainly due to a rise in trade accounts payable.

Taking cash and cash equivalents and financial debt into account, the net debt as at 31 December 2011 was EUR 1,224.0 million (31 December 2010: EUR 1,125.7 million).

For further information on significant changes to specific balance sheet items, please refer to the Notes to the consolidated balance sheet.

STATEMENT ON THE OVERALL ECONOMIC POSITION

At the time the management report was prepared, the Executive Board considered the Group to be in a good economic position. The Group is well positioned on the market with its financial profile and its service portfolio. Business has developed in accordance with expectations in the first weeks of 2012.

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 continued existence as a going concern in the long term.

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 on the one hand and general and sector-specific trends from which opportunities can be derived and assessed on the other. This analysis and assessment forms the basis for the initiation of strategic measures which are geared towards long-term profitable growth and are designed to contribute to a lasting increase in the Company's value.

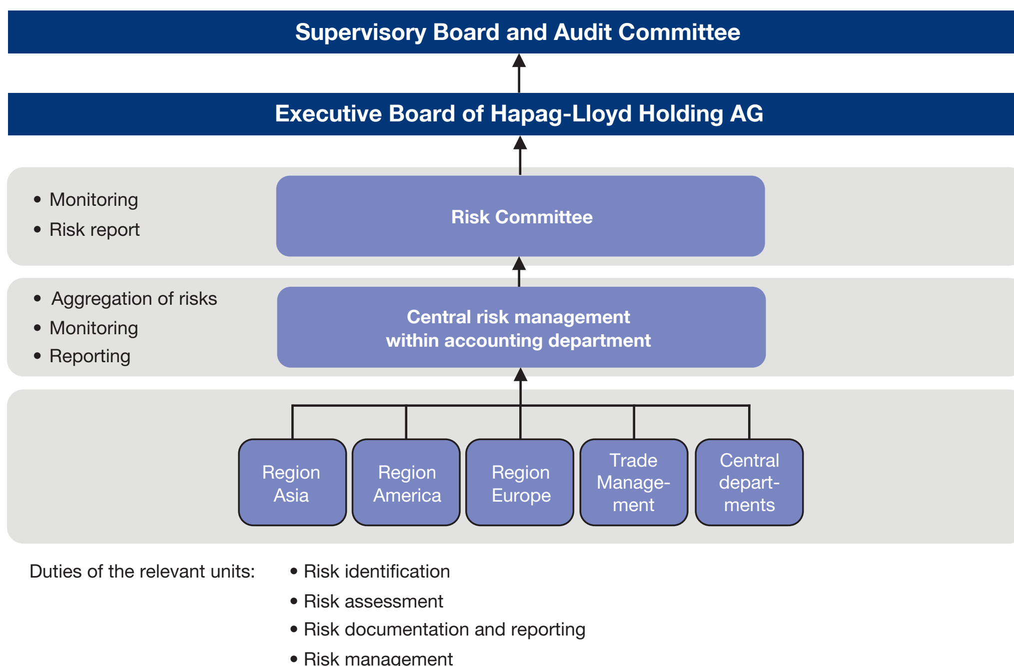
Risk management

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 risks early on that may jeopardise the operating result of the Company. The active monitoring and observation of the operating risks are a crucial factor in the success of the risk management system (RMS).

The risk management system is decentralised in accordance with the organisational structure of the Group. 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 risks such as these 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.

The necessary measures within the framework of the Group 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 is monitored by the Internal Auditing department. This department examines the legality, security and safety of the organisational processes on a regular basis, and on a case-by-case basis if necessary.

Risk management system chart



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 the risks of loss, damage and liability that arise in everyday business operations, insofar as these are economically justifiable. Among the insurance policies maintained by the Group are third-party liability and property insurance customary in the industry, as well as the insurance for the sea transports. These are examined regularly and adjusted if required.

In connection with the auditing of Hapag-Lloyd AG's financial statements for 2011, the risk early-warning system was examined by the auditor in accordance with the principles of Section 317 (4) of the German Commercial Code (HGB).

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

Principles

Hapag-Lloyd Holding AG has established an internal control system (ICS) on the basis of the internationally acknowledged framework "COSO (The Committee of Sponsoring Organisations of the Treadway Commission) Internal Control – Integrated Framework". 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. 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. There is also a uniform chart of accounts for the Group. In the event of changes to the legal provisions and standards, the accounting guidelines and the procedures are examined promptly for any adjustments that might be required.

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 balance sheet 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 pieces of accounting data are calculated and examined by external specialists and appraisers, for example actuaries for pension valuation.
The process of preparing the Group 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 managed 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, others are established independently of them. The controlling procedures serve to prevent problems and have a downstream effect. 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 generally 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 the process-independent control measures, the Internal Auditing department has a fundamental supervisory role to play. The audit topics are selected in accordance with a risk-based auditing approach. The Internal Auditing department reports directly to the Chairman of the Executive Board of Hapag-Lloyd Holding AG and has a wide range of informational, auditing and access rights to enable it to safeguard the accounting process and provide advice.

ICS evidence process

Hapag-Lloyd Holding AG has established a procedure to monitor the effectiveness of the ICS (hereafter referred to as “ICS evidence process”). This procedure was designed and introduced as part of a project carried out in 2010 and has since been implemented on an ongoing basis.

The results of the effectiveness tests for the measures and control functions pertaining to the selected topics and risks are summarised 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 subjected 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 developments in the global volume of container transport
The most recent economic forecasts of the International Monetary Fund (IMF) suggest that global container transport volume is likely to grow faster than global trade in 2012. This growth in volume predicted for the sector is an opportunity for Hapag-Lloyd to take advantage of this market trend.
The increases in freight rates on important trades which were announced by a number of container liner shipping companies at the beginning of 2012 present an opportunity for freight rates to be stabilised or even improved and could therefore have a positive effect on Hapag-Lloyd's revenues.

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 initiation of construction 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 proceeds 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, the second-largest consortium in container shipping, and the G6 Alliance puts it in a position to offer its own customers a more comprehensive network of liner services in important trades with regular departure times, which would not be realisable with its own fleet. Only the flexibility that this provides makes it possible for the Company to make optimum use of the opportunities arising from the development of transport volumes and ship capacities described above.

Together with five leading global liner shipping companies from the Grand Alliance and the New World Alliance, Hapag-Lloyd has established the G6 Alliance for Far East–Europe trade. Starting in March 2012, this alliance will operate initially six services between Asia and Europe and two services between Asia and the Mediterranean. The G6 Alliance partners are hereby vastly expanding and improving the services they offer their customers. This could result in additional growth and efficiency increase 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 “Efficiency and environmental protection”.

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

General economic 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. In the first quarter of 2011, the natural and environmental disaster in Japan had a noticeable impact on freight traffic to and from Japan. 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 debt crisis in Europe and the USA’s weaker than expected economic growth increased the level of risk for the global economy in comparison to the previous year. In addition, Chinese industrial output is continuing to slacken. A downturn in the global economy in 2012 can therefore not be entirely ruled out. 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. This would enable these competitors 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 shipping agents maintain similar business relationships with other shipping companies. Depending on the market circumstances, customers may partially or solely use other shipping companies' services. Each of the competitors might offer a comparable service on the routes where Hapag-Lloyd maintains a liner service and try to undercut the Group's freight rates. In global container shipping there are no restrictions for competitors who want to expand their service to cover other trades or routes. In view of the currently low charter rates for ships, new competitors could emerge and offer 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 generate greater financial strength, with the result that these companies would be more competitive in terms of prices and more able to endure greater market volatility than Hapag-Lloyd.

Risks arising from changes in trade flows

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 increase the costs associated with empty legs still further.

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. The sharp increase in the price of bunker fuel was the main reason behind the increase in transport costs in the 2011 financial year. In the financial year 2011, the cost of the vessels' fuel accounted for 21.2% of revenue (2010: 17.1%). 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 fuel prices have on its transport 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 enforced 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. If necessary, the Group endeavours to lessen the risk of increasing oil prices by hedging up to 80% of its likely bunker fuel needs using financial derivatives. Please refer to Note 26 of 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. After the year ended, hedges continued to be transacted in order to achieve the desired level of security. As a result, approximately 30% of the planned fuel consumption volumes for the financial year 2012 were hedged as at the end of February.

Another method for limiting the risk from increasing bunker fuel 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 "Efficiency and environmental protection".

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 is possible that charter rates could increase 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.

Short-term charter rates shadow the trend in freight rates, which are dependent on expectations regarding the future development of the supply of and demand for transport capacities, with a time lag of several months. 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 increase his charter rates before the contract expires. If demand is falling, 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 2011 was approximately 45%. The remaining 55% is chartered. In addition to the Group's 58 own container ships, nine are leased long-term with a purchase option. 21 ships are chartered long-term, 10 for the medium term and 51 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 accordingly results in a sometimes considerable amount of lost time spent loading and unloading the vessels. If capacities were increased further, the loss of time at the ports concerned could increase further. This would make it harder to keep to the timetables and could put pressure on earnings and the Company's 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 longer 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 oriented towards 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 have to be chartered so that the customer relationship is not endangered, higher charter rates that have to be paid as a consequence of increased demand will lead 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 or damage of 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. It cannot be ruled out, however, 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 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. In 2011, there was also 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 are not the primary motive in the Gulf of Guinea and in the traditional stamping grounds of pirates, such as the South China Sea. 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 if it infringes 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 could be imposed on exporters, importers or the shipping company.

Based on current and foreseeable regulatory frameworks, there are 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 and customers. If legal disputes are successful for the opposing party, this can involve substantial costs 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. In 2011, tax assessment notices issued in recent years for the financial years 2002 and 2003 were revoked by the Mexican tax authorities without any demands for tax payments in arrears, following a successful appeal by the subsidiary Hapag-Lloyd Mexico S.A. de C.V.

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.

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 effective 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 prolong their membership. Any member of the Grand Alliance can terminate its membership with six months' notice. 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.

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 policy 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 carried in the balance sheet. 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 for freight and charter rates, fuel, and the financing of containers and ships. The US dollar is the functional currency within the Hapag-Lloyd subgroup. The Group, a business which conducts its operations worldwide, is nevertheless exposed to the risk of currency fluctuations because various currencies make up its income and expenses. This also applies to financial liabilities assumed in euros. In addition to the euro and the Canadian dollar, the British pound, the Hong Kong dollar, the Singapore dollar, the Japanese yen and the Chinese renminbi are also of significance.

The risks of changes in exchange rates are limited with hedging transactions. Despite this, fluctuations in exchange rates can have a significant influence on the Group's earnings position.

Risks from fluctuation of bunker prices

Fuel consumption constitutes a substantial cost factor for Hapag-Lloyd and is a factor which 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 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

The liquidity risk, i.e. the risk of not being able to fulfil existing or future payment obligations due to insufficient means of payment, is managed centrally at Hapag-Lloyd. The Company 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 make available lines of credit are based on a rolling liquidity plan. The 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 contracting partners would not exceed this amount. Default risks are not to be 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 to the creditors of the bond creditors. In addition, there are termination clauses which are customary in the market relating to much of the financial liabilities in the event that more than 50% of liabilities were acquired by a third party.

Credit risks

In order to prevent or reduce bad debt losses, Hapag-Lloyd operates a uniform, centrally steered receivables management system across the Group. Its components include a standardised approval procedure for granting loans, including a creditworthiness risk check by Dun & Bradstreet, 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 2011, the Company's financial debt amounted to EUR 1,896.5 million (previous year: EUR 1,877.5 million). The possibility of financing the operating capital, debt servicing and other expenditure depends on the future course of business and the development of income. The proportion of borrowed capital may make it more difficult to fulfil the payment obligations for the bonds issued and requires the appropriation of a proportion of income for debt servicing. In addition, it may put Hapag-Lloyd at a disadvantage when it comes to raising new funds on favourable terms.

There are covenant clauses of a type customary on the market for existing financing from bonds or loans. These clauses primarily concern the equity, liquidity and loan-to-value ratios. As at 31 December 2011, all of the covenants were complied with. The Executive Board is assuming based on its current planning that compliance with these covenants will continue in the subsequent period.

Risks from a downgrading of the rating

The bonds already issued and all bonds which are issued in the future can be assessed by the rating agencies Moody's and Standard & Poor's. The credit rating by the rating agencies influences the Group's ability to take on financial liabilities. Any downgrading of Hapag-Lloyd Holding AG'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.

On 20 September 2011, the rating agency Standard & Poor's confirmed its previous issuer rating for Hapag-Lloyd Holding AG of BB-. Standard & Poor's revised its outlook from "stable" to "negative", largely due to the current economic uncertainty surrounding the shipping industry. The rating agency Moody's likewise confirmed its issuer rating of B1 for Hapag-Lloyd Holding AG on 20 December and revised its outlook from "stable" to "negative".

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"). In this way, the tax burden is determined by the capacity of the fleet, not by the commercial result actually achieved. It requires a particular proportion of the fleet to be registered in Germany, managed in Germany and deployed as a liner service between foreign ports.

Some of the older ships do not fulfil these requirements, and as a result approximately 8.5% (2010: 13.0–15.0%) of the Group's income was subject to regular German taxation in 2011. 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.

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

On 2 January 2012, Hapag-Lloyd Holding AG paid interest of EUR 36.9 million on the Hybrid II capital to TUI AG, Hannover.

The “Humboldt Express” was contractually sold on 3 January 2012. The ship was recognised as an long term asset held for sale on 31 December 2011 in accordance with IFRS 5.

The long-term operating leases for nine vessels were amended in February 2012. Two of these ships were directly acquired. The purchase of these ships is already fully financed. In the case of the seven other ships, Hapag-Lloyd became the beneficial owner by exercising its purchase options. Consequently, these operating leases are now continued as finance leases.

On 14 February 2012, the Hapag-Lloyd Holding AG shareholders reached a general agreement on comprehensive capital measures relating to the Hybrid II capital of EUR 350 million as well as the transfer of respective holdings.

In a first step, Hapag-Lloyd repaid EUR 100 million from the Hybrid capital to TUI AG in February 2012. The “Albert Ballin“ consortium will acquire EUR 125 million of the remaining Hybrid II capital at nominal value from TUI AG until 30 March 2012.

The “Albert Ballin“ consortium and TUI will then each contribute EUR 125 million of the Hybrid II capital to Hapag-Lloyd Holding AG in exchange for the granting of new shares.

In the course of this transaction, the “Albert Ballin“ consortium’s stake in Hapag-Lloyd Holding AG will temporarily fall to 60.5%, while the stake held by TUI AG will increase to 39.5%.

The “Albert Ballin“ consortium will acquire approximately 17% of the shares in Hapag-Lloyd Holding AG from TUI AG until 29 June 2012. This transaction will increase the “Albert Ballin“ consortium’s stake in Hapag-Lloyd Holding AG to around 78% and will reduce the TUI stake to approximately 22%.

The agreements are still subject to the approval of the shareholders of the “Albert Ballin“ consortium.

PROSPECTS

The development of the general economic 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 was an increase in the number of negative factors affecting global economic growth in 2011. In addition to the worsening of the eurozone debt crisis, these in particular include the USA's high and rising budget deficit and a clear slowing of growth in China. In spite of these uncertainties, the economic experts at the International Monetary Fund (IMF) do not foresee the global economy slipping into recession.

The IMF is forecasting that the global gross domestic product will grow by 3.3% in 2012 and currently anticipates growth of 3.9% in 2013. This development continues to be dominated by the above-average growth of the emerging Latin American and Asian economies, whose GDP growth is estimated at 5.4% and 5.9% in 2012 and 2013 respectively. In contrast, the developed countries are far behind these forecast figures. According to the IMF, the countries of the European Union are not likely to return to a course of growth until 2013, with a GDP increase of 0.8% (2012: –0.5%). The USA is forecast to see GDP growth of 1.8% in 2012 and 2.2% in 2013. The economic outlook could be improved if the EU debt crisis were curbed or if there were a lasting reduction in the USA's high rate of unemployment.

Global trade, according to the IMF, is likely to increase by 3.8% in 2012. Further growth of 5.4% is then anticipated for 2013. Based on the forecast further increase in the global carriage of goods, IHS Global Insight is anticipating a 5.4% increase in global container traffic in 2012. A global increase of 6.7% is expected in 2013.

For reasons including the still rather volatile developments on the commodity and currency markets, the economic forecasts issued by the leading research institutes should be treated with caution.

Based on the general economic conditions being forecast, Hapag-Lloyd is striving to increase its transport volume in relation to market growth in 2012 and 2013. An improvement in freight rates is also expected in 2012 and 2013.

Uncertainties regarding the anticipated market development are resulting in particular from further sharp increases in bunker prices in the first few weeks of the 2012 financial year. Like last year, these could once again adversely affect transport costs. In contrast, some relief may come from lower charter rates. The future exchange rate of the USD against the EUR, too, is generating uncertainty. In particular, the high levels of government debt in many of the eurozone economies caused the euro to suffer heavy losses against the US dollar in the second half of 2011.

Significant general economic and sector-specific parameters in 2012

Determinant	2012 trend	Comments
Global economic growth	Moderate increase	Global economic growth is likely to be 3.3% in 2012.
Transport volume	Continues to rise	The increase in the volume of global trade is likely to continue in 2012.
Freight rates	Improving	Short-term developments are still very uncertain due to the prevailing stiff competition.
Transport costs	Rising	The volatility of the commodity and currency markets is causing uncertainty.

With demand for container transport services continuing to rise in the medium to long term, container shipping will continue to be a growth industry 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, between July 2012 and November 2013 Hapag-Lloyd will launch a total of ten new large container ships into service, each with TEU capacity of 13,200 TEU.

Hapag-Lloyd has concluded appropriate financing agreements in order to safeguard its financing requirements for investments. In addition, a reorganisation of the current financing structure was agreed with a consortium of national and international banks in the fourth quarter of 2011 in order to optimise the Group’s financing and improve its maturity structure.

Hapag-Lloyd strives to achieve again a positive operating result in 2012, following on from its performance in the 2011 financial year, which was burdened by the sharp increase in transport expenses and stiff competition in the market. It continues to pursue the medium-term goal of profitable growth based on its operating result (adjusted EBIT).

However, the possibility of a bigger slump in economic growth than expected, an ongoing increase in the price of crude oil and high freight rate volatility, the latter primarily because of the ongoing commissioning of very large container ships on the Asian trades, could once again hit the industry hard and therefore also have a significant negative impact on the development of Hapag-Lloyd’s business in the current financial year.

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CONSOLIDATED INCOME STATEMENT

Consolidated income statement of Hapag-Lloyd Holding AG for the period 1 January to 31 December 2011

Million EUR	Notes	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Revenue	(1)	6,103.2	6,204.3
Other operating income	(2)	119.3	131.2
Transport expenses	(3)	5,281.2	4,811.2
Personnel expenses	(4)	337.7	345.5
Depreciation, amortisation and impairment	(5)	287.0	321.2
Other operating expenses	(6)	268.7	283.2
Operating result		**47.9**	**574.4**
Share of profit of equity-accounted investees	(12)	19.7	31.1
Other financial result	(7)	12.5	–22.8
Earnings before interest and tax (EBIT)		**80.1**	**582.7**
Interest income	(8)	10.2	7.6
Interest expenses	(8)	–117.5	–145.9
Earnings before income taxes		**–27.2**	**444.4**
Income taxes	(9)	1.6	16.9
Group profit/loss		**–28.8**	**427.5**
thereof attributable to shareholders of Hapag-Lloyd Holding AG		–28.8	410.6
thereof interest on Hybrid III capital		0.0	17.0
thereof attributable to non-controlling interests	(21)	0.0	–0.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income of Hapag-Lloyd Holding AG for the period 1 January to 31 December 2011

Million EUR	Notes	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Group profit/loss		**–28.8**	**427.5**
Cash flow hedges (no tax effect)	(19)	–36.1	36.1
Addition to other comprehensive income (OCI)		170.0	49.9
Reclassification to income statement due to realisation		–206.1	–13.8
Actuarial gains (+) and losses (–) from pension provisions and related fund assets, after tax	(19)	–8.3	–9.4
Actuarial gains (+) and losses (–) from pension provisions and related fund assets, before tax		–9.9	–8.9
Tax effect		1.6	–0.5
Currency translation (no tax effect)	(19)	96.0	201.2
Other comprehensive income		**51.6**	**227.9**
Total comprehensive income		**22.8**	**655.4**
thereof attributable to shareholders of Hapag-Lloyd Holding AG		22.8	638.5
thereof interest on Hybrid III capital		0.0	17.0
thereof attributable to non-controlling interests	(21)	0.0	–0.1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position of Hapag-Lloyd Holding AG as of 31 December 2011

Million EUR	Notes	**31.12.2011**	31.12.2010
Assets			
Goodwill	(10)	707.3	691.2
Other intangible assets	(10)	729.6	773.8
Property, plant and equipment	(11)	3,314.4	3,198.3
Investments in equity-accounted investees	(12)	315.9	324.8
Other assets	(13)	43.8	20.5
Derivative financial instruments	(14)	46.9	36.9
Deferred tax assets	(9)	13.0	11.6
Non-current assets		**5,170.9**	**5,057.1**
Inventories	(15)	208.7	144.0
Trade accounts receivable	(13)	419.6	401.5
Other assets	(13)	106.5	110.1
Derivative financial instruments	(14)	17.1	85.3
Income tax receivables	(9)	7.7	16.6
Cash and cash equivalents	(16)	672.5	751.8
Non-current assets held for sale	(17)	10.8	3.1
Current assets		**1,442.9**	**1,512.4**
Total assets		**6,613.8**	**6,569.5**

Million EUR	Notes	**31.12.2011**	31.12. 2010
Equity and liabilities			
Capital provided by limited partners	(18)	0.0	3,086.6
Subscribed Capital	(18)	60.0	0.0
Capital reserves	(18)	3,026.6	0.0
Retained earnings	(18)	–61.3	0.0
Cumulative other equity	(19)	49.9	–1.7
Hybrid capital	(20)	348.9	357.6
Equity attributable to the shareholders of Hapag-Lloyd Holding AG		**3,424.1**	**3,442.5**
Non-controlling interests	(21)	0.3	0.3
Equity		**3,424.4**	**3,442.8**
Provisions for pensions and similar obligations	(22)	104.8	90.4
Other provisions	(23)	110.1	103.6
Financial liabilities	(24)	1,689.3	1,673.9
Other liabilities	(25)	5.8	5.3
Deferred tax liabilities	(9)	1.5	5.6
Non-current liabilities		**1,911.5**	**1,878.8**
Provisions for pensions and similar obligations	(22)	5.1	6.8
Other provisions	(23)	129.4	152.4
Income tax liabilities	(9)	4.3	9.2
Financial liabilities	(24)	207.2	203.6
Trade accounts payable	(25)	791.8	752.1
Other liabilities	(25)	140.1	123.8
Current liabilities		**1,277.9**	**1,247.9**
Total equity and liabilities		**6,613.8**	**6,569.5**

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 2011

Million EUR	Equity attributable to shareholders				
	Capital provided by limited partners	Sub-scribed capital	Capital reserves	Retained earnings	Reserve for cash flow hedges
Notes	(18)			(18)	
As per 1.1.2010	**2,384.8**	**-**	**-**	**–401.9**	-
Total comprehensive income	**-**	**-**	**-**	**410.6**	36.1
Transactions with shareholders	**701.8**	**-**	**-**	**–8.7**	-
thereof					
Capital increase	353.0	-	-	-	-
Conversion of Hybrid I	350.0	-	-	-	-
Transaction costs	–1.2	-	-	-	-
Interest from Hybrid I and II	-	-	-	–8.7	-
Repayment Hybrid III	-	-	-	-	-
As per 31.12.2010	**3,086.6**	**-**	**-**	**0.0**	36.1
Total comprehensive income	**-**	**-**	**-**	**–28.8**	–36.1
Transactions with shareholders	**–3,086.6**	**60.0**	**3,026.6**	**–32.5**	-
thereof					
Paid interest Hybrid I	-	-	-	-	-
Interest from Hybrid III	-	-	-	–32.5	-
Change of legal form	–3,086.6	60.0	3,026.6	-	-
Planned payment of Hybrid interest	-	-	-	-	-
As per 31.12.2011	**-**	**60.0**	**3,026.6**	**–61.3**	0.0

of Hapag-Lloyd Holding							
Actuarial gains and losses	Translation reserve	Cumulative other equity	Hybrid capital	Total	Hybrid capital	Non-controlling interests	Total equity
		(19)	(20)		(20)	(21)	
–6.0	–223.6	**–229.6**	**697.7**	**2,451.0**	**314.1**	**0.4**	**2,765.5**
–9.4	201.2	**227.9**	**-**	**638.5**	**17.0**	**–0.1**	**655.4**
-	-	**-**	**–340.1**	**353.0**	**–331.1**	**-**	**21.9**
-	-	-	-	353.0	-	-	353.0
-	-	-	–350.0	-	-	-	-
-	-	-	1.2	-	-	-	-
-	-	-	8.7	-	-	-	-
-	-	-	-	-	–331.1	-	–331.1
–15.4	–22.4	**–1.7**	**357.6**	**3,442.5**	**-**	**0.3**	**3,442.8**
–8.3	96.0	**51.6**	**-**	**22.8**	**-**	**-**	**22.8**
-	-	**-**	**–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**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows of Hapag-Lloyd Holding AG for the period 1 January to 31 December 2011

Million EUR	Notes	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Group profit/loss		–28.8	427.5
Depreciation, amortisation and impairment (+) / write-backs (–)		285.8	318.2
Other non-cash expenses (+) / income (–)		28.4	–11.0
Interest expenses (excl. interest expenses relating to pension obligations)		108.4	137.2
Profit (–) / loss (+) from hedges of financial liabilities		–12.7	15.9
Profit (–) / loss (+) from disposals of non-current assets		–21.0	–6.1
Income from dividends (–)		–19.9	–9.6
Increase (–) / decrease (+) in inventories		–55.5	–42.1
Increase (–) / decrease (+) in receivables and other assets		2.9	–136.5
Increase (+) / decrease (–) in provisions		–31.2	–19.1
Increase (+) / decrease (–) in liabilities (excl. financial liabilities)		–12.6	–10.3
Cash inflow/outflow from operating activities	(27)	**243.8**	**664.1**
Payments received from disposals of property, plant and equipment and intangible assets		24.1	14.6
Payments received from disposals of other non-current assets		11.9	13.3
Dividends received		31.1	30.1
Payments made for investment in property, plant and equipment and intangible assets		–261.9	–502.2
Payments made for investment in other non-current assets		0.0	–3.2
Cash inflow/outflow from investing activities	(28)	**–194.8**	**–447.4**

Million EUR	Notes	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Payments received from outstanding capital contributions		-	142.5
Payments made from Hybrid capital		–4.3	–331.6
Payments received from the raising of financial liabilities		516.9	882.4
Payments made for redemption of financial liabilities		–543.5	–439.0
Interest paid		–106.4	–132.6
Payments received (+) and made (–) from hedges for financial liabilities		7.0	–15.9
Cash inflow/outflow from financing activities	(29)	**–130.3**	**105.8**
Net change in cash and cash equivalents		**–81.3**	**322.5**
Cash and cash equivalents at beginning of period		**751.8**	**413.3**
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		1.9	16.0
Net change in cash and cash equivalents		–81.3	322.5
Cash and cash equivalents at the end of the period	(30)	**672.5**	**751.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

General comments

As of 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 trade register.

Hapag-Lloyd Holding AG (hereinafter "the Company" or Hapag-Lloyd Holding) domiciled in Hamburg, Ballindamm 25, is a German corporation registered in the trade register 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 of 31 December 2011 were Hamburgische Seefahrtsbeteiligung "Albert Ballin" GmbH & Co. KG with a stake of 61.6% and TUI-Hapag Beteiligungs GmbH with 38.4%. No shareholder was able to exert a controlling influence on the Group during the financial year 2011. 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 2011.

The consolidated statements were prepared in euros (EUR). Unless otherwise stated all amounts of the business year are reported in million euros (million EUR).

The Supervisory Board is expected to approve the 2011 consolidated financial statements on 21 March 2012 for publication in the electronic Federal Gazette.

Segment reporting
As the company as at 31 December 2011 neither traded debt instruments nor equity instruments in a public market nor had presented the consolidated financial statements for the purpose of emission of instruments to a regulatory authority, there was no obligation for the preparation of a segment reporting as per 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 financial position and results of operations of the Hapag-Lloyd Group, unless otherwise stated:

- IAS 24: Related Party Disclosures
- Amendment to IAS 32: Classification of Rights Issues
- Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures
- IFRIC 14: Prepaid Contributions in the Context of Minimum Funding Requirements
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
- Improvements of IFRS 2010

Due to the revision of IAS 24 *“Related party disclosures”* the definition of related companies and individuals was fundamentally amended. Relief provisions regarding “government-related entities” of sections 25 to 27 have already been applied ahead of schedule by the Hapag-Lloyd Group as per the financial statements of the business year 2010. These regulations exempt from full disclosure of transactions with national institutions or companies; only the name of the national institution or company and the nature of its relationship with the reporting entity as well as significant transactions have to be stated.

IAS 32 regarding *classification of rights* issues has been changed such that rights, options and warrants on a fixed number of own instruments for a fixed amount of any currency must be classified as equity instruments as long as they are offered pro rata to all existing owners of the same class.

The amendment of IFRIC 14 *“Prepaid contributions in the context of minimum funding requirements”* relate to pension plans which include a minimum funding requirement and for which the company pays contributions in advance. The economic benefit from these prepayments, which reduce future premium payments due to the minimum funding requirements, is capitalised as an asset.

The new interpretation of IFRIC 19 regarding *extinguishing financial liabilities with equity instruments* regulates the accounting requirements of the debtor, if renegotiated terms result in financial liabilities to be settled in full or partially by issuance of own equity instruments and if the creditor is an unrelated third party. The equity instruments are to be measured at fair value and the difference to the carrying amount of the settled liability is to be recorded affecting income.

Within the improvements of IFRS 2010 several smaller changes were made to IFRS. These relate to IFRS 1 in terms of the use of the re-evaluation basis for acquisition and production costs; to IFRS 3 in terms of transitional regulations for contingent purchase price payments of business combinations, the assessment of non-controlling interests as well as the accounting of share based premiums not replaced or voluntarily replaced; to IFRS 7 in connection with details of type and scope of risks from financial instruments; to IAS 1 regarding equity reconciliation; to IAS 27 with amended rules for application regarding IAS 21, 28 and 31; notes to the significant business transactions according to IAS 34 and the measurement of premium credit of IFRIC 13.

The following standards that were adopted, amended or newly issued by the IASB at the time these consolidated statements were prepared, were not yet mandatory in the financial year 2011:

Standard/Interpretation		Mandatory application as per	Adopted by EU Commission
IFRS 7	Amendment to IFRS 7: Financial Instruments Disclosures	1.7.2011	yes
IAS 1	Amendment to IAS 1: Presentation of Items of OCI	1.7.2012	no
IAS 12	Amendment to IAS 12: Deferred Taxes, Recovery of Underlying Assets	1.1.2012	no
IAS 19	Amendment to IAS 19: Employee Benefits	1.1.2013	no
IAS 27	New version of IAS 27: Separate Financial Statements	1.1.2013	no
IAS 28	New version of IAS 28: Investments in Associates and Joint Ventures	1.1.2013	no
IAS 32	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	no
IFRS 1	Amendment to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates	1.7.2011	no
IFRS 9	Financial Instruments	1.1.2015	no
IFRS 9	Amendment to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures	1.1.2015	no
IFRS 10	Consolidated Financial Statements	1.1.2013	no
IFRS 11	Joint Arrangements	1.1.2013	no
IFRS 12	Disclosure of Interests in Other Entities	1.1.2013	no
IFRS 13	Fair Value Measurement	1.1.2013	no
IFRIC 20	Stripping costs in the Production Phase of a Surface Mine	1.1.2013	no

These are regulations which will not be mandatory until the financial year 2012 or later. The Company does not plan an early application. Unless stated otherwise, the effects are currently being reviewed.

EU endorsement has been given

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.

EU endorsement still pending

Due to the amendment of 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 with regard to 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 of IAS 19 *Employee Benefits* mainly concerns effects on the recognition and assessment of actuarial gains and losses for defined benefit plans and termination benefits. Furthermore, interest on funded pension plans may in the future only be assessed based on the current standard discount rate for pension obligations. In addition, there are expanded disclosure requirements for employee benefits.

As a result of the consolidation process of IASB, 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*. The main aspect is the introduction of a uniform consolidation model that is based on the control of the subsidiary by the parent company.

The new version of 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*. Since IAS 27 now only contains regulations for separate financial statements, it was renamed to IAS 27 *Separate Financial Statements* (amended 2011).

The application of IAS 28: *Investments in Associates and Joint Ventures* was expanded to include the accounting for joint ventures. Further amendments to IAS 28 are mainly concerned with regulations on partial sales of associated companies or joint ventures for which the assets held for sale must be disclosed as per IFRS 5 if classification prerequisites are met and the remaining assets are accounted for using the equity method up until the sale is finalised (so-called “split accounting”). If the remaining assets constitute an associated company even after the sale, the equity method must continue to be used; otherwise the remaining participation must be accounted for based on IFRS 9 *Financial Instruments*. In addition, previous exemptions from the application of IAS 28 regarding, for example, venture capital organisations or mutual funds, were lifted; however, shares held in these companies can now either be assessed using fair value or the equity method.

Prerequisites contained in IAS 32 regarding netting were made more concrete through additional application guidelines. On 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 of 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, 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 since the fixed effective date 1 January 2004 was replaced by "time of transition to IFRS".

The new IFRS 9 *Financial Instruments* fundamentally changes the previous regulations concerning classification and assessment of financial assets and financial liabilities. As part of the last amendment regulations of IAS 39 concerning write-offs were kept unchanged. A decision on the recognition by the EU is currently still pending. On 16 December 2011 the mandatory application of IFRS 9 was postponed to periods beginning on or after 1 January 2015 and exemptions were drafted under which a company may provide additional information in the notes rather than adjust prior year figures for the transition to IFRS 9. Additional notes required according to IFRS 9 were added as an amendment to IFRS 7.

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 assessments of the asset must be performed.

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 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, examined for their recoverable value and, in the event of impairment, 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 from 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 with no effect on net 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 cases of companies accounted for using the equity method, they are eliminated in accordance with the Group’s shareholding in the respective company. Deferred taxes are reported for consolidation measures with an impact on income taxes.

The share of Group profit and subsidiaries’ equity which are attributable to non-controlling interests are 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 as equity with no effect on income. 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 as equity with no effect on income.

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	
31.12.2010	5	44	2	3	54
Additions	-	2	-	-	2
Disposals	1	1	-	-	2
31.12.2011	4	45	2	3	54

As of 1 January 2011 “Albert Ballin“ Terminal Holding GmbH, Hamburg, is no longer part of the group of consolidated companies due to its merger with Hapag-Lloyd AG, Hamburg. Furthermore, Hapag-Lloyd Nederland B.V., Rotterdam, was liquidated during the first half of 2011.

Due to commencing their operative businesses, Hapag-Lloyd Guatemala S.A., Guatemala City, as well as Hapag-Lloyd Special Finance Ltd., Dublin, were consolidated for the first time as at 28 February 2011 and as at 30 April 2011 respectively.

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 holds 49.9% of 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 fiscal year with a balance sheet date of 31 March. All other companies have corresponding fiscal years with Hapag-Lloyd Holding.

A complete list of the subsidiaries and associated companies in the Hapag-Lloyd Holding Group is provided in Note (39).

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 subgroup) 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 subgroup are translated to euro

at the exchange rate applicable as at the balance sheet date (closing rate). Expenses, income and earnings shown in cash flow and consolidated income statements are translated at the average exchange rate for the reporting period. The resulting differences are recorded directly in other comprehensive income.

Transactions in foreign currency are recorded at the applicable exchange rate as at the date of the transaction. As of the balance sheet date monetary items are translated at the closing rate at year end, non-monetary items are translated at the historic rate. Any differences arising during translation are recognised in a manner affecting earnings. Exceptions are profits and losses that must be recorded as qualified cash flow hedges as part of other comprehensive income.

Profits and losses due to exchange rates that are in connection with transport services are recorded in both sales and transport expenses. Other profits 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	
	31.12.2011	31.12.2010	**2011**	2010
US dollars	1.2937	1.3386	1.3919	1.3268
British pounds sterling	0.8369	0.8618	0.8680	0.8582
Canadian dollars	1.3197	1.3360	1.3761	1.3665
Swiss francs	1.2164	0.9403	1.2311	0.8845
Hong Kong dollars	10.0510	7.7692	10.8346	7.7840
Singapore dollars	1.6816	1.7165	1.7493	1.8080
Japanese yen	100.1000	108.8200	110.8757	116.4551
Chinese renminbi	8.1625	6.3008	8.9965	6.4635

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 (26) 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. Intangible assets acquired in return for payment are carried 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 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 line 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 case of Group-internal financing is 9.31% p.a. for the current financial year and 6.42% 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:

	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 amounts 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).

There are no finance lease agreements in the Hapag-Lloyd Holding Group.

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 lease, the respective leasing object is still recorded and depreciated as planned in the consolidated financial statements. Lease income from operating leases is recorded straight-line in revenue or other operating income over the term of the respective contract.

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, the recoverable amount 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 Board of Directors 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 trend in global container shipping are obtained while the plans are being prepared and are adjusted and supplemented with experiences and assessment from the Group's own competitive position on its own shipping routes. IHS Global Insight, at the time of the planning, expected an increase of global container traffic for 2012 by 6.8% and between 5.9 and 6.6% for the following years. Additionally, it is expected that freight rates will only increase slightly facing an increase in transport costs and bunker prices.

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 of 4.25% (prior year 4.5%) and a risk premium. 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% (prior year 1.0%) was taken into consideration. The weighted average cost of capital after income taxes which is used for discounting purposes is 8.88% (prior year 9.41%) for the planning period and, as a result of the growth discount, 7.88% (prior year 8.41%) 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.

Within the performed impairment test the respective results were verified using a sensitivity analysis. For the sensitivity analysis different capitalisation rates were used in ranges. There was no need for impairment when applying a capitalisation rate of 11.1%. 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 (EBITDA) in the period thereafter was performed in the context of a cash flow determination. A decrease in EBITDA of approx 30% in the period thereafter did not result in a need for impairment.

As per balance sheet date fair values less sales costs exceeded carrying amounts, considering both plan and sensitivity analysis, so that no impairment needed to be recorded on the level of the cash-generating unit.

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 write-back were reviewed. As a result of this write-back, values for two ships held for sale were increased in the amount of EUR 1.3 million (2010: EUR 3.0 million). In 2011 there was no need for impairment (2010: EUR 3.9 million).

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. On the other hand, 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 irrecoverably 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 2011, 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 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 accounts receivable 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. Allowances are carried out for identifiable individual risks. Where default of a certain proportion of the receivables portfolio is probable, impairments are carried out to the extent that the carrying amount of a financial asset exceeds its recoverable amount. Indications for recognisable individual risks include for example a material deterioration of 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 write-backs are recorded in other operating expenses and income.

Impairments of trade receivables are, in part, recorded using an allowance account. The decision to record impairment either by using an allowance 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. Subsequent value increases (write-backs) effect net income. For the current business year no direct impairments on trade receivables were recorded.

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

Available-for-sale financial assets are non-derivative financial assets which are either explicitly allocated to this category individually or not able 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 equity with no effect on 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 subsequent write-back of the impairment recorded in the income statement, the impairment is not reversed but posted against equity with no effect on 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 liabilities 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 payables into the functional currency are generally recorded as an adjustment to the transport expenses. Currency differences arising from the translation of liabilities 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. Insofar as derivative financial instruments are not part of a hedge accounting relationship, they are classified as "held for trading" in accordance with IAS 39. The method used to record profits 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 relationship between the hedging instrument and the underlying transaction, 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 short-term or long-term 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 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.

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 in the consolidated income statement with effect on net income.

Hedge 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 balance sheet. 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 profits and losses from conversions of the underlying transactions and profits 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 selling costs. If the fair value less selling costs is below the carrying amount, impairment is recognised affecting net income. Subsequently, non-current assets held for sale are no longer regularly depreciated.

If the fair value less selling costs 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 industrial bonds. The industrial 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. They will not be recorded in future consolidated income statements, either.

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 equity with no effect on 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 costs 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 fulfill 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 from 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 balance sheet 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 are useable, i. e. recoverable, the tax-related budget of the group is consulted.

Deferred taxes are charged or credited directly to equity if the tax relates to items recognised directly in equity.

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

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 provider of regular shipping services, Hapag-Lloyd AG, the largest company in the Hapag-Lloyd Holding Group, has opted for taxation in accordance with tonnage tax. Tax liability for tonnage tax is not calculated using the actual profits but rather depends on net tonnage and operating days of the ship fleet of the company.

Current income taxes for the reporting period and for previous periods are measured as the amount at which their payment, or their reimbursement, by 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 refund 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

Setting up group financial statements according to 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. Leasing relationships in connection with ships are completely classified as operating leases.

For the differentiation of loan capital and equity according to IAS 32 Hybrid II capital was, as in the prior year, classified as equity.

For the valuation of provisions for pensions and similar obligations different possibilities for the recording of actuarial profits and losses exist. The Group records actuarial profits and losses according to IAS 19.93A immediately in other comprehensive income, not affecting net 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.

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 management regarding the future development, particularly in terms of the global economy. They are tagged with the uncertainty of every forecast. 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 allowance for doubtful receivables comprises to a great extent estimates and valuations of both individual and groups claims that are based on the respective creditworthiness of the customer, the current economic trend as well as the analysis of maturity structures and historic 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. Deviations of the actual trend from the budgeted trend can lead to adjustments of these amounts in future periods. Further explanations to 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 long-term provisions. For the maturities of the individual provision classes see Note (23).

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 provisions amount. For provisions for guarantee, warranty and liability risks there is a 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 the preparation of the group 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 2011 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.

EXPLANATORY NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

Revenue in the amount of EUR 6,103.2 million (2010: EUR 6,204.3 million) was primarily generated from the rendering of transport services amounting to EUR 6,039.2 million (2010: 6,105.0 million).

The revenue includes income of EUR 172.9 million (2010: EUR 160.7 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. 2011**	1.1.–31.12. 2010
Exchange rate gains	57.5	71.3
Income from the disposals of assets	21.0	4.6
Income from the reversal of provisions	15.2	17.8
Income from write-ups	1.3	3.0
Other income	24.3	34.5
Total	**119.3**	**131.2**

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

The income from the disposal of non-current assets results, in particular, from the sale of chassis and containers as well as one vessel. A building in Taiwan was also sold.

In the financial year, write-ups to container vessels were made amounting to EUR 1.3 million (2010: EUR 3.0 million).

(3) Transport expenses

Million EUR	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Cost of raw materials, supplies and purchased goods	1,295.5	1,063.0
Cost of purchased services	3,985.7	3,748.2
Total	**5,281.2**	**4,811.2**

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

The cost of purchased services encompasses port and terminal costs in the amount of EUR 1,562.5 million (2010: EUR 1,483.9 million), container transport costs in the amount of EUR 1,625.4 million (2010: EUR 1,563.8 million), chartering, leases and container rental in the amount of EUR 640.3 million (2010: EUR 538.9 million), maintenance and repair costs in the amount of EUR 126.2 million (2010: EUR 120.5 million) and other services in the amount of EUR 31.3 million (2010: EUR 41.4 million).

(4) Personnel expenses

Million EUR	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Wages and salaries	276.0	289.0
Social security costs, pension costs and other benefits	61.7	56.5
Total	**337.7**	**345.5**

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. 2011	1.1.–31.12. 2010
Marine personnel	1,207	1,168
Shore-based personnel	5,473	5,463
Apprentices	201	222
Total	**6,881**	**6,853**

(5) Depreciation, amortisation and impairment

Million EUR	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Scheduled amortisation/depreciation	287.0	317.3
Amortisation of intangible assets	67.2	75.9
Depreciation of property, plant and equipment	219.8	241.4
Impairment of intangible assets and property, plant and equipment	-	3.9
Total	**287.0**	**321.2**

Scheduled amortisation of intangible assets largely concerned advantageous contracts (2011: EUR 44.0 million; 2010: EUR 51.2 million).

Scheduled depreciation of property, plant and equipment was largely accounted for by ocean going vessels (2011: EUR 159.7 million; 2010: EUR 159.6 million), containers and container chassis (2011: EUR 53.5 million; 2010: EUR 75.4 million).

Impairment recognised for intangible assets and property, plant and equipment for the prior year results from the portfolio of ships held for sale, whose cash flows are largely determined by the budgeted sales proceeds in the planned sale process.

(6) Other operating expenses

Million EUR	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Exchange rate losses and bank charges	68.4	89.4
EDP costs	56.6	46.8
Commissions	31.5	28.1
Rental and lease expenses	23.8	29.1
Expenses for charges, fees, consultancy and other professional services	16.3	20.7
Other taxes	13.7	11.4
Other social security expenses	12.7	11.3
Administrative expenses	10.8	10.5
Other operating expenses	34.9	35.9
Total	**268.7**	**283.2**

The exchange rate losses from currency items in the amount of EUR 63.2 million (2010: EUR 83.5 million) mainly contain losses from exchange rate fluctuations between origination date and payment date of assets and liabilities as well as losses resulting from the evaluation as at balance sheet date.

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 contains changes in the fair values of derivative financial instruments amounting to EUR -5.9 million (2010: EUR -22.9 million) as well as a discount for the amount of EUR 18.3 million resulting from the early repayment of the shareholder loan with TUI Hapag Beteiligungs GmbH and current income from the disposal of available-for-sale financial assets amounting to EUR 0.1 million (2010: EUR 0.1 million).

(8) Interest result

The interest result was as follows:

Million EUR	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Interest income	10.2	7.6
Interest income from fund assets for the financing of pensions and similar obligations	5.0	4.0
Other interest and similar income	5.2	3.6
Interest expenses	117.5	145.9
Interest expenses from the valuation of pensions and similar obligations	8.8	8.1
Other interest and similar expenses	108.7	137.8
Total	**–107.3**	**–138.3**

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

Other interest and similar expenses mainly comprise interest for bank loans and shareholder loans as well as fees for guarantees. In the previous year one-time expenses for fees incurred in connection with the 2009 application for a government guarantee, state-guaranteed loan and standstill agreement were included. These financings were ended or returned during 2010.

(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 prior year, a corporate income tax rate of 15% as well as the solidarity surcharge of 5.5% on the corporate income tax applies. Additionally, these companies as well as domestic companies in the legal form of partnership are subject to trade earnings tax, which for the years 2011 and 2010 is at 16.5% for the Group corresponding to the specific applicable municipal assessment rate. Furthermore, comparable income taxes are disclosed for foreign subsidiaries; in the Group for the years 2011 and 2010 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 balance sheet 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.

The income taxes were as follows:

Million EUR	1.1.–31.12. 2011	1.1.–31.12. 2010
Actual income taxes	5.3	9.4
thereof domestic	1.8	4.2
thereof foreign	3.5	5.2
Deferred tax income/expenses	–3.7	7.5
thereof from temporary differences	4.2	1.7
thereof from loss carry-forwards	–7.9	5.8
Total	**1.6**	**16.9**

Tax income relating to other periods in the amount of EUR 1.1 million (2010: EUR 0.1 million) is included in the current taxes from income and earnings.

For domestic companies subject to corporate income tax, a combined income tax rate of currently 32.3% respectively 19.1% (2010: 32.3%) was used to calculate the deferred taxes. The combined income tax rate takes into account corporate income tax of 15% (2010: 15.0%), solidarity surcharge of 5.5% of corporate income tax (2010: 5.5%) and trade earnings tax of 16.5% (2010: 16.5%) or 3.3% as far as it relates to income from vessels operations in international transport. In the previous year the parent company of Hapag-Lloyd Holding Group, as a partnership, was not subject to corporate income tax. The resultant tax rate for calculating its deferred taxes for the previous year was therefore 16.5%.

For foreign-based companies, the tax rates of the country in question were used to cal-culate the deferred taxes. The income tax rates applied for foreign-based companies for the financial year 2011 ranged from 16.5% to 42.1% (2010: 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 earnings, as the bulk of the Group’s earnings were generated by Hapag-Lloyd AG.

Million EUR	1.1.–31.12. 2011	1.1.–31.12. 2010
Earnings before income taxes	–27.2	444.4
Expected income tax expense (+) /income (–) (tax rate 32.3%)	**–8.8**	**143.4**
Difference between the actual tax rates and the expected tax rates	3.0	9.0
Effects of income not subject to income tax	12.6	–143.1
Non-deductible expenses and trade tax additions and reductions	5.5	1.5
Adjustments to recognition of deferred taxes	–5.8	1.3
Effective tax expenses and income relating to other periods	–1.1	0.1
Tax effect from equity-accounted investees	–5.3	–0.8
Exchange rate differences	2.3	5.3
Other differences	–0.8	0.2
Reported income tax expense (+) / income (–)	**1.6**	**16.9**

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

The effects from income not subject to income tax comprise primarily the effects from tonnage tax. Tax liability for tonnage tax is not calculated using the actual profits but rather depends on net tonnage and operating days of the ship fleet of the company.

The adjustments to recognised deferred taxes include income of EUR 7.0 million in relation to capitalised loss carry-forwards previously not recognised. In 2011 the partial usability of loss carry-forwards could be sufficiently justified due to changed assumptions in contrast to the prior year in which the loss carry-forwards were not capitalised due to planned changes in the group structure. In addition expenses of EUR 1.2 million (2010: EUR 1.5 million) were recognised in relation to non-recognition of deferred taxes from loss carry-forwards.

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	**31.12.2011**		31.12.2010	
	Asset	**Liability**	Asset	Liability
Recognition and valuation differences for property, plant, and equipment and other non-current assets	2.2	8.7	2.6	5.8
Recognition differences for receivables and other assets	0.7	1.7	0.3	1.3
Valuation of pension provisions	3.9	0.1	2.9	0.2
Recognition and valuation differences for other provisions	1.5	-	3.1	0.0
Other transactions	4.5	0.0	3.7	0.0
Capitalised tax savings from recoverable loss carry-forwards	9.2	-	0.7	-
Netting of deferred tax assets and liabilities	–9.0	–9.0	–1.7	–1.7
Balance sheet recognition	**13.0**	**1.5**	**11.6**	**5.6**

The deferred tax income for the financial year results from the formation of deferred tax assets for loss carry-forwards in the amount of EUR 8.1 million (2010: EUR 0.3 million) and from temporary differences amounting to EUR 1.8 million (2010: EUR 4.1 million). In the financial year there were deferred tax expenses of EUR 6.0 million (2010: EUR 5.8 million) resulting from temporary differences and of EUR 0.2 million (2010: EUR 6.1 million) resulting from the reversal of deferred tax assets on loss carry-forwards.

Deferred tax assets recognised as other comprehensive income in the amount of EUR 2.6 million (2010: EUR 0.9 million) and deferred tax liabilities in the amount of EUR 0.1 million (2010: EUR 0.1 million) primarily result from the treatment of actuarial gains and losses in connection with the balance sheet reporting of pension obligations.

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 219.3 million (2010: EUR 192.7 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 balance sheet 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	**31.12.2011**	31.12.2010
Loss carry-forwards for which deferred tax assets were recognised	**55.8**	**2.5**
Loss carry-forwards for which no deferred tax assets were recognised	**143.5**	**180.7**
of which loss carry-forwards forfeitable within one year	0.5	0.2
of which loss carry-forwards forfeitable between 2 and 5 years	0.1	0.3
of which loss carry-forwards forfeitable in more than 5 years (excl. non-forfeitable loss carry-forwards)	0.7	0.6
Non-forfeitable loss carry-forwards	142.2	179.6
of which for trade income tax	19.6	30.4
of which interest carry-forwards	56.1	32.7
Total of unutilised loss carry-forwards	**199.3**	**183.2**

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 1.1.2010	642.5	286.8	348.7	174.9	73.5	3.3	1,529.7
Additions	-	-	-	-	0.7	0.3	1.0
Disposals	-	-	15.7	-	0.1	-	15.8
Transfers	-	-	-49.5	-	-	-	-49.5
Exchange rate differences	48.7	21.8	43.1	13.3	5.6	0.8	133.3
As per 31.12.2010	**691.2**	**308.6**	**326.6**	**188.2**	**79.7**	**4.4**	**1,598.6**
Accumulated amortisation							
As per 1.1.2010	-	9.6	35.6	-	7.8	-	53.0
Additions	-	13.8	51.2	-	10.9	-	75.9
Disposals	-	-	15.7	-	-	-	15.7
Transfers	-	-	-	-	0.0	-	0.0
Exchange rate differences	-	0.6	18.8	-	0.5	0.6	20.5
As per 31.12.2010	**-**	**24.0**	**89.9**	**-**	**19.2**	**0.6**	**133.7**
Carrying amounts 31.12.2010	**691.2**	**284.6**	**236.7**	**188.2**	**60.5**	**3.8**	**1,465.0**
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
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
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**

At the end of the financial year 2011 an impairment test was carried out for the entire cash-generating unit container shipping. 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 scheduled amortisation comprise the goodwill in the amount of EUR 707.3 million (2010: EUR 691.2 million) as well as the "Hapag-Lloyd" brand in the amount of EUR 194.7 million (2010: EUR 188.2 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 charter and leasing contracts as well as transport and delivery contracts.

The development costs for self-developed software which cannot be capitalised amounted to EUR 5.6 million (2010: EUR 4.0 million) and were recognised as expenses.

The decrease in goodwill compared to 31 December 2010 in the amount of EUR 16.1 million results from the development of the USD/EUR exchange rate (EUR 24.0 million) as well as from repayment of a cash deposit for sales collateral by TUI AG, Hanover (EUR 7.9 million), which was originally recorded as goodwill.

(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 1.1.2010	1,932.9	388.1	40.0	513.5	2,874.5
Additions	18.9	-	94.2	384.5	497.6
Disposals and reclassifi-cations to held-for-sale	4.8	3.6	3.5	-	11.9
Transfers	656.7	-	0.0	–607.2	49.5
Exchange rate differences	146.6	29.4	3.0	38.6	217.6
As per 31.12.2010	**2,750.3**	**413.9**	**133.7**	**329.4**	**3.627.3**
Accumulated depreciation					
As per 1.1.2010	111.0	62.6	5.3	-	178.9
Additions	159.6	75.4	6.4	-	241.4
Write-backs	3.0	-	-	-	3.0
Impairments	3.9	-	-	-	3.9
Disposals and reclassifi-cations to held-for-sale	1.6	0.6	1.5	-	3.7
Exchange rate differences	7.0	4.2	0.3	-	11.5
As per 31.12.2010	**276.9**	**141.6**	**10.5**	**-**	**429.0**
Carrying amounts 31.12.2010	**2,473.4**	**272.3**	**123.2**	**329.4**	**3,198.3**
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 reclassifi-cations to held-for-sale	29.5	15.0	14.6	-	59.1
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
Disposals and reclassifi-cations 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**

The property Ballindamm was capitalised in December 2010 for EUR 92 million. Land charges of EUR 43.4 million and EUR 18.6 million were registered in the land registry as collateral for the loan from Deutschen 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 2,525.4 million as at the balance sheet date (2010: EUR 2,484.5 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.

Disposals within the current financial year also include the reclassification of the ships held-for-sale according to IFRS 5 with a carrying amount of EUR 10.8 million as of 31 December 2011 (2010: EUR 3.1 million). This figure represents two vessels (2010: one vessel) that are to be sold in 2012.

In the financial year 2011 there was no capitalisation of directly attributable borrowing costs (2010: EUR 1.4 million). EUR 33.1 million (2010: EUR 19.0 million) in borrowing costs from general external financing were capitalised in the financial year. The weighted average borrowing costs for the general raising of borrowed funds (cost of debt) amounted to 9.31 % p. a. for the financial year 2011 (2010: 6.42% p. a.).

(12) Investments in equity-accounted investees

Million EUR	2011	2010
Share as of 1.1.	**324.8**	**325.0**
Pro-rata share of earnings after taxes	18.1	27.7
Dividend payments	–30.1	–28.1
Exchange rate differences	3.1	0.2
Share as of 31.12.	**315.9**	**324.8**

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

No impairment losses are included in the proportionate equity result.

Proportionate losses of EUR 1.8 million (2010: EUR 2.0 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 1.6 million (2010: EUR 3.4 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 balance sheet 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	**31.12.2011**	31.12.2010
Revenue	373.0	334.1
Profit/loss	66.5	56.5

Balance sheet information

Million EUR	**31.12.2011**	31.12.2010
Assets	659.1	665.2
Liabilities	545.4	520.6

(13) Trade accounts receivable and other assets

Million EUR	**31.12.2011**		31.12.2010	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Trade accounts receivable	419.6	-	401.5	-
thereof from third parties	418.7	-	399.4	-
thereof from affiliated non-consolidated companies	0.0	-	0.1	-
thereof from investments	0.9	-	2.0	-
Other assets	150.3	43.8	130.6	20.5
Other assets and prepaid expenses	127.9	38.6	102.4	14.5
Claims arising from the refund of other taxes	22.2	5.0	28.0	5.8
Available-for-sale financial assets	0.2	0.2	0.2	0.2
Total	**569.9**	**43.8**	**532.1**	**20.5**

Within the framework of ship financing there are, as at 31 December 2011, assignments of earnings of a type customary on the market for 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 financial year 2011, 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
31.12.2010							
Trade accounts receivable	401.5	275.4	104.2	15.8	4.5	0.8	0.8
Other assets	29.3	29.3	-	-	-	-	-
Total	**430.8**	**304.7**	**104.2**	**15.8**	**4.5**	**0.8**	**0.8**
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**

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	**2011**	2010
Impairment allowances as of 1.1.	**20.5**	**18.5**
Additions	6.2	14.6
Utilisation	13.8	11.2
Release	0.7	2.6
Exchange rate differences	0.7	1.2
Impairment allowances as of 31.12.	**12.9**	**20.5**

In the financial year there were cash inflows of EUR 0.1 million (2010: EUR 0.4 million) from impaired trade accounts receivable.

(14) Derivative financial instruments

Million EUR	**31.12.2011**		31.12.2010	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Receivables from derivative financial instruments	64.0	46.9	122.2	36.9
thereof derivatives with hedge accounting applied	17.1	-	80.7	-
thereof derivatives with hedge accounting not applied	46.9	46.9	41.5	36.9

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 description of the derivative financial instruments follows within the explanation of the financial instruments (Note (26)).

(15) Inventories

The inventories were as follows:

Million EUR	**31.12.2011**	31.12.2010
Raw materials and supplies	208.7	144.0
Total	**208.7**	**144.0**

The raw materials and supplies were primarily fuel and lubricating oil (EUR 205.4 million; 2010: EUR 141.6 million).

In the reporting period, impairments of fuel inventories in the amount of EUR 0.7 million (2010: EUR 0.04 million) were recognised as expenses. No write-backs were recognised.

(16) Cash and cash equivalents

Million EUR	**31.12.2011**	31.12.2010
Securities	0.5	0.5
Cash at bank	666.7	745.5
Cash in hand and cheques	5.3	5.8
Total	**672.5**	**751.8**

As at 31 December 2011, as in the previous year, cash and cash equivalents were not subject to any restrictions.

(17) Non-current assets held for sale

A vessel with a carrying amount of EUR 3.1 million, which due to the existing intent to sell was recorded as a non-current asset held for sale as at 31 December 2010 according to IFRS 5, has been sold during the first quarter of 2011. This resulted in a profit of EUR 0.5 million.

Furthermore, the Executive Board of Hapag-Lloyd AG has agreed to the sale of two other vessels in 2012. Pursuant to IFRS 5, assets with a carrying amount of EUR 10.8 million were reclassified as non-current assets held for sale.

(18) Subscribed capital, capital reserves and retained earnings

The paid-in limited liability capital of the Hapag-Lloyd Holding (formerly “Albert Ballin“ Holding GmbH & Co. KG) amounted to EUR 3,086.6 million as per reporting date 31 December 2010. The increase in 2010 was partially due to receiving the outstanding capital contributions totaling EUR 142.5 million on 29 January 2010. Additionally, financial liabilities in the amount of EUR 353.0 million were brought in as non-cash contribution as per 31 March 2010 and EUR 348.8 million of Hybrid I capital was transferred to the capital reserves of the limited liability capital as per 30 December 2010. Capital provided by limited partners of “Albert Ballin“ Holding was to be classified as cancellable financial instruments according to IAS 32. Capital provided by limited partners was not cancelled.

As of 31 March 2011 “Albert Ballin“ Holding GmbH & Co. KG was converted and renamed to Hapag-Lloyd Holding AG with a share capital of EUR 60 million by change of its legal form. The share capital is divided into 60 million registered no-par bearer shares with equal rights in terms of votes and dividends.

The former paid-in limited liability capital of EUR 3,026.6 which exceeded share capital has been transferred to capital reserves.

Retained earnings includes 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 amount to EUR 0.0 million as of 31 December 2011 (2010: EUR 36.1 million).

The reserve for actuarial gains and losses (2011: EUR –23.7 million; 2010: EUR –15.4 million) results from actuarial gains and losses, recognised without affecting net 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 96.0 million (2010: EUR 201.2 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 2011 amounted to EUR 73.6 million (2010: EUR –22.4 million).

(20) Hybrid capital

Of the existing Hybrid capital as at 31 December 2009 of TUI-Hapag Beteiligungs GmbH with Hapag-Lloyd Holding in the nominal amount of EUR 700.0 million, EUR 350.0 million were converted to limited liability capital in connection with a debt waiver as per 30 December 2010. The Hybrid capital was interest bearing from 1 October 2010 at 5% p.a. Interest not yet paid out as at 31 December 2010 increased the Hybrid capital by EUR 8.7 million. During the reporting year 2011 EUR 4.3 million were repaid as per resolution. As at 31 December 2011 the Hybrid capital of TUI Hapag Beteiligungs GmbH at Hapag-Lloyd Holding amounted to EUR 350.0 million and was interest-bearing at 13.5% p.a.

Interest paid on 2 January 2012 in the amount of EUR 36.9 million had already been reclassified as other liabilities as of 31 December 2011.

The Hybrid capital as of 31 December 2009 of Hamburgischen Seefahrtsbeteiligung “Albert Ballin“ GmbH & Co. KG as well as of TUI-Hapag Beteiligungs GmbH with “Albert Ballin“ Terminal Holding GmbH in the nominal amount of EUR 314.1 million was fully repaid in 2010 including interest of an additional EUR 17.0 million.

Since as at 31 December 2011 the agreements regarding the Hybrid capital neither limit the term nor require a payment of a current fee, the remaining Hybrid capital as of balance sheet date is classified as equity and disclosed separately in compliance with regulation IAS 32, as was the case in the previous year. We refer to note (38) for information on the shareholders' repayment of EUR 100 million Hybrid capital as per resolution from February 2012 as well as on the investment of the remaining Hybrid capital against shares of Hapag-Lloyd Holding AG.

(21) Non-controlling interests

Non-controlling interests (2011: EUR 0.3 million; 2010: EUR 0.3 million) relate solely to foreign subsidiaries of the Group.

(22) Provisions for pensions and similar obligations

Defined benefit pensions plans

The financing status and the pension provision are determined as follows:

Million EUR	**31.12.2011**	31.12.2010	31.12.2009	31.12.2008*
Net present value of defined benefit obligations	198.1	180.2	153.9	-
Less fair value of plan assets	88.2	83.0	69.6	-
Financing status	**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)	**109.9**	**97.2**	**84.2**	**-**
thereof recorded in other assets	-	-	-	-
thereof recorded in provisions for pensions and similar obligations	109.9	97.2	84.2	-

* This information is available starting with financial year 2008 since the group only came into existence on 9 October 2008.

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

Million EUR	**31.12.2011**	31.12.2010
Net present value of defined benefit obligations as at 1.1	**180.2**	**153.9**
Current service cost	4.7	4.5
Interest expenses	8.8	8.1
Contributions by plan participants	1.3	0.4
Actuarial losses	8.3	11.1
Past service cost/(income)	–0.6	2.9
Plan settlements	-	0.1
Benefits paid	–5.3	–6.1
Exchange rate differences	0.7	5.3
Net present value of defined benefit obligations as at 31.12.	**198.1**	**180.2**
thereof funded	91.3	84.0
thereof non-funded	106.8	96.2
Fair value of plan assets as at 1.1.	**83.0**	**69.6**
Expected return on plan assets	5.0	4.0
Actuarial (gains)/losses	–1.3	2.5
Actual income/(expenses) from plan assets	3.7	6.5
Employer contributions	3.6	4.2
Contributions by plan participants	1.3	0.4
Plan settlements	-	–0.3
Benefits paid	–2.5	–2.8
Exchange rate differences	–0.4	4.5
Reclassification	–0.5	0.9
Fair value of plan assets as at 31.12.	**88.2**	**83.0**
thereof dividend carrying shares	19.8	23.3
thereof bonds	47.5	42.1
thereof pension plan reinsurance	9.5	9.8
thereof property, plant and equipment	5.6	1.1
thereof cash	1.4	1.1
thereof other	4.4	5.6

The obligations of the defined benefit plan in Taiwan were compensated in the financial year 2010. Since then employees are covered by a defined contribution plan.

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

The net pension expenses/(income) were as follows:

Million EUR	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Current service cost	4.7	4.5
Interest expenses	8.8	8.1
Expected return on plan assets	–5.0	–4.0
Past service cost	–0.6	2.9
Current net service cost/(income)	**7.9**	**11.5**
Net pension expenses/(income)	**7.9**	**11.5**

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. 2011**	1.1.–31.12. 2010
Personnel expenses	4.1	7.4
Interest result	3.8	4.1
Total	**7.9**	**11.5**

The closing date for the valuation of the pension obligations and the plan assets is generally 31 December. The closing date for the valuation of the 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 years of service.

The following valuation factors were used to calculate national pension obligations:

%-Points	**31.12.2011**	31.12.2010
Discount factors	4.50	4.70
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.

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

%-Points	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Discount factors	4.70	5.20
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	2.00

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

%-Points	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Discount factors for pension obligations		
– United Kingdom	4.70	5.40
– The Netherlands	4.50	4.70
– Canada	4.40	4.75
Expected long-term rate of return on plan assets		
– United Kingdom	5.40	6.70
– The Netherlands	2.50	6.00
– Canada	4.00	5.00

The discounting factors for the pension plans are determined annually as of 31 December on the basis of first-rate industrial bonds with maturities and values matching those of the pension payments. An index based on 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 of 31 December 2011 or 31 December 2010 respectively, can be seen in the following table:

Million EUR	**31.12.2011**	31.12.2010
Net present value of obligations	0.6	2.4
Fair value of plan assets	1.3	–2.5

The amount disclosed in other comprehensive income of actuarial gains and losses from defined benefit obligations before tax on 31 December 2011 and before consideration of deferred tax amounts to EUR –9.8 million (2010: EUR 8.9 million). The cumulative amount for actuarial gains and losses recorded in other comprehensive income, after taxes, totals EUR –23.7 million as at 31 December 2011 (2010: EUR –15.4 million).

For 2012, the Group is planning to make payments amounting to EUR 4.6 million (2011: EUR 4.4 million) into pension plan assets. Payments for unfunded pension plans are anticipated in the amount of EUR 2.4 million in 2012 (2011: 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 2011, expenses incurred in connection with defined contribution pension plans totaled EUR 14.8 million (2010: EUR 15.2 million).

The amount includes an expense of EUR 3.4 million (2010: EUR 2.6 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 by 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 contribution plan since then. Due to past contribution claims and refunds in connection with this plan a net liability of EUR 0.9 million (2010: EUR 0.9 million) is disclosed.

(23) Other provisions

Other provisions developed as follows in the financial year:

Million EUR	**As per 1.1.2010**	Reclassi-fication	Utilisation	Release	Addition	Exchange rate differences	**As per 31.12.2010**
Guarantee, warranty and liability risks	62.2	-	3.7	8.2	15.6	4.7	70.6
Risks from pending transactions	117.1	-	56.7	0.0	0.0	8.9	69.3
Personnel costs	31.5	–3.0	18.7	2.8	52.6	1.9	61.5
Insurance premiums	8.7	-	1.2	0.1	4.1	0.6	12.1
Provisions for other taxes	1.5	0.8	0.6	0.0	2.1	0.1	3.9
Restructuring	9.1	-	5.9	2.3	0.9	0.7	2.5
Other provisions	31.3	6.3	7.4	5.7	8.8	2.8	36.1
Other provisions	**261.4**	**4.1**	**94.2**	**19.1**	**84.1**	**19.7**	**256.0**

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**

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 with regard to the purchase price allocation of the purchase of Hapag-Lloyd AG and its subsidiaries in 2009 relate to identified existing contracts 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 insurances; the insurance contracts were 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 particularly include provisions for fees from a new financing contract for building new vessels (EUR 19.2 million; 2010: EUR 0.0 million), provisions for country-specific risks (EUR 18.0 million; 2010: EUR 15.7 million), archiving provisions (EUR 3.5 million; 2010: EUR 3.7 million) as well as provisions for audit and advisory fees (EUR 1.0 million; 2010: EUR 0.9 million).

The increase of the discounted amount during the financial year due to the passage of time is irrelevant. Discounted provisions increased during the reporting year due to a change in the discount rate by EUR 1.3 million (2010: EUR 0.5 million).

The maturities of the other provisions are as follows:

Million EUR	**31.12.2011**		31.12.2010	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Guarantee, warranty and liability risks	74.3	32.8	70.6	33.9
Risks from pending transactions	61.2	50.8	69.3	59.1
Personnel costs	43.0	8.3	61.5	5.4
Insurance premiums	12.0	-	12.1	-
Provisions for other taxes	2.6	-	3.9	-
Restructuring	0.9	0.5	2.5	1.1
Other provisions	45.5	17.7	36.1	4.1
Other provisions	**239.5**	**110.1**	**256.0**	**103.6**

The remaining term of long-term other provisions generally does not exceed five years with the exception of parts of the provisions for risks from pending transactions in the amount of EUR 8.9 million (2010: EUR 18.7 million).

(24) Financial liabilities

Million EUR	**31.12.2011**				31.12.2010			
		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	1,239.1	209.0	737.1	293.0	1,053.6	206.9	539.6	307.1
Bonds	655.9	–3.3	467.2	192.0	646.8	–2.6	466.6	182.8
Other financial liabilities	1.5	1.5	-	-	177.1	–0.7	177.8	-
Total	**1,896.5**	**207.2**	**1,204.3**	**485.0**	**1,877.5**	**203.6**	**1,184.0**	**489.9**

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 liabilities by currency exposure:

Million EUR	**31.12.2011**	31.12.2010
Financial liabilities denoted in USD (before IFRS adjustments)	1,273.6	1,052.7
Financial liabilities denoted in EUR (before IFRS adjustments)	646.5	856.6
Interest payable	22.1	17.3
Accounting for transaction costs	–45.7	–49.1

Liabilities to banks mainly comprise loans to finance the existing fleet of vessels. The existing fleet financing was transferred to a new financing to optimise financing and maturity structures. The new financing amounts to EUR 355.6 million having the value date 31 December 2011 and a term until 2016.

Additionally, liabilities due to banks include loans from the original container financing in the amount of EUR 42.1 million, a loan from the new container financing in 2011 in the amount of EUR 112.3 million as well as liabilities from the programme established in 2011 in connection with the securitisation of receivables in the amount of USD 100 million (EUR 77.3 million).

The loan for the original container financing is connected with a container lease agreement which, in accordance with SIC-27 Evaluating the Substance of Transactions Involving 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. Accordingly, the containers are still being reported and amortised in the Group. Interest for the loan is recognised as interest expense in the amount of EUR 3.6 million (2010: EUR 8.9 million).

Significant elements of the liabilities to banks are collateralised with ship mortgages as well as trade receivables.

A shareholder loan including interest was repaid to TUI-Hapag Beteiligungs GmbH with value date 8 April 2011 and totaling EUR 165.7 million. A discount of EUR 18.3 million was granted.

On 11 November 2011 Hapag-Lloyd agreed to the restructuring of the existing financial structure with a syndicate of national and international banks. Furthermore, a reduction of the previously unutilised revolving credit facility was agreed from the original amount of USD 360 million to USD 95 million (EUR 73.4 million). This available liquidity reserve may be utilised up to the originally agreed date 1 October 2013.

(25) Trade accounts payable and other liabilities

Million EUR	**31.12.2011**				31.12.2010			
		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
Trade accounts payable	791.8	791.8	-	-	752.1	752.1	-	-
thereof to third parties	779.7	779.7	-	-	749.1	749.1	-	-
thereof to investments	12.1	12.1	-	-	3.0	3.0	-	-
Other liabilities	145.9	140.1	4.6	1.2	129.1	123.8	4.3	1.0
Other liabilities to affiliated non-consolidated companies	0.2	0.2	-	-	0.2	0.2	-	-
Other liabilities to investments	36.9	36.9	-	-	6.8	6.8	-	-
Other liabilities and deferred income	23.3	20.2	2.7	0.4	35.4	33.0	2.2	0.2
Other liabilities from other taxes	3.4	3.4	-	-	6.9	6.9	-	-
Other liabilities as part of social security	9.2	6.7	1.9	0.6	8.2	5.3	2.1	0.8
Other liabilities to employees	1.1	0.9	-	0.2	1.9	1.9	-	-
Other liabilities to members of management	0.1	0.1	-	-	-	-	-	-
Prepayments received	71.7	71.7	-	-	69.7	69.7	-	-
Total	**937.7**	**931.9**	**4.6**	**1.2**	**881.2**	**875.9**	**4.3**	**1.0**

Interest paid on Hybrid II capital as per 2 January 2012 was reclassified as other liabilities instead of equity as of 31 December 2011.

(26) 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 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 impeccable credit standing. 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 subgroup.

The Hapag-Lloyd subgroup'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 liabilities 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 forwards.

The following sensitivity analysis contains the Hapag-Lloyd subgroup's currency risks in relation to primary and derivative financial instruments and reflects the risk that the US dollar as 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	**31.12.2011**		31.12.2010	
	Effect on earnings	Reserve for cash flow hedges (equity)	Effect on earnings	Reserve for cash flow hedges (equity)
USD/EUR				
+10%	25.6	24.3	–70.5	72.7
–10%	–14.9	-	70.9	–21.8
USD/CAD				
+10%	–4.3	-	–3.2	-
–10%	4.3	-	3.2	-
USD/GBP				
+10%	1.4	-	1.1	-
–10%	–1.4	-	–1.1	-

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 subgroup'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	31.12.2011		31.12.2010	
	10%	–10%	10%	–10%
Reserve for cash flow hedges (equity)	7.5	-	54.3	–19.8
Earnings before income taxes	5.7	–6.1	–15.3	–6.6

Interest rate risk

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 2011.

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 of 31 December 2011 was increased or decreased by +/–100 basepoints, whereby hypothetical, negative changes in interest rates, considering the low interest rate level, were only made up to nil. The determined effect relates to the existing financial liabilities with a variable interest rate amounting to EUR 948.8 million (2010: EUR 1,001.0 million). It is assumed that this exposure constitutes a representative figure for the next financial year.

Million EUR	31.12.2011		31.12.2010	
Change in variable interest rate	+100 basepoints	–100 basepoints	+100 basepoints	–100 basepoints
Earnings before income taxes	–9.5	7.5	–10.0	4.3

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 fulfill. With regard to its operational activities, Hapag-Lloyd AG has an established credit and receivables management system at the area, regional and central levels. 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 credit standing and rating. To provide protection against default risks, moreover, a credit insurance policy was purchased for the majority of the trade accounts receivable.

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

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

The portfolio of primary financial assets is reported in the balance sheet. 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 a multi-year financial planning and a monthly rolling liquidity forecast and steered centrally. Liquidity needs were at all times covered over the past financial year by liquid funds and confirmed lines of credit.

The bonds issued contain certain customary limitations concerning possible payments to investors and subordinate creditors. Additionally, there are customary cancellation clauses for significant parts of the financial liabilities in case more than 50% of any issue are purchased by a single third party.

Further explanatory notes regarding the steering 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 [1]	–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 – inflows	-	-	-	-
Other derivative financial instruments – outflows	-	-	-	-
Total derivative financial instruments	**-**	**-**	**-**	**-**

[1] In addition, there is a contractually fixed, to date off-balance, 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 (31.12.2010)

Million EUR	Cash inflows and outflows			
	2011	2012	2013–2015	from 2016
Primary financial liabilities				
Liabilities to banks	–231.2	–186.3	–451.3	–363.8
Bonds	–48.6	–61.4	–664.2	–223.2
Other financial liabilities (excl. operating leases)	–8.8	–8.8	–188.2	-
Trade accounts payable	–752.1	-	-	-
Other liabilities	–40.0	–0.7	-	-
Total primary financial liabilities	**–1,080.7**	**–257.2**	**–1,303.7**	**–587.0**
Derivative financial instruments				
Hedging transactions – inflow	-	-	-	-
Hedging transactions – outflow	-	-	-	-
Other derivative financial instruments – inflows	179.4	-	-	-
Other derivative financial instruments – outflows	–174.8	-	-	-
Total derivative financial instruments	**4.6**	**0.0**	**0.0**	**0.0**

All instruments for which payments had already been contractually agreed as at the closing date of 31 December 2011 were included. Amounts in foreign currencies were translated at the spot rate as of the closing 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 incur in day-to-day business activities in the context of investment and financial transactions.

Currency risks are currently hedged predominantly by means of currency options. 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. The effective share of the accumulated changes in market value is, until the underlying transaction is realised, shown in the reserves for cash flow hedges without affecting earnings and upon completion of the hedged underlying transaction recognised in the consolidated income statement.

As of 31 December 2011 there existed hedges that according to IAS 39 were classified as hedge accounting with a remaining term of up to one year. Hedged cash flows from the underlying transactions are also expected to affect net income within one year.

In the financial year 2011, changes of fair values of derivative financial instruments in hedging relationships resulted in gains totaling EUR 170.0 million which were recorded in equity (2010: EUR 49.9 million). These changes in value represent the effective share of the hedging relationship.

In the reporting period EUR 206.1 million (2010: EUR 13.8 million) were reclassified affecting earnings from the reserve for cash flow hedges. Thereof, EUR 170.1 million are attributable to commodity hedges, with their contribution affecting earnings shown in transport expenses, and EUR 36.0 million to foreign exchange hedges taken into account as other operating income.

In the reporting period as well as in 2010 no inefficiencies from hedging relationships incurred 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	**31.12.2011**			31.12.2010	
	Remaining term			Remaining term	
	up to 1 year	more than 1 year	Total	more than 1 year	Total
Currency options	487.2	480.0	967.2	480.0	983.7
Currency forwards	-	-	-	-	179.4
Commodity options	303.5	-	303.5	-	530.1

The fair values of derivative financial instruments generally correspond to their market values. The market price determined for the derivative financial instruments is the price at which a contracting party would take on the rights and/or obligations of the other contracting party.

Forward prices, or prices of currency forward contracts, are calculated on the basis of the spot price prevailing on the closing date, taking account of forward premiums and discounts for the residual term of the contract in question. The determination of the fair values of concluded option transactions for currency hedging is based on a model of Black & Scholes. In the framework of the determination of fair values for commodity options the model of Turnbull & Wakeman is applied.

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

Million EUR	31.12.2011		31.12.2010	
	Positive market values	Negative market values	Positive market values	Negative market values
Hedging instruments acc. to IAS 39 (Hedge accounting)				
Currency options	7.8	-	28.2	-
Commodity options	9.3	-	52.5	-
Hedges	**17.1**	**-**	**80.7**	**-**
Hedging instruments (Held for trading)				
Currency options	46.9	-	36.9	-
Currency forwards	-	-	4.6	
Other derivative financial instruments	**46.9**	**-**	**41.5**	**-**
Total	**64.0**	**-**	**122.2**	**-**

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 listed in an active market, as in particular bond issues, the respective quotation in this market represents the fair value.

For cash and cash equivalents, trade accounts receivable and 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 acquisition 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 of the balance sheet date.

Carrying amounts, value estimates and fair values by class and valuation category as of 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 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 receivables	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 liabilities	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
Of which 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 of 31 December 2010

Million EUR	Classification category according to IAS 39	Carrying amount 31.12.2010	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 receivables	LaR	130.4	29.1	-	-	-	29.1	29.1
	AfS	0.2	-	0.2	-	-	0.2	0.2
Derivative financial instruments								
Derivatives (Held for trading)	FAHfT	41.5	-	-	-	41.5	41.5	41.5
Hedges (Hedge accounting)	n.a.	80.7	-	-	80.7	-	80.7	80.7
Trade accounts receivable	LaR	401.5	401.5	-	-	-	401.5	401.5
Cash and cash equivalents	LaR	751.8	751.8	-	-	-	751.8	751.8
Liabilities								
Financial liabilities	FLAC	1,877.5	1,877.5	-	-	-	1,877.5	1,944.3
Other liabilities	FLAC	129.1	40.7	-	-	-	40.7	40.7
Derivative financial liabilities								
Derivatives (Held for trading)	FLHfT	-	-	-	-	-	-	-
Hedges (Hedge accounting)	n.a.	-	-	-	-	-	-	-
Trade accounts payable	FLAC	752.1	752.1	-	-	-	752.1	752.1
Of which aggregated according to IAS 39 classification category								
Loans and receivables (LaR)		1,182.4	1,182.4	-	-	-	-	-
Held-to-maturity investments (HtM)		-	-	-	-	-	-	-
Available-for-sale financial assets (AfS)		0.2	-	0.2	-	-	-	-
Financial assets held for trading (FAHfT)		41.5	-	-	-	41.5	-	-
Financial liabilities measured at amortised cost (FLAC)		2,670.3	2,670.3	-	-	-	-	-
Financial liabilities held for trading (FLHfT)		-	-	-	-	-	-	-

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	31.12.2010			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments (Hedge accounting)	-	80.7	-	80.7
Derivative financial instruments (Trading)	-	41.5	-	41.5

Net earnings

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

Million EUR	31.12.2011			31.12.2010		
	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
Loans and receivables	5.2	–13.5	–8.3	3.1	–47.5	–44.4
Available-for-sale financial assets	-	-	-	-	-	-
Financial assets and liabilities held for trading	-	10.7	10.7	-	–10.1	–10.1
Financial liabilities measured at amortised cost	–108.6	30.2	–78.4	–101.1	51.2	–49.9
Total	**–103.4**	**27.4**	**–76.0**	**–98.0**	**–6.4**	**–104.4**

In addition to interest income and expenses from the liabilities to banks and other financial liabilities, the net earnings mainly comprise the foreign currency valuation of Hapag-Lloyd AG's trade accounts receivable as well as valuation gains from derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39. Other net earnings mainly include earnings from the early repayment of a shareholder loan in the amount of EUR 18.3 million.

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 basis at its disposal over the long term. This should be reached via a balanced relationship to financing requirements for the 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).

Only customary covenants (financial covenants regarding equity, liquidity and loan-to-value ratio) are agreed for the existing financings through bonds or loans; these covenants are also used for controlling. 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.

(27) Cash inflow/outflow from operating activities

In the financial year, interest amounting to EUR 4.4 million (2010: EUR 3.2 million) was received. Income tax payments in the financial year 2011 led to a cash inflow of EUR 10.6 million (2010: EUR 0.3 million) and a cash outflow of EUR 6.9 million (2010: EUR 2.7 million).

Other non-cash expenses and income contained in the reconciliation from Group profit/loss to cash inflow/outflow from operating activities essentially encompass the effect from the closing-date valuation of loans granted in currencies other than the functional currency of the consolidated company in question as well as effects from the closing-date valuation of currency options and commodity options.

(28) Cash inflow/outflow from investing activities

In the financial year under review, the cash outflow from investing activities amounted to EUR 194.8 million (2010: EUR 447.4 million). Cash payments for investments in property, plant and equipment mainly consist of payments on account in the amount of EUR 125.9 million for new container vessels currently being built as well as investments in containers in the amount of EUR 90.3 million.

Cash flows from investing activities contain capitalised interest on debt amounting to EUR 33.1 million (2010: EUR 20.4 million) on both container ships and capitalised down payments for container ships currently being built.

(29) Cash inflow/outflow from financing activities

Cash outflows from financing activities amounted to a balance of EUR 130.3 million (2010: EUR 105.8 million of cash inflows). Redemption payments in the amount of EUR 543.5 million (2010: EUR 439.0 million) were offset by new cash from financings in an almost identical amount. The new financial liabilities were mainly related to the new fleet financing loan in the amount of USD 460.0 million (EUR 330.5 million). Furthermore, there were cash outflows for interest payments in the amount of EUR 106.4 million (2010: EUR 132.6 million) as well as for the repayment of a shareholder loan incl. interest totalling EUR 165.7 million.

(30) 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 2011, as in the previous year, cash and cash equivalents were not subject to any restrictions.

OTHER NOTES

(31) Government assistance

During the first nine months of the previous year the financing of the group was, apart from restructuring support by shareholders, mainly ensured by a syndicated loan commitment of EUR 1.2 billion backed by a government guarantee. The syndicated loan was terminated by Hapag-Lloyd AG and Hapag-Lloyd Holding on 22 September 2010, and the application for the guarantee was revoked.

The Federal Maritime and Hydrographic Agency approved training subsidies and subsidies for marine personnel in 2011 totaling EUR 4.1 million (2010: EUR 7.4 million) according to the guideline for lowering indirect labor costs in the German marine industry; this amount is recorded as other operating income.

(32) Contingencies

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

As at 31 December 2011, there were merely guarantees and sureties for liabilities of affiliated consolidated companies (subsidiaries).

(33) 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. Consequently, no provisions for litigation risks were formed and no contingent liabilities were reported in the Notes.

In 2009 within Hapag-Lloyd Mexico, tax audits were completed for the financial years 2002 and 2003. In 2010 the Company appealed against the tax assessments for the years 2002 and 2003, which obliged the company to make additional corporate income tax and value

added tax payments as well as pay fines and additional sums for inflation and other fees. The tax assessments for 2002 and 2003 were repealed by the authorities in 2011.

Since May of 2011 the EU commission has been investigating whether there were any violations of EU antitrust laws in Europe after the abolition of exemptions for liner shipping trade conferences in October 2008. Hapag-Lloyd is also affected by these investigations. The Company expects that transport services are in line with EU antitrust regulations.

The outcome of the legal disputes, of course, cannot 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 of 31 December. In our opinion, such payments will not have any significant influence on the Group's net asset and net income positions.

(34) Other financial obligations

Other financial obligations of the Group mainly contain purchase obligations for investments in container ships, charter and lease agreements for ships and containers as well as rental payments for business premises, in particular for the central administration in Rosenstrasse. The agreements have terms of between one year and 19 years and some include prolongation and purchase options as well as price adjustment clauses. Some of the lease agreements for premises contain stipulations for rent to be paid based on the consumer price index for Germany.

In the financial year 2011, leasing payments of EUR 685.4 million (2010: EUR 586.5 million) were recognised in expenses.

The sum of other financial obligations comprises the following:

Million EUR	**31.12.2011**				31.12.2010		
		Remaining terms				Remaining terms	
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	more than 5 years
Vessels and containers	1,200.1	398.0	688.0	114.1	1,143.9	330.7	199.3
Business premises	126.5	19.3	52.4	54.8	130.0	18.9	60.3
Other	162.5	44.2	118.1	0.2	123.0	37.1	0.8
Rent/Lease	1,489.1	461.5	858.5	169.1	1,396.9	386.7	260.4
Purchase commitments	744.1	232.4	511.7	-	807.8	88.6	-
Total	**2,233.2**	**693.9**	**1,370.2**	**169.1**	**2,204.7**	**475.3**	**260.4**
Fair Value	**2,087.0**	**683.1**	**1,271.7**	**132.2**	**1,953.8**	**464.1**	**183.2**

The fair value of other financial obligations was ascertained by discounting future expenses while applying a market interest rate of 3.10% p.a. (2010: 4.70% p.a.) Due to the change of the discount rate, the fair value of other financial obligations increased by EUR 63.5 million.

These obligations are set against future minimum lease payments from non-cancelable operating lease contracts and payments from sub-lease relationships.

Payments received from operating lease contracts

Million EUR	**31.12.2011**				31.12.2010		
		Remaining terms				Remaining terms	
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	more than 5 years
Vessels	10.0	10.0	-	-	5.8	5.8	-
Business premises	0.6	0.3	0.3	-	0.2	0.2	-
Total	**10.6**	**10.3**	**0.3**	**0.0**	**6.0**	**6.0**	**0.0**

Payments received from sub-lease relationships

Million EUR	**31.12.2011**				31.12.2010		
		Remaining terms				Remaining terms	
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	more than 5 years
Business premises	3.2	0.7	2.4	0.1	3.2	0.6	0.8
Total	**3.2**	**0.7**	**2.4**	**0.1**	**3.2**	**0.6**	**0.8**

The assets let in the framework of the operating lease contracts basically are five (2010: three) fully-owned ships and slotcharters. As of the balance sheet date 31 December 2011, the gross carrying amount of the chartered ships amounts to EUR 467.0 million (2010: EUR 252.5 million), the accumulated depreciation amounts to EUR 79.6 million (2010: EUR 32.0 million) and depreciation for the period amounts to EUR 21.7 million (2010: EUR 13.8 million). In the financial year 2011 no contingent rent payments were recognised through the income statement.

(35) 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.

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

For the financial year 2011, the fee for audit services rendered by KPMG AG Wirtschaftsprüfungsgesellschaft, within the worldwide KPMG network, amounted to EUR 0.9 million (2010: EUR 0.9 million), thereof EUR 0.4 million domestically (2010: 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 assurance services amounting to EUR 0.5 million (2010: EUR 0.0 million) and other services amounting to EUR 0.3 million (2010: EUR 0.4 million) were provided.

(37) Related party disclosures

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

Hapag-Lloyd Group applies the relief provisions according to 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 an indirect shareholder of Hapag-Lloyd Holding via Hamburgische Seefahrtsbeteiligung “Albert Ballin“ GmbH & Co. KG. To HGV, its affiliates as well as its associated companies, payments in the amount of EUR 2.5 million (2010: EUR 2.6 million) were mainly made for harbour dues and mooring fees.

As at 31 December 2011 and 2010, respectively, the following companies are indirect shareholders in Hapag-Lloyd Holding:

Shares in %	2011	2010
TUI AG / TUI-Hapag Beteiligungs GmbH	**38.4%**	**49.8%**
Kühne Maritime GmbH	24.6%	13.4%
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	23.6%	20.4%
IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe	5.5%	6.3%
HSH Nordbank AG	3.2%	4.2%
HanseMerkur AG	1.5%	1.7%
Pool of investors lead by M.M.Warburg & CO Gruppe KGaA	3.2%	4.2%
Hamburgische Seefahrtsbeteiligung “Albert Ballin“ GmbH & Co. KG	**61.6%**	**50.2%**
Total	**100.0%**	**100.00%**

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

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

Million EUR	Delivered services and other income recognised		Services received and other expenses recognised	
	1.1.–31.12. 2011	1.1.–31.12. 2010	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Associated companies	0.0	25.5	88.5	82.0
Shareholders	276.7	274.1	87.9	107.3
Other investments	2.7	5.4	1.3	1.2
Total	**279.4**	**305.0**	**177.7**	**190.5**

Million EUR	Receivables		Liabilities	
	31.12.2011	31.12.2010	**31.12.2011**	31.12.2010
Affiliated non-consolidated companies	0.0	0.0	0.2	0.2
Associated companies	0.0	0.3	12.6	9.8
Shareholders	222.4	312.5	283.4	466.1
Other investments	0.5	0.7	0.2	0.4
Total	**222.9**	**313.5**	**296.4**	**476.5**

The amounts arising from transactions with related parties and individuals contained in the above table result from services rendered (EUR 257.8 million; 2010: EUR 278.1 million), interest income (EUR 2.6 million; 2010: EUR 1.0 million) as well as other services (EUR 19.0 million; 2010: EUR 0.5 million). The income from services rendered consists primarily of income generated from the business relationship with Kühne Holding Group. Other services include a rebate of EUR 18.3 million for a premature repayment of a shareholder loan obtained from TUI-Hapag Beteiligungs GmbH.

Of the expenses shown above, EUR 110.8 million (2010: EUR 98.6 million) result from services, EUR 43.0 million (2010: EUR 48.1 million) from lease expenses, EUR 23.8 million (2010: EUR 39.4 million) from interest expenses and EUR 0.1 million (2010: EUR 4.4 million) from other supplies and services. Services comprise, in particular, the expenses incurred for the container handling services rendered by the associated companies CTA and Montreal Gateway Terminals Partnership in the Port of Hamburg and in Montreal Harbour as well as expenses from business relationships with the Kühne Holding Group. Lease expenses in particular include expenses for leased vessels and containers. Interest expenses primarily resulted from the provision of funds by TUI and HSH Nordbank.

Accounts receivable as per 31 December 2011 mainly include cash at HSH Nordbank and M.M.Warburg as well as receivables from the operating business relationship with the Kühne Holding Group.

As per balance sheet date 31 December 2011 liabilities mainly consist of loans from HSH Nordbank as well as interest due to TUI-Hapag Beteiligungs GmbH for Hybrid II capital in the amount of EUR 36.9 million. Liabilities to HSH Nordbank are collateralised by ship mortgages and containers assigned as collateral.

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 (2010: Hapag-Lloyd AG).

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

Million EUR	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Short-term benefits	3.3	7.7
Benefits resulting from termination of employment	-	0.7
Post-employment benefits	1.1	0.4
Total	**4.4**	**8.8**

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

The amount of pension obligations to members of the Executive Board amounts to EUR 13.6 million (2010: EUR 12.0 million). The fair value of plan assets for members of the Executive Board amounts to EUR 9.5 million (2010: EUR 9.8 million).

Pensions were paid to former members of the Executive Board in the amount of EUR 0.1 million (2010: EUR 0.1 million) in the reporting period 2011.

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

Million EUR	**1.1.–31.12. 2011**	1.1.–31.12. 2010
Short-term benefits	1.0	1.3
Total	**1.0**	**1.3**

The amount includes salaries paid for employee representatives that were also employed with the Group. The salary was appropriate for the position and function.

(38) Significant transactions after the balance sheet date

On 2 January 2012, Hapag-Lloyd Holding AG paid interest of EUR 36.9 million on the Hybrid II capital to TUI AG, Hannover.

The “Humboldt Express” was contractually sold on 3 January 2012. The ship was recognised as an long term asset held for sale on 31 December 2011 in accordance with IFRS 5.

The long-term operating leases for nine vessels were amended in February 2012. Two of these ships were directly acquired. The purchase of these ships is already fully financed. In the case of the seven other ships, Hapag-Lloyd became the beneficial owner by exercising its purchase options. Consequently, these operating leases are now continued as finance leases.

On 14 February 2012, the Hapag-Lloyd Holding AG shareholders reached a general agreement on comprehensive capital measures relating to the Hybrid II capital of EUR 350 million as well as the transfer of respective holdings.

In a first step, Hapag-Lloyd repaid EUR 100 million from the Hybrid capital to TUI AG in February 2012. The “Albert Ballin“ consortium will acquire EUR 125 million of the remaining Hybrid II capital at nominal value from TUI AG up to 30 March 2012.

The “Albert Ballin“ consortium and TUI will then each contribute EUR 125 million of the Hybrid II capital to Hapag-Lloyd Holding AG in exchange for the granting of new shares.

In the course of this transaction, the “Albert Ballin“ consortium’s stake in Hapag-Lloyd Holding AG will temporarily fall to 60.5%, while the stake held by TUI AG will increase to 39.5%.

The “Albert Ballin“ consortium will acquire approximately 17% of the shares in Hapag-Lloyd Holding AG from TUI AG up to 29 June 2012. This transaction will increase the “Albert Ballin“ consortium’s stake in Hapag-Lloyd Holding AG to around 78% and will reduce the TUI stake to approximately 22%.

The agreements are still subject to the approval of the shareholders of the “Albert Ballin“ consortium.

(39) List of shareholdings pursuant to section 315a 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	60	2
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg	100.00	EUR	26	**)
Hapag-Lloyd Spain S.L., Barcelona	90.00	EUR	692	57
Hapag-Lloyd (Italy) S.R.L., Milan	100.00	EUR	2,188	137
Hapag-Lloyd Portugal LDA, Lisbon	100.00	EUR	127	7
Hapag-Lloyd Africa PTY Ltd., Durban	100.00	ZAR	2,234	88
Oy Hapag-Lloyd Finland AB, Helsinki	100.00	EUR	170	28
Hapag-Lloyd (Ireland) Ltd., Dublin	100.00	EUR	355	26
Hapag-Lloyd (UK) Ltd., London	100.00	GBP	3,202	95
Hapag-Lloyd (Sweden) AB, Gothenburg	100.00	SEK	4,027	281
Hapag-Lloyd Belgium N.V., Antwerp***)	100.00	EUR	5,392	0
Hapag-Lloyd (France) S.A.S., Paris	100.00	EUR	7,565	356
Hapag-Lloyd (Austria) GmbH, Vienna	100.00	EUR	2,428	26
Hapag-Lloyd Polska Sp.z.o.o., Gdynia	100.00	PLN	543	13
Hapag-Lloyd (Schweiz) AG, Basel	100.00	CHF	214	32
Hapag-Lloyd Special Finance Limited, Dublin	100.00	EUR	6	34
Hapag-Lloyd (Thailand) Ltd., Bangkok	49.90	THB	4,883	-1,990
Hapag-Lloyd (Japan) K.K., Tokyo	100.00	JPY	216,231	-898
Hapag-Lloyd (Korea) Ltd., Seoul	100.00	KRW	1,294,714	37,133
Hapag-Lloyd (China) Ltd., Hong Kong	100.00	HKD	4,733	760
Hapag-Lloyd (Eastwind) Pte. Ltd., Singapore	100.00	USD	9,013	6
Hapag-Lloyd (China) Shipping Ltd., Shanghai	100.00	CNY	42,115	4,815
Hapag-Lloyd (Taiwan) Ltd., Taipei	100.00	TWD	83,836	176
Hapag-Lloyd (Asia) Pte.Ltd., Singapore	100.00	SGD	6,310	308
Hapag-Lloyd Crew Management Pte.Ltd., Singapore	100.00	USD	77	-4
Hapag-Lloyd (Singapore) Pte.Ltd., Singapore	100.00	USD	1,028	282
Hapag-Lloyd (South East Asia) Sdn. Bhd., Kuala Lumpur	100.00	MYR	2,464	41
Hapag-Lloyd (Malaysia) Sdn. Bhd., Kuala Lumpur	100.00	MYR	5,280	79
Hapag-Lloyd (Australia), Pty. Ltd., Sydney	100.00	AUD	2,609	150
Hapag-Lloyd (New Zealand) Ltd., Auckland	100.00	NZD	662	33
Hapag-Lloyd Vietnam Ltd., Ho Chi Minh City	51.00	VND	4,828,710	1,653,931
Hapag-Lloyd Global Services Pvt. Ltd., Mumbai	100.00	INR	334,754	-9,849
Hapag-Lloyd India Private Ltd., Mumbai	100.00	INR	45,063	-93,892
Hapag-Lloyd Venezuela C.A., Caracas	100.00	VEF	526	199
Hapag-Lloyd Costa Rica S.A., San Jose	100.00	CRC	131,951	8,775
Hapag-Lloyd Argentina S.R.L., Buenos Aires	100.00	ARS	3,641	280
Hapag-Lloyd Brasil Agenciamento Maritimo Ltda., Sao Paolo	100.00	BRL	12,365	103
Hapag-Lloyd Chile Agencia Maritima Ltda., Santiago	100.00	CLP	78,253	26,404
Hapag-Lloyd (Peru) S.A.C., Lima	100.00	PEN	2,032	2,754
Hapag-Lloyd Colombia Ltda., Bogota	100.00	COP	188,557	33,871
Hapag-Lloyd Mexico S.A. de C.V., Mexico City	100.00	MXN	424,080	22,628
Servicios Corporativos Portuarios S.A. de C.V., Mexico City	100.00	MXN	8,463	-3,391
Hapag-Lloyd (Canada) Inc., Montreal	100.00	CAD	108	-185
Hapag-Lloyd (America) Inc., Piscataway	100.00	USD	6,035	674
Hapag-Lloyd USA LLC, Tampa	100.00	USD	236,897	63,846
Florida Vessel Management LLC, Tampa	75.00	USD	43	-11
Hapag-Lloyd Guatemala S.A., Guatemala	100.00	GTQ	228	233

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 Naklivat A.S., Izmir	50.00	TRY	20,331	15,081
Montreal Gateway Terminals Ltd. Partnership, Montreal	20.00	CAD	32,116	-31,628
Hapag-Lloyd Lanka (PVT.) Ltd., Colombo (vormals Spence Shipping (PVT) Ltd., Colombo ****)	40.00	LKR	72,973	95,956
Affiliated non-consolidated companies				
Hamburg-Amerikanische Packetfahrt-Gesellschaft mbh, Hamburg	100.00	EUR	59	2
Norddeutscher Lloyd GmbH, Bremen	100.00	EUR	29	1
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg	100.00	EUR	26	**)
Hapag-Lloyd Ship Funding GmbH, Hamburg ***)	100.00	EUR	25	0
Verwaltung „Albert Ballin“ Holding GmbH, Hamburg	100.00	EUR	17	-3
C Truck Italy S.R.L., Milano***)	100.00	EUR	56	35
Hapag-Lloyd Ships Ltd., London	100.00	EUR	98	6
Hapag-Lloyd Container Ltd, Barking	100.00	GBP	0	0
Hapag-Lloyd GP Inc., Montreal	100.00	CAD	-11	-3

*) TCU = thousand of currency units as at 31.12.2011
**) Control agreement
***) In liquidation
****) Financial statements as at 31.03.2011

Hamburg, 2 March 2012

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 (previously "Albert Ballin" Holding GmbH & Co. KG, Hamburg) – consisting of consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the consolidated financial statements – and the Group management report for the financial year from 1 January to 31 December 2011. 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, 2 March 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Gutsche	Heckert
Wirtschaftsprüfer (German Public Auditor)	Wirtschaftsprüfer (German Public Auditor)

CORPORATE GOVERNANCE

RESPONSIBLE CORPORATE GOVERNANCE

Hapag-Lloyd Holding AG and its management bodies are attracted towards good and responsible corporate governance. This ethos is shared by the indirect owners of Hapag-Lloyd Holding AG.

As Hapag-Lloyd Holding AG is not listed on the stock market, 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). However, Hapag-Lloyd is also drawing on 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 provides guidelines on the fair treatment of customers, suppliers and competitors, but also in 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, but 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. One of the members of the Executive Board has been appointed for longer than three years.

Michael Behrendt Born 1951	**Chairman of the Executive Board**
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 2013

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 2013

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 discusses the Company's strategic focus with the Supervisory Board. 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 issues 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 by 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.

As at 31 December 2011, the employees' representatives on the Supervisory Board are:

Renate Commerell
Commercial clerk
Hapag-Lloyd AG, Hamburg

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

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

Martina Neumann
Commercial clerk
Hapag-Lloyd AG, Hamburg

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

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

As at 31 December 2011, the shareholders' representatives on the Supervisory Board are:

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

Horst Baier
Member of the Executive Board
TUI AG, Hannover

Karl Gernandt
(2nd Deputy Chairman of the Supervisory Board)
Chairman of the Board of Directors
Kühne + Nagel International AG,
Schindellegi, Switzerland

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

Ulrich Leitermann
Member of the Boards
SIGNAL IDUNA Group

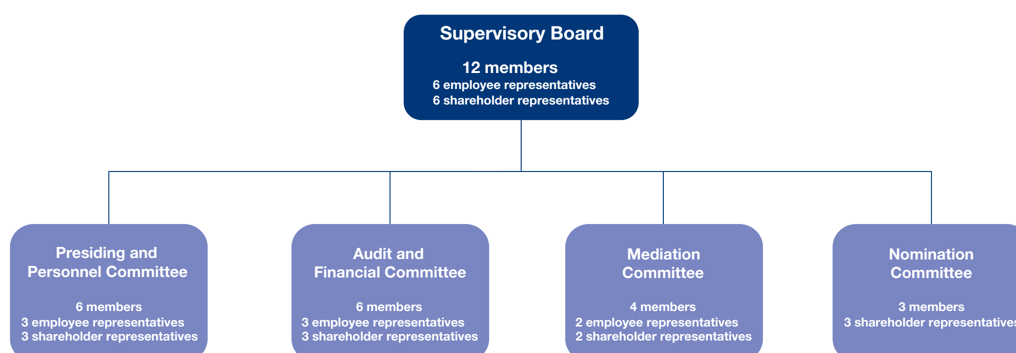
Dr Andreas Reuß
(until 30.9.2011)
Managing Director
HGV Hamburger Gesellschaft
für Vermögens- und
Beteiligungsmanagement mbH,
Hamburg

Dr Andreas Rittstieg
(since 1.10.2011)
Lawyer and partner
Gleiss Lutz Hootz Hirsch
Partnerschaftsgesellschaft
von Rechtsanwälten, Steuerberatern,
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 Michael Frenzel (Chairman), Karl Gernandt, Dr Rainer Klemmt-Nissen, Manfred Kade, 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, Ulrich Leitermann, Arnold Lipinski, Manfred Kade, 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 Michael Frenzel (Chairman), Karl Gernandt, Dr Klemmt-Nissen

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

Members:
Dr Michael Frenzel (Chairman), Dietmar Stretz, Dr Klemmt-Nissen, Mr Kade

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 2011, shares in Hapag-Lloyd Holding AG were held by Hamburgische Seefahrtbeteiligung "Albert Ballin" GmbH & Co. KG with 61.6% and the TUI Group with 38.4% of the share capital.

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 individual and consolidated financial statements and their respective management reports are examined by the auditors and by the Supervisory Board.

The individual 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 Michael Frenzel

AWD Holding AG · *Member of the Supervisory Board*
AXA Konzern AG · *Member of the Supervisory Board*
TUIfly GmbH · *Chairman of the Supervisory Board*
TUI Cruises GmbH · *Member of the Shareholders' Committee*
TUI Deutschland GmbH · *Chairman of the Supervisory Board*
Volkswagen AG · *Member of the Supervisory Board*
TUI China Travel Co. Ltd. · *Chairman of the Supervisory Board*
TUI Travel PLC · *Non-Executive Chairman*

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*
Magic Life Assets AG · *Member of the Supervisory Board*
RIUSA II S.A. · *Chairman of the Supervisory Board*

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 · *Chairman 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*
Protektor Lebensversicherungs-AG · *Member of the Supervisory Board*
Dortmunder Volksbank eG · *Member of the Supervisory Board*
FORMAXX AG · *Member of the Supervisory Board*

Arnold Lipinski

Knappschaft Bahn See · *Member of the Supervisory Board*
BG See · *Member of the Supervisory Board*

Dr Rainer Klemmt-Nissen

Hamburger Hochbahn AG · *Member of the Supervisory Board*
HHLA Hamburger Hafen und Logistik AG · *Member of the Supervisory Board*
HHLA Container Terminals GmbH · *Member of the Supervisory Board*
HSH Nordbank AG · *Member of the Supervisory Board*
HMC Hamburg Messe und Congress 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, und verbundene Unternehmen ·
Member of the Administrative Council
Berenberg Bank · *Member of the Advisory Council*
Turina Holding GmbH & Co. KG · *Mitglied des Beirates*

Wolfgang Rose

Asklepios Kliniken (Hamburg) GmbH · *Member of the Supervisory Board*
Hamburger Hafen und Logistik AG (HHLA) · *Deputy Chairman 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 2012
Publication of interim report for first quarter of 2012

August 2012
Publication of interim report for second quarter/first six months of 2012

November 2012
Publication of interim report for third quarter/first nine months of 2012

IMPRINT

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Both versions are available on the web: www.hapag-lloyd.com

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