ANNUAL REPORT 2013

Hapag-Lloyd

SUMMARY OF HAPAG-LLOYD KEY FIGURES

KEY OPERATING FIGURES		1.1. – 31.12. 2013	1.1. – 31.12. 2012	Change absolute
Total vessels[1], of which		**151**	144	+7
own vessels[1]		**57**	59	–2
leased vessels[1]		**7**	7	0
chartered vessels[1]		**87**	78	+9
Aggregate capacity of vessels[1]	TTEU	**729**	670	+59
Total containers[1]	TTEU	**1,072**	1,047	+25
Bunker price (average for the year)	USD/t	**613**	660	–47
Freight rate (average for the year)	USD/TEU	**1,482**	1,581	–99
Transport volume	TTEU	**5,496**	5,255	+241
Revenue	million EUR	**6,567**	6,844	–277
Transport expenses	million EUR	**5,773**	6,182	–409
EBITDA	million EUR	**389**	335	+54
EBIT	million EUR	**64**	3	+61
EBIT adjusted	million EUR	**67**	26	+41
Consolidated net income for the year	million EUR	**–97**	–128	+31
Cash flow from operating activities	million EUR	**67**	133	–66
Investment in property, plant and equipment	million EUR	**741**	790	–49
KEY RETURN FIGURES				
EBITDA margin (EBITDA / revenue)	%	**5.9**	4.9	+1.0 ppt
EBIT margin (EBIT / revenue)	%	**1.0**	0.0	+1.0 ppt
EBIT margin adjusted	%	**1.0**	0.4	+0.6 ppt
KEY BALANCE SHEET FIGURES AS AT 31 DECEMBER				
Balance sheet total	million EUR	**6,950**	6,851	+99
Equity	million EUR	**2,915**	3,114	–229
Equity ratio (equity / balance sheet total)	%	**41.9**	45.5	–3.6 ppt
Borrowed capital	million EUR	**4,035**	3,737	+298
KEY FINANCIAL FIGURES AS AT 31 DECEMBER				
Financial debt	million EUR	**2,935**	2,372	+563
Cash and cash equivalents	million EUR	**465**	561	–96
Net debt (financial debt – cash and cash equivalents)	million EUR	**2,470**	1,811	+659
Gearing (net debt / equity)	%	**84.7**	58.2	+26.5 ppt
Asset coverage ratio I (equity / fixed assets)	%	**52.1**	57.4	–5.3 ppt
Asset coverage ratio II ([equity + long-term debt] / fixed assets)	%	**99.6**	99.7	–0.1 ppt
Liquidity ratio I (liquid assets / short-term debt)	%	**33.7**	39.1	–5.4 ppt
NUMBER OF EMPLOYEES AS AT 31 DECEMBER				
Employees at sea		**1,339**	1,339	0
Employees on land		**5,662**	5,611	+51
Hapag-Lloyd total		**7,001**	6,950	+51

1) As at 31.12.

Disclaimer: This annual report contains statements concerning future developments at Hapag-Lloyd. Due to market fluctuations, the development of the competitive situation, world market prices for commodities, and changes in exchange rates and the economic environment, the actual results may differ considerably from these forecasts. Hapag-Lloyd neither intends nor undertakes to update forward-looking statements to adjust them to events or developments which occur after the date of this report.

At the time of preparation of this report, discussions were being held between Hapag-Lloyd and the Chilean shipping company Compañía Sudamericana de Vapores (CSAV) regarding a possible container business merger. The two companies signed a memorandum of understanding regarding this on 22 January 2014. A binding contract may follow upon completion of due diligence.

This report was published in March 2014.

ANNUAL REPORT 2013

HAPAG-LLOYD AG

Hapag-Lloyd

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Ladies and Gentlemen,

The persistently strong competition relating to freight rates continued to have a negative impact on liner shipping in 2013, although rates in January were higher than in the previous year. The rates across all trades were equally affected by aggressive competition last year and therefore under pressure. As early as the second quarter, it was no longer possible to push through rate increases in the market sustainably. In spite of fairly good capacity utilisation, the important peak season failed to occur again, as this was the case in the previous year. This normally allows for high price mark-ups for liner shipping between July and October, which are essential to the overall result for the year.

The disappointing performance during the year was due, in particular, to economic growth in the emerging markets being weaker than the forecasts. In particular in the important BRIC countries (Brazil, Russia, India and China), economic growth rates mostly declined compared to 2012. In addition, the significant and protracted dispute surrounding the US government budget had a negative impact in 2013, as did the resultant wave of uncertainty across the markets. Renowned forecasting institutes together with the International Monetary Fund and the World Bank were consequently forced to revise downwards their growth expectations on several occasions during the year.

As one of many market players, Hapag-Lloyd is unable to avoid the general trend in rates. As a result, business performance in 2013 was well below the original expectations. Despite continued attempts to increase transport prices, Hapag-Lloyd's average freight rate fell by more than 6% year-on-year to USD 1,482 per TEU. This is insufficient in view of the persistently high fuel costs and is completely unsatisfactory. Hapag-Lloyd took immediate action to mitigate the negative impact on the Company's earnings as far as possible. Additional cost-cutting measures were introduced in 2013 and were successfully implemented within a matter of months. It was therefore possible to save a total of USD 285 million compared to the previous year, which had a positive effect on earnings. In addition to this, Hapag-Lloyd is able to take advantage of market opportunities around the world thanks to its global business focus and its extensive liner network with almost 100 services. We made even better use of these market opportunities to increase our transport volume last year in order to compensate for the pressure on rates. As a result, more containers were transported across all trades in 2013 compared with the previous year, with the greatest increase of 9% being achieved in the key Europe–Asia trade. We were therefore able to increase transport volumes by 4.6% to approximately 5.5 million TEU. Hapag-Lloyd therefore not only outperformed the global market growth rate of 2.1%, but once again also demonstrated its strength in the face of global competition. At the same time, the total volume of goods transported rose by more than 11% between 2010 and 2013. The capacity of Hapag-Lloyd's fleet increased in line with the growth in volume during this period. The Company currently has the lowest order book in relation to existing fleet capacity among the ten largest liner shipping companies.

Thanks to the countermeasures which were implemented swiftly and decisively, Hapag-Lloyd was even able to increase its EBITDA by EUR 54.6 million to EUR 389.1 million in 2013 in comparison to the previous year, in spite of the exceedingly challenging market environment. Furthermore, Hapag-Lloyd was one of only a handful of liner shipping companies around the world to achieve a positive operating result of EUR 67.2 million, which likewise represents a substantial year-on-year increase of EUR 41 million. This means we met our target of achieving a positive operating result in the last financial year, even if the level was disappointing and much lower than anticipated.

It is vital for companies in the liner shipping industry to keep a tight rein on their costs due to the unwavering intense competition and the high fuel costs. Hapag-Lloyd will continue to cut its costs decisively in all areas wherever possible, in order to remain a cost leader in the liner shipping industry. The most recent example of this can be found in the new Fleet Support Center, which was established with state-of-the-art technology at the Company's head office in Hamburg last year. Thanks to an interdisciplinary approach, it is able to further reduce the entire fleet's fuel consumption above and beyond the existing technical measures. To this end, a team of experts based in Hamburg monitors and optimises the operations of all the about 150 ships owned or chartered by Hapag-Lloyd around the world. Given the unrelentingly high average bunker consumption price of USD 613 per tonne last year, these efforts represent the most effective way in which to improve our earnings in view of the insufficient freight rate situation. Hapag-Lloyd was able to cut its ships' bunker consumption per slot by 30% between 2009 and 2013, thanks to a variety of different measures. Our new, efficient 13,200 TEU vessels also make a key contribution here. The last three of the ten ordered newbuilds are due to enter service in the Europe–Asia trade in March and April 2014, meaning that Hapag-Lloyd will fully benefit from the much lower slot costs this year. By the same token, the cost awareness and commitment shown by all of our employees around the world also helped Hapag-Lloyd to remain one of the top performers in our industry in 2013, as in previous years. For this, our employees deserve much credit and appreciation.

In addition to a balanced supply and demand situation, industry consolidation is both desirable and necessary in order to restore the margins that a capital-intensive industry such as liner shipping needs. I have always emphasised that Hapag-Lloyd would like to play an active role in this process of consolidation. Since the end of 2013, we have been holding promising talks with the Chilean liner shipping company CSAV with regard to an acquisition of their container business in return for a stake in Hapag-Lloyd. A memorandum of understanding regarding this was signed on 22 January 2014. At the time of publication of this annual report, negotiations and due diligence were still being carried out. A takeover of CSAV's container business would lift Hapag-Lloyd from being the sixth to the fourth-largest liner shipping company in the world, bringing us within striking distance of the three largest shipping companies. The takeover would also make Hapag-Lloyd a market leader in South America, in addition to our existing strength in the high-volume East–West trades thanks to our membership of the G6 Alliance.

The economic outlook is now brighter and is spurring demand; the International Monetary Fund anticipates a return to much stronger economic growth in 2014 and 2015, with this having a tangible effect on global container transport volumes. Following a slight decline to 3.0% last year, global economic growth is expected to rise to 3.7% this year and then to 3.9% next year. In particular, economic growth in the established economies is set to improve once again, to 2.2% and 2.3% after a mere 1.3% in 2013. The acceleration in economic growth is expected to be reflected in much higher cargo volumes across all trades from 2014, according to the forecasting institutes. IHS Global Insight anticipates a doubling of global volume growth in 2014, from 2.1% to 4.4%. The global transport volume is then expected to increase by more than 5% per annum between 2015 and 2018. Hapag-Lloyd will benefit greatly from this significant rise in demand, in particular if the growth in volumes is accompanied by a much-needed sustainable improvement in freight rates. This is because Hapag-Lloyd is well positioned for the future, both strategically and operationally, thanks to its solid balance sheet structure, its efficient systems and its extremely competitive cost structures.

Yours,

Michael Behrendt

Chairman of the Executive Board

REPORT BY THE SUPERVISORY BOARD

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

At all times, the benchmark for all of the activities of the Supervisory Board was to protect the interests of Hapag-Lloyd AG, the primary operating unit responsible for the Group's performance.

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 2013 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. It answered all of the Supervisory Board's questions fully and comprehensively. The Executive Board also furnished the Supervisory Board with regular written reports between its meetings. 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 Supervisory Board of Hapag-Lloyd AG met for its first meeting of the reporting period on 19 March 2013. This meeting was primarily dedicated to the annual financial statements; the Supervisory Board approved both the individual company and consolidated financial statements and the Group management report.

At its meeting on 12 June 2013, the Supervisory Board resolved to follow the recommendation of the Presiding and Personnel Committee to approve the dissolution of Mr Praestensgaard's contract of employment. The Executive Board also reported to the Supervisory Board on the current business position. Amongst other things, the Supervisory Board and the Executive Board discussed the prevailing intense competition and its impact on the Company's business and earnings. Furthermore, the Supervisory Board approved the merger of Hapag-Lloyd Holding AG with Hapag-Lloyd AG with retroactive effect from 1 January 2013.

At its meeting on 24 September 2013, the Supervisory Board set the course at an early stage for maintaining continuity in the executive management of Germany's largest liner shipping company and appointed Rolf Habben Jansen to the Executive Board of Hapag-Lloyd AG with effect from 1 April 2014. Mr Habben Jansen will assume the position of Chairman of the Executive Board on 1 July 2014. In addition, the Supervisory Board appointed Anthony James Firmin to the Executive Board with effect from 1 July 2014. Furthermore, the Supervisory Board took stock of the Executive Board's report on the current development of business and discussed this with the Executive Board. Complementary to the circular resolution drafted on 13 September regarding the placement of a new high-yield corporate bond, the Supervisory Board agreed to increase this bond further. The proceeds from the issue were used for general business purposes and to make a partial repayment of the bond due in 2015.

At the meeting on 26 November 2013, the Executive Board explained the current business position in the light of the persistently ambitious industry environment. The focal point of the meeting was the annual budget for 2014, including the Group's result, finance and investment planning, and the forecast for the period from 2015 to 2018. 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. The Executive Board also informed the Supervisory Board in December about the forthcoming talks with the Chilean shipping company Compañía Sudamericana de Vapores (CSAV) concerning a possible container business merger.

Duties of the Supervisory Board's committees

The Presiding and Personnel Committee met five times in 2013. At each meeting, it made preparations for the Supervisory Board meetings held later on the same day as well as dealing with matters relating to the Executive Board as required.

The Audit and Financial Committee convened on six occasions in the last financial year. At its first meeting on 31 January 2013, the Audit and Financial Committee discussed various scenarios relating to the development of business in 2013.

At the meeting on 18 March 2013, the focus was squarely on matters relating to the annual financial statements. The Audit and Financial Committee also had the Executive Board present a variety of business development scenarios and potential financing options and then discussed these. At the meeting on 28 May 2013, the main issues were cost-cutting measures and a presentation by the Executive Board comparing the competition. In addition to the Executive Board's reports on the current business and financial position and issues relating to financing, in its meeting on 11 June 2013, the Audit and Financial Committee discussed the merger of Hapag-Lloyd Holding AG with Hapag-Lloyd AG, the financial reporting process and the effectiveness of the internal control system (ICS) and the risk management system. The committee also had the Executive Board present it with an overview of hedging transactions in relation to bunker price and exchange rate risks. Furthermore, the Audit and Financial Committee considered resolutions regarding container financing.

The meeting on 23 September 2013 focused on the Executive Board's report on the current business situation and on financing issues and measures. The Audit and Financial Committee also studied reports by the Compliance Officer and the corporate audit department. In this context, the head of the corporate audit department gave the committee an account of the audit procedures conducted last year. The Audit and Financial Committee's meeting on 25 November 2013 concentrated on the Group's result, finance and investment planning for 2014, and the forecast for the period from 2015 to 2018. The Executive Board gave a detailed account of the assumptions upon which its plans were based, in particular in relation to the development of freight rates and the development of the hedging strategy. The committee discussed the targets and measures with the Executive Board in detail. It resolved to recommend that the Supervisory Board approve the proposed annual budget for 2014, including the finance and investment planning.

Audit of individual and consolidated financial statements 2013

The individual financial statements and management report and the consolidated financial statements and Group management report of Hapag-Lloyd AG for the financial year 2013 were audited and each granted with 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 25 March 2014 in the presence of the auditor, who gave an account of the findings of their audit, and the Executive Board.

In its meeting on 25 March 2014, 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 AG are thereby adopted. The Supervisory Board concurred with the Executive Board's proposal in respect of the appropriation of profits.

Thanks

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

Hamburg, 25 March 2014

Jürgen Weber

Chairman of the Supervisory Board

HAPAG-LLOYD – CAPITAL MARKET ACTIVITIES

SUSTAINED UPWARD TREND IN THE STOCK MARKETS

The central banks' continued expansionary monetary policies in the reporting period resulted in new all-time highs on the most important international stock markets. Towards the end of 2013, it was in particular the successful change in course made by the US Federal Reserve, with it tapering its highly expansionary monetary policy at a very slow pace, that put additional wind in the sails of securities markets. The gradual improvement in the economic situation in Europe also made the mood on the stock markets more buoyant. Only economic growth in China, which fell well short of expectations, served to temporarily slow the upward trend on the stock markets.

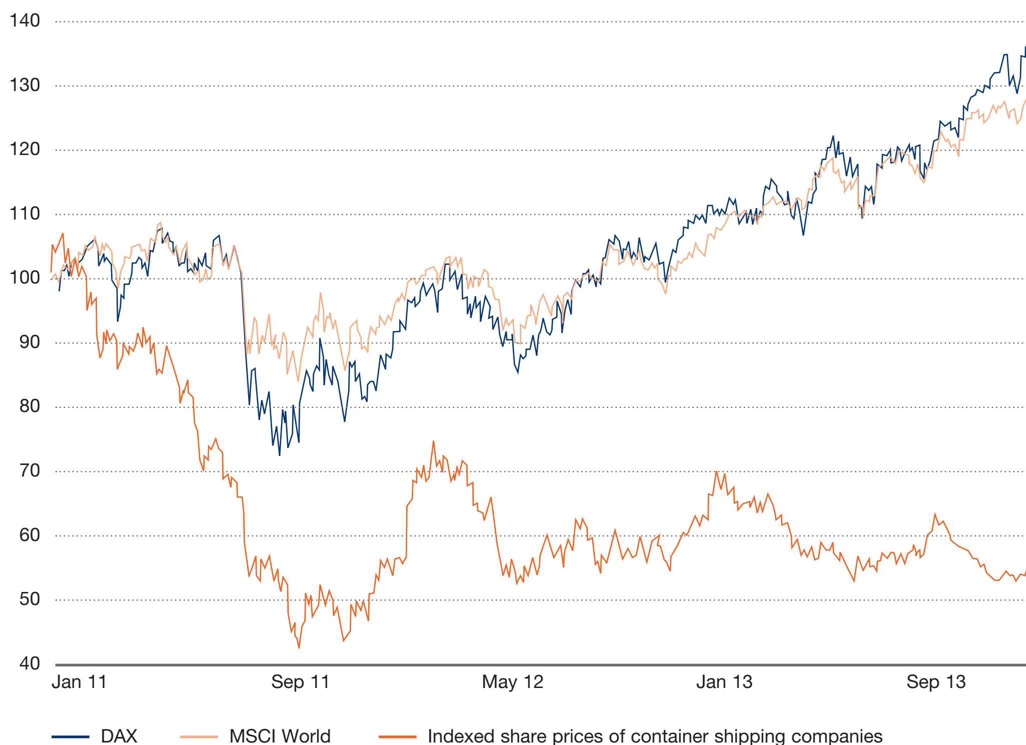
Developments in the most important indices

Indices	**31.12. 2013***	31.12. 2012*	31.12. 2011*	High/Low 2013	Change 2013 vs. 2012
Dow Jones Industrial	**16,577**	13,104	12,217	16,577 / 13,104	+26.6%
MSCI World	**1,661**	1,339	1,182	1,661 / 1,339	+24.1%
EuroStoxx 50	**3,109**	2,636	2,316	3,111 / 2,512	+17.9%
DAX Index	**9,552**	7,612	5,898	9,589 / 7,460	+25.5%
Nikkei 225	**16,291**	10,395	8,455	16,291 / 10,395	+56.7%

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

Due to continuing pressure on freight rates, in particular in Far East trade, and the persistently poor earnings of most container liner shipping companies, the prices of shares in publicly listed container liners showed below-average development in 2013.

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



Source: Bloomberg

STRONG WILLINGNESS TO INVEST IN CORPORATE BONDS

Institutional and private investors continued to show a great deal of interest in high-yield corporate bonds, despite the budget dispute in the USA, which briefly came to a head. According to an analysis of the investment bank Société Générale, the volume of high-yield corporate bonds issued in Europe in 2013 amounted to EUR 86.2 billion, compared with the EUR 57.8 billion in bonds issued by companies in the previous year.

Hapag-Lloyd's bonds

Hapag-Lloyd issued another corporate bond on 20 September 2013. A bond with a volume of EUR 250 million was placed with institutional investors. The bond, which has a maturity of five years and a coupon of 7.75% p.a., was heavily oversubscribed. The issue price was 100.00%. Like the bonds issued in October 2010, this new corporate bond is also listed on the Luxembourg Stock Exchange. This EUR bond due in 2018 was increased by a further EUR 150 million at an issue price of 101.75% on 9 October. The outstanding volume of the 2015 EUR bond was reduced by EUR 200 million to EUR 280 million as part of a multiphase buy-back offer which applied until 9 November 2013.

On 31 December 2013, the bonds issued by Hapag-Lloyd AG were traded at 104.77% (2015 EUR bond), 104.04% (2018 EUR bond) and 105.63% (2017 USD bond).

Key bond data

	Issue volume (total)	Maturity*	Coupon	Initial offering price	Price on **31.12.2013**
EUR tranche 2015	EUR 280 million	15.10.2015	9.00%	99.50%	104.77%
EUR tranche 2018	EUR 400 million**	1.10.2018	7.75%	100.00%	104.04%
USD tranche 2017	USD 250 million	15.10.2017	9.75%	99.37%	105.63%

Price data: Bloomberg; * Callable; ** Increase of EUR 150 million to 101.75%

The Hapag-Lloyd Group still has robust balance sheet ratios. The equity ratio (equity/balance sheet total) as at 31 December 2013 came to around 42%. Gearing remains comparatively moderate at approximately 85%. On 31 December 2013, cash and cash equivalents accounted for around 7% of the balance sheet total. At 99.6%, the asset coverage ratio II (equity and long term debt to fixed assets) was virtually unchanged as at 31 December 2013. The agreed covenants were once again fulfilled as at 31 December 2013.

In its rating update on 17 September 2013, the international rating agency Standard & Poor's confirmed its issuer rating of B+ for Hapag-Lloyd AG, but revised its outlook upwards from negative to stable. On 19 September 2013, the rating agency Moody's published an unchanged rating of B2 with a negative outlook.

OPEN AND TRANSPARENT COMMUNICATION

The focus of Hapag-Lloyd's investor relations activities is on communicating promptly with all investors and capital market participants. In 2013, Hapag-Lloyd attended the following international capital market conferences:

Capital market conferences 2013

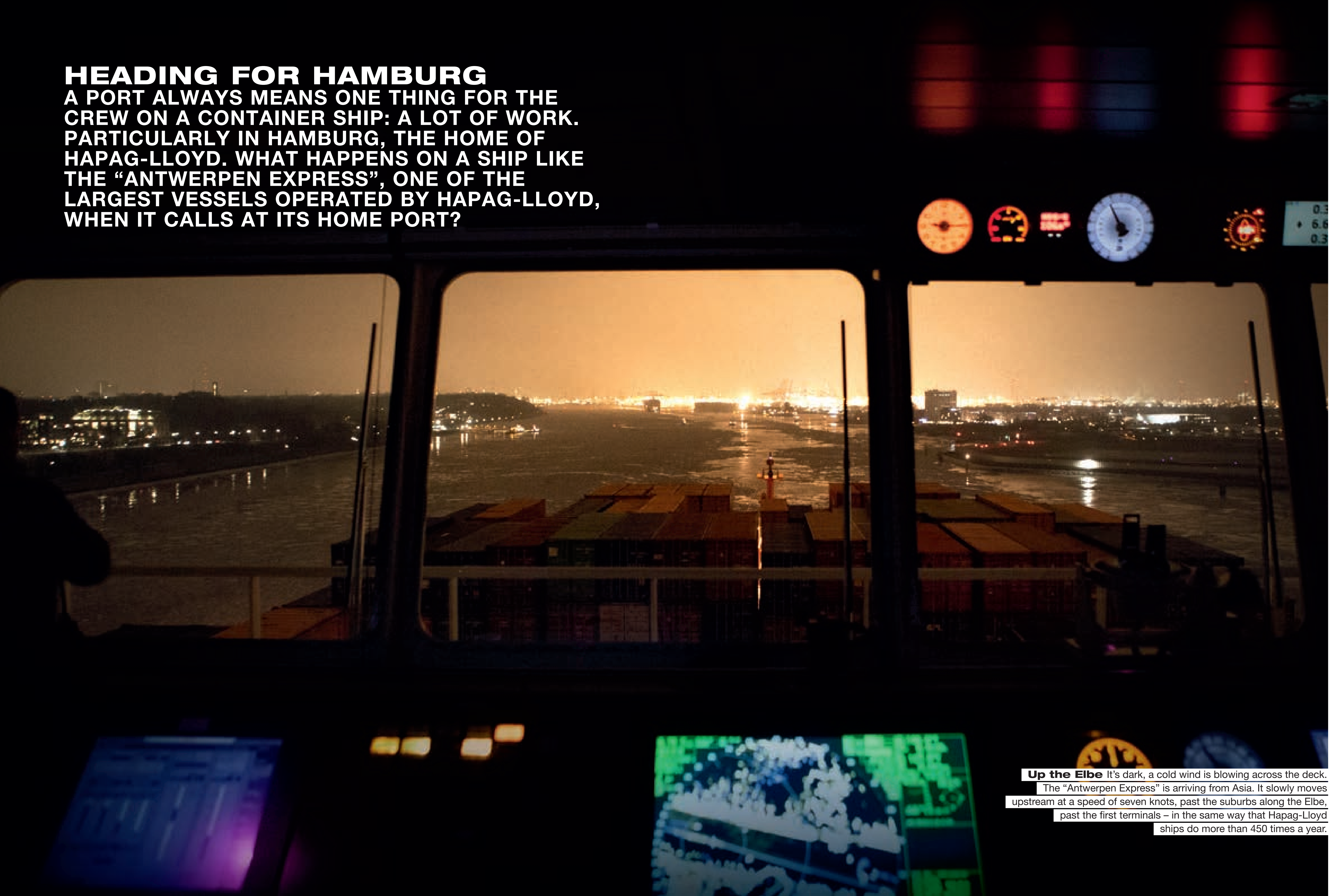
Date	Location	Conference	Host
15 January	London	9th Annual High Yield and Leveraged Finance Conference 2013	BNP Paribas
21 March	New York	7th Annual Invest in International Shipping Forum	Capital Link
15 May	Düsseldorf	German Credit Conference	IKB
13 June	London	17th Annual European Leveraged Finance Conference	Deutsche Bank
12 September	London	European High Yield and Leveraged Finance Conference 2013	Barclays
13 November	Frankfurt	Anleihetag Deutsches Eigenkapitalforum	Deutsche Börse
12 December	London	European Credit Conference 2013	Citi

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

Published reports are available on the Investor Relations pages of Hapag-Lloyd's website – **www.hapag-lloyd.com/en/investor_relations/reports.html**
Detailed information regarding Hapag-Lloyd's corporate bonds is available at **www.hapag-lloyd.com/en/investor_relations/bonds.html**

HEADING FOR HAMBURG

A PORT ALWAYS MEANS ONE THING FOR THE CREW ON A CONTAINER SHIP: A LOT OF WORK. PARTICULARLY IN HAMBURG, THE HOME OF HAPAG-LLOYD. WHAT HAPPENS ON A SHIP LIKE THE "ANTWERPEN EXPRESS", ONE OF THE LARGEST VESSELS OPERATED BY HAPAG-LLOYD, WHEN IT CALLS AT ITS HOME PORT?



Up the Elbe It's dark, a cold wind is blowing across the deck. The "Antwerpen Express" is arriving from Asia. It slowly moves upstream at a speed of seven knots, past the suburbs along the Elbe, past the first terminals – in the same way that Hapag-Lloyd ships do more than 450 times a year.

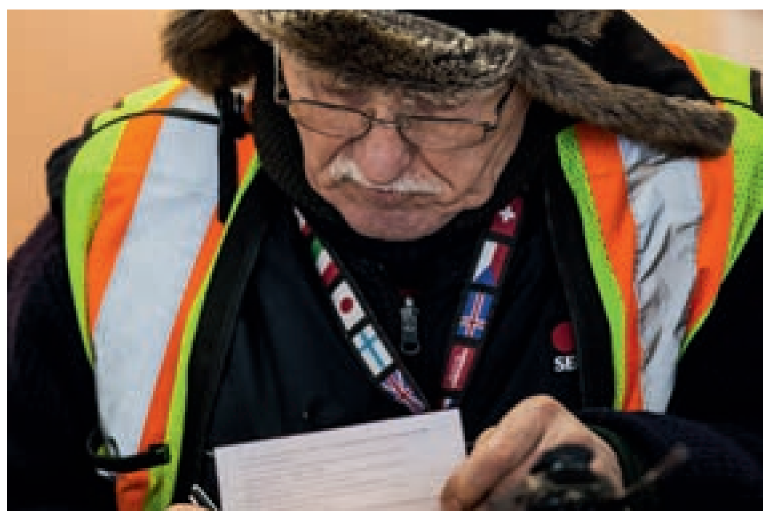
In the Köhlbrand One of three tugs tows the giant vessel towards the Altenwerder terminal. It's hard work for these miniature powerhouses, as the "Antwerpen Express" is carrying 88,000 tonnes of cargo on this February night, including jeans, consumer electronics, and frozen fish. The ship is 366 meters long and towers 53 meters above the water. There is clearance of just a meter or so when it glides beneath Köhlbrand Bridge.

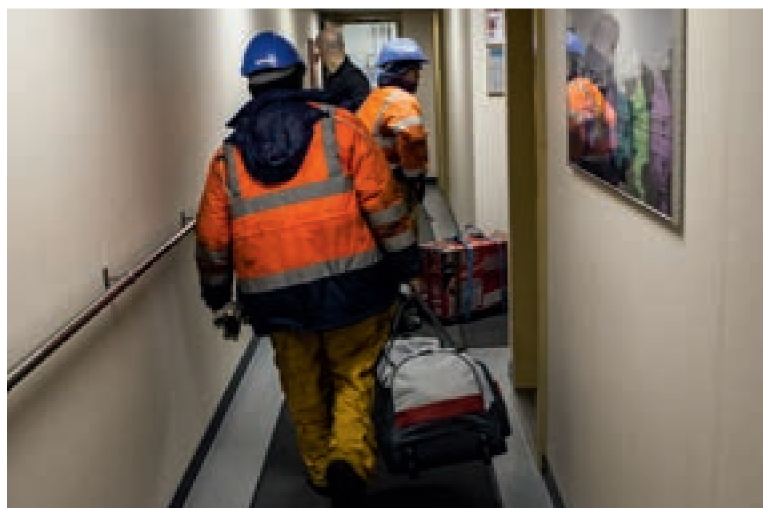
Icy conditions by the quay "Bugsier 20" clears the ice from in front of the quay with the force of its propeller. During the docking procedure, the pilot and the captain up on the bridge wing maneuvre the vessel with pinpoint accuracy. Only 20 meters ahead sits a sister ship, the "Basle Express". And there's not much room behind either.

Real craftsmanship The crew on the forecastle moor the vessel. Seamen pull heavy mooring lines across the deck. Each line can carry a load of up to 105 tonnes and is unwound from huge winches the size of a man, down to the quay below. Until the lines are tied to the bollards, until the ship is securely moored at berth number 3.

Hamburg is a hub Under the bright floodlights, the long jibs of five gantry cranes almost simultaneously descend onto the ship as soon as it arrives, and the discharging process begins. Hamburg is one of Hapag-Lloyd's biggest transshipment points in the world. A total of 3,749 containers will be unloaded from the "Antwerpen Express" here over the next 48 hours – two thirds of its cargo, according to the schedule.

Visit on board As soon as a ship is moored people begin rushing up the gangway. Even if it's midnight. The first to board are harbor police for routine ID checks on the crew. Then, early next morning, representatives from the employers' liability insurance association, environmental authorities, inspectors – and a dozen mechanics. "If you're unlucky, they all want to come on board at the same time," says Captain Axel Werth.





Green giant Eleven cylinders, 71,000 hp, five decks high – this is the main engine of the "Antwerpen Express". In Hamburg, the technical equipment in the engine room is serviced, and spare parts are brought on board. The logistics are sophisticated and everything is meticulously logged. There's no room for engine trouble; a ship must sail.

Bunkering A bunker barge stops alongside and a hose is connected from it to the ship at the height of the main deck. Then tonnes of bunker, the fuel that powers the “Antwerpen”, begin to flow. Filling her up costs almost five million euros.

Change of crew The crew of the "Antwerpen Express" is 28 strong. In its home port of Hamburg, part of the crew always changes. Axel Werth leaves and a new captain comes on board. The handover takes place in the captain's office, Werth wishes his fellow captain safe travels. Then Michael Kowitz has to study the files. For his trip to South Korea and back.

In the hold A new morning means a new load of cargo. To load the “Antwerpen”, the cranes travel back and forth more than 6,000 times, lifting 2,500 containers on board and placing them deep in its steel belly. As many as eleven layers fit below the deck.

The crew Harbor days are stew days – the food needs to be tasty, but simple, because of the many visitors on board. After work, there's still some time for a spot of table football. And for a smile from chief engineer Marko Elstner.

Special cargo A propeller, weighing 70 tonnes. Its destination: Shanghai. The ship propeller is lowered into the “Antwerpen Express” by a floating crane. Such oversized cargo is always a particular challenge. But it doesn’t pose a problem for the men who carefully fix it in place below deck.

From mooring to casting off One container after the other, without a pause – more than 100,000 tonnes of cargo will be loaded and unloaded during this call. When at port, time is usually dedicated to loading and unloading. Once the last container is on board, it's time to set off again.

Casting off The Elbe is at high tide and the ship sets sail. Cast off! An officer is in radio contact with the bridge. He gives orders to the seamen at the rear who are pulling in the ropes, thick as a person's arm. And once again, it's time for the tugboats to get down to work.

On course for Asia The “Antwerpen Express” heads towards the North Sea. Its next port of call is Southampton, then non-stop to the Suez Canal. In 77 days, the giant container vessel will be back in its homeport again – with new cargo.

Group management report

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BASIC PRINCIPLES OF THE GROUP

GROUP STRUCTURE AND SHAREHOLDERS

Hapag-Lloyd Holding AG was merged with Hapag-Lloyd AG with retroactive effect from 1 January 2013 upon being entered into the commercial register on 19 August 2013. As a result of the merger, Hapag-Lloyd AG is now the parent company of the Hapag-Lloyd Group. This serves to simplify Hapag-Lloyd's corporate structure and has no bearing on the proportion of shares held by the shareholders. Nor does this merger have a material effect on the consolidated financial statements of Germany's largest liner shipping company.

The explanations in this annual report relate to the operating activities of Hapag-Lloyd AG and its subsidiaries. Consequently, the Group as a whole is referred to uniformly in the annual report as the “Hapag-Lloyd Group”, “Hapag-Lloyd” or “the Group”.

The Group's business operations comprise Hapag-Lloyd's container shipping activities. Holdings, including an investment in a container terminal in Hamburg, are accounted for in the consolidated financial statements under the equity method. The investment in a container terminal in Montreal, Canada, was sold at the end of 2013. At the balance sheet date, a total of 48 direct and indirect subsidiaries and four equity-accounted investees belonged to the group of consolidated companies of Hapag-Lloyd AG. A total of 47 companies are based outside of Germany. The group of consolidated companies also comprises five companies in Germany.

Following the dissolution of the “Albert Ballin“ consortium per shareholder resolution, the former members of the consortium now have a direct stake in Hapag-Lloyd AG. Their shareholdings have not changed in volume.

As at 31 December 2013, Hapag-Lloyd AG's shareholders were:

Shareholding in %	2013
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	36.9%
Kühne Maritime GmbH	28.2%
TUI AG / TUI-Hapag Beteiligungs GmbH	22.0%
SIGNAL IDUNA Gruppe	5.3%
HSH Nordbank AG	2.9%
Pool of investors led by M.M.Warburg & CO KGaA	2.9%
HanseMerkur Versicherungsgruppe	1.8%
Total	**100.0%**

Talks with Compañía Sudamericana de Vapores

Hapag-Lloyd and the Chilean shipping company Compañía Sudamericana de Vapores (CSAV) have been holding talks since December 2013 regarding a possible merger of their container business. The two companies signed a memorandum of understanding regarding this on 22 January 2014. A binding contract may follow upon completion of due diligence.

Changes in the Supervisory Board and the Hapag-Lloyd Executive Board

Following the merger of Hapag-Lloyd Holding AG with Hapag-Lloyd AG, the Hapag-Lloyd AG Supervisory Board is the highest supervising body of the Hapag-Lloyd Group. The corporate governance report contains details relating to the structure of the Supervisory Board.

Jesper Praestensgaard, Hapag-Lloyd AG Executive Board member since January 2011 and responsible for Global Markets and Global Accounts, left the Hapag-Lloyd Executive Board following a Supervisory Board resolution dated 12 June 2013.

At its meeting on 24 September 2013, the Supervisory Board of Hapag-Lloyd AG set the course at an early stage for maintaining continuity in the executive management of Germany's largest liner shipping company. Rolf Habben Jansen will succeed Chief Executive Officer Michael Behrendt, who is set to leave in the middle of 2014. Mr Habben Jansen has been appointed to the Company Executive Board with effect from 1 April 2014 and will assume the position of Chairman of the Executive Board on 1 July 2014.

Ulrich Kranich will also leave the Company as planned on 30 June 2014 after 38 years. Mr Kranich has been a member of the Executive Board since July 2006, where he has also held the position of COO since 2008 with responsibility for the operational management of the global shipping business. Anthony James Firmin has been appointed as Ulrich Kranich's successor with effect from 1 July 2014. Firmin has been with Hapag-Lloyd for 18 years and is responsible for Yield Management & Network as a member of the Executive Committee, Hapag-Lloyd AG's extended top management circle.

OPERATING ACTIVITIES

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

Network of Hapag-Lloyd services

The Hapag-Lloyd fleet comprises 151 container ships (31 December 2013). The Group currently has around 338 sales offices in 113 countries and offers its customers worldwide access to a network of 97 liner services. In the 2013 financial year, Hapag-Lloyd served some 20,500 customers around the world (2012: 22,100).

Hapag-Lloyd conducts its container shipping business in an international business environment in which transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities, an example being the purchase, chartering and rental of vessels and containers, as well as the corresponding financing of the investments. The functional currency of Hapag-Lloyd AG and its subsidiaries is therefore the US dollar. To limit the risks of changes in exchange rates, hedging transactions are carried out. However, the reporting currency of Hapag-Lloyd AG is the euro. Assets and liabilities recognised in the consolidated financial statements of Hapag-Lloyd AG are translated into euros as at the reporting date (closing date rate) using the middle rate of that day. The translation differences are recognised directly in the Group's other comprehensive income.

The framework conditions and principles that are of considerable importance for the Group to conduct business successfully are presented as follows. These include achieving sustainable operating cash flows, a solid financing structure and a sound liquidity and equity base.

Legal framework

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 FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include (adjusted) EBIT, the transport volume and freight rates. A description and the calculation of the performance indicators can be found in the "Corporate management" section. The development of the most important financial performance indicators in the 2013 financial year is presented in the "Group earnings position" section.

IMPORTANT NON-FINANCIAL PRINCIPLES

In addition, the optimal utilisation of the available ship and container capacities also has a substantial influence on whether long-term profitable growth is achieved. Furthermore, sustainable and quality-conscious corporate governance and highly qualified and motivated employees are important principles for the long-term profitable growth of Hapag-Lloyd.

Productivity and efficiency

Hapag-Lloyd also pays special attention to 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. This programme has been consistently pursued since then.

The proportion of unprofitable cargo has been reduced further in the last few years due to targeted yield management. Business operations around the globe have benefited from the deployment of customised IT systems.

The globally standardised “Blueprint” organisational structure allows for a standardised exchange of information between head offices, regions and offices, thus also ensuring that this standardised structured information is used all over the world. This enables the Group to increase productivity and ensures that the fleet is used efficiently.

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

The commissioning of a total of ten new “Hamburg Express” class vessels with a capacity of approximately 13,200 TEU, which began in 2012 and which is due to be completed in April 2014, will result in additional economies of scale being realised in ship operations.

Flexible fleet and capacity development

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

As at 31 December 2013, Hapag-Lloyd’s fleet comprised 151 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 729 TTEU as at the balance sheet date. The average ship size within the Hapag-Lloyd fleet was 4,828 TEU, which is 1,925 TEU above the average for the global container ship fleet. Hapag-Lloyd also owned or leased 665,857 containers with a capacity of approximately 1.072 million TEU for transporting cargo. The use of charter ships allows the Company to react relatively flexibly to fluctuations in demand and therefore exploit growth opportunities on the one hand and limit the risk of overcapacity on the other. The Company’s own or leased ships represented around 53% of total TEU capacity at the end of 2013 (31 December 2012: 53%).

A total of seven vessels in the new “Hamburg Express” class, each with a capacity of approximately 13,200 TEU, were brought into service during 2012 and 2013. There are another three ships of this size on the current order book, which are due to be placed into service by April 2014. As at the balance sheet date of 31 December 2013, the order book corresponded to a mere 5% or so of the transport capacity of the Hapag-Lloyd fleet. This means that Hapag-Lloyd has the smallest order book of the world’s ten largest container liner shipping companies. These newbuilds not only allow the Company to exploit medium-term market opportunities, but also guarantee economies of scale in its ship operations, e.g. thanks to lower bunker consumption per slot.

Structure of Hapag-Lloyd’s container ship fleet

	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Number of vessels	151	144	149	137	114
thereof					
own vessels	57	59	58	59	56
leased vessels	7	7	9	9	9
chartered vessels	87	78	82	69	49
Aggregate capacity of vessels (TTEU)	729	670	679	605	478
Aggregate container capacity (TTEU)	1,072	1,047	1,042	1,025	1,009
Number of services	97	89	84	77	72

Efficient transport services

In container shipping, the flows of goods to and from different regions vary in terms of their size and structure. This is due to volume differences in the import and export of goods. Most trades therefore have a “dominant leg” with a higher freight volume and a “non-dominant leg” with a lower freight volume.

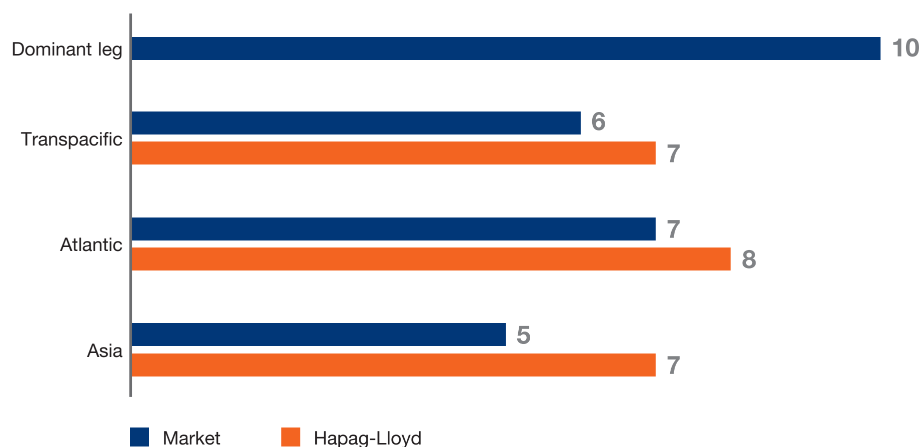
Imbalances in the trades

	Transport volume 2013 (in TTEU)
Transpacific	
Far East – North America	13,500
North America – Far East	6,800
Atlantic	
Europe – North America	3,700
North America – Europe	2,700
Far East	
Far East – Europe	13,600
Europe – Far East	6,200

Source: IHS Global Insight, December 2013

The transport capacities must be planned to meet the volumes on the dominant leg. The return transport of empty containers also involves costs. The relevant performance indicator here is the ratio of loaded containers on the dominant leg to the number of loaded containers on the non-dominant leg. The objective is to keep the number of empty container transport operations low or balance the ratio to the greatest possible extent. Furthermore, empty containers are positioned in the regions with high demand via the shortest, quickest and cheapest route. The number of loaded containers transported on the key trades remains above the market average thanks to Hapag-Lloyd's use of modern IT and network management systems.

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



1) Ratio between the number of full containers on the non-dominant leg per 10 full containers on the dominant leg (the higher the ratio, the more balanced in both directions).
Source: IHS Global Insight, December 2013; Hapag-Lloyd FY 2013: market data according to HLAG trade definition

Another important performance indicator in connection with the fleet's capacity utilisation is the turnaround frequency of the containers. Here, the average number of deployments per container per year is calculated. The objective is to increase the turnaround frequency in order to boost productivity and keep the total number of containers required as low as possible. Here, also, Hapag-Lloyd makes beneficial use of modern IT systems.

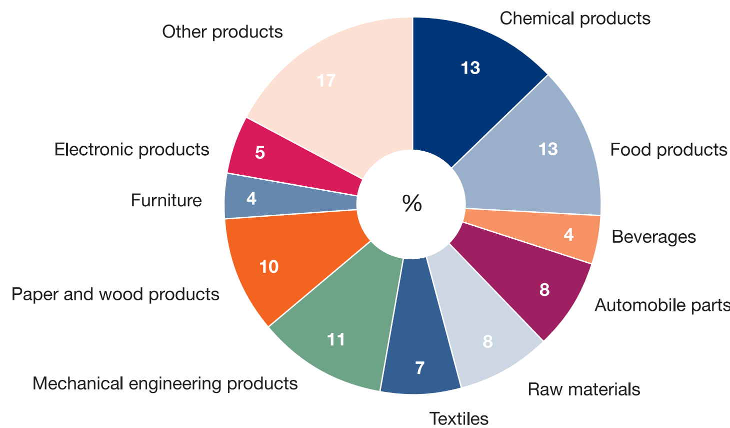
Customers and customer orientation

Hapag-Lloyd has established itself as a high-quality provider among container liner shipping companies. The reliability and high quality that the customer experiences with Hapag-Lloyd services are at the very heart of Hapag-Lloyd's market presence. This market positioning is underpinned by Hapag-Lloyd's high profile and the significance of the "Hapag-Lloyd" brand. Targeted customer services play an important part in achieving customer loyalty. Top clients are supported by the Global Account Management Team in Hamburg and are visited by Key

Account Managers. 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. In general, the Company has long-standing contractual arrangements with its direct customers. Direct customers allow Hapag-Lloyd to plan the required transport capacity better because of the framework agreements concluded with them. Hapag-Lloyd has a balanced customer base, as demonstrated by the fact that its 50 largest customers represent considerably less than 50% of its cargo volume. In total, transport contracts were completed for approximately 20,500 customers in the 2013 financial year (prior year: approximately 22,100 customers).

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. A breakdown of the goods shipped by Hapag-Lloyd into product categories reveals a relatively balanced distribution. No product category accounted for a share of over 17% during the past financial year.

Transport volume by product category in 2013



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

GROUP OBJECTIVES AND STRATEGY

The Hapag-Lloyd Group's prime strategic objective is long-term profitable growth. In terms of transport volume, Hapag-Lloyd was able to achieve growth of approximately 11% over the past four years and therefore mirrored market growth. While the development in transport volumes in 2013 was largely in line with expectations, the average freight rate fell short of forecasts as a result of strong competition. Hapag-Lloyd generated a positive operating result (adjusted EBIT) in this period, in spite of continued fierce competition in the trades.

	2013	2012	2011	2010
Transport volume (in TTEU)	5,496	5,255	5,198	4,947
EBIT (adjusted, in million EUR)	67	26	101	550
EBIT margin (adjusted, in % of sales)	1.0	0.4	1.7	8.9

Increasing global demand for container transport forms the basis for this planned organic growth. This is determined by the increase in the exchange of goods between the growth regions of the world. With demand for container transport services continuing to rise, container shipping will remain a growth industry in the long term. After comparatively modest growth of just 2.1% in 2013 due to the economic environment, current forecasts (IHS Global Insight, December 2013) predict that the volume of global container transport will increase by 4.4% in 2014 and will rise further to around 135 million TEU in 2015 (+5.2%). IHS Global Insight expects average annual growth of 5.3% for the years from 2014 to 2018, and therefore expects global cargo volumes to be around 158 million TEU in 2018. As a founding member of the Grand Alliance and the G6 Alliance, and with its attractive array of 97 services, Hapag-Lloyd is well positioned to benefit from this global growth in the future too.

CORPORATE MANAGEMENT

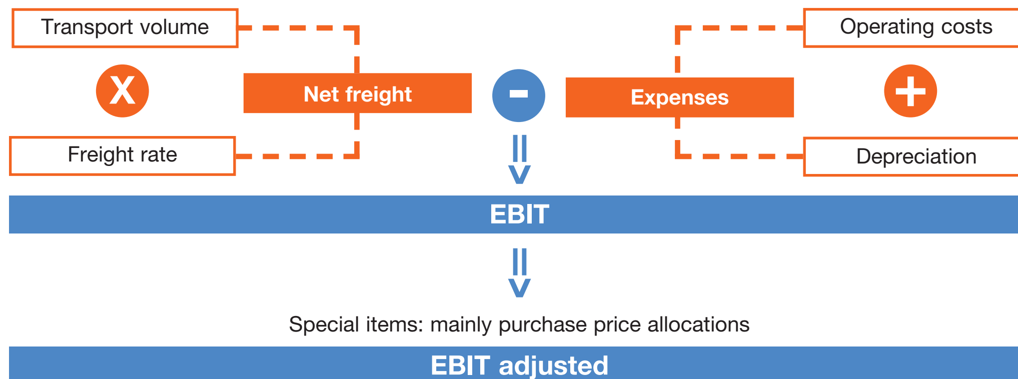
Hapag-Lloyd uses adjusted EBIT – earnings before interest and taxes adjusted for special items – as the key parameter for the internal management of its operating activities. The main influencing factors are transport volume, freight rate, the US dollar exchange rate against the euro, and operating costs including bunker price.

The EBIT (and adjusted EBIT) figure is calculated from 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 income and expenses relating to purchase price allocations.

The global transport volume is dependent on the prevailing economic developments around the world. Other factors influencing Hapag-Lloyd's transport volume are container ship capacity and the accompanying change in the competitive situation in the trades. 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 individual container transport shipments are examined using profitability criteria. Yield management is used to ascertain the optimum relationship between transport volume and freight rate in accordance with the current market situation. Innovative IT systems are used for the continuous, real-time observation of the contribution margin. Unprofitable freight can be identified and avoided, thus providing a strategic approach for ensuring a positive EBIT result.

Factors influencing adjusted EBIT



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

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

Operating costs are also influenced by bunker price changes. The bunker price correlates with the development of crude oil prices and is subject to substantial fluctuations. Depending on the competitive situation, a proportion of the fluctuations can be compensated for via the freight rate in the form of bunker surcharges. However, the extent to which this can be

implemented depends very much on the prevailing market situation. If applicable, up to 80% of the Group's likely bunker fuel needs over twelve months are hedged using options in order to lessen the risk of increasing oil prices.

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

Development of EBIT and EBITDA

	2013	2012	2011	2010
EBIT (adjusted)	67	26	101	550
EBIT margin (adjusted, in % of revenue)	1.0	0.4	1.7	8.9
EBITDA (in million EUR)	389	335	367	904
EBITDA margin (in % of revenue)	5.9	4.9	6.0	14.6

Hapag-Lloyd – with its balanced fleet structure, owning approximately 53% of its fleet – uses EBIDTA as an important parameter for investment and financing decisions. The level of depreciation and amortisation is determined by the volume of investments made as well as the useful life of property, plant and equipment and intangible assets. Over the past four years, Hapag-Lloyd has achieved a positive EBITDA margin of between approximately 5% and 15% despite a mostly fierce competitive environment.

The generation of sustainable cash flows, solid corporate financing, and therefore in particular a good liquidity and equity base which extends beyond the respective covenant requirements, are once again key objectives of the corporate strategy in the 2014 financial year.

Financial stability

In the 2013 financial year, the Group's financial stability was further strengthened as a result of far-reaching measures. Its equity base remains robust and the financing of the newly ordered container ships was secured well in advance. As at 31 December 2013, Hapag-Lloyd had a liquidity reserve (consisting of liquid assets and unused credit lines) totalling EUR 533.8 million (2012: EUR 632.9 million). Equity came to approximately EUR 2.9 million (31 December 2012: EUR 3.1 billion). Over the past four years, the liquidity reserve needed at any given time and the solid equity base were well above the stipulated covenant requirements.

RESEARCH AND DEVELOPMENT

Expenses relating to the modernisation and optimisation of the IT systems and software components (IT) developed in-house are recorded in operating expenses. The IT system developed by the Company is constantly optimised. Beyond this, Hapag-Lloyd does not pursue any noteworthy research and development activities of its own.

The use of modern, networked systems guarantees a swift exchange of data between partners in the transport chain around the world. This places considerable demands on the IT systems used. Some examples of how IT systems are used for container shipping are presented below.

Equipment deficit action planning

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

Yield management: shipment appraisal

The contribution made by a single shipment to the overall operating result depends on complex cost and revenue structures. The IT-supported method which has been in use for many years 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 software 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.

Invoicing of terminal services

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

Transshipment planning and commissioning

In 2013, Hapag-Lloyd shipped containers to some 500 ports in 113 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” planning and commissioning module has vastly improved the efficiency of processing these transshippers.

SUSTAINABILITY AND QUALITY MANAGEMENT

In 1994, Hapag-Lloyd was the first of the world’s liner shipping companies to implement a quality management system for all activities along the international transport chain, from the sender to the recipient. This system was enhanced in 2003 with a certification in accordance with the ISO environmental standard 14001 and has been run as an integrated quality and environmental management system ever since. Germanischer Lloyd renewed the relevant certification in 2012, which is now valid until 21 June 2015.

As a global company, Hapag-Lloyd performs annual audits in order to maintain its high quality and environmental protection standards. In 2013, a total of 153 audits were carried out in the Group (2012: 152).

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 122 contacts for sustainability and quality matters in all of the regions/areas around the world, in the central departments and on the ships (2012: 124).

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

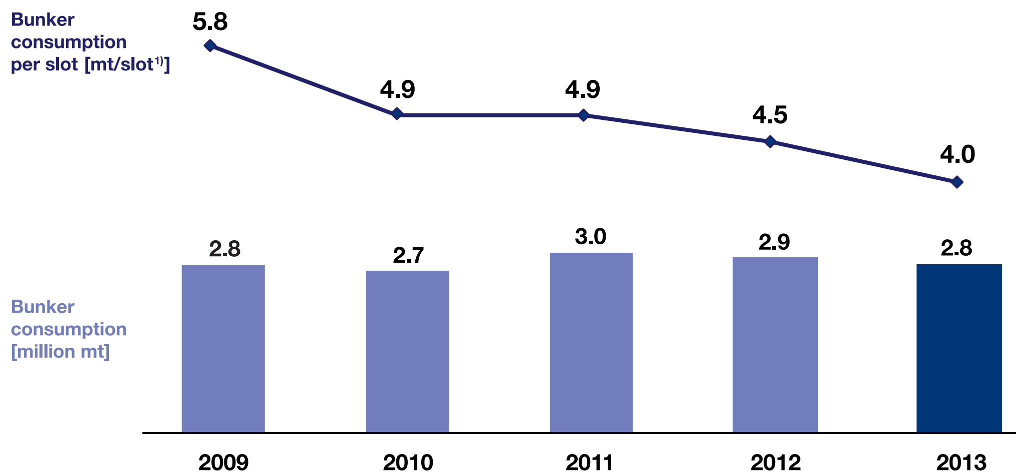
Efficiency and environmental protection

Measured by its share of global CO_2 emissions, shipping is the most CO_2-efficient mode of transport. Hapag-Lloyd introduced a number of technical and operational measures early on to further reduce CO_2 emissions. One crucial measure to reduce fuel consumption and emissions is known as “derating”, which is a reduction in the output of ships’ engines. Adapting the engine output to slower speeds (slow steaming) ensures that the ships operate in a way that is more cost-effective and considerably more environmentally friendly. In this way, the Hapag-Lloyd fleet’s recorded CO_2 emissions have already been reduced on a sustainable basis over the past three years.

In February 2012, Hapag-Lloyd became the first shipping company in the world to have its entire own-managed fleet classified in accordance with the new Energy Efficiency Design Index (EEDI). The EEDI, which was developed by the International Maritime Organization (IMO), the shipping forum of the United Nations, uses a fixed formula to determine the CO_2 emissions of a cargo vessel in grams per tonne transported and sea mile travelled. The independent certification of Hapag-Lloyd was carried out by Germanischer Lloyd and shows that many vessels in the Hapag-Lloyd fleet have an EEDI value which is around 20% to 37% lower than the average figure for the active global fleet in their respective classes. On 12 December 2013, Germanischer Lloyd renewed the “GL Excellence – 5 Stars” certificate for Hapag-Lloyd and thus certified the high safety, environmental protection and operational standards on Hapag-Lloyd’s container ships. In addition to implementing occupational health and safety measures, this standard requires certification according to ISO 9001 (quality), ISO 14001 (environment), the ISM (International Safety Management) Code and the ISPS (International Ship and Port Facility Security) Code on preventing maritime hazards. In addition, the certificate also includes requirements that go above and beyond international norms and rules. The certificate is valid until 20 December 2016.

The efficiency and sustainability of the Hapag-Lloyd fleet will be further improved when the last of the ten new “Hamburg Express” class vessels are placed into service by April 2014. The ten units in the “Hamburg Express” class achieve particularly low figures for fuel consumption and emissions thanks to innovative on-board technology. Bunker consumption per slot (container storage space) has been considerably reduced over the past four years.

Bunker consumption 2009–2013



[1)] Average nominal deployed capacity in TEU applied

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

From January 2014, it will become mandatory for a certain percentage of each shipping company's vessels which call at ports in California to use cold ironing. Two of Hapag-Lloyd's ship classes, "Dallas Express" and "Kobe Express", have already been fitted with the equipment needed for cold ironing. The charter ships used by Hapag-Lloyd will also be refitted in line with the requirements in good time. Other ports around the world are also developing shore-based power concepts.

In 2013, Hapag-Lloyd again received various awards for the quality of its container shipping services.

Awards in 2013

Date	Name of Award	Awarding Organisation
December 2013	Global Ocean Freight Carrier Survey 2013 (3rd place)	Panalpina
December 2013	Region Americas – Carrier Award 2013 – Gold	Hellmann Worldwide Logistics
December 2013	Global Ocean Carrier of the Year Award 2013 – Silver	Hellmann Worldwide Logistics
November 2013	Global Ocean Freight Carrier Evaluation 2013 (3rd place)	DHL Global Forwarding
October 2013	Shippers' Choice Award	Containerisation International
September 2013	2012 Blue Circle Award (EcoAction Program)	Port Metro Vancouver
August 2013	Ocean Import Carrier of the Year Award	Whirlpool
June 2013	Quality Service Award	John Deere
June 2013	Data Quality Award on the GT Nexus Cloud Supply Chain Platform – 2nd place	GT Nexus Shipper Council
May 2013	Best Shipping Line for Fiscal Year Apr 12 – Mar 13	NISSAN Mexicana
March 2013	Excellence Award 2012	Eastman Chemical Company
March 2013	2012 Ocean Carrier of the Year Award	Lowe's
February 2013	2012 Ocean Carrier of the Year	Alcoa
January 2013	Best Ocean Carrier of the Year 2012	Röhlig | Weiss-Röhlig | Gebr. Weiss

For a number of years now, Hapag-Lloyd has been involved in the Clean Cargo Working Group (CCWG), a section of the US-based organisation “Business for Social Responsibility” (BSR). Its members include numerous large liner shipping companies and globally active shipping agents. This working group investigates and optimises the ecological and social impact of the worldwide exchange of goods. To achieve this, it develops tools which are used as standard means of gauging and recording carbon dioxide emissions in container shipping. Hapag-Lloyd is also actively involved in other working groups and symposiums in order to analyse and evaluate new, environmentally friendly measures such as LNG fuel for vessels.

EMPLOYEES

As at 31 December 2013, a total of 7,001 people (including apprentices) were employed at Hapag-Lloyd (prior year: 6,950). Male and female employees each account for 50% of the headcount. The average period of employment was around eleven years.

The number of employees rose by 51 compared with the previous year. As at 31 December 2013, 1,339 people were employed in the marine division; this was unchanged from the previous year. The number of shore-based staff rose by 51 to 5,662. More than two-thirds of the shore-based employees are younger than 50 years old and a good third of them are below the age of 35.

Age structure of shore-based employees (31 December 2013)

Age range	60+	50+	49 – 36	35 – 26	25 – 16
In percentage of total employees	5%	19%	37%	27%	12%

At the end of the reporting period, the number of full-time equivalent employees (FTE) at the Group had risen from 6,817 (31 December 2012) to 6,851.

Number of employees

	31.12.2013	31.12.2012	31.12.2011	31.12.2010	31.12.2009
Marine personnel	1,254	1,245	1,198	1,179	1,195
Shore-based personnel	5,553	5,505	5,465	5,457	5,461
Apprentices	194	200	210	236	247
Total	**7,001**	**6,950**	**6,873**	**6,872**	**6,903**

Internationality also plays a significant role at Hapag-Lloyd. Of the shore-based employees, some 77% worked outside Germany as at 31 December 2013. People from 61 nations currently work at Hapag-Lloyd in more than 45 countries. In particular, employees are encouraged to take on foreign deployments and are shown possible ways of broadening their experience and their intercultural skills. This philosophy pervades all staff levels right up to the management of Hapag-Lloyd, where half the posts are occupied by international executives.

In 2012, Hapag-Lloyd revised its management principles as part of worldwide management training courses in consultation with senior management. This leadership culture serves as a basis for all personnel development measures and as a job specification for current and future executives. Providing the employees with further development opportunities relevant to them, for example by means of special management training courses, remained one of the most important objectives for 2013. In total, 42 management trainees are currently training within the framework of the Management Career Programme (MCP), which was established in 2002. Trainees are required to rotate between a number of different roles in various countries to prepare them for their future executive duties. In addition, there are currently 157 trainees advancing their individual career prospects as part of the Talent Development Programme (TDP). Tailored individual and group training courses are offered to all employees.

There is also a strong focus on vocational training and qualifications in both the shore-based and marine division. Hapag-Lloyd attaches particular importance to extensive, high-quality training. Very often, Hapag-Lloyd's apprentices go on to become Hapag-Lloyd employees. The proportion of those offered jobs at the end of their training has been and still is between 80 and 90%. As at 31 December 2013, Hapag-Lloyd employed 109 apprentices in shore-based positions and 85 at sea. The trainee quota in Germany was therefore 10.1%. In recent years, the Group's apprentices have regularly achieved some of the best grades among their peers in Germany.

These new employees underwent excellent further training to achieve the necessary qualification levels and performed exceptionally well in the course of this training. In recent years, Hapag-Lloyd has also received a number of awards from the body responsible for maritime vocational training, the Berufsbildungsstelle Seeschifffahrt (BBS), in recognition of its outstanding achievements in the field of ship mechanic training. Our goal is maintain this high quality standard.

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

More than 70% of goods transported around the world are carried by ship. In addition to tankers and bulk ships, container ships play a significant role in handling the global transport volume. The pace at which the global economy grows and, by extension, at which global trade expands are therefore significant factors that influence demand for container transport services and thus the development of the container liner shipping companies' cargo volumes.

Economic experts from the International Monetary Fund (IMF) believe that the outlook for economic growth in Europe and the United States has brightened considerably in recent months. In its latest economic outlook (January 2014), the IMF expects global economic growth to reach 3.7% overall (2013: 3.0%) and to gather pace and reach 3.9% in 2015.

The IMF anticipates that the eurozone will overcome the recession of the past two years with growth of 1.0% this year, after an expected decline in economic output of 0.4% in 2013. The world's largest economy, the US, could make the most of its potential to grow in 2014 with a forecast increase of 2.8% and accelerate its growth rate to 3.0% in 2015. Despite experiencing a slowdown, the pace of economic growth in the emerging markets of Asia and Latin America will continue to outstrip growth rates in the established industrialised nations in 2014 and 2015. The ongoing economic impact of the debt crisis in the eurozone and the slowdown in emerging markets represent the most imminent risks to global economic growth in 2014.

According to the IMF, the volume of global trade, which is key to the demand for container transport services, is forecast to increase by 4.5% in the current year and by 5.2% in 2015. This means that the growth in global trade will continue to outpace that of the global economy. Above all, imports and exports to and from the emerging markets are expected to continue to rise at an above-average rate compared with global trade in the period under review.

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

(in %)	2015e	2014e	2013e	2012	2011
Global economic growth	3.9	3.7	3.0	3.1	3.9
Industrialised countries	2.3	2.2	1.3	1.4	1.7
Developing and newly industrialised countries	5.4	5.1	4.7	4.9	6.2
World trading volume (goods and services)	5.2	4.5	2.7	2.7	6.1

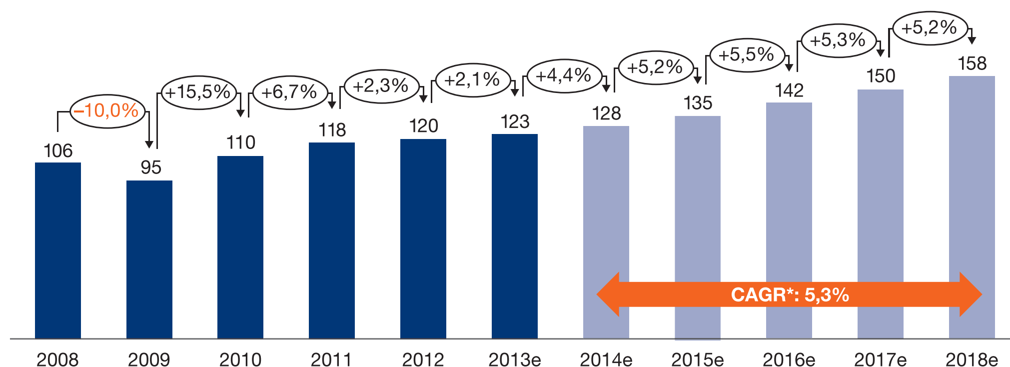
Source: IMF January 2014

The US dollar is the main invoicing currency for the international shipping industry. As the EU sovereign debt crisis eased, the euro was able to recover against the US dollar at the end of the year. The euro's year-end exchange rate was approximately USD 1.38/EUR (2012: USD 1.32/EUR). The average US dollar exchange rate for the 2013 financial year was approximately USD 1.33/EUR and was USD 0.04/EUR above the previous year's rate of USD 1.29/EUR. In the course of 2013, the dollar reached a high of USD 1.38/EUR and a low of USD 1.28/EUR.

SECTOR-SPECIFIC CONDITIONS

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 (December 2013) expects a 4.4% increase in the global container transport volume in 2014 and growth of 5.2% to approximately 135 million TEU in 2015. This would put the forecast rise in worldwide transport volumes in container shipping for 2014 and 2015 roughly in line with the rate of growth for global trade. Current forecasts put the compound annual growth rate (CAGR) for the period from 2014 to 2018 at 5.3%.

Development of global container transport volume 2008–2018 (million TEU)

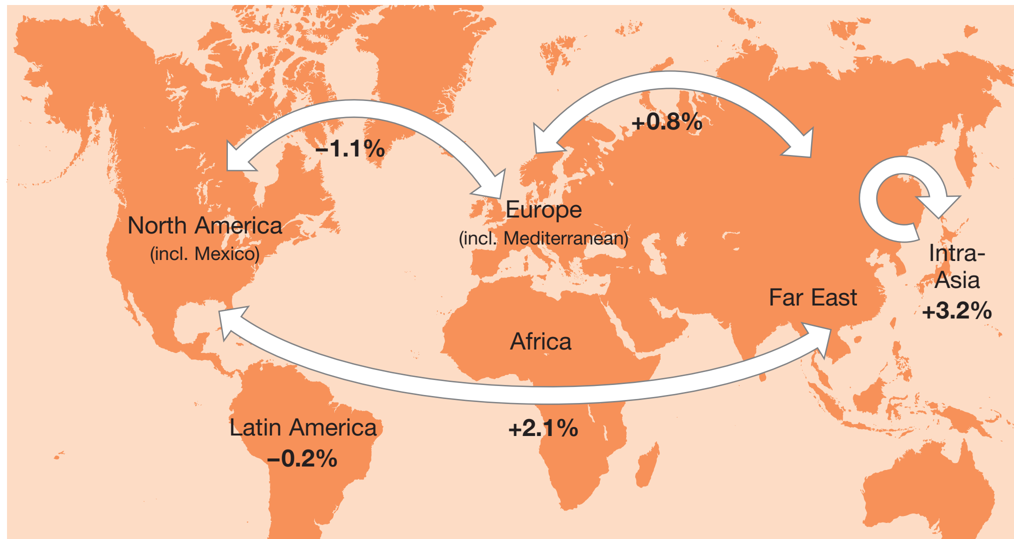


Source: IHS Global Insight December 2013; *Compound Annual Growth Rate

The volume of global container transport could reach some 158 million TEU in 2018. As a result, container shipping will continue to be a growth industry in the medium to long term.

The global economy grew more slowly than expected last year. As a result, IHS Global Insight (December 2013) puts the increase in global container transport services in 2013 at just 2.1% (2012: 2.3%). It was therefore below the original forecasts, as was already the case in 2012. According to calculations by IHS Global Insight, container transport volumes rose on Transpacific (+2.1%), Far East (+0.8%) and intra-Asian trades (+3.2%) in 2013. In contrast, both the Atlantic and Latin American trades saw a slight decline in cargo volumes (–1.1% and –0.2% respectively).

Growth rates for global container traffic in 2013



Source: IHS Global Insight December 2013

Transport volumes and freight rates in container liner shipping are subject to seasonal fluctuations. Demand for transport services is traditionally higher in the second and third quarter of any given year. However, just like in 2012, modest economic growth in Europe and the USA along with the marked economic slowdown in China had a major impact on transport volumes in the peak season for container shipping in 2013.

While the rate of global trade growth determines the demand for container transport services, the commissioning of new vessels and the scrapping of inefficient ones are the most important factors influencing the supply of transport capacities. Supply has grown at a faster pace than demand in recent years as a result of the continued commissioning of new and particularly large container ships. This led to continued pressure on freight rates in all trades.

However, the rise in transport capacities of approximately 0.9 million TEU (+5%) in 2013 was 1.0 million TEU less than forecast at the start of 2013 because of an increase in scrapping, delays to delivery dates and the cancellation of orders.

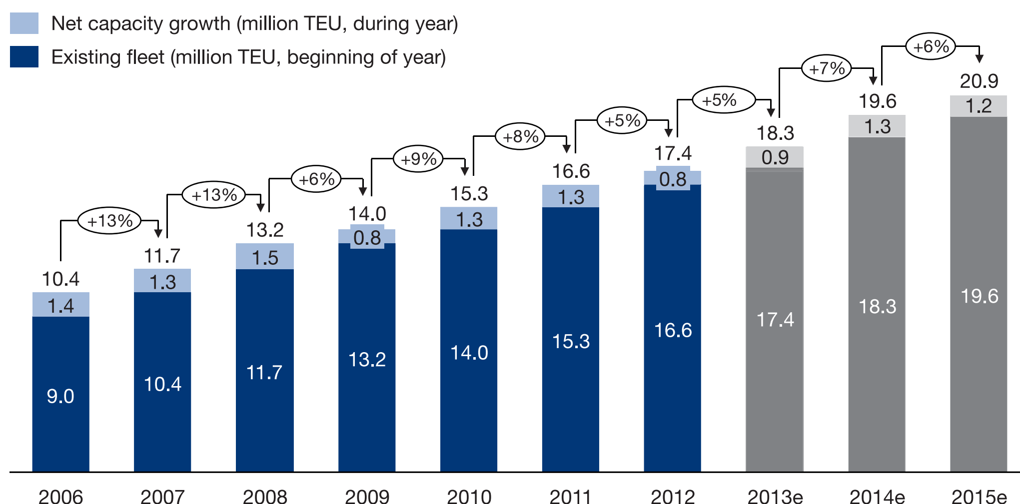
Factors influencing capacity development

in million TEU	2010	2011	2012	2013e	2014e	2015e
Planned deliveries	2.0	1.5	1.7	2.1	1.9	1.7
Delayed deliveries	0.6	0.1	0.6	0.7	0.2	0.2
Scrappings	0.1	0.1	0.3	0.5	0.4	0.3
Actual increase in capacity	1.3	1.3	0.8	0.9	1.3	1.2

Source: MDS Transmodal, Drewry Maritime Research

The total capacity of the global container shipping fleet reached an estimated 18.3 million TEU at the end of 2013 (year-end 2012: 17.4 million TEU).

Development of global container fleet capacity



Source: Clarksons, MDS Transmodal; Februar 2014; only vessels >399 TEU

According to the latest forecasts by industry experts at MDS Transmodal (February 2014), capacities (newbuild deliveries less planned scrapping and expected postponed deliveries) could increase by up to 1.3 million TEU (+7%) in 2014 and by a further 1.2 million TEU (+6%) in 2015. At 20% of the global container fleet's capacity, the TEU capacity of the container ships on order at the end of 2013 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 2014).

The unrelenting pressure on freight rates in 2013 was, in part, also caused by the relatively small size of the idle fleet. The number of idle ships rose sharply towards the end of 2013 as a result of the only muted increase in cargo volumes during the traditional peak season. At around 780,000 TEU (AXS-Alphaliner, January 2014), the idle capacity corresponded to some 4% of the global container fleet's total tonnage at the end of December 2013. However, the number of idle ships remained at around 4% below the number at the end of 2012 (approximately 810,000 TEU) and likewise well below earlier forecasts (some 1.2 million TEU). Indeed, the average amount of idle transport capacities in 2013 was approximately 8% lower than the average in 2012. Of the 235 vessels idle at the end of 2013, some 51% are smaller ships of up to 3,000 TEU.

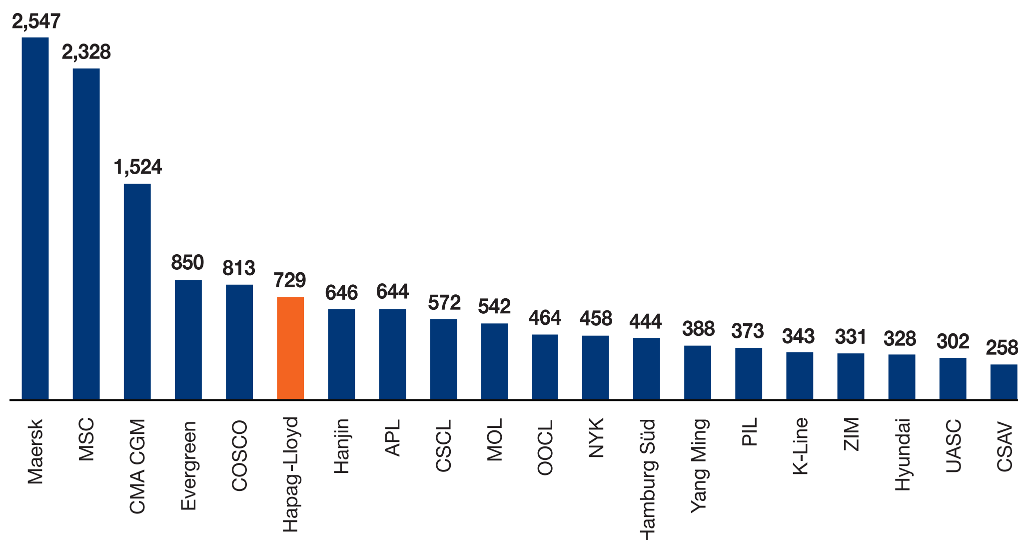
In the future as well, the actual growth in the global container fleet's transport capacity is expected to be lower than the projected nominal increase, as old and inefficient vessels are scrapped, deliveries of newbuilds are postponed and slow steaming (reducing the speed at which services operate)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

According to sector information services (AXS-Alphaliner and Clarkson, January 2014), container vessels with an aggregate transport capacity of around 450,000 TEU were scrapped in 2013 (2012: 330,000 TEU). Scrapping activities in 2013 therefore comfortably exceeded the previous high of 377,000 TEU in 2009.

Although the prospects for growth remain positive in the medium term, there may be temporary imbalances in supply and demand, which could have a substantial impact on the respective transport volumes and freight rates. For example, in 2013 the continued launching of new vessels into service and the resulting sharp increases in transport capacities strained the development of freight rates further in all trades.

Leading international container liner shipping companies will strengthen their partnerships, especially on the Asia–Europe trade, in order to improve the services they offer their customers. The world's three largest container liner shipping companies, Maersk Line, Mediterranean Shipping Company (MSC) and CMA CGM, announced the creation of a new alliance, the P3 Network, in June 2013. Subject to the approval of the regulatory authorities, the P3 Network could begin business operations in the second quarter of 2014. With a total of 255 vessels and a cumulative transport capacity of some 2.6 million TEU, 28 liner services are set to be offered in the Asia–Europe, Transpacific and Atlantic trades.

Fleet capacity of the Top 20 container lines (in TTEU)



Source: Transmodal, January 2014, internal calculations; only vessels >399 TEU

Together with five partner shipping companies in Asia, Hapag-Lloyd has offered, within the framework of the G6 Alliance, its customers faster transit times between Europe and Asia since March 2012 and between Asia and the US East Coast (Transpacific–East Coast) since May 2013, services to a larger number of ports in the trade, and a higher frequency of departures from the key ports in Asia and Europe. Subject to the approval of the regulatory authorities, the G6 Alliance will expand its cooperation to the Transpacific–US West Coast and North Atlantic trades from the second quarter of 2014. This means that the six partner shipping companies would be able to offer their customers a much more comprehensive network of services. The G6 Alliance would then have approximately 240 container ships operating its shared services and would link together 66 ports in Asia, America and Europe.

The bunker price is the most important factor influencing fuel costs, which is one of the main cost components for the container shipping industry. In the year under review, the average bunker consumption price was USD 613 per tonne. This was USD 47 per tonne less than the average for the previous year. The average bunker price has almost tripled in comparison to the beginning of 2009. In the first few weeks of 2014, the bunker price (MFO Rotterdam) remained below the level of USD 600 per tonne.

EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

Persistently strong competition and the muted growth in the global economy and global trade continued to have an impact on the development of the Hapag-Lloyd Group's business in the 2013 financial year. The global economy grew by just 3.0% in 2013, falling short of the IMF's original forecast of 3.5%.

Group income statement

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Revenue	6,567.4	6,843.7
Other operating income	156.3	265.4
Transport expenses	5,773.1	6,182.3
Personnel expenses	365.2	359.7
Depreciation, amortisation and impairment	325.4	332.0
Other operating expenses	251.7	267.3
Operating result	**8.3**	**–32.2**
Share of profit of equity-accounted investees	36.8	31.9
Other financial result	18.6	2.8
Earnings before interest and tax (EBIT)	**63.7**	**2.5**
Interest result	–153.6	–126.9
Income taxes	7.5	3.9
Group profit/loss	**–97.4**	**–128.3**
EBITDA	**389.1**	**334.5**
EBITDA margin (%)	**5.9**	**4.9**
EBIT adjusted	**67.2**	**26.2**
EBIT margin adjusted (%)	**1.0**	**0.4**
EBIT	**63.7**	**2.5**
EBIT margin (%)	**1.0**	**0.0**

The Group's earnings position was negatively impacted by weaker than expected global economic growth coupled with the volatile development of foreign currencies, in particular of the euro against the US dollar. The average US dollar exchange rate for the year weakened to USD 1.33/EUR (prior year: USD 1.29/EUR), while the closing date rate was also much weaker year-on-year at USD 1.38/EUR (previous year: USD 1.32/EUR). Freight rates could not be increased as announced, particularly in the Far East trade, as a result of the continued and unrelenting competitive pressure being felt in all trades. At USD 1,482/TEU, the average freight rate remained 6.3% down on the previous year's figure of USD 1,581/TEU.

Freight rates per shipping area

USD/TEU	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Atlantic	1,679	1,748
Far East	1,237	1,343
Latin America	1,390	1,444
Transpacific	1,747	1,913
Australasia	1,236	1,326
Total (weighted average)	**1,482**	**1,581**

In the previous financial year, Hapag-Lloyd was able to increase its transport volume by 241 TTEU to 5,496 TTEU (prior year: 5,255 TTEU) as a result of its balanced positioning in all trades and the expansion of its service network. Transport volumes were thus increased in all of the trades in the reporting period. The increase of 4.6% was higher than the growth of 2.1% seen in the market.

Transport volume per shipping area

TTEU	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Atlantic	1,204	1,136
Far East	1,246	1,144
Latin America	1,172	1,171
Transpacific	1,245	1,199
Australasia	629	605
Total	**5,496**	**5,255**

Revenue decreased by EUR 276.3 million to EUR 6,567.4 million in the 2013 financial year (prior year: EUR 6,843.7 million). Adjusted for exchange rate fluctuations, revenue was at almost the same level as in the prior year period.

Revenue per shipping area

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Atlantic	1,522.6	1,544.6
Far East	1,160.7	1,193.9
Latin America	1,226.0	1,314.6
Transpacific	1,636.8	1,783.6
Australasia	584.7	624.2
Other	436.6	382.8
Total	**6,567.4**	**6,843.7**

In the 2013 financial year, transport expenses decreased by EUR 409.2 million to EUR 5,773.1 million (prior year: EUR 6,182.3 million). This represents a drop of around 7%. This development was primarily attributable to a decline of EUR 202.1 million (–12.3%) in expenses for raw materials and supplies, which came to EUR 1,436.6 million. The decrease resulted from reductions in bunker consumption and a 7.1% fall in bunker consumption prices, which were offset by expenses for bunker hedges. In the 2013 financial year, the average bunker price was USD 613 per tonne, down USD 47 on the previous year's figure of USD 660 per tonne. The cost of purchased services was also down by around 4.6% year-on-year, despite higher transport volume. This was mainly due to cost savings achieved up to the end of 2013.

Transport expenses

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Expenses for raw materials and supplies	1,436.6	1,638.7
Cost of purchased services	4,336.5	4,543.6
thereof		
Port, canal and terminal costs	1,831.1	1,834.9
Chartering, leases and container rentals	653.3	718.8
Container transport costs	1,691.4	1,826.0
Maintenance/repair/other	160.7	163.9
Transport expenses	**5,773.1**	**6,182.3**

With the market dominated by the pressures of competition, the continuing high energy costs could only be passed on to customers via freight rates to a limited degree. It was nevertheless possible to increase the gross profit margin (ratio of gross earnings to revenue) from 9.7% to 12.1%.

At EUR 156.3 million, other operating income in the 2013 financial year was significantly lower than in the prior year period (EUR 265.4 million). This was due to substantially lower income of EUR 26.4 million from the disposal of containers and chassis from completed operating sale and leaseback transactions (prior year: EUR 132.9 million).

The volatility of the USD/EUR exchange rate in the course of the year resulted in period-specific exchange rate gains and losses, which are reflected in other operating income and other operating expenses. Netted, the exchange-rate-related income and expenses resulted in a decline in earnings of EUR 11.6 million in the 2013 financial year (prior year: EUR 27.8 million).

While the Group's average workforce remained virtually unchanged, personnel expenses rose by 1.5% to EUR 365.2 million (prior year: EUR 359.7 million). The personnel expenses ratio remained essentially unchanged year-on-year at 5.6% (prior year: 5.3%).

Development of personnel expenses

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Personnel expenses	365.2	359.7
Revenue	6,567.4	6,843.7
Personnel expenses ratio	**5.6%**	**5.3%**

Depreciation and amortisation totalled EUR 325.4 million in the 2013 financial year (prior year: EUR 332.0 million). The increase in the depreciation of new vessels and containers was partially offset by a countervailing effect of EUR 21.4 million from an adjustment made to the scrap values of vessels in the current financial year.

The financial result consists of the share of profit of equity-accounted investees totalling EUR 36.8 million (prior year: EUR 31.9 million) and the other financial result amounting to EUR 18.6 million (prior year: EUR 2.8 million). The other financial result includes the revenues from the sale of the Company's share in the container terminal Montreal Gateway Terminals Ltd. Partnership, Montreal, totalling EUR 19.1 million as well as changes in the fair value of currency options.

The Group's net operating result before interest and taxes (EBIT) amounted to EUR 63.7 million in the 2013 financial year. It was therefore well above that of the corresponding prior year period (EUR 2.5 million). The Group's earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by EUR 54.6 million to EUR 389.1 million (prior year: 334.5 million).

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

EBIT margin

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Revenue	6,567.4	6,843.7
EBIT	63.7	2.5
Purchase price allocation	22.6	23.7
Sale of Montreal Gateway Terminals Ltd. Partnership, Montreal	–19.1	-
EBIT adjusted	67.2	26.2
EBITDA	389.1	334.5
EBIT margin	1.0%	0.0%
EBIT margin adjusted	1.0%	0.4%
EBITDA margin	5.9%	4.9%

Having been adjusted for special items from the purchase price allocation and the income from the sale of the Company's share in the container terminal Montreal Gateway Terminals Ltd. Partnership, Montreal, in order to provide a key internal control figure, the Group's earnings before interest and taxes (adjusted EBIT) came to EUR 67.2 million (prior year: EUR 26.2 million). This means that it was possible to achieve the targeted positive operating result for 2013 despite the difficult economic environment.

An interest result of EUR –153.6 million was reported for the 2013 financial year (prior year: EUR –126.9 million). The year-on-year change in the interest result was primarily due to the conclusion of new financing contracts in connection with investments in ships and containers as well as the newly issued EUR bond in the second half of 2013.

The Group generated a net result of EUR –97.4 million in the 2013 financial year (prior year: EUR –128.3 million).

GROUP FINANCIAL POSITION

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

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

The Hapag-Lloyd 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. In addition, the euro, Canadian dollar, British pound, Swiss franc, Hong Kong dollar, Singapore dollar, Japanese yen and Chinese renminbi are also of significance.

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

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

Issuer ratings

Rating/Outlook	31.12.2013	31.12.2012
Standard & Poor's	B+/stable	B+/negative
Moody's	B2/negative	B2/negative

Despite the persistently difficult economic environment in the 2013 financial year, especially in global shipping, the international rating agency Standard & Poor's improved its issuer rating for Hapag-Lloyd AG in its rating update on 17 September 2013, revising its outlook upwards from negative to stable. On 19 September 2013, the rating agency Moody's confirmed its previous year's rating of B2; negative outlook.

Financing

The Group covers its financing requirements with cash inflows from operating activities and by assuming short, medium and long-term financial debt. Its financing mix is designed to optimise its financing conditions, have a balanced range of maturities and achieve investor diversification. The focus in the 2013 financial year was on the restructuring of ship and container financing and on transactions in the bonds market.

Financing activities

Hapag-Lloyd placed another EUR bond with a total volume of EUR 400 million on the capital market in September and October 2013. EUR 200 million of this was used to make a partial repayment of the EUR bond issued in 2010. In this way, the Group was able to optimise its current capital structure thanks to a low 7.75% coupon compared to 9.00% as well as its maturity range.

Loans in the amount of USD 484.9 million (EUR 365.0 million) to fund investments in newbuilds due for delivery in 2013 and 2014 were paid out in the year under review. In addition, an existing loan for four vessels totalling USD 94.7 million (EUR 71.3 million) was transferred to a new fleet loan in the amount of USD 165.0 million (EUR 124.2 million) in order to optimise the financial structure.

Scheduled investments in new containers were financed by the activation of existing credit facilities in the amount of USD 57.1 million (EUR 43.0 million) and the arrangement of new financing agreements totalling USD 187.2 million (EUR 140.9 million). The financing structure was further optimised by amending existing operating lease agreements amounting to USD 158.8 million (EUR 119.5 million).

Covenant clauses of a type customary on the market have been arranged for existing financing from bonds or loans. These clauses primarily concern the Group's equity and liquidity along with certain loan-to-value ratios. As at 31 December 2013, all of the covenants were complied with. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

Net debt

Financial solidity

Million EUR	2013	2012
Cash and cash equivalents	464.8	560.8
Financial debt	2,935.0	2,371.9
Net debt	**2,470.2**	**1,811.1**
EBITDA	389.1	334.5
Gearing (%)	**84.7**	**58.2**
Unused credit lines	**69.0**	**72.1**
Equity ratio (%)	**41.9**	**45.5**

At EUR 2,470.2 million, the Group's net debt was higher as at 31 December 2013 than one year earlier, when it stood at EUR 1,811.1 million. This was due to the investments in vessels and containers effected in the 2013 financial year, which were financed using borrowed funds, and to the restructuring of leasing arrangements for used containers.

Liquidity analysis

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

Statement of cash flows and capital expenditure

Condensed statement of cash flows

Million EUR	1.1.–31.12. 2013	1.1.–31.12. 2012
EBITDA	**389.1**	**334.5**
Changes in working capital	–277.9	–18.8
Other effects	–44.7	–183.1
Cash flow from operating activities	66.5	132.6
Cash flow from investment activities	–544.7	–272.6
Free cash flow	**–478.2**	**–140.0**
Cash flow from financing activities	403.2	39.7
Changes in cash and cash equivalents	**–75.0**	**–100.3**

Cash flow from operating activities

Based on EBITDA of EUR 389.1 million, the Hapag-Lloyd Group generated operating cash flow of EUR 66.5 million (prior year: EUR 132.6 million).

In the 2013 financial year, working capital requirements resulted in a cash outflow of EUR 277.9 million. The change in working capital arose in particular from the reduction in trade payables due to invoicing reasons. The balance of non-cash income and expenses and reclassifications to cash flows from investing and financing activities led to a reduction of EUR 44.7 million in operating cash flows. Other non-cash expenses and income essentially relate to the effects of equity-accounted investees, the measurement of financial debt in a foreign currency and derivative financial instruments.

Cash flow from investing activities

The cash outflow from investing activities totalled EUR 544.7 million (prior year: EUR 272.6 million). This mainly comprises cash investments in ships and containers totalling EUR 664.5 million. The Group received cash inflows from asset disposals relating to the sale of tangible fixed assets and the Company's share in the container terminal Montreal Gateway Terminals Ltd. Partnership, Montreal, totalling EUR 86.6 million (prior year: EUR 225.0 million) and also from dividend payments received from associated companies in the amount of EUR 33.2 million (prior year: EUR 18.4 million).

Cash flow from financing activities

Financing activities resulted in a cash inflow of EUR 403.2 million in the 2013 financial year (prior year: EUR 39.7 million). Borrowing amounting to EUR 1,118.8 million (prior year: EUR 763.1 million) related primarily to cash inflows from the placement of a new EUR bond and to loans for the financing of vessels and containers.

This was offset by the partial repayment of bonds issued in 2010 by exercising buy-back options, interest and capital repayments amounting to EUR 707.9 million (prior year: EUR 606.7 million) and payments made in connection with hedging transactions for financial debt. In the previous year, funds of EUR 136.9 million were also used to repay the residual hybrid II capital including interest.

Changes in cash and cash equivalents

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Cash and cash equivalents at beginning of period	**560.8**	**672.5**
Changes due to exchange rate fluctuations	–21.0	–11.4
Net changes	–75.0	–100.3
Cash and cash equivalents at end of period	**464.8**	**560.8**

Cash and cash equivalents fell by EUR 96.0 million in the 2013 financial year with the result that, taking account of exchange rate effects, cash and cash equivalents amounting to EUR 464.8 million were reported as at the end of the reporting period (prior year: EUR 560.8 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item "Cash and cash equivalents". In addition, there continues to be an as yet unused credit facility worth USD 95.0 million (EUR 69.0 million).

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

Capital expenditure

Capital expenditure came to EUR 743.0 million in 2013 (prior year: EUR 790.8 million) and related in particular to investments in ocean-going vessels and containers. Four such ocean-going vessels were delivered in the year under review and prepayments were made for three further vessels due to be delivered in 2014. A number of other important investments were made in container newbuilds. Capital expenditure also increased due to the conversion of existing short-term operating lease contracts into finance lease contracts for containers.

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

Off-balance-sheet obligations

Purchase commitments fell by the sum relating to ships delivered in 2013, from EUR 502.1 million in the previous year to EUR 113.4 million.

In the course of its normal business activities, Hapag-Lloyd uses assets of which it is not the beneficial owner. These are, in particular, vessels and containers which are leased within the framework of rental, lease and charter agreements as are customary in the industry. These agreements give rise to future payment obligations in the amount of EUR 787.2 million (previous year: EUR 994.5 million). Details of the operating rental, lease and charter agreements and the structure of the remaining terms and fair values of financial obligations can be found in the "Leases" section in the Notes to the consolidated financial statements. The Company succeeded in significantly reducing its other financial obligations arising out of lease agreements during the reporting period by changing a number of leases.

GROUP NET ASSET POSITION

Changes in the net asset structure

Million EUR		31.12.2013	31.12.2012
Assets			
Non-current assets		5,689.7	5,502.2
of which fixed assets		5,594.7	5,428.9
Current assets		1,260.1	1,349.1
of which cash and cash equivalents		464.8	560.8
Total assets		**6,949.8**	**6,851.3**
Equity and liabilities			
Equity		2,915.1	3,114.0
Borrowed capital		4,034.7	3,737.3
of which non-current liabilities		2,657.1	2,301.2
of which current liabilities		1,377.6	1,436.1
of which financial debt2,935.0		2,371.9	
of which non-current financial debt		2,460.1	2,048.9
of which current financial debt		474.9	323.0
Total equity and liabilities		**6,949.8**	**6,851.3**
Asset coverage ratio I	(in %)	52.1	57.4
Asset coverage ratio II	(in %)	99.6	99.7
Liquidity ratio I	(in %)	33.7	39.1
Net debt		2,470.2	1,811.1
Equity ratio	(in %)	41.9	45.5

The Group's balance sheet total increased by EUR 98.5 million year-on-year, from EUR 6,851.3 million to EUR 6,949.8 million. While non-current assets increased by EUR 187.5 million, current assets decreased by EUR 89.0 million. Changes in the exchange rate for the US dollar – which was well below the previous year's level of USD 1.32/EUR, standing at USD 1.38/EUR as at 31 December 2013 – had an effect on a number of balance sheet items as measured at the balance sheet date.

Within non-current assets, the carrying amounts for fixed assets increased by a total of EUR 165.8 million to EUR 5,594.7 million. The carrying amount of intangible assets within this category declined by EUR 119.1 million to EUR 1,194.3 million in the reporting period. This reduction is primarily attributable to amortisation (EUR 64.0 million) and exchange rate differences (EUR 53.1 million).

Property, plant and equipment increased by EUR 282.0 million to EUR 4,067.6 million in the reporting period (prior year: EUR 3,785.6 million). This increase was due in particular to investments in the amount of EUR 741.0 million made in the year under review. These include in particular investments in ocean-going vessels (EUR 430.9 million) and new containers (EUR 224.9 million) as well as the recognition of containers as finance leases (EUR 79.8 million) as a result of the conversion of short-term container lease contracts into long-term contracts. Four new container ships with a capacity of 13,200 TEU each were delivered in the 2013 financial year. The disposal of six container ships with carrying amounts of EUR 21.6 million, scheduled depreciation (EUR 261.4 million) and exchange rate effects (EUR 171.8 million) had an opposing effect on the amount of property, plant and equipment.

The positive development in the market values of non-current derivative financial instruments was attributable both to the positive development in forward prices for foreign exchange hedging transactions and to the recognition of an embedded derivative in connection with contractual buy-back options for issued bonds. Non-current derivative financial instruments totalled EUR 74.5 million at the end of the year (prior year: EUR 32.5 million).

Within current assets, trade accounts receivable increased to EUR 473.3 million (prior year: EUR 449.5 million). Cash and cash equivalents fell by EUR 96.0 million year-on-year to EUR 464.8 million. In particular, this was due to cash outflows for investments made totalling EUR 664.5 million. The market values of current derivative financial instruments came to EUR 25.1 million, EUR 11.9 million below the value of the previous year.

On the liabilities side, equity fell by EUR 198.9 million to EUR 2,915.1 million. This decline is primarily due to the negative Group net result of EUR 97.4 million and the balance of unrealised gains and losses from foreign currency translation recognised in other comprehensive income and amounting to EUR 115.9 million. The reserve for remeasurements from defined benefit plans had an offsetting effect (EUR 16.1 million).

Non-current liabilities increased by EUR 355.9 million to EUR 2,657.1 million in the year under review, due primarily to the increase of EUR 411.2 million in non-current financial debt to EUR 2,460.1 million. In particular, this includes the EUR bond newly issued in September and October 2013 (maturity 2018/volume of EUR 400 million). Offsetting this, long-term financial debt was reduced by the partial repayment of the EUR bond issued in 2010. EUR 85.9 million was repaid by exercising buy-back options and EUR 114.1 million was replaced by the issuance of shares in the new bond without affecting net income. The funds paid out for newbuilds in the amount of USD 484.9 million (EUR 365.0 million) and for new containers totalling USD 244.3 million (EUR 183.9 million) led to another large increase in financial debt as at 31 December 2013. The restructuring of leasing arrangements for used containers caused financial debt to rise by a further USD 158.8 million (EUR 119.5 million). Regular and one-off repayments amounting to USD 585.4 million (EUR 440.7 million) reduced the level of financial debt.

Within current liabilities, the increase in current financial debt was more than compensated for by the decline in trade accounts payable.

Taking cash and cash equivalents and financial debt into account, net debt as at 31 December 2013 was EUR 2,470.2 million (prior year: EUR 1,811.1 million).

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

STATEMENT ON THE OVERALL ECONOMIC POSITION

At the time that the management report was being prepared, the Executive Board considered Hapag-Lloyd AG to be in a positive economic position despite a difficult market situation. Hapag-Lloyd AG is well positioned on the market with its financial profile and its service portfolio. Business has developed in accordance with expectations in the first few weeks of 2014.

EVENTS AFTER THE BALANCE SHEET DATE

There were no events after the balance sheet date that would have brought a material change in the net asset, financial and earnings position of the Hapag Lloyd Group.

RISK AND OPPORTUNITY REPORT

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

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 recorded, assessed and monitored with regard to their effects on the Group. The Executive Board and operations management have integrated multi-level reporting systems at their disposal for risk management purposes. The planning and controlling system, for example, conducts a monthly analysis of how actual business developments have deviated from planned developments, and uses this analysis to identify and report risks early on that may jeopardise the operating result of the Company. Active monitoring and observation of the operating risks are a crucial factor in the success of the risk management system (RMS).

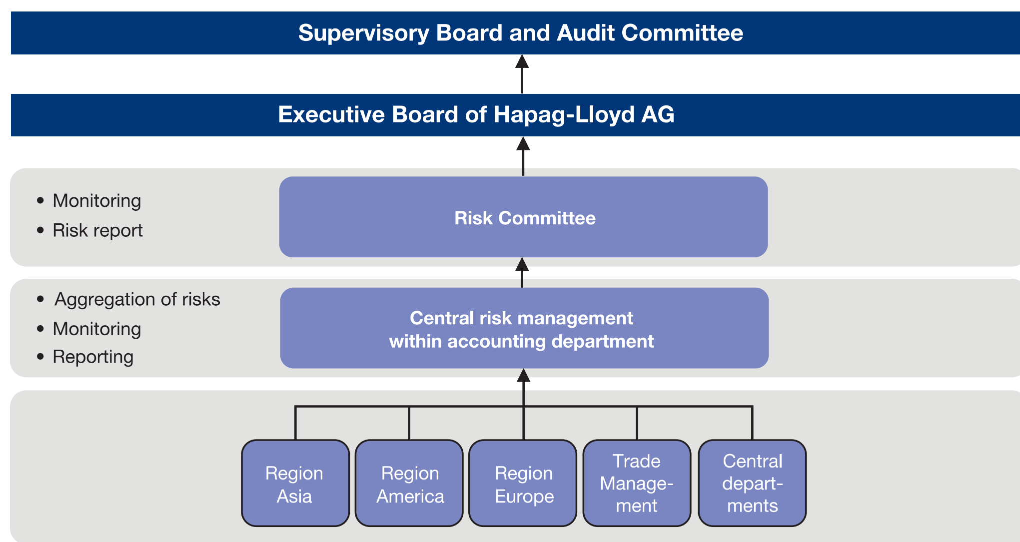
Risk management is monitored by the Group corporate audit department. It does this by conducting regular checks of the risk management processes and – in particular – the risk early-warning system, focusing on different aspects each time.

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

In connection with the auditing of Hapag-Lloyd AG's financial statements for 2013, the auditor examined the fundamental ability of the risk early-warning system to identify going-concern risks in accordance with the principles of Section 317 (4) of the German Commercial Code (HGB).

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

Risk management system chart of Hapag-Lloyd AG



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

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

Concept and objectives

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

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

Organisation and significant processes in Group accounting and consolidation

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

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

Individual items are accounted for based on the input of external specialists and appraisers, such as actuaries for pension valuation.

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

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

Principles of controlling activities

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

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

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

ICS verification process

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

The results of the effectiveness verification are compiled each year in a report. The Hapag-Lloyd 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.

RISKS

STRATEGIC RISKS

Macroeconomic risks

Container shipping is heavily dependent on the general prevailing conditions in the world's economies. Fluctuations in the economic climate have an above-average effect on this industry. The development of freight rates, which have a significant influence on Hapag-Lloyd's financial and earnings position, is particularly dependent on the transport volume on routes and therefore on economic developments in individual regions.

In light of the slowdown in the emerging markets and the rather hesitant recovery of the eurozone economy, the International Monetary Fund (IMF) has once again revised its growth forecasts downwards for the global economy and global trade in 2013. The global economy is, however, expected to experience a marked upswing in 2014. A detailed forecast can be found in the "General economic conditions" chapter. Overall, the risks for the global economy are likely to have decreased in comparison to the previous year. The ongoing economic impact of the debt crisis in the eurozone and the slowdown in emerging markets represent the most imminent risks to global economic growth in 2014. This could lead to a significant decrease in the global transport volume in the container shipping segment. According to IHS Global Insight, the rise in global demand for container transport services fell short of the original forecast in both 2012 and 2013. The main reason for this was global economic growth which was weaker than originally expected.

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 efficient vessels. They would therefore be able to offer more cost-effective service and lower freight rates. This, in turn, might have an adverse effect on Hapag-Lloyd's market share.

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

Container shipping went through a phase of consolidation up to 2007. If there is another round of consolidation measures, some individual shipping companies might achieve greater economies of scale and increase their financial strength, with the result that these companies could be more competitive in terms of price and more able to endure greater market volatility than Hapag-Lloyd.

Risks arising from changes in trade flows

The utilisation of the Group's capacities is influenced by the development of the trade flows between the various regions. In the case of transport between regions comprising net exporters and regions comprising net importers, capacity utilisation in the two directions is divergent. This results in empty legs and the costs that arise from them. An increase in the imbalances in global trade could further push up the costs associated with empty legs.

Risks arising from membership of alliances

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

Risks arising from competition from new alliances

The world's three largest container liner shipping companies, Maersk Line, MSC Mediterranean Shipping Company and CMA CGM, announced the creation of a new alliance, P3, in June 2013. Subject to the approval of the regulatory authorities, the P3 alliance is likely to begin business operations in the second quarter of 2014. With a total of 255 vessels and a

cumulative transport capacity of some 2.6 million TEU, 28 liner services are set to be offered in the Asia–Europe, Transpacific and Atlantic trades. P3 may be able to achieve cost benefits and attract other shipping companies' customers more successfully by using the vessels in a separate company and by offering better services.

OPERATING RISKS

Raw materials price risks

Hapag-Lloyd's business activity exposes it to market price risks arising from the procurement of fuels (bunker fuel) for the container fleet. Bunker fuel expenditure accounts for a substantial proportion of overall operating costs. In the financial year 2013, the cost of the vessels' fuel accounted for 21.2% of revenue. The bunker price is the most important factor influencing fuel costs, which is one of the main cost components for the container shipping industry. In the year under review, the average bunker consumption price was USD 613 per tonne. This was USD 47 per tonne less than the average for the previous year. The average bunker price has almost tripled in comparison to the beginning of 2009. Changes in the price of bunker fuel are aligned with the price of crude oil, which has been subject to substantial fluctuations and influenced by a number of economic and geopolitical factors in the past. These include global terrorism as well as political instability and tensions in the Middle East. In the long term, the price is determined by global demand and by developments in emerging, newly industrialised countries such as China and India.

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

In addition, price risks emanating from fuel procurement are hedged against by means of hedging transactions in accordance with the internal hedging strategy. This involves hedging up to a maximum of 80% of the Company's anticipated bunker requirements. Please refer to the "Financial instruments" section in the Notes to the consolidated financial statements for more information on the scope and type of the hedging instruments used as at the balance sheet date. By the end of January 2013, 35% of the planned fuel consumption volumes for the financial year 2014 had been hedged.

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

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

Charter rates are determined by the supply of and demand for ship capacities and by developments in freight rates. As a rule, 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 in adjusting charter rates is caused by the contractual bond between the ship's owner and the liner shipping company. This means that in the event of increasing demand, the owner cannot raise his charter rates before the contract expires. If demand is weakening, on the other hand, the shipping company cannot reduce its charter rates before existing contracts expire. In this case, falling freight rates accompanied by fixed charter rates can lead to a decrease in revenue, particularly after a phase of high demand for ship chartering. As a result, Hapag-Lloyd may be unable to reduce its portfolio of chartered ships with above-average charter rates in comparison to the market for several months as a response to falling freight rates. The proportion of own and leased ships in terms of the total capacity (in TEU) of the Hapag-Lloyd fleet as at 31 December 2013 was approximately 53%. The remaining 47% are chartered, of which 18 ships are chartered long-term, 22 medium-term and 47 short-term.

Risks resulting from fluctuating transport volumes and freight rates

In respect of the development of transport volumes and freight rates, there are differences between the various trades in which Hapag-Lloyd is active. The development of transport volumes depends heavily on economic activity in the regions linked together by the trades. Freight rate developments are also largely determined by the available transport capacities within a trade. In view of the fact that transport capacities are set to increase further in the near future, intensified competition between the shipping companies may lead to greater price competition in individual trades in 2014, as was the case in the preceding two years.

Risks from capacity bottlenecks at individual ports

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

Risks from long delivery periods for newly built ships

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

Risk in the operation of ships

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

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

Risks caused by general political conditions and protectionism

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

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

Risks from piracy

Piracy has long had a considerable adverse effect on commercial shipping. Since 2008, there has been a significant increase in the levels of piracy in the Gulf of Aden, in the south of the Red Sea and across increasingly large swathes of the Indian Ocean. As was the case in 2012, there was a sharp drop in the number of attacks initiated and successfully completed by pirates in this region in 2013, thanks in part to greater use of armed security officers.

Since 2011, there has also been a rise in piracy off the western coast of Africa (Gulf of Guinea). While the Somali pirates tend to hijack vessels and then demand a ransom, ransoms were not the primary motive in the Gulf of Guinea and in pirates' traditional stamping grounds, such as the South China Sea. However, there has been an increase in demands for ransom resulting from piracy in this region since 2012, where violent attacks have also become more commonplace. When Hapag-Lloyd employs its own or chartered 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 line, 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 upon applicable regulations.

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

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

Risks resulting from the tightening of climate protection regulations

The emission standards set by the International Maritime Organization (IMO), the US state of California and the EU provide for a further significant reduction in emissions. The legally stipulated use of particularly low-sulphur fuels in US coastal areas from January 2015 (and from January 2014 off the coast of California), which also apply to Hong Kong and certain coastal areas around Europe, may result in a dramatic rise in specific fuel prices. If the rise in costs cannot be passed on to the customers in the form of fuel surcharges, either wholly or in part, this will have a negative impact on the earnings situation.

Legal disputes and legal risks

Hapag-Lloyd AG and some of its subsidiaries are currently involved in legal disputes. These include disputes with foreign tax authorities, claims asserted by departed employees and disputes arising from contractual relationships with suppliers, former agents and customers. Even if legal disputes are successful, they can involve substantial costs, if uninsured, and damage the Company's reputation.

At Hapag-Lloyd Mexico, tax audits were completed for the years 2004 and 2005. The Company appealed against the resulting tax assessments which, among other things, obliged it to make significant additional value-added tax payments. The lawyers handling the case as well as the Executive Board of Hapag-Lloyd are of the opinion that the tax assessments are not lawful. The quantification of a financial risk, the determination of the maturity of possible outflows and the evaluation of third-party rights to reimbursement from these circumstances are therefore currently not possible.

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

Since May 2011, the European Commission has been examining whether EU competition law has been violated since the exemption regulation for liner conferences was abolished in October 2008. The Company believes that the transport services were provided in line with EU competition regulations.

FINANCIAL RISKS

Management of financial risks

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

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

Currency risks

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

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

Risks from fluctuations in bunker prices

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

Interest rate risks
Interest rate risks which arise as a result of raising new funds are reduced with a balanced portfolio of fixed and variable interest rate structures.

Risks resulting from changes in the lending values of vessels
The lending values for vessels financed by loans may also change as a result of fluctuations in the market prices for vessels and changes in the costs for ship newbuilds. In agreement with the lending financial institutions, Hapag-Lloyd may make early repayments on its ship financing. This could have a negative impact on the Company's liquidity situation and could result in the need to take out unsecured loans at unfavourable conditions.

Liquidity risks
Liquidity risk, i.e. the risk of not being able to fulfil existing or future payment obligations, 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 provide lines of credit are based on a rolling liquidity plan. Bank default risk management also covers the derivative financial instruments and financial investments in the Hapag-Lloyd Group. The maximum default risk of the derivative financial instruments concluded is restricted to the sum of the positive market values of all of these instruments, because the financial damages in the event of their non-fulfilment by the contractual partners would not exceed this amount. No default risks are expected as derivative financial instruments have been concluded with different borrowers of impeccable credit standing. Nonetheless, the counterparty risk is monitored constantly and managed by means of internal bank limits. The bonds issued entail certain limitations with regard to possible payments to the shareholders and subordinated creditors. In addition, there are termination clauses which are customary in the market relating to much of the financial debt in the event that more than 50% of the Company's shares are acquired by a third party.

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

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

Risks arising from debt

As at 31 December 2013, the Company's financial debt amounted to EUR 2,935.0 million (prior year: EUR 2,371.9 million). The ability to finance the operating capital, debt servicing and other expenditure depends on the future course of business and the development of income. Due to the existing borrowed capital, a portion of income has to be used to pay interest and service debt. An increase in the total interest-bearing liabilities could possibly make it more difficult for the Company to fulfil the payment obligations for its bonds. In addition, it may put Hapag-Lloyd at a disadvantage when it comes to raising new funds on favourable terms.

Covenant clauses on the basis of IFRS accounts as well as individual contractual agreements that are customary in the market are in place for existing financing from bonds or loans. They primarily require the Company to comply with minimum requirements of adjusted equity, maintain a minimum liquidity level and achieve certain loan-to-value ratios. During 2013 and as at 31 December 2013, all of the covenants were complied with. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

Risks from a downgrading of the rating

The bonds issued are assessed by the rating agencies Moody's and Standard & Poor's. In principle, the Company intends its future bond issues to be rated in the same way. The credit rating given by the rating agencies influences the Group's ability to take on additional financial debt. Any downgrading of the Hapag-Lloyd Group's rating or that of the bonds it issues could result in less favourable conditions for raising new funds and could adversely affect the price and the fungibility of the securities it has already issued.

In its rating update on 17 September 2013, the international rating agency Standard & Poor's confirmed its issuer rating of B+ for Hapag-Lloyd AG, and raise its outlook from negative to stable. On 19 September 2013, the rating agency Moody's confirmed its unchanged rating (B2/"negative outlook").
If there is no sustained improvement in the Hapag-Lloyd Group's earnings position, the rating agencies could downgrade Hapag-Lloyd's creditworthiness.

Risks from taxation

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

Some of the older ships do not fulfil these requirements, and as a result approximately 10% of the Group's income was subject to regular German taxation in 2013 (2012: approximately 9%).

OTHER RISKS

IT risks

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

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

SUMMARISED OVERVIEW OF CORPORATE RISKS

The key risks relate to a much sharper than expected decline in transport volume, a noticeably negative trend in average freight rates, a potentially sharp rise in bunker prices, a sustained depreciation of the US dollar against the euro, and liquidity developments that were much poorer than expected. The probability of the potential risks occurring and their potential impact on corporate development were classified on the basis of the system for assessing the Group's risk situation in internal Group risk management reports (based on internal sensitivity analyses and models). The risk situation was also compared and contrasted with that of the previous year. The details relating to possible effects on the Group net result are netted, i.e. after the effects of risk mitigation measures have been accounted for.
The probability of possible risks occurring in the 2014 financial year is classified as follows:

- Low: The probability of occurrence is 25% or less
- Medium: The probability of occurrence is more than 25% and up to 50%
- High: The probability of occurrence is more than 50%

The possible effects on the Group net result in the financial year, after taking countermeasures into consideration, is classified as follows:

- Low: In the event of occurrence, the negative impact on the Group net result will be USD 25 million or less
- Medium: In the event of occurrence, the negative impact on the Group net result will be more than USD 25 million and up to USD 100 million
- High: In the event of occurrence, the negative impact on the Group net result will be more than USD 100 million

Key risks

Risk	Probability of occurrence	Potential impact	Probability of occurrence 2014 in comparison to the prior year
Decline of transport volume	Low	Medium	Unchanged
Decline of average freight rate	Medium	High	Higher
Decline of USD vs. EUR	Low	Low	Lower
Increase of bunker prices	Low	High	Lower
Liquidity	Low	High*	Unchanged

* The assessment relates to the impact of the covenants to be complied with as well as the level of liquidity.

OPPORTUNITIES

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

As one of the world's leading container liner shipping companies, Hapag-Lloyd is subject to a wide range of developments on the domestic and international markets. The general conditions 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:

STRATEGIC AND OPERATIONAL OPPORTUNITIES

Macroeconomic opportunities
Container shipping is heavily dependent on the general prevailing conditions in the world's economies. Fluctuations in the economic climate have an above-average effect on this industry. The development of freight rates, which have a significant influence on Hapag-Lloyd's financial and earnings position, is particularly dependent on the transport volume on routes and therefore on economic developments. According to IMF estimates, in 2014, the world trading volume may grow at a faster pace than the overall global economy for the first time since 2011. IHS Global Insight believes that the volume of global container transport will rise roughly in line with world trade in 2014 and, moreover, at a much faster rate than in 2013. Furthermore, all trades can expect to see an increase in transport volumes in 2014 compared to 2013, when a number of trades saw a decline in cargo volumes. If the economic recovery and, by extension, the demand for container transport services progresses at a faster rate than forecast in the current year, this would present an opportunity to achieve additional volume growth.

Opportunities arising from changes in trade flows
The increasing industrialisation of the emerging economic regions in Latin America, Asia and Africa, and the rising consumption-related demand in these countries may result in more goods being exchanged between these countries and with industrialised nations. This may offer additional opportunities for growth in container shipping in 2014. Hapag-Lloyd is endeavouring to make the most of these opportunities by enlarging its service network.

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

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

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

Hapag-Lloyd established the G6 Alliance with five of the world’s leading liner shipping companies from the Grand Alliance and the New World Alliance to serve the Far East–Europe trade. Since March 2012, this alliance has been operating multiple services between Asia and Europe as well as between Asia and the Mediterranean. The G6 Alliance partners have hereby vastly expanded and improved the services they offer their customers. Since May 2013, the G6 Alliance partners have extended their joint range of services to the Transpacific–US Eastern Seaboard trade.

Subject to the approval of the regulatory authorities, the G6 Alliance will expand its co-operation to the Transpacific–US Western Seaboard and North Atlantic trades from the second quarter of 2014. This means that the six partner shipping companies would be able to offer their customers a much more comprehensive network of services. G6 would then have a total of 240 container ships operating its joint services on all of the key east–west routes.
This could result in additional growth and efficiency-enhancing opportunities for Hapag-Lloyd.

Opportunities arising from industry consolidation
Container shipping went through a phase of consolidation up to 2007. If Hapag-Lloyd were to take an active role in another process of consolidation, this could result in a stronger competitive position with a larger alliance of companies. This could then translate into additional revenue and earnings for the Company. At the time of this report being prepared, Hapag-Lloyd was in negotiations with a competitor regarding a possible business combination.

Hapag-Lloyd and the Chilean shipping company Compañía Sudamericana de Vapores (CSAV) have been holding talks since December 2013 regarding a possible combination of their container business. The two companies signed a memorandum of understanding regarding this on 22 January 2014. A binding contract may follow upon completion of due diligence.

Opportunities arising from improvements to operating efficiency
In 2013, Hapag-Lloyd initiated a range of additional projects with a view to increasing operating efficiency. If implemented successfully, these projects may result in the more efficient use of operating resources in 2014 and beyond, leading to improvements in efficiency and, potentially, to lower operating costs.

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 “Sustainability and quality management”.

With the launching of three “Hamburg Express” class vessels into service by April 2014, the fuel efficiency of shipments, measured in terms of bunker consumption per slot, is set to improve further in 2014. This may lead to reductions in bunker consumption per shipped container and in consumption-related costs.

FINANCIAL OPPORTUNITIES

Opportunities arising from improvements to financing possibilities in the shipping industry

Banks continue to remain cautious with regard to providing ship loans. Although Hapag-Lloyd was able to successfully secure key financing in 2013, a less restrictive lending policy would give the Company additional options in raising financing for possible growth-related investments.

SUMMARISED OVERVIEW OF CORPORATE OPPORTUNITIES

According to evaluations by the Hapag-Lloyd Executive Board, key opportunities may come from a much sharper than expected increase in transport volume, a noticeably positive trend in average freight rates, a possible continuation of the fall in bunker prices and a better-than-expected development of liquidity.

These opportunities are regularly analysed and discussed in the executive committees of Hapag-Lloyd. The Executive Board informs the Supervisory Board about the potential impact of the opportunities on the Company's performance in the scheduled meetings and in individual discussions.

Key opportunities

Opportunity	Probability of occurrence	Potential impact	Probability of occurrence 2014 in comparison to the prior year
Increase of transport volume	Medium	Medium	Higher
Increase of average freight rate	Low	High	Unchanged
Increase of USD vs. EUR	Low	Low	Lower
Decline of bunker prices	Low	High	Lower
Liquidity	Low	Medium*	Unchanged

* The assessment relates to the impact on the level of liquidity.

OVERALL ASSESSMENT OF RISKS AND OPPORTUNITIES

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. After the balance sheet date 31 December 2013, there are currently 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. The solid balance sheet and the more than sufficient liquidity situation provide a stable foundation for the Group's future organic growth. In light of the anticipated acceleration in global economic growth in 2014, the assessment of overall risk is a little more positive than in 2013.

The two main external risks facing the industry and therefore Hapag-Lloyd in 2014 will continue to be the insufficient level of freight rates caused by strong competition and a bunker price which remains high in a multi-year comparison. The outlook for global economic growth in 2014 is expected to brighten further, as should the outlook for global trade as the main driver behind any growth in demand for container transport services.

PROSPECTS

The underlying macroeconomic and industry-specific conditions which are of importance to container shipping are presented and analysed in detail in the "Economic report". A summary of the most important external influencing factors follows. In its latest economic outlook (January 2014), the International Monetary Fund (IMF) expects global economic growth to reach 3.7% in the current year. This means that the global economy is set to grow at a much faster rate in 2014 than in the previous year (+3.0%).

According to the IMF, the volume of global trade, which is key to the demand for container transport services, is forecast to increase by 4.5% in the current year (2013: +2.7%). This means that the growth in global trade will continue to outpace that of the global economy in 2014. In view of the forecast rise in global trade, global container transport volumes are expected to grow much faster than was the case in 2013. For instance, IHS Global Insight (December 2013) expects global container transport volumes to increase by 4.4% to approximately 128 million TEU in 2014 (2013: 2.1%). The forecast rise in worldwide transport volumes in container shipping for 2014 should therefore be roughly in line with the rate of growth for global trade. Global growth in container transport is the basis for Hapag-Lloyd's planned increase in transport volumes.

Once again, growth in the capacity of the global container fleet, largely as a result of the launching into service of very large container ships in Asia-related trades, is expected to outpace demand for container transport services in 2014. Following a rise in transport capacities of approximately 0.9 million TEU to 18.3 million TEU in 2013, MDS Transmodal forecasts an increase in transport capacities of around 7% to approximately 19.6 million TEU for the current year. Continued growth in capacity will likely make it difficult once again to push through freight rate increases in 2014.

Based on the general economic and sector-specific conditions, Hapag-Lloyd expects its transport volume to increase moderately in 2014. A slight improvement in the average freight rate is a target once again in 2014.

Based on the expectation of a better peak season with an improved utilisation of transport capacities on the dominant leg, Hapag-Lloyd plans to achieve a much higher operating result

Key benchmark figures for the 2014 outlook

Global economic growth	+3.7%
Increase in global trade	+4.5%
Increase in global container transport volume (IHS)	+4.4%
Transport volume, Hapag-Lloyd	Increasing moderately
Average freight rate, Hapag-Lloyd	Increasing marginally
Operating result (EBIT adjusted)	Increasing substantially

(adjusted EBIT) compared to the prior year. In view of the significance of earnings in the third quarter, it is only possible to firm up the forecast once the Company is in possession of sufficient knowledge about its performance in the peak season, particularly with regard to the development of freight rates.

Hapag-Lloyd concluded appropriate financing agreements at an early stage in order to safeguard its financing requirements for investments. All of the new ships which have been ordered will be funded through long-term loan agreements. The investments in newbuilds, which are set to be completed by April 2014 with the launching of three additional "Hamburg Express" class vessels into service, may lead to a further rise in net debt. Overall, Hapag-Lloyd expects its liquidity situation to remain adequate for the 2014 financial year.

Hapag-Lloyd optimised the maturity dates of its liabilities in the third and fourth quarters of 2013 with the placement of a new corporate bond which is due to mature in 2018 and with the repayment of the outstanding amount of the EUR bond due on 15 October 2015 as part of a buy-back offer.

Risks that may have an impact on the forecast for business development are described in detail in the risk report (page 91 ff.). Significant risks include another slowdown in global economic and the worldwide trade volume growth, a significant and lasting rise in bunker prices extending beyond the level seen at the end of 2013, as well as a further significant reduction in freight rates. The occurrence of one or more of these risks could have a significant negative impact on the industry in 2014 and, by extension, on the business development of Hapag-Lloyd in the current financial year.

28 February 2014 **Hapag-Lloyd AG** **The Executive Board**

Consolidated financial statements

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CONSOLIDATED INCOME STATEMENT

Consolidated income statement of Hapag-Lloyd AG for the period 1 January to 31 December 2013

Million EUR	Notes	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Revenue	(1)	6,567.4	6,843.7
Other operating income	(2)	156.3	265.4
Transport expenses	(3)	5,773.1	6,182.3
Personnel expenses	(4)	365.2	359.7
Depreciation, amortisation and impairment	(5)	325.4	332.0
Other operating expenses	(6)	251.7	267.3
Operating result		**8.3**	**–32.2**
Share of profit of equity-accounted investees	(12)	36.8	31.9
Other financial result	(7)	18.6	2.8
Earnings before interest and tax (EBIT)		**63.7**	**2.5**
Interest income	(8)	5.6	6.7
Interest expenses	(8)	159.2	133.6
Earnings before income taxes		**–89.9**	**–124.4**
Income taxes	(9)	7.5	3.9
Group profit/loss		**–97.4**	**–128.3**
thereof attributable to shareholders of Hapag-Lloyd AG		–98.3	–129.0
thereof attributable to non-controlling interests	(19)	0.9	0.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income of Hapag-Lloyd AG for the period 1 January to 31 December 2013

Million EUR	Notes	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Group profit/loss		**–97.4**	**–128.3**
Items which will not be reclassified to profit and loss:		**16.1**	**–39.0**
Remeasurements from defined benefit plans after tax	(18)	16.1	–39.0
Remeasurements from defined benefit plans before tax		16.9	–40.9
Tax effect		–0.8	1.9
Items which may be reclassified to profit and loss:		**–118.6**	**–43.2**
Cash flow hedges (no tax effect)	(18)	–2.7	9.1
Additions to cumulative other equity		38.7	37.1
Release from cumulative other equity		–41.4	–28.0
Currency translation (no tax effect)	(18)	–115.9	–52.3
Other comprehensive income after tax		**–102.5**	**–82.2**
Total comprehensive income		**–199.9**	**–210.5**
thereof attributable to shareholders of Hapag-Lloyd AG		–200.8	–211.2
thereof attributable to non-controlling interests	(19)	0.9	0.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position of Hapag-Lloyd AG as at 31 December 2013

Million EUR	Notes	**31.12.2013**	31.12.2012
Assets			
Goodwill	(10)	664.6	693.9
Other intangible assets	(10)	529.7	619.5
Property, plant and equipment	(11)	4,067.6	3,785.6
Investments in equity-accounted investees	(12)	332.8	329.9
Other assets	(13)	7.9	25.7
Derivative financial instruments	(14)	74.5	32.5
Deferred tax assets	(9)	12.6	15.1
Non-current assets		**5,689.7**	**5,502.2**
Inventories	(15)	168.9	178.3
Trade accounts receivable	(13)	473.3	449.5
Other assets	(13)	106.8	110.4
Derivative financial instruments	(14)	25.1	37.0
Income tax receivables	(9)	21.2	13.1
Cash and cash equivalents	(16)	464.8	560.8
Current assets		**1,260.1**	**1,349.1**
Total assets		**6,949.8**	**6,851.3**

Million EUR	Notes	31.12.2013	31.12. 2012
Equity and liabilities			
Subscribed capital	(17)	66.1	66.1
Capital reserves	(17)	935.3	3.269.8
Retained earnings	(17)	2,045.8	–190.4
Cumulative other equity	(18)	–134.8	–32.3
Equity attributable to the shareholders of Hapag-Lloyd AG		**2,912.4**	**3,113.2**
Non-controlling interests	(19)	2.7	0.8
Equity		**2,915.1**	**3,114.0**
Provisions for pensions and similar obligations	(20)	142.4	151.8
Other provisions	(21)	41.7	87.5
Financial debt	(22)	2,460.1	2,048.9
Other liabilities	(23)	5.2	5.4
Derivative financial instruments	(24)	6.7	6.0
Deferred tax liabilities	(9)	1.0	1.6
Non-current liabilities		**2,657.1**	**2,301.2**
Provisions for pensions and similar obligations	(20)	4.4	3.7
Other provisions	(21)	91.3	119.5
Income tax liabilities	(9)	7.4	4.4
Financial debt	(22)	474.9	323.0
Trade accounts payable	(23)	700.3	886.4
Other liabilities	(23)	99.3	99.1
Current liabilities		**1,377.6**	**1,436.1**
Total equity and liabilities		**6,949.8**	**6,851.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity of Hapag-Lloyd AG for the period 1 January to 31 December 2013

Million EUR	Equity attributable to shareholders		
	Subscribed capital	Capital reserves	Retained earnings
Notes			(17)
As per 1.1.2012	**60.0**	**3,026.6**	**–61.3**
Total comprehensive income	**-**	**-**	**–129.0**
thereof			
Group profit/loss	-	-	–129.0
Other comprehensive income	-	-	-
Transactions with shareholders	**6.1**	**243.2**	**–0.1**
thereof			
Partial repayment and capital increase from hybrid capital including transaction costs	6.1	243.2	–0.1
Changes in the group of consolidated companies	-	-	-
Distribution to non-controlling interest	-	-	-
As per 31.12.2012	**66.1**	**3,269.8**	**–190.4**
Total comprehensive income	**-**	**-**	**–98.3**
thereof			
Group profit/loss	-	-	–98.3
Other comprehensive income	-	-	-
Transactions with shareholders	**-**	**–2,334.5**	**2,334.5**
thereof			
Merger	-	–2,334.5	2,334.5
Sale of shares	-	-	-
Distribution to non-controlling interest	-	-	-
As per 31.12.2013	**66.1**	**935.3**	**2,045.8**

of Hapag-Lloyd AG						Non-controlling interests	Total equity
Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Cumulative other equity	Hybrid capital	Total		
			(18)			(19)	
–23.7	**0.0**	**73.6**	**49.9**	**348.9**	**3,424.1**	**0.3**	**3,424.4**
–39.0	**9.1**	**–52.3**	**–82.2**	**-**	**–211.2**	**0.7**	**–210.5**
-	-	-	-	-	–129.0	0.7	–128.3
–39.0	9.1	–52.3	–82.2	-	–82.2	-	–82.2
-	**-**	**-**	**-**	**–348.9**	**–99.7**	**–0.2**	**–99.9**
-	-	-	-	–348.9	–99.7	-	–99.7
-	-	-	-	-	-	–0.1	–0.1
-	-	-	-	-	-	–0.1	–0.1
–62.7	**9.1**	**21.3**	**–32.3**	**0.0**	**3,113.2**	**0.8**	**3,114.0**
16.1	**–2.7**	**–115.9**	**–102.5**	**-**	**–200.8**	**0.9**	**–199.9**
-	-	-	-	-	–98.3	0.9	–97.4
16.1	–2.7	–115.9	–102.5	-	–102.5	-	–102.5
-	**-**	**-**	**-**	**-**	**-**	**1.0**	**1.0**
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1.6	1.6
-	-	-	-	-	-	–0.6	–0.6
–46.6	**6.4**	**–94.6**	**–134.8**	**0.0**	**2,912.4**	**2.7**	**2,915.1**

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows of Hapag-Lloyd AG for the period 1 January to 31 December 2013

Million EUR	Notes	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Group profit/loss		–97.4	–128.3
Depreciation, amortisation and impairment (+) / write-backs (–)		324.8	332.0
Other non-cash expenses (+) / income (–)		58.5	46.1
Interest expenses (excl. interest expenses relating to pension obligations)		150.2	124.1
Profit (–) / loss (+) from hedges of financial debt		-	1.6
Profit (–) / loss (+) from disposals of non-current assets		–54.8	–192.1
Income (–) / expenses (+) from equity-accounted investees and dividends		–36.9	–32.0
Increase (–) / decrease (+) in inventories		2.9	27.1
Increase (–) / decrease (+) in receivables and other assets		–89.9	–120.9
Increase (+) / decrease (–) in provisions		–43.0	–16.4
Increase (+) / decrease (–) in debt (excl. financial debt)		–147.9	91.4
Cash inflow (+) / outflow (–) from operating activities	(26)	**66.5**	**132.6**
Payments received from disposals of property, plant and equipment and intangible assets		66.0	225.0
Payments received from the disposal of companies		20.6	-
Payments from dividends		33.2	18.4
Payments received from the disposal of assets held for sale		-	11.0
Payments made for investment in property, plant and equipment and intangible assets		–664.5	–526.7
Payments made for investment in financial assets		-	–0.3
Cash inflow (+) / outflow (–) from investing activities	(27)	**–544.7**	**–272.6**

Million EUR	Notes	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Payments made for hybrid capital		-	–136.9
Payments made for dividends		–0.6	-
Payments received from the issuance of financial debt		1,118.8	763.1
Payments made for the redemption of financial debt		–531.8	–482.2
Payments made for interest		–176.1	–124.5
Payments received (+) and made (–) from hedges for financial debt		–7.1	20.2
Cash inflow (+) / outflow (–) from financing activities	(28)	**403.2**	**39.7**
Net change in cash and cash equivalents		**–75.0**	**–100.3**
Cash and cash equivalents at beginning of period		**560.8**	**672.5**
Change in cash and cash equivalents due to exchange rate fluctuations		–21.0	–11.4
Net change in cash and cash equivalents		–75.0	–100.3
Cash and cash equivalents at the end of the period	(29)	**464.8**	**560.8**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

General notes

Hapag-Lloyd Holding AG was merged with Hapag-Lloyd AG in the form of a downstream merger with retroactive effect from 1 January 2013 upon being entered in the commercial register on 19 August 2013. Hapag-Lloyd AG is consequently the new parent company of the Hapag-Lloyd Group.

Hapag-Lloyd AG (hereinafter "the Company" or "Hapag-Lloyd") domiciled in Hamburg, Ballindamm 25, is a German corporation registered in the commercial register of Hamburg district court under HRB 97937. The purpose of the Company is primarily ocean liner shipping, providing logistical, shipping company, ship brokerage, freight forwarding, agency and warehousing services, and all other associated business operations and services.

Following the dissolution of the "Albert Ballin" consortium per shareholder resolution in September 2013, the former members of the consortium have a direct stake in Hapag-Lloyd AG. Their shareholdings have not changed in volume. As at 31 December 2013, Hapag-Lloyd AG's biggest shareholders were HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH with 36.9%, Kühne Maritime GmbH with 28.2% and TUI-Hapag Beteiligungs GmbH with 22.0%. Hapag-Lloyd AG 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 2013.

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

The consolidated financial statements for the 2013 financial year are due to be examined and approved by the Supervisory Board on 25 March 2014.

Segment reporting

The Hapag-Lloyd Group is managed by the Executive Board as a single, global business unit with one sphere of activity. The primary performance indicators are freight rates and transport volume (= revenue) by geographic region and adjusted EBIT at the overall Group level. Decisions are made regarding the allocation of resources (use of vessels and containers) on the basis of the entire liner service network and deployment of the entire fleet. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world via a complete liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities and adjusted EBIT as the key performance indicators can be allocated to multiple geographic segments. All of the Group's assets, liabilities, income and expenses are only allocable to the one segment, container shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

Transport volume per trading area

TTEU	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Atlantic	1,204	1,136
Far East	1,246	1,144
Latin America	1,172	1,171
Transpacific	1,245	1,199
Australasia	629	605
Total	**5,496**	**5,255**

Freight per shipping area

USD/TEU	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Atlantic	1,679	1,748
Far East	1,237	1,343
Latin America	1,390	1,444
Transpacific	1,747	1,913
Australasia	1,236	1,326
Total (weighted average)	**1,482**	**1,581**

Revenue per shipping area

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Atlantic	1,522.6	1,544.6
Far East	1,160.7	1,193.9
Latin America	1,226.0	1,314.6
Transpacific	1,636.8	1,783.6
Australasia	584.7	624.2
Other	436.6	382.8
Total	**6,567.4**	**6,843.7**

The adjusted EBIT is calculated from the operating earnings before interest and taxes as follows:

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
EBIT	63.7	2.5
Purchase price allocation	22.6	23.7
Sale of Montreal Gateway Terminals Ltd. Partnership, Montreal	–19.1	0.0
Total	**67.2**	**26.2**

New accounting standards

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

- Amendment to IAS 1: *Presentation of Items of Other Comprehensive Income*
- Amendment to IAS 12: *Deferred Tax: Recovery of Underlying Assets*
- IAS 19 (revised 2011): *Employee Benefits*
- Amendment to IAS 36: *Recoverable Amount Disclosures for Non-Financial Assets*
- Amendment to IFRS 7: *Offsetting Financial Assets and Financial Liabilities*
- IFRS 13: *Fair Value Measurement*
- *Annual Improvements to IFRS (2009–2011)*

The amendment to IAS 1 *Presentation of Items of Other Comprehensive Income* affects the way in which other comprehensive income is shown in the statement of comprehensive income. The amended standard requires items of other comprehensive income to be

grouped into those which will subsequently be reclassified to the income statement ("recycled") and those which will not. If the items are listed gross – i. e. without being offset against the effects of deferred taxes – deferred taxes must no longer be presented as a single total. Instead, they must be allocated to the two groups of items of other comprehensive income. The presentation of other comprehensive income in the consolidated statement of comprehensive income has been adjusted in line with the new regulation.

The change in IAS 12 *Deferred Tax: Recovery of Underlying Assets* 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 amendments to IAS 19 relate primarily to the way in which defined benefit pension plans are recognised and measured. The revised version of IAS 19 removes the option to recognise actuarial gains and losses in the financial statements, with the result that they may only be recognised directly and fully in other comprehensive income. Furthermore, expected income from funded pension plans was previously calculated at the beginning of the respective period based on the executive management's forecasts regarding changes in the value of the investment portfolio. Following the application of IAS 19 (revised 2011), interest on funded pension plans may only be taken into account based on the standard discount rate for pension obligations. In addition, IAS 19 (revised 2011) contains expanded disclosure requirements overall for employee benefits.

The first-time application of IAS 19 (revised 2011) changes the way in which the Hapag-Lloyd Group calculates the net pension expenses arising from defined benefit plans, in particular with regard to the interest portion of these net pension expenses. Until now, the anticipated return on plan assets has been calculated based on managers' expectations regarding returns on the investment portfolio. Following the application of IAS 19 (revised 2011), the return on plan assets is measured in a standardised fashion using the interest rate for discounting pension obligations. As a result of this change, the Hapag-Lloyd Group saw a negligible fall in its net pension expenses for the 2013 financial year. The remeasurement result – which is included in other comprehensive income – increased accordingly. The first-time application of IAS 19 (revised 2011) does not affect the volume of pension obligations reported because the Hapag-Lloyd Group already recognised actuarial gains and losses in other comprehensive income in full. The disclosures in the Notes to the consolidated financial statements have been adjusted in line with the new regulation (see Note (20)).

The amendment to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* was adopted. The amendment to IAS 36 clarifies that information about the recoverable amount is only to be disclosed for assets or cash-generating units with the amount based on the fair value less costs to sell, if they are impaired. There is also further specification of the information to be disclosed if an asset is impaired and the recoverable amount has been determined on the basis of its fair value less costs to sell. For example, information is to be disclosed regarding the valuation principles used and the fair value hierarchy level pursuant to IFRS 13. Other than the discontinuation of the requirement to disclose the recoverable amount of the “container shipping” cash-generating unit, the early adoption of IAS 36 has no impact on the consolidated financial statements.

In connection with the amendment to IAS 32 regarding the offsetting of financial assets and financial liabilities, an amendment was also made to IFRS 7 *Offsetting Financial Assets and Financial Liabilities* to integrate additional information about offsetting practices into the Notes to the financial statements. The new disclosures relate primarily to quantitative information about the financial instruments covered which are offset against one another in the statement of financial position or for which offsetting agreements exist. Although the new regulations in IAS 32 are only mandatory for annual periods beginning on or after 1 January 2014, the amendments to IFRS 7 must be observed in the current financial year, 2013.

The standard IFRS 13 *Fair Value Measurement* provides uniform measurement criteria across all 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. The disclosures in the Notes to the consolidated financial statements have been adjusted in line with the new regulation (see the section on Accounting and measurement and Note (25)).

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.

Amendments were made to five standards as part of the *Annual Improvements to IFRS (2009–2011)* process. These include a clarification pertaining to IFRS 1 that IFRS 1 is also applicable if reporting was already carried out in accordance with IFRS in the past and, after a hiatus, IFRS is applied anew, and also the clarification that borrowing costs capitalised before the transition to IFRS may be retained. In addition, there was clarification under IAS 1 regarding comparative information from the previous year and the amendment of financial reporting methods and retroactive adjustments, and also a clarification under IAS 34

regarding how to make segment disclosures of assets and liabilities in interim reports. The IAS 16 provisions regarding the inclusion of servicing equipment as property, plant and equipment were amended, and a stipulation was introduced to IAS 32 requiring that tax effects caused by distributions to investors or by the costs of an equity transaction be recognised in accordance with IAS 12 *Income Taxes*.

The following standards that were adopted, amended or newly issued by the IASB at the time these consolidated financial statements were prepared were not yet mandatory in the financial year 2013:

Standard/Interpretation		Mandatory application as per	Adopted by EU Commission
IAS 27	Amendment to IAS 27: Separate Financial Statements	1.1.2013*	yes
IAS 28	Amendment to IAS 28: Investments in Associates and Joint Ventures	1.1.2013*	yes
IAS 32	Amendment to IAS 32: Offsetting Financial Assets and Financial Liabilities	1.1.2014	yes
IAS 39	Amendment to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	1.1.2014	yes
IFRS 10	Consolidated Financial Statements	1.1.2013*	yes
IFRS 11	Joint Arrangements	1.1.2013*	yes
IFRS 12	Disclosure of Interests in Other Entities	1.1.2013*	yes
IFRS 10–12	Amendments to IFRS 10, IFRS 11 and IFRS 12 Transition Guidance	1.1.2014	yes
IFRS 10, 12, IAS 27	Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	1.1.2014	yes
IAS 19	Amendment to IAS 19: Employee Contributions	1.7.2014	no
IFRS 9	Financial Instruments	open	no
IFRS 9	Amendments to IFRS 9 and IFRS 7: Mandatory Effective Date and Transition Disclosures	open	no
IFRS 9	Amendments to IFRS 9 Financial Instruments	open	no
IFRS 14	Regulatory deferral accounts	1.1.2016	no
IFRIC 21	Levies	1.1.2014	no
Various	Annual Improvement Process – Improvements to IFRS (2010–2012)	1.7.2014	no
Various	Annual Improvement Process – Improvements to IFRS (2010–2013)	1.7.2014	no

* For the EU 1.1.2014

These are regulations which will not be mandatory until the financial year 2014 or later. Other than the early adoption of IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*, the Company does not plan to early adopt any other standards. Unless stated otherwise, the effects are currently being reviewed.

EU endorsement has been given

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

With the adoption of IFRS 11 *Joint Arrangements*, an amendment was made to IAS 28 as a result of the now expanded scope of application of IAS 28, as investments both in associated companies and in joint ventures must henceforth be measured using the equity method. The proportionate consolidation of joint ventures therefore no longer applies. Potential voting rights and other derivative financial instruments are henceforth to be taken into consideration when assessing whether a company has a significant influence or when assessing the investor's share of the assets of the company. Another amendment relates to accounting in accordance with IFRS 5 if only a portion of the share in an associated company or a joint venture is to be sold. IFRS 5 is partially applicable if only a share or a portion of a share in an associated company (or joint venture) is deemed to be "held for sale". Given that the method of proportionate consolidation was not applied within the Hapag-Lloyd Group and there were no associated companies to account for pursuant to IFRS 5, there is no material impact on the Group's net asset, financial and earnings position.

Prerequisites contained in IAS 32 regarding netting were made more concrete through additional application guidelines. On the one hand it is specified that there must be an unconditional, legally enforceable claim for compensation, even if one of the parties has filed for bankruptcy, and on the other hand exemplary criteria are provided under which the offsetting of financial assets and financial liabilities is done.

With the amendment to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*, under certain conditions, the novation of a hedging instrument to a central counterparty as required by legislation does not lead to the dissolution of an existing hedging relationship. This means that a hedging relationship does not need to be dissolved if novation becomes necessary as a result of new legislation or the introduction of legislation, if the central counterparty becomes the contractual partner of all parties to the derivative contract as a result of the novation and if there are no changes to the terms and conditions of the contract relating to the original derivative, aside from changes that are a necessary result of the novation.

The new IFRS 10 *Consolidated Financial Statements* replaces parts of the regulations of the previous IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation – Special Purpose Entities*. This standard comprehensively redefines the term "control". If one company controls another, it is the responsibility of the parent company to consolidate the subsidiary. Based on the new concept, there is an instance of control if the potential parent company has the power to make decisions for the potential subsidiary due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can have a bearing on these returns due to its power to make decisions. There are no significant changes required for the Hapag-Lloyd Group arising from the adoption of the new IFRS 10.

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. There is no effect on the net asset, financial and earnings position of the Hapag-Lloyd Group as a result of the adoption of the new IFRS 11.

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 additional disclosures required pursuant to the new IFRS 12 will be implemented in the consolidated financial statements as at 31 December 2014.

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

With the amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*, a definition of investment entities is given and these are excluded from the obligation to consolidate subsidiaries in accordance with IFRS 10. Instead, subsidiaries must be recognised at fair value

through profit or loss in accordance with IFRS 9 *Financial Instruments* in an investment company's consolidated financial statements. Insofar as the investment company is itself the subsidiary of a non-investment company, the exclusion does not apply to the parent company's consolidated financial statements and, as the parent company, the non-investment company must consolidate its controlled investment company and its subsidiaries in accordance with IFRS 10.

EU endorsement still pending

The amendment to IAS 19 *Employee Contributions* clarifies that contributions paid by employees themselves (or by third parties) can be recognised simply by an approving company in such a way that the principal amount of the employee contributions is deducted from the service costs for the period in which the corresponding term of service is provided. This is subject to the amount of the contributions being independent of the number of service years, e.g. contributions which are set as a fixed percentage of the annual salary.

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

With the amendments to IFRS 9 and IFRS 7 *Mandatory Effective Date and Transition Disclosures*, the mandatory date of the first-time adoption of IFRS 9 was postponed to 1 January 2015. In addition, exemptions were introduced under which a company may provide additional information in the Notes upon transition to IFRS 9, rather than adjusting prior year figures.

The additions to IFRS 9 include new regulations relating to hedge accounting in the form of a new, general model for the recognition of hedging relationships. They replace the corresponding provisions regarding hedge accounting in IAS 39. However, when applying the new hedge accounting rules pursuant to IFRS 9, there is the option of continuing to apply the special rules for portfolio fair value hedges for interest rate risks pursuant to IAS 39.

The additions to IFRS 9 also allow for the early adoption of the recognition of credit-related fair value adjustments for liabilities measured at fair value with no effect on income, without fully applying the provisions of IFRS 9. In addition, the IASB has indefinitely postponed the mandatory first-time adoption date previously stipulated in IFRS 9. A new first-time adoption date will not be set until the standard is available in full. Only then is the EU likely to endorse it as well.

With the introduction of IFRS 14 *Regulatory Deferral Accounts*, companies applying IFRS for the first time are allowed to continue presenting price-regulated sales transactions in line with the previously applied accounting standards. However, in this case the effects from the capitalisation or deferral of economic benefits must be presented separately. Furthermore, special disclosures need to be made with regard to the underlying price regulation and the associated risks. Companies which already use IFRS are expressly excluded from applying the provisions.

Interpretation IFRIC 21 *Levies* clarifies how and when levies charged by a level of government and not covered by another IFRS standard are to be recognised as liabilities pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. According to the current interpretation, an obligation is to be recognised in the financial statements as soon as the obligating event which triggers the obligation to pay pursuant to the legislation underpinning the levy occurs.

Amendments were made to seven standards as part of the *Annual Improvements to IFRS (2010–2012)* process. The aim of making amendments to the wording of particular IFRS standards is to clarify the existing set of regulations. In addition, there are amendments that have an effect on the disclosures made in the Notes. The standards in question are IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

Amendments were made to four standards as part of the *Annual Improvements to IFRS (2011–2013)* process. Here, too, the aim of making amendments to the wording of particular IFRS standards is to clarify the existing set of regulations. The standards in question are IFRS 1, IFRS 3, IFRS 13 and IAS 40.

Consolidation principles and methods

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

Such companies are generally consolidated for the first time as at their acquisition date. The acquisition date constitutes the time from which the possibility of controlling the subsidiary is acquired or, respectively, when it becomes possible to exert significant influence. If the possibility of controlling a company or of exerting significant influence over it ends, 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 is recorded as an asset of the subsidiary; with associated companies, it is contained within the carrying amount of the respective investment valuation. Any negative difference is recognised immediately within the income statement after reviewing the assessed asset and liability values again. The option to capitalise the proportionate goodwill on non-controlling interests is not applied. Transaction costs incurred in connection with a business combination are recognised as expenses.

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

The individual financial statements of Hapag-Lloyd AG and its subsidiaries, which were prepared using the standard Group accounting and measurement principles and of which the financial statements of significant companies were audited by the auditors, were included in the preparation of the consolidated financial statements.

If a subsidiary or a company included in the consolidated financial statements using the equity method is sold, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in other comprehensive income, is recognised at the disposal date in the consolidated income statement. The carrying amounts of the capitalised goodwill are taken into account in the calculation of the gain or loss on disposal.

Intercompany receivables and liabilities, as well as expenses and income, are eliminated during the process of consolidation. Intercompany profits and losses are eliminated insofar as they are not of minor significance for the Group. Deferred taxes are reported for consolidation measures with an impact on income taxes.

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

Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 52 companies are included in the group of consolidated companies:

	Fully consolidated		Equity method		Total
	domestic	foreign	domestic	foreign	
31.12.2012	4	45	2	3	54
Additions	-	-	-	-	-
Disposals	1	-	-	1	2
31.12.2013	3	45	2	2	52

Hapag-Lloyd Holding AG was merged with Hapag-Lloyd AG with effect from 1 January 2013 in the form of a downstream merger. Hapag-Lloyd AG is consequently the new parent company of the Hapag-Lloyd Group.

In the year under review, all of the Company's shares in the associated company Montreal Gateway Terminals Ltd. Partnership, Montreal, Canada, were sold to the majority shareholder.

Four 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 recognised as other assets.

Hapag-Lloyd AG holds 49.9% of the shares in Hapag-Lloyd (Thailand) Ltd., Bangkok, and 49.0% of the shares in Hapag-Lloyd Agency LLC, Dubai. These companies are fully consolidated as they are controlled by Hapag-Lloyd AG which holds the majority of the voting rights.

Hapag-Lloyd Lanka (Pvt) Ltd., Colombo, is consolidated using the equity method and in contrast to the Group has a non-calendar financial year with a balance sheet date of 31 March. The values carried forward as at 31 December are used for purposes relating to inclusion in the consolidated financial statements. All other companies have financial years that correspond with Hapag-Lloyd AG.

A complete list of the subsidiaries and associated companies in the Hapag-Lloyd 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 the majority of its subsidiaries is the US dollar. However, the reporting currency of Hapag-Lloyd AG is the euro.

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

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

Gains and losses due to exchange rates that are in connection with transport services are recorded in both sales and transport expenses. Other gains and losses due to exchange rates are shown in other operating income or other operating expenses as well as in personnel expenses. In the year under review, income in the amount of EUR 5.2 million and expenses in the amount of EUR 41.7 million resulting from currency translation were reported in the consolidated income statement.

Exchange rates of significant currencies:

per EUR	Closing rate		Average rate	
	31.12.2013	31.12.2012	**2013**	2012
US dollars	1.37670	1.3185	1.32840	1.2862
British pounds sterling	0.83310	0.8155	0.84974	0.8114
Canadian dollars	1.46360	1.3116	1.36841	1.2853
Swiss francs	1.22680	1.2073	1.23108	1.2052
Hong Kong dollars	10.67470	10.2193	10.30394	9.9770
Singapore dollars	1.73910	1.6110	1.66213	1.6064
Japanese yen	144.51000	113.6200	129.63705	102.6185
Chinese renminbi	8.39349	8.3176	8.16775	8.1131

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. By optimising the systems to report revenue for demurrage and detention which has been realised but not yet billed, revenue totalling EUR 12.9 million was deferred for the first time as at the balance sheet date.

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 and other revenue are generally recorded upon delivery of the assets or upon transfer of their ownership or risk.

Please refer to Note (25) 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 trademark rights, are capitalised at their fair value as at the acquisition date. Other intangible assets are capitalised at cost.

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

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

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

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

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

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

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

Property, plant and equipment

Property, plant and equipment are measured at depreciated acquisition and production cost. The cost of acquisition 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 weighted average borrowing costs for the general raising of borrowed funds (cost of debt) amounted to 8.96% p.a. for the financial year 2013 (2012: 9.25% p.a.).

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

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

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

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

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

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

Leases

A lease is the term given to all arrangements that transfer the right of use of specified assets in return for payment. This includes rental agreements 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 or the lessor.

Finance lease

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

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

Operating lease

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

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

Profits or losses from sale-and-leaseback transactions that result in operating lease contracts are recognised immediately if the 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 at the end of the financial year. This applies in particular to the Hapag-Lloyd brand, for which the recoverable amount at fair value was determined using licence price analogy procedures. A need for impairment was not ascertained.

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

Goodwill is also allocated to cash-generating units and tested for impairment on this basis at least once a year at the end of the financial 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.

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 (see Notes in the "Segment reporting" section). The recoverable amount corresponds to the higher of the fair value less cost of disposal and the value in use. The fair value is the price that independent market participants would pay at the balance sheet date under normal market conditions if the asset or cash-generating unit were sold. 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 of disposal using the discounted cash flow (DCF) method. The fair value of the cash-generating unit was measured pursuant to level 3 of the valuation hierarchy. The basis for ascertaining the recoverable amount is the medium-term planning approved by the Executive Board which covers a five-year period. The central planning assumptions for container shipping are the future development of transport volumes and freight rates as well as bunker prices and exchange rates. These are dependent on a number of macroeconomic factors, in particular the trends in gross domestic product and global trade. For that reason, the assessments of external economic and market research institutes regarding the future development of global container shipping are obtained while the plans are being prepared and are adjusted and supplemented with experiences and assessments of the Group's own competitive position on its various trades. At the time of planning, IHS Global Insight expected an increase in global container traffic of 4.7% in 2014 and of between 5.3% and 5.6% for the following years. Additionally, it is expected that freight rates will only increase slightly due to typical seasonal fluctuations, facing an increase in transport expenses. Following a lower bunker consumption price in 2014, bunker consumption prices are expected to remain steady at a higher level as of 2015.

The budgeted after-tax cash flows are discounted using the weighted average cost of capital after tax. This is calculated on the basis of capital-market-oriented models as a weighted average of the costs of equity and borrowed capital. In the process, the cost of equity is determined using a risk-free interest rate and a risk premium of altogether 9.25% (2012: 9.25%). The risk premium is produced by multiplying the market risk premium by a beta factor derived from the capital market in accordance with the figures at comparable companies (peer group). In order to extrapolate the plans beyond the planning period, a growth discount of 1.0% was taken into consideration (2012: 1.0%). The weighted average cost of capital after income taxes which is used for discounting purposes is 9.26% for the planning period (2012: 9.01%) and, as a result of the growth discount, 8.26% for the extrapolation of the subsequent period (2012: 8.01%). The pre-tax calculation interest rate due to tonnage tax regulations corresponds to the weighted average cost of capital after income taxes.

As part of the impairment test performed, the respective results were verified using a sensitivity analysis. Various capitalisation rates were used for the sensitivity analysis. There was no need for impairment when applying a capitalisation rate of up to 11.5%. In addition, to take account of the volatility of the value-driving factors (transport volumes, freight rates, bunker prices and the USD/EUR exchange rate) a sensitivity analysis as to the anticipated surplus (free cash flow) in the period thereafter was performed in the context of a cash

flow determination. A decrease in the free cash flow of approximately 30% in the period thereafter did not result in a need for impairment. After allowing for IHS Global Insight's revised forecast in December 2013, there was still no need for impairment.

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

Impairment test for ship portfolio
Against the backdrop of the intended sale of a ship portfolio, for which the criteria of IFRS 5 do not yet exist, an individual impairment test for the designated ships was carried out in previous years. During the current financial year, possible signs for additional impairment or a reversal of impairment losses were reviewed. A reversal of impairment loss of EUR 0.6 million was required as a result of this test (2012: impairments relating to two ships in the amount of EUR 1.7 million).

The recoverable amount for these ships was determined mainly on the basis of the budgeted disposal proceeds. Fair value less cost of disposal was determined on the basis of 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. The valuation category of financial assets or liabilities measured at fair value through profit or loss is subdivided into the categories “held for trading” and “fair value option”.

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 financial assets” categories. By contrast, there are no held-to-maturity investments in these financial statements. Primary liabilities only exist in the category of financial liabilities measured at amortised cost.

Non-derivative underlying contracts are analysed to determine the existence of embedded derivatives. Embedded derivatives are to be recognised separately from the underlying contract as an independent financial instrument if the two components demonstrate different economic properties which are not closely linked to each other. Embedded derivatives are likewise classified as “held for trading”.

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 2013, as in the previous financial year, there were no reclassifications within the individual classification categories.

Primary financial assets

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

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents encompass cash in hand, bank balances and other financial investments that can be converted into defined cash amounts at any time and are subject to immaterial changes in value. Fully utilised overdraft credit is shown under current financial debt as liabilities to banks.

Primary 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. If a review of changes in contractual conditions using quantitative and qualitative criteria lead to the assessment that both contracts are materially the same, the old liability continues to exist with the new conditions.

Derivative financial instruments and hedge accounting

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

Derivative financial instruments are classified either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions.

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

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

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in other comprehensive income and is not recognised with effect on the consolidated income statement until the underlying transaction occurs. If the future

transaction is no longer expected to occur, the cumulative gains or losses recognised outside the consolidated income statement must immediately be recognised within the consolidated income statement.

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

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

Inventories

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

Inventories mainly comprise fuel and lubricants.

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 obligation (DBO) is calculated annually by an independent actuarial expert. The present value of the DBO is calculated by discounting the expected future outflows at the interest rate of first-rate corporate bonds. The corporate bonds are issued in the currency of the payment to be made and have matching maturities with the pension obligations.

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

If the benefits accruing from a plan are changed or cut, both the part of the change in benefits which relates to previous periods (past service cost) and the gains or losses arising from the plan cuts are recognised immediately with effect on net income. Gains or losses arising from a defined benefit plan being cut or paid out are recognised at the time at which the cut or payment is made.

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

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

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

Other provisions
Provisions are recognised for all legal or factual obligations resulting from a past event insofar as their utilisation is probable and their amount can be reliably determined. Provisions are recorded at the best estimate of their repayable amount and take account of cost increases. The present value is assessed for provisions with terms exceeding twelve months. Over the course of time, the provisions are adjusted on the basis of new knowledge gained. Provision reversals are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant reversals, which are recorded as other operating income.

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

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

Taxes

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

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

Expected tax savings from the use of tax loss carry-forwards are capitalised if they are estimated to be recoverable in the future. In their valuation, time limitations are taken into account accordingly. In order to evaluate whether deferred tax assets from tax loss carry-forwards can be used, i.e. recovered, the tax-related budget of the Group is consulted. The tax-related budget is based on the medium-term budget for 2014 to 2018.

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

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

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

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

Fair value

A number of accounting and valuation standards require that the fair value of both financial and non-financial assets and liabilities be determined. The fair value is the price that independent market participants would pay at the balance sheet date under normal market conditions if the asset were sold or the liability were transferred.

Fair value is measured using a three-level hierarchy based on the valuation parameters used.

Level 1:
Unchanged adoption of prices from active markets for identical assets or liabilities.

Level 2:
Use of valuation parameters whose prices are not the listed prices referred to in level 1, but can be observed either directly or indirectly for the asset or liability in question.

Level 3:
Use of factors not based on observable market data for the measurement of the asset or liability (non-observable valuation parameters).

Every fair value measurement is set based on the valuation parameter with the lowest level within the hierachy, provided that the valuation parameter is essential. If the method for determining the fair value of assets or liabilities, which are measured on a regular basis, changes, resulting in the need to assign them to a different hierarchy level, such reclassification is performed at the end of the reporting period.

Additional explanations of fair values can be found in the section “Impairment testing” and in Note (25) “Financial instruments”.

Discretionary decisions, estimates and assessments

Discretionary decisions when applying accounting and measurement principles

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

During the classification of leasing relationships, discretionary decisions are made regarding the assignment of economic property to either the lessor or the lessee. Regarding the approach, we refer to the presentation concerning the recognition and measurement of leasing relationships; regarding the amounts, see Note (33).

In a number of cases, the valuation parameters used to determine the fair value of an asset or liability can be assigned to various levels of the fair value hierarchy. In such cases, fair value measurement as a whole is assigned to the same hierarchy level as the valuation parameter of the lowest level that is of significance to the measurement in its entirety. The evaluation of the significance of a specific valuation parameter for measurement as a whole requires a discretionary decision in which the characteristic factors relating to the asset or liability are to be taken into consideration. See the section "Impairment testing" and Note (25) on the approach taken.

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.

Intangible assets and property, plant and equipment

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

A review of the vessels' scrap values in the 2013 financial year resulted in higher residual values than previously assumed, due to the current market situation. Consequently, the vessels' scrap values were adjusted with effect from 1 January 2013, lowering depreciation for the 2013 financial year by EUR 21.4 million.

Allowance for doubtful receivables

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

Deferred tax assets on loss carry-forwards

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

Provisions

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, 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 (20).

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

Provisions are made within the Group if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. Due to the uncertainties associated with this valuation, the actual losses can deviate from the original estimates and the respective provision amount. For provisions for guarantee, warranty and liability risks there is particular uncertainty concerning the estimate of future damages. For detailed explanations, see Note (21).

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.

Changes in assumptions and estimates

At the time of preparation of the consolidated financial statements, no material changes in the underlying assumptions and estimates are expected, so that no material adjustment of the assessed assets and liabilities is expected in the financial year 2014 at this time.

Risks and uncertainties

Influencing factors which can result in deviations from expectations comprise not only macroeconomic factors such as exchange rates, interest rates and bunker prices, but also the future development of container shipping.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

Revenue in the amount of EUR 6,567.4 million (2012: EUR 6,843.7 million) was primarily generated from the rendering of transport services amounting to EUR 6,480.2 million (2012: EUR 6,757.0 million).

The revenue includes income of EUR 173.6 million (2012: EUR 171.6 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. 2013**	1.1.–31.12. 2012
Income from the disposal of assets	36.1	192.4
Income from the reversal of provisions	36.0	22.3
Exchange rate gains	20.4	14.2
Income from write-backs	0.6	0.0
Other income	63.2	36.5
Total	**156.3**	**265.4**

The exchange rate gains from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the revaluation of financial assets, financial liabilities and currency options as at the balance sheet date.

In the previous year, income from the disposal of assets primarily included income from operating sale and leaseback transactions for containers (EUR 132.9 million) and from the disposal of chassis (EUR 35.7 million).

(3) Transport expenses

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Expenses for raw materials, supplies and purchased goods	1,436.6	1,638.7
Cost of purchased services	4,336.5	4,543.6
thereof		
Port, canal and terminal costs	1,831.1	1,834.9
Container transport costs	1,691.4	1,826.0
Chartering, leases and container rentals	653.3	718.8
Maintenance/repair/other	160.7	163.9
Total	**5,773.1**	**6,182.3**

The cost of raw materials and supplies refers in particular to fuel expenses and effects from fuel hedging instruments.

(4) Personnel expenses

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Wages and salaries	292.7	288.7
Social security costs, pension costs and other benefits	72.5	71.0
Total	**365.2**	**359.7**

Pension costs include, among other things, expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations and the expected interest income from the associated fund assets are recorded within the interest result. A detailed presentation of pension obligations is provided in Note (20).

Employees

The average number of employees was as follows:

	1.1.–31.12. 2013	1.1.–31.12. 2012
Marine personnel	1,250	1,228
Shore-based personnel	5,547	5,541
Apprentices	185	188
Total	**6,982**	**6,957**

(5) Depreciation, amortisation and impairment

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Scheduled amortisation/depreciation	325.4	330.3
Amortisation of intangible assets	64.0	67.6
Depreciation of property, plant and equipment	261.4	262.7
Impairment of intangible assets and property, plant and equipment	-	1.7
Total	**325.4**	**332.0**

The scheduled amortisation of intangible assets largely concerned advantageous contracts (2013: EUR 39.4 million; 2012: EUR 42.4 million).

The scheduled depreciation of property, plant and equipment was largely accounted for by ocean-going vessels (2013: EUR 203.9 million; 2012: EUR 213.5 million) as well as containers and container chassis (2013: EUR 50.3 million; 2012: EUR 42.1 million).

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

(6) Other operating expenses

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
EDP costs	60.9	63.2
Commissions	36.4	38.9
Exchange rate losses	32.0	49.0
Rental and lease expenses	21.7	23.4
Other taxes	19.4	16.9
Other social security expenses	15.1	14.6
Administrative expenses	12.3	13.1
Expenses for charges, fees, consultancy and other professional services	9.9	12.3
Other operating expenses	44.0	35.9
Total	**251.7**	**267.3**

The exchange rate losses from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the revaluation of financial assets, financial liabilities, currency options and currency forward contracts as at the balance sheet date.

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

(7) Other financial result

The other financial result essentially comprises income from the sale of the Company's share in Montreal Gateway Terminals Ltd. Partnership, Montreal, totalling EUR 19.1 million and expenses from changes in the fair value of derivative financial instruments in the amount of EUR 0.6 million (2012: income of EUR 2.8 million).

(8) Interest result

The interest result was as follows:

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Interest income	5.6	6.7
Interest income from fund assets for the financing of pensions and similar obligations	3.8	3.9
Other interest and similar income	1.8	2.8
Interest expenses	159.2	133.6
Interest expenses from the valuation of pensions and similar obligations	8.9	9.1
Other interest and similar expenses	150.3	124.5
Total	**–153.6**	**–126.9**

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

Other interest and similar expenses mainly comprises interest for bonds and loans as well as interest from finance leases.

The Group's interest result improved by a total of EUR 6.6 million as a result of the transactions in the bond market and the separate accounting of embedded derivatives associated with this, in the form of early buy-back options. This includes income of EUR 1.5 million for the recognition of changes in the fair value of embedded derivatives in the 2013 financial year. The effects described were recognised in other interest and similar expenses.

(9) Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income tax. For domestic companies subject to corporate income tax, as in the previous year, a corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on corporate income tax apply. Additionally, these companies are subject to trade earnings tax, which for the years 2013 and 2012 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. Furthermore, comparable actual income taxes are disclosed for foreign subsidiaries within the Group; in 2013, these ranged from 12.5% to 39.0% (2012: between 12.5% and 42.1%).

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

Income taxes were as follows:

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Actual income taxes	7.1	4.0
thereof domestic	2.8	0.6
thereof foreign	4.3	3.4
Deferred tax income/expenses	0.4	–0.1
thereof from temporary differences	–2.6	0.1
thereof from loss carry-forwards	3.0	–0.2
Total	**7.5**	**3.9**

Tax income relating to other periods in the amount of EUR 0.2 million is included in the current income taxes (2012: EUR 0.9 million).

For domestic companies subject to corporate income tax, a combined income tax rate of 32.3% or 19.1% was used to calculate deferred taxes (2012: 32.3% or 19.1%). The combined income tax rate takes into account corporate income tax of 15.0% (2012: 15.0%), a solidarity surcharge of 5.5% of the corporate income tax (2012: 5.5%) and trade earnings tax of 16.5% (2012: 16.5%) or 3.3% (2012: 3.3%) insofar as it relates to income from vessel operations in international transport.

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates which were applied for foreign-based companies for the financial year 2013 ranged from 16.5% to 39.0% (2012: 16.5% to 42.1%).

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

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Earnings before income taxes	–89.9	–124.4
Expected income tax expense (+) / income (–) (tax rate 32.3%)	**–29.0**	**–40.1**
Difference between the actual tax rates and the expected tax rates	0.8	2.9
Changes in tax rate and tax law	0.3	-
Effects of income not subject to income tax	44.3	47.9
Non-deductible expenses and trade tax additions and reductions	5.3	3.4
Changes in unrecognised deferred taxes	3.1	2.4
Effective tax expenses and income relating to other periods	–0.2	–0.9
Tax effect from equity-accounted investees	–17.8	–10.1
Exchange rate differences	0.7	–0.7
Other differences	-	–0.9
Reported income tax expense (+) / income (–)	**7.5**	**3.9**

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

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

The adjustments to the recognition of deferred taxes include expenses amounting to EUR 1.6 million allocable to the non-recognition of deferred taxes on tax interest carried forward (2012: EUR 2.3 million) and EUR 1.7 million allocable to adjustments to the recognition of corporate income tax loss carry-forwards (2012: EUR –0.1 million).

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

Million EUR	**31.12.2013**		31.12.2012	
	Asset	**Liability**	Asset	Liability
Recognition and valuation differences for property, plant and equipment and other non-current assets	2.1	5.7	2.3	8.9
Recognition differences for receivables and other assets	0.5	0.3	0.7	1.6
Valuation of pension provisions	4.0	-	5.6	-
Recognition and valuation differences for other provisions	1.5	-	1.5	-
Other transactions	3.7	0.1	4.8	0.1
Capitalised tax savings from recoverable loss carry-forwards	5.9	-	9.2	-
Netting of deferred tax assets and liabilities	–5.1	–5.1	–9.0	–9.0
Balance sheet recognition	**12.6**	**1.0**	**15.1**	**1.6**

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

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

Million EUR	**As per 1.1.2013**	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	**As per 31.12.2013**
Recognition and valuation differences for property, plant and equipment and other non-current assets	–6.6	3.1	-	–0.1	–3.6
Recognition differences for receivables and other assets	–0.9	1.4	-	–0.3	0.2
Valuation of pension provisions	5.6	–0.7	–0.8	–0.1	4.0
thereof recognised directly in equity	4.5	-	–0.8	–0.2	3.5
Recognition and valuation differences for other provisions	1.5	–0.2	-	0.2	1.5
Other transactions	4.7	–1.0	-	–0.1	3.6
Capitalised tax savings from recoverable loss carry-forwards	9.2	–3.0	-	–0.3	5.9
Balance sheet recognition	**13.5**	**–0.4**	**–0.8**	**–0.7**	**11.6**

No deferred tax liabilities were recognised for taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 9.8 million (2012: EUR 13.3 million), as no reversal of the temporary differences is likely in the near future.

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

Deferred tax assets are recognised for 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 carry forward the tax losses for which no deferred tax assets were recognised are as follows:

Million EUR	**31.12.2013**	31.12.2012
Loss carry-forwards for which deferred tax assets were recognised	**36.1**	**56.6**
Loss carry-forwards for which no deferred tax assets were recognised	**58.5**	**135.9**
thereof loss carry-forwards forfeitable in more than 5 years (excl. non-forfeitable loss carry-forwards)	1.8	0.2
Non-forfeitable loss carry-forwards	56.7	135.7
thereof for trade income tax	-	3.6
thereof interest carry-forwards	15.5	51.1
Total of unutilised loss carry-forwards	**94.6**	**192.5**

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 1.1.2012	707.3	319.3	337.9	194.7	83.6	4.6	1,647.4
Additions	-	-	-	-	1.1	-	1.1
Disposals	-	-	-	-	0.2	0.3	0.5
Transfers	-	-	–40.8	-	0.4	–0.4	–40.8
Exchange rate differences	–13.4	–6.1	–6.4	–3.7	–1.6	-	–31.2
As per 31.12.2012	**693.9**	**313.2**	**290.7**	**191.0**	**83.3**	**3.9**	**1,576.0**
Accumulated amortisation							
As per 1.1.2012	-	39.0	140.4	-	30.5	0.6	210.5
Additions	-	14.3	42.4	-	10.9	-	67.6
Disposals	-	-	-	-	0.2	0.3	0.5
Transfers	-	-	–9.4	-	-	-	–9.4
Exchange rate differences	-	–1.1	–3.7	-	–0.8	-	–5.6
As per 31.12.2012	**-**	**52.2**	**169.7**	**-**	**40.4**	**0.3**	**262.6**
Carrying amounts 31.12.2012	**693.9**	**261.0**	**121.0**	**191.0**	**42.9**	**3.6**	**1,313.4**
Historical cost							
As per 1.1.2013	693.9	313.2	290.7	191.0	83.3	3.9	1,576.0
Additions	-	-	-	-	1.9	0.1	2.0
Disposals	-	-	13.5	-	-	-	13.5
Transfers	-	-	–15.9	-	–0.1	-	–16.0
Exchange rate differences	–29.3	–13.2	–11.2	–8.1	–3.6	–0.2	–65.6
As per 31.12.2013	**664.6**	**300.0**	**250.1**	**182.9**	**81.5**	**3.8**	**1,482.9**
Accumulated amortisation							
As per 1.1.2013	-	52.2	169.7	-	40.4	0.3	262.6
Additions	-	13.8	39.4	-	10.8	-	64.0
Disposals	-	-	13.5	-	-	-	13.5
Transfers	-	-	–11.9	-	–0.1	-	–12.0
Exchange rate differences	-	–2.7	–7.7	-	–2.1	-	–12.5
As per 31.12.2013	**-**	**63.3**	**176.0**	**-**	**49.0**	**0.3**	**288.6**
Carrying amounts 31.12.2013	**664.6**	**236.7**	**74.1**	**182.9**	**32.5**	**3.5**	**1,194.3**

In order to assess the goodwill for impairment, an impairment test was carried out for the entire cash-generating unit container shipping at the end of the financial year, as was the case in the previous year. Please refer to the section "Impairment testing" within the accounting and measurement principles. A need for impairment was not ascertained.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 664.6 million (2012: EUR 693.9 million) and the Hapag-Lloyd brand in the amount of EUR 182.9 million (2012: EUR 191.0 million).

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

No development costs were capitalised as in the previous year. The development costs for self-developed software which cannot be capitalised amounted to EUR 7.4 million (2012: EUR 7.6 million) and were recognised as expenses.

(11) Property, plant and equipment

Million EUR	Vessels	Containers, chassis	Other equip-ment	Payments on account and assets under construction	Total
Historical cost					
As per 1.1.2012	2,855.2	501.5	126.0	466.6	3,949.3
Additions	370.6	138.3	6.0	274.8	789.7
Disposals	23.1	153.9	6.7	-	183.7
Transfers	428.6	-	0.5	–388.3	40.8
Exchange rate differences	–53.9	–8.3	–0.6	–8.7	–71.5
As per 31.12.2012	**3,577.4**	**477.6**	**125.2**	**344.4**	**4,524.6**
Accumulated depreciation					
As per 1.1.2012	438.3	191.2	5.4	-	634.9
Additions	213.5	42.1	7.1	-	262.7
Impairments	1.7	-	-	-	1.7
Disposals	15.9	129.4	6.3	-	151.6
Transfers	9.4	-	-	-	9.4
Exchange rate differences	–13.6	–4.3	–0.2	-	–18.1
As per 31.12.2012	**633.4**	**99.6**	**6.0**	**-**	**739.0**
Carrying amounts 31.12.2012	**2,944.0**	**378.0**	**119.2**	**344.4**	**3,785.6**
Historical cost					
As per 1.1.2013	3,577.4	477.6	125.2	344.4	4,524.6
Additions	17.7	304.7	2.6	416.0	741.0
Disposals	25.1	13.4	0.6	-	39.1
Transfers	524.6	15.5	2.5	–527.0	15.6
Exchange rate differences	–155.9	–30.8	–1.6	–10.6	–198.9
As per 31.12.2013	**3,938.7**	**753.6**	**128.1**	**222.8**	**5,043.2**
Accumulated depreciation					
As per 1.1.2013	633.4	99.6	6.0	-	739.0
Additions	203.9	50.3	7.2	-	261.4
Write-backs	0.6	-	-	-	0.6
Disposals	3.5	4.7	0.5	-	8.7
Transfers	-	11.9	–0.3	-	11.6
Exchange rate differences	–20.7	–6.1	–0.3	-	–27.1
As per 31.12.2013	**812.5**	**151.0**	**12.1**	**-**	**975.6**
Carrying amounts 31.12.2013	**3,126.2**	**602.6**	**116.0**	**222.8**	**4,067.6**

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 3,381.1 million as at the balance sheet date (2012: EUR 3,166.9 million). These restrictions of ownership mainly pertain to ship mortgages from existing financing contracts for ships. Further collateral exists in the form of financial debt creditors, who are legally entitled to ownership of the containers which are reported in the financial statements of Hapag-Lloyd AG for reasons of economic ownership. From an economic perspective, this is as if the containers are being transferred as security.

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

Four newbuilds with capacity of 13,200 TEU each were delivered in the 2013 financial year and new containers were also received. In addition, six ships and older containers were disposed of from property, plant and equipment.

In the financial year 2013, capitalisation of directly attributable borrowing costs amounted to EUR 1.8 million (2012: EUR 0.0 million). In addition, borrowing costs in the amount of EUR 14.5 million relating to general external financing were recognised in the year under review (2012: EUR 36.8 million).

(12) Investments in equity-accounted investees

Million EUR	**2013**	2012
Share at of 1.1.	**329.9**	**315.9**
Pro-rata share at earnings after taxes	35.1	31.5
Dividend payments	–31.2	–17.5
Exchange rate differences	–1.0	-
Share at of 31.12.	**332.8**	**329.9**

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

In the 2013 financial year, all of the Company's shares in the associated company Montreal Gateway Terminals Ltd. Partnership, Montreal, with a carrying amount of EUR 0.0, were sold to the majority shareholder.

There were no unrecognised proportionate losses for equity-accounted investees in the reporting period (2012: EUR 0.9 million). No impairment losses are included in the proportionate equity result. Dividend income amounting to EUR 1.7 million (2012: EUR 0.4 million) based on freely available funds was reported for Montreal Gateway Terminals Ltd. Partnership, Montreal, in the consolidated income statement under the item share of profit of equity-accounted investees.

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

Income statement information

Million EUR	**31.12.2013**	31.12.2012
Revenue	315.6	391.8
Profit/loss	95.9	91.3

Balance sheet information

Million EUR	**31.12.2013**	31.12.2012
Assets	306.2	650.3
Liabilities	215.1	531.0

The changes result from the disposal of Montreal Gateway Terminals Ltd. Partnership, Montreal.

(13) Trade accounts receivable and other assets

Million EUR	**31.12.2013**		31.12.2012	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Trade accounts receivable	473.3	-	449.5	-
thereof from third parties	470.4	-	448.3	-
thereof from affiliated non-consolidated companies	2.9	-	1.2	-
Other assets	114.7	7.9	136.1	25.7
Other assets and prepaid expenses	97.4	4.8	111.2	19.5
Claims arising from the refund of other taxes	17.1	2.9	24.7	6.0
Available-for-sale financial assets	0.2	0.2	0.2	0.2
Total	**588.0**	**7.9**	**585.6**	**25.7**

As at 31 December 2013, in relation to ship financing there were assignments of earnings of a type customary on the market for trade accounts receivable relating to the revenue generated by the respective ships.

In addition to this, trade accounts receivable were pledged as part of the programme to securitise receivables.

If no 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 cost. In the financial year 2013, as in the previous year, no impairment was recognised in the "available-for-sale financial assets" 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
31.12.2012							
Trade accounts receivable	449.5	304.3	115.2	20.9	4.2	4.5	0.4
Other assets	47.8	47.8	-	-	-	-	-
Total	**497.3**	**352.1**	**115.2**	**20.9**	**4.2**	**4.5**	**0.4**
31.12.2013							
Trade accounts receivable	473.3	333.0	114.8	9.6	8.5	6.2	1.2
Other assets	51.0	51.0	-	-	-	-	-
Total	**524.3**	**384.0**	**114.8**	**9.6**	**8.5**	**6.2**	**1.2**

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	**2013**	2012
Impairment allowances at of 1.1.	**9.9**	**12.9**
Additions	6.0	4.7
Utilisation	1.1	4.0
Release	2.1	3.5
Exchange rate differences	–0.2	–0.2
Impairment allowances at of 31.12.	**12.5**	**9.9**

Cash inflows from impaired trade accounts receivable amounted to EUR 0.1 million (2012: EUR 0.1 million).

(14) Derivative financial instruments

Million EUR	**31.12.2013**		31.12.2012	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Receivables from derivative financial instruments	99.6	74.5	69.5	32.5
thereof derivatives with hedge accounting applied	41.2	16.1	45.5	8.5
thereof derivatives with hedge accounting not applied	58.4	58.4	24.0	24.0

The derivative financial instruments are shown at fair value (market value). They serve to hedge both the future operating business and the currency risks of financial debt. Buy-back options for the issued bonds were also reported in this item. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (25)).

(15) Inventories

The inventories were as follows:

Million EUR	**31.12.2013**	31.12.2012
Raw materials and supplies	168.7	178.3
Prepayments	0.2	-
Total	**168.9**	**178.3**

The raw materials and supplies were primarily fuel and lubricating oil (2013: EUR 166.9 million; 2012: EUR 176.0 million).

Impairments of fuel inventories in the amount of EUR 1.1 million were recognised as expenses in the reporting period (2012: EUR 2.5 million). No write-backs were recognised.

(16) Cash and cash equivalents

Million EUR	**31.12.2013**	31.12.2012
Securities	0.5	0.5
Cash at bank	459.4	554.0
Cash in hand and cheques	4.9	6.3
Total	**464.8**	**560.8**

As at 31 December 2013, as in the previous year, cash and cash equivalents were not subject to any restrictions.

(17) Subscribed capital, capital reserves and retained earnings

Following the retrospective merging of Hapag-Lloyd Holding AG with Hapag-Lloyd AG, capital reserves of EUR 935.3 million were recognised for Hapag-Lloyd AG within the Hapag-Lloyd Group from 1 January 2013. The reduction in capital reserves of EUR 2,334.5 million as a result of the merger led to a corresponding increase in retained earnings. Overall, there were no changes to the Group's equity as a result of the merger.

EUR 100.0 million of the hybrid capital was repaid to TUI AG in the previous year and a further EUR 125.0 million was acquired from TUI AG through the "Albert Ballin" consortium. A capital increase which saw the "Albert Ballin" consortium and TUI AG each contribute EUR 125.0 million of hybrid capital in exchange for the granting of new shares from already approved capital resulted in an increase in subscribed capital to EUR 66.1 million and prompted a EUR 243.2 million addition to capital reserves after allowing for transaction costs.

As at 31 December 2013, Hapag-Lloyd AG's subscribed capital is divided into 66.1 million no-par registered shares with equal rights.

Retained earnings comprise earnings from the financial year as well as previous years, in addition to the effect of the merger.

(18) Cumulative other equity

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

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recorded within other comprehensive income and amounted to EUR 6.4 million as at 31 December 2013 (2012: EUR 9.1 million).

The reserve for remeasurements from defined benefit plans (2013: EUR –46.6 million; 2012: EUR –62.7 million) results from actuarial gains and losses recognised in other comprehensive income, among other things due to the change in actuarial parameters in connection with the valuation of pension obligations and the associated fund assets.

The differences from currency translation of EUR –115.9 million in the year under review (previous year: EUR –52.3 million) were 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 2013 amounted to EUR –94.6 million (2012: EUR 21.3 million).

(19) Non-controlling interests

Non-controlling interests rose to EUR 2.7 million in the year under review (2012: EUR 0.8 million) as a result of the sale of 5.1% of the Company’s shares in Hapag-Lloyd Grundstücksholding GmbH, Hamburg.

(20) Provisions for pensions and similar obligations

Defined benefit pension plans

Hapag-Lloyd AG maintains domestic and foreign defined benefit pension plans.

Provisions for domestic benefit obligations and similar obligations are primarily made due to benefit commitments for pensions, survivorship annuities and disability benefits. The amount of the benefit depends on which benefit group, based on years of service, the employees belong to and therefore on the total number of years of service. The monthly pension payable corresponds to the balance of the benefit account of the employee when benefit payments begin. The balance of the benefit account is zero when employment begins. It increases by the increment set for the benefit group for every year of eligible service. After the 25th year of service, the annual amount increases by a fifth of the increment applicable to the benefit group. There is no obligation for employees to participate in the pension plan by way of paying contributions.

The Group also makes contributions to a separate defined benefit plan for current and former members of the Executive Board. This plan also entails entitlement to pension, survivorship annuity and disability benefits. Pension sums are based on an individually defined percentage of pensionable emoluments. There is also the option of forgoing bonus payments in favour of the company pension scheme. Executive Board pensions are secured by plan assets in the form of reinsurance. Retirement benefits are paid out in the form of monthly pension payments.

Foreign defined benefit pension plans relate primarily to plans in the United Kingdom, Netherlands, Canada and Mexico. These likewise include entitlements to pension, survivorship annuity and disability benefits. The amount of the benefits corresponds to a defined percentage together with the eligible years of service and emoluments. The net income generated from the amounts paid in is also taken into account. Plan assets exist for these plans. Contributions to the foreign plans are paid by Hapag-Lloyd and its employees. In Mexico, the contributions are paid solely by the employer. Benefits abroad are usually paid out in the form of monthly pension payments. However, in Mexico employees have the option of choosing between ongoing pension payments and one-time payments.

The Company is exposed to a variety of risks associated with defined benefit pension plans. Aside from general actuarial risks such as longevity risks and interest rate risks, the Company is exposed to currency risk as well as investment and capital market risk.

Financing status of the pension plans

Million EUR	**31.12.2013**	31.12.2012
Domestic defined benefit obligations		
Net present value of defined benefit obligations	132.1	137.5
Less fair value of plan assets	10.0	9.8
Deficit (net liabilities)	**122.1**	**127.7**
Foreign defined benefit obligations		
Net present value of defined benefit obligations	116.6	116.7
Less fair value of plan assets	91.9	88.8
Deficit (net liabilities)	**24.7**	**27.9**

Composition and management of plan assets

The Group's plan assets are made up as follows:

Million EUR	**31.12.2013**	31.12.2012
Equity instruments		
with quoted market price in an active market	29.0	26.8
without quoted market price in an active market	2.3	2.2
Government bonds		
with quoted market price in an active market	27.1	28.5
without quoted market price in an active market	-	-
Corporate bonds		
with quoted market price in an active market	14.2	15.4
without quoted market price in an active market	-	-
Other debt instruments		
mortgage-backed securities		
with quoted market price in an active market	5.6	5.7
without quoted market price in an active market	-	-
(other) asset-backed securities		
with quoted market price in an active market	2.9	2.5
without quoted market price in an active market	-	-
Derivatives		
with quoted market price in an active market	1.8	1.9
without quoted market price in an active market	-	-
Pension plan reinsurance	10.0	9.8
Real estate	0.9	0.8
Cash and cash equivalents	2.4	0.6
Other	5.7	4.4
Fair value of plan assets	**101.9**	**98.6**

The plan assets have been entrusted to independent external financial service providers for investment and management. The plan assets contain neither the Group's own financial instruments nor real estate used by the Group itself. All bonds had a rating of at least AA as at the balance sheet date.

Committees (trustees) exist in the United Kingdom, Canada and Mexico to manage the foreign plan assets; these consist of plan participants and representatives of Hapag-Lloyd management.

When plan assets are invested in these countries, legally independent financial service providers are called in to provide advice and support. They make a capital investment proposal to the respective committee, complete with risk and success scenarios. The committee is then responsible for the investment decision in close consultation with the Hapag-Lloyd par-

ent company; their decisions tally with their respective investment strategy. The investment strategy first and foremost focuses on reducing the interest rate risk and on safeguarding liquidity and optimising returns. To this end, the anticipated pension obligations, which will be incurred in a specific time frame, are aligned with the maturity of the capital investments. In the case of maturities from eight to twelve years, low-risk investment forms are chosen, e.g. fixed-interest or index-linked government and corporate bonds. For obligations falling due beyond this, investments are made with a higher risk, but with a greater expected return.

In the Netherlands, an independent financial service provider is responsible both for managing the plan assets and for deciding how to invest them.

Furthermore it needs to be remembered that the financing conditions in the United Kingdom are set by the regulatory body for pensions together with the corresponding laws and regulations. Accordingly, a valuation is carried out using the requirements of local regulations every three years, which usually leads to a greater obligation compared to measurement pursuant to IAS 19. Based on the most recent technical valuation, the defined benefit plan in the United Kingdom has a financing deficit. The company and trustees have agreed on a plan to reduce the deficit, which includes additional annual payments for a limited period.

Development of the present value of defined benefit obligations

The present value of defined benefit obligations has developed as follows:

Million EUR	**2013**	2012
Net present value of defined benefit obligations as at 1.1.	**254.1**	**198.1**
Current service cost	7.4	5.3
Interest expenses	8.9	9.1
Remeasurements:		
Actuarial gains (–)/losses (+) from changes in demographic assumptions	0.3	-
Actuarial gains (–)/losses (+) from changes in financial assumptions	–16.0	40.1
Actuarial gains (–)/losses (+) from changes due to experience	0.9	5.2
(Negative [–]) past service cost	-	0.3
Plan settlements	–0.1	-
Contributions by plan participants	0.4	0.6
Benefits paid	–6.4	–6.1
Exchange rate differences	–0.8	1.5
Net present value of defined benefit obligations as at 31.12.	**248.7**	**254.1**

The weighted average maturity of defined benefit obligations was 17.8 years as at 31 December 2013 (previous year: 18.6 years).

Development of the fair value of the plan assets

The fair value of the plan assets has developed as follows:

Million EUR	**2013**	2012
Fair value of plan assets as at 1.1.	**98.6**	**88.2**
Interest income*	3.8	3.9
Return on plan assets (excluding interest income)**	1.6	5.1
Employer contributions	4.0	3.5
Contributions by plan participants	0.4	0.6
Benefits paid	–3.3	–3.6
Exchange rate differences	–3.2	0.9
Fair value of plan assets as at 31.12.	**101.9**	**98.6**

* The comparison values from prior year is the expected return on plan assets.
**The comparison values from prior year is the difference between the expected and the actual return on plan assets.

Net pension expenses

Net pension expenses reported in the income statement for the period are as follows:

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Current service cost	7.4	5.3
Interest expenses	8.9	9.1
Interest income*	–3.8	–3.9
(Negative [–]) past service cost	-	0.3
Plan settlements	–0.1	-
Net pension expenses	**12.4**	**10.8**

*The comparison values from prior year is the expected return on plan assets.

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

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Personnel expenses	7.3	5.6
Interest result	5.1	5.2
Total	**12.4**	**10.8**

Actuarial assumptions

The valuation date for pension obligations and plan assets is generally 31 December. The valuation date for current net pension expenses is generally 1 January. The parameters established for the calculation of the pension obligations and the interest rate to determine interest income on plan assets to be reported in the income statement vary in accordance with the prevailing market conditions in the currency region in which the pension plan was set up.

The 2005 G mortality tables devised by Heubeck served as the demographic basis for calculating the domestic pension obligations. The following significant financial actuarial assumptions were also used:

Percentage points	**2013**	2012
Discount factors	3.50	3.20
Expected rate of pension increases	1.80	1.80

Demographic assumptions based on local generally applicable guidance tables were used to measure the significant foreign pension obligations: The following financial actuarial assumptions were also used:

Percentage points	**2013**	2012
Discount factors for pension obligations		
– United Kingdom	4.60	4.30
– Netherlands	3.50	3.20
– Canada	4.50	3.50
– Mexico	7.20	7.30
Expected rate of pension increases		
– United Kingdom	3.20	3.00
– Netherlands	2.00	2.00
– Canada	n/a	n/a
– Mexico	3.30	3.10

The discounting factors for the pension plans are determined annually as at 31 December on the basis of first-rate corporate bonds with maturities and values matching those of the pension payments. An index based on corporate bonds with relatively short terms is used 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 then determined in line with the duration of the obligation.

Remeasurements

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR 16.9 million before tax as at 31 December 2013 (2012: EUR –40.9 million) and can be split as follows:

Million EUR	**31.12.2013**	31.12.2012
Actuarial gains (+)/losses (–) from		
Changes in demographic assumptions	–0.3	-
Changes in financial assumptions	16.0	–40.1
Changes from experience	–0.9	–5.2
(Negative [–]) return on plan assets (excluding interest income)*	1.6	5.1
Exchange rate differences	0.5	–0.7
Remeasurements	**16.9**	**–40.9**

* The comparison values from prior year is the difference between the expected and the actual return on plan assets.

The cumulative amount of remeasurements recorded in other comprehensive income, after taxes, totalled EUR –46.6 million as at 31 December 2013 (2012: EUR –62.7 million).

Future contribution and pension payments

For 2014, the Group is planning to make contributions amounting to EUR 4.1 million (2013: EUR 4.0 million) into pension plan assets. Payments for unfunded pension plans are anticipated in the amount of EUR 3.0 million in 2014 (2013: EUR 2.6 million).

Sensitivity analyses

An increase or decrease in the material actuarial assumptions would have the following effects on the present value of pension obligations as at 31 December 2013:

Million EUR	Δ Present value 31.12.2013
Discount factor 0.8% points higher	–30.5
Discount factor 0.8% points lower	37.7
Expected rate of pension increase 0.2% higher	4.8
Expected rate of pension increase 0.2% lower	–4.5
Life expectancy 1 year longer	6.9

The sensitivity calculations are based on the average maturity of pension obligations determined as at 31 December 2013. In order to present the effects on the present value of obligations calculated as at 31 December 2013 separately, the calculations for key actuarial parameters were performed individually. Correlations between the effects and valuation assumptions were not considered either. Given that sensitivity analyses are based on the average duration of the anticipated pension obligations and, as a result, the expected payout date is not considered, they only provide approximate information and indications of trends.

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 2013, expenses incurred in connection with defined contribution pension plans totalled EUR 17.9 million (2012: EUR 18.0 million). The amount includes an expense of EUR 0.3 million in connection with a joint plan operated by several employers (2012: EUR 0.4 million).

In the financial year 2008, pension and medical benefit obligations in the USA were transferred, together with the corresponding plan assets, from the Company's own benefit plan to a joint plan of several employers. This plan is a defined benefit pension plan. As the joint plan does not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, this plan has been recognised as a defined contribution plan since then.

Contributions are paid to finance the plan. These are determined on the basis of current service cost, the anticipated costs of the earned entitlement of active participants for the current year and the distribution of shortfalls. The total amount required is spread in an amount calculated per working hour which falls due per participant and paid working hour.

A total of 17 shipping companies participate in the plan. When joining the plan, the companies brought with them shortfalls of EUR 20.6 million (pensions) and EUR 57.7 million (medical care). Hapag-Lloyd's share amounted to a surplus of EUR 0.9 million (pensions) and a deficit of EUR 1.9 million (medical care). These initial surpluses and deficits are being equalised over a period of ten years by means of reduced contributions or additional contributions respectively. In this context, the Company reported a net liability of EUR 0.7 million as at 31 December 2013 (2012: EUR 0.8 million).

Deficits which have arisen since the calculation of the initial deficits are spread over 15 years, which results in higher contributions. Deficits are calculated by deducting the market value of the plan assets from the cumulative obligations.

According to the most recent report (1 January 2013), the plan participants were as follows:

Plan participants (total)	Medical care	Pensions
Active vested participants	581	539
Inactive vested participants	-	48
Beneficiaries	123	122
Total	**704**	**709**

Plan participants (Hapag-Lloyd)	Medical care	Pensions
Active vested participants	37	37
Inactive vested participants	3	3
Beneficiaries	1	1
Total	**41**	**41**

In the event that a company wishes to leave the plan, they must pay a withdrawal liability. This withdrawal liability is calculated on the basis of the current proportionate shortfall by taking into account only the non-forfeitable benefits less the market value of the plan assets. If a company leaves the plan without being able to pay the withdrawal liability, for instance in the event of insolvency, the shortfall remains within the plan and must be covered by the other companies.

For 2014, payments to the plan are expected to amount to EUR 0.8 million (2013: EUR 0.4 million).

(21) Other provisions

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

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

Million EUR	**As per 1.1.2013**	Reclassi-fication	Utilisation	Release	Addition	Exchange rate differences	**As per 31.12.2013**
Guarantee, warranty and liability risks	63.6	-	5.9	25.7	5.9	–1.8	36.1
Risks from pending transactions	49.8	-	14.5	-	-	–1.7	33.6
Personnel costs	38.8	–3.6	23.7	0.6	28.5	–1.3	38.1
Insurance premiums	11.6	-	11.4	-	5.8	–0.3	5.7
Provisions for other taxes	3.4	–0.5	2.5	0.4	2.1	–0.2	1.9
Restructuring	0.6	-	0.4	-	-	–0.1	0.1
Other provisions	39.2	0.3	19.5	9.9	8.3	–0.9	17.5
Other provisions	**207.0**	**–3.8**	**77.9**	**36.6**	**50.6**	**–6.3**	**133.0**

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo. In the 2013 financial year, provisions for liability losses were released in the amount of EUR 25.7 million following the end of a legal dispute by settlement with the parties involved.

Provisions for risks from pending transactions relate to contracts identified with regard to the purchase price allocation of the purchase of Hapag-Lloyd AG and its subsidiaries in 2009 that had a negative market value compared to the market conditions at the time of the purchase. Provisions for risks from pending transactions are utilised over the respective contractual terms of the underlying contracts.

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

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

Other provisions in particular include provisions for country-specific risks (EUR 6.0 million; 2012: EUR 16.7 million), archiving provisions (EUR 3.7 million; 2012: EUR 3.5 million) and provisions for audit and tax consultancy fees (EUR 1.0 million; 2012: EUR 0.9 million).

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

The maturities of the other provisions are as follows:

Million EUR	**31.12.2013**				31.12.2012			
		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
Guarantee, warranty and liability risks	36.1	26.6	7.6	1.9	63.6	40.2	18.7	4.7
Risks from pending transactions	33.6	14.0	19.6	-	49.8	10.3	39.5	-
Personnel costs	38.1	30.1	3.5	4.5	38.8	28.0	4.0	6.8
Insurance premiums	5.7	5.7	-	-	11.6	11.6	-	-
Provisions for other taxes	1.9	1.9	-	-	3.4	3.4	-	-
Restructuring	0.1	0.1	-	-	0.6	0.5	0.1	-
Other provisions	17.5	12.9	0.7	3.9	39.2	25.5	9.9	3.8
Other provisions	**133.0**	**91.3**	**31.4**	**10.3**	**207.0**	**119.5**	**72.2**	**15.3**

(22) Financial debt

Million EUR	31.12.2013				31.12.2012			
		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	1,694.2	334.4	848.1	511.7	1,499.0	294.1	767.9	437.0
Bonds	873.0	16.2	856.8	-	655.8	–3.6	659.4	-
Liabilities from finance lease contracts	233.6	110.8	83.1	39.7	215.8	31.2	184.6	-
Other financial liabilities	134.2	13.5	58.7	62.0	1.3	1.3	-	-
Total	**2,935.0**	**474.9**	**1,846.7**	**613.4**	**2,371.9**	**323.0**	**1,611.9**	**437.0**

Financial debt by currency exposure

Million EUR	**31.12.2013**	31.12.2012
Financial liabilities denoted in USD (excl. transaction costs)	2,192.4	1,798.8
Financial liabilities denoted in EUR (excl. transaction costs)	773.3	599.2
Interest payable	27.9	32.0
Accounting for transaction costs	–58.6	–58.1
Total	**2,935.0**	**2,371.9**

Liabilities to banks comprise loans to finance the existing fleet of vessels and to finance containers. Among other things, the increase in the 2013 financial year was the result of four credit tranches in connection with the financing of the newbuilds in the “Hamburg Express” class delivered in 2013 (as at 31 December 2013: EUR 241.9 million) and financing in connection with the keel laying and launching of three additional ship new-builds (as at 31 December 2013: EUR 83.2 million).

The existing loans for four vessels were paid off in full and were replaced by new financing (as at 31 December 2013: EUR 111.9 million).

At the end of the 2012 financial year, Hapag-Lloyd had access to an uncommitted credit facility of EUR 44.0 million to fund investments in containers. EUR 41.5 million was drawn down from this credit facility in 2013 in connection with the purchase of containers.

To date, container rental contracts classified as operating lease contracts have been turned into finance lease contracts in order to optimise the financing structure (as at 31 December 2013: EUR 66.3 million). In the course of restructuring, part of the maintenance provisions for leased containers was released.

In addition, two container tranches were sold to a group of Japanese investors and were then leased back by Hapag-Lloyd for 3.5 and 4.5 years respectively. Hapag-Lloyd has the option of buying back the containers when the lease expires, and it is highly likely that it will do so. Container lease contracts are therefore shown as credit financing, in accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. Liabilities to banks generated by this transaction came to EUR 46.0 million as at 31 December 2013.

In the previous year, a container portfolio was also sold to a group of Japanese investors and was leased back as part of a 3.5 year lease contract. The lease contract was essentially a form of borrowing with the container portfolio transferred by way of security. In accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*, the container lease contract was therefore shown as credit financing. Liabilities to banks generated by this transaction came to EUR 27.7 million as at 31 December 2013 (2012: EUR 33.1 million).

In the 2013 financial year, in relation to ordering new containers, arrangements were made with various international leasing companies for legal ownership of the ordered containers to be transferred to the leasing companies and then for the containers to be leased back for a period of eight years on the basis of multiple lease agreements. All of these agreements involve Hapag-Lloyd reacquiring legal ownership of the containers when a lease agreement expires. The container lease contracts are therefore shown as credit financing, in accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. In total, these agreements resulted in other financial debt of EUR 133.3 million as at 31 December 2013.

Pursuant to SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*, the containers in all container lease agreements continue to be accounted for and depreciated within the Group. The obligations arising from these contracts are reported as liabilities to banks or as other financial debt depending on the investor. Interest totalling EUR 5.1 million was recognised in interest expenses for the liabilities in the 2013 financial year (2012: EUR 2.1 million).

Significant elements of the liabilities to banks are collateralised with ship mortgages. Additional collateral exists in the form of securitised trade accounts receivable amounting to EUR 135.3 million (2012: EUR 89.5 million).

A EUR bond in the amount of EUR 250 million was placed at an issue price of 100.0% in the 2013 financial year. The bond has a nominal interest rate of 7.75% per annum and a maturity of five years as well as embedded buy-back options. Due to high demand, additional bond volume of EUR 150.0 million was placed at an issue price of 101.75%. The total issue volume of the EUR bond is therefore EUR 400.0 million. The proceeds from the issue were used to make an early partial repayment of the bond placed in 2010. EUR 85.9 million was repaid by exercising buy-back options and EUR 114.1 million was replaced by the issuance of shares in the new bond. The review of changes in contractual conditions using quantitative and qualitative criteria confirmed that both contracts are materially the same, meaning that the old liability is to be continued with the new conditions. The volume of the EUR bond issued in 2010 that now remains following this repurchase is EUR 280.0 million.

As in the previous year, Hapag-Lloyd has a previously unused revolving credit facility totalling USD 95.0 million (EUR 69.0 million). The maturity of this free liquidity reserve was extended to 1 October 2016 in the 2013 financial year.

(23) Trade accounts payable and other liabilities

Million EUR	**31.12.2013**				31.12.2012			
		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	700.3	700.3	-	-	886.4	886.4	-	-
thereof to third parties	691.9	691.9	-	-	879.7	879.7	-	-
thereof to investments	8.4	8.4	-	-	6.7	6.7	-	-
Other liabilities	104.5	99.3	4.7	0.5	104.5	99.1	4.5	0.9
Prepayments received	62.5	62.5	-	-	65.8	65.8	-	-
Other liabilities and deferred income	26.8	24.5	2.1	0.2	23.3	20.8	2.2	0.3
Other liabilities as part of social security	10.1	7.4	2.6	0.1	10.0	7.3	2.3	0.4
Other liabilities from other taxes	3.7	3.7	-	-	4.1	4.1	-	-
Other liabilities to employees	1.2	1.0	-	0.2	1.1	0.9	-	0.2
Other liabilities to affiliated non-consolidated companies	0.2	0.2	-	-	0.2	0.2	-	-
Total	**804.8**	**799.6**	**4.7**	**0.5**	**990.9**	**985.5**	**4.5**	**0.9**

(24) Derivative financial instruments

Million EUR	31.12.2013		31.12.2012	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Liabilities from derivative financial instruments	6.7	6.7	6.0	6.0
thereof derivatives not included in hedge accounting	6.7	6.7	6.0	6.0

Liabilities from derivative financial instruments are the result of currency put options. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (25)).

(25) 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 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 Hapag-Lloyd Group is subject to liquidity risks and default risks, which involve the risk that the Group itself or one of its contractual partners cannot meet its contractually agreed payment obligations.

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

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

Market risk

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

The causes of the existing market price risks to which the Hapag-Lloyd Group is exposed lie particularly in fuel consumption, the significant cash flows in foreign currencies at the level of Hapag-Lloyd AG and 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 risk

Currency risks are hedged if they influence the Hapag-Lloyd 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.

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

Hapag-Lloyd AG's currency management generally provides for the hedging of operating euro-denominated cost exposure of up to 80%. The repayment of euro-denominated financial debt is also secured up to as much as 100%. The risks are hedged through customised use of derivative financial instruments, on a case-by-case basis in the form of currency options and currency forward contracts, as well as of instruments that have a natural hedging effect (e.g. euro money market investments).

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

Million USD	31.12.2013		31.12.2012	
	Effect on earnings	Reserve for cash flow hedges (equity)	Effect on earnings	Reserve for cash flow hedges (equity)
USD/EUR				
+10%	12.6	26.8	19.6	43.7
–10%	36.9	–7.8	–7.6	–13.9
USD/CAD				
+10%	0.3	-	–3.6	-
–10%	–0.3	-	3.6	-
USD/GBP				
+10%	6.4	-	1.1	-
–10%	–6.4	-	–1.1	-

Risks at the level of Hapag-Lloyd AG's consolidated financial statements arise from the translation of the financial statements of consolidated companies in US dollars into the reporting 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.

Fuel price risks

As a result of its operating activities, the Hapag-Lloyd 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	31.12.2013		31.12.2012	
	10%	–10%	10%	–10%
Reserve for cash flow hedges	33.3	–3.0	13.6	-
Earnings before income taxes	–7.7	–9.3	13.4	–14.7

Interest rate risks

The Hapag-Lloyd Group is exposed to interest rate risks affecting cash flow, particularly with financial debt 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 2013. In addition, non-cash interest rate risks relating to the measurement of separately recognised embedded derivatives exist in the form of early buy-back options for issued bonds. Effects from the market valuation of these financial instruments are also reflected in the interest result.

In order to present the interest rate risks pursuant to IFRS 7, a sensitivity analysis was performed and used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2013 was increased or decreased by +/–100 basis points. Taking into account the low interest rate level, hypothetical, negative changes in interest rates were only made up to nil. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 1,566.8 million that existed at the balance sheet date (2012: EUR 1,232.2 million) and the market value of embedded derivatives totalling EUR 25.0 million (previous year: EUR 0.0 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

Million EUR	**31.12.2013**		31.12.2012	
Change in variable interest rate	+100 basis-points	–100 basis-points	+100 basis-points	–100 basis-points
Earnings before income taxes	–20.8	11.6	–12.3	5.4

Credit risk

In addition to the market risks described above, the Hapag-Lloyd 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 Hapag-Lloyd Group's operating activities and the counterparty credit risk vis-à-vis external banks.

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

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

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

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

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

There is the possibility to offset financial assets and financial liabilities amounting to EUR 6.7 million as a result of standard market offsetting regulations.

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 risk

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

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

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

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

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

Cash flows of financial instruments (31.12.2012)

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

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

Cash flows of financial instruments (31.12.2013)

Million EUR	Cash inflows and outflows			
	2014	2015	2016–2018	from 2019
Primary financial liabilities				
Liabilities to banks[1)]	–318.6	–267.6	–777.2	–615.8
Bonds	–73.9	–353.9	–716.5	-
Finance leases	–55.0	–45.2	–108.3	–92.7
Other financial liabilities (excl. operating leases)	–20.2	–20.1	–60.5	–77.9
Trade accounts payable	–700.3	-	-	-
Other liabilities	–21.5	–3.5	-	-
Total primarily financial liabilities	**–1,189.5**	**–690.3**	**–1,662.5**	**–786.4**

[1)] In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of USD 162.1 million to be paid upon delivery of the vessels. The loan has a term of twelve years starting with the delivery of the financed vessels and is subject to an interest rate of USD LIBOR +2.25%.

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2013 were included. Amounts in foreign currencies were translated at the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the balance sheet date were used for the following periods as well.

There were no cash flows resulting from derivative financial instruments as in the previous year.

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

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

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

As at 31 December 2013, there were hedges that were classified as hedge accounting in accordance with IAS 39, with remaining terms of up to three years. Hedged cash flows from the underlying transactions are recognised through profit or loss during the same period. In the financial year 2013, changes in the fair values of derivative financial instruments in hedging relationships resulted in gains totalling EUR 38.7 million, which were recorded in other comprehensive income (2012: EUR 37.1 million). These changes in value represent the effective share of the hedging relationship.

In the reporting period, EUR 41.4 million from other comprehensive income was reclassified and recognised through profit or loss (2012: EUR 28.0 million). EUR 7.0 million (2012: EUR 17.8 million) of this relates to commodity hedges, whose earnings contribution is shown in transport expenses. The remaining EUR 34.4 million (previous year: EUR 10.2 million) relates to exchange rate hedges. Exchange rate hedges of EUR 36.1 million were recognised as other operating income (2012: EUR 11.1 million) and EUR 1.6 million relating to the interest portion from currency forward contracts was recognised as interest expenses (2012: EUR 0.9 million).

In the reporting period and in the previous year, inefficiencies from hedging relationships occurred to a insignificant extent.

In addition, the Hapag-Lloyd 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 are at no time used for speculative purposes.

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

Million EUR	31.12.2013			31.12.2012		
	Remaining terms			Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
Currency options						
Asset	176.9	420.0	596.9	299.1	320.0	619.1
Liability	-	80.0	80.0	-	80.0	80.0
Currency forwards	-	275.0	275.0	-	240.0	240.0
Commodity options	381.3	-	381.3	689.8	-	689.8

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

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

An analysis of the underlying contracts conducted upon the issuance of new bonds in 2013 resulted in the identification of embedded derivatives in the form of early buy-back options. These are presented at their fair value as separate derivatives independently of the underlying contract and are classified as held for trading. The market value of the embedded derivatives is calculated using the Hull-White model together with a trinomial decision tree based on current market values.

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

Million EUR	31.12.2013		31.12.2012	
	Positive market values	Negative market values	Positive market values	Negative market values
Hedging instruments acc. to IAS 39 (Hedge Accounting)				
Currency options	7.6	-	13.4	-
Commodity options	17.5	-	23.6	-
Currency forwards	16.1	-	8.5	-
Hedges	**41.2**	**-**	**45.5**	**-**
Hedging instruments (held for trading)				
Currency options (hedging instruments)	33.4	–6.7	24.0	–6.0
Embedded derivatives	25.0	-	-	-
Other derivative financial instruments	**58.4**	**–6.7**	**24.0**	**–6.0**
Total	**99.6**	**–6.7**	**69.5**	**–6.0**

Financial instruments – additional disclosures, carrying amounts and fair values

The fair value of a financial instrument is the price that would be received for an asset or that would be paid for the transfer of a liability on the balance sheet date in the course of a normal transaction between market participants.

Where financial instruments are quoted in an active market, as with bond issues in particular, the fair value of the financial instrument corresponds to the respective price on the balance sheet date.

The carrying amounts of cash and cash equivalents, trade receivables, and significant portions of other assets, trade payables and other liabilities are a suitable approximation of the fair values. The decision was taken not to report the fair value in these cases.

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

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

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2012

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

[1] Part of financial debt

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2013

Million EUR	Classification category according to IAS 39	Carrying amount 31.12.2013	Amount recognised in the balance sheet under IAS 39				Amount recognised in the balance sheet under IAS 17	Fair value of financial instru-ments
		Total	Amortised acquisiton cost	Acquisiton cost	Fair value with no effect on profit or loss	Fair value through profit and loss		
Assets								
Other assets	LaR / n. a.	114.7	51.0	-	-	-	-	-
	AfS	0.2	-	0.2	-	-	-	-
Derivative financial instruments								
Derivatives (held for trading)	FAHfT	58.4	-	-	-	58.4	-	58.4
Hedges (hedge accounting)	n. a.	41.2	-	-	3.9	37.3	-	41.2
Trade accounts receivable	LaR	473.3	473.3	-	-	-	-	-
Cash and cash equivalents	LaR	464.8	464.8	-	-	-	-	-
Liabilities								
Financial debt	FLAC	2,701.4	2,701.4	-	-	-	-	2,792.6
Liabilities from finance leases[1]	n. a.	233.6	-	-	-	-	233.6	244.6
Other liabilities	FLAC / n. a.	104.5	25.0	-	-	-	-	-
Derivative financial liabilities								
Derivatives (held for trading)	FLHfT	6.7	-	-	-	6.7	-	6.7
Hedges (hedge accounting)	n. a.	-	-	-	-	-	-	-
Trade accounts payable	FLAC	700.3	700.3	-	-	-	-	-
Thereof aggregated according to IAS 39 classification category								
Loans and receivables (LaR)		989.1	989.1	-	-	-	-	-
Held-to-maturity investments (HtM)		-	-	-	-	-	-	-
Available-for-sale financial assets (AfS)		0.2	-	0.2	-	-	-	-
Financial assets held for trading (FAHfT)		58.4	-	-	-	58.4	-	-
Financial liabilities measured at amortised cost (FLAC)		3,426.7	3,426.7	-	-	-	-	-
Financial liabilities held for trading (FLHfT)		6.7	-	-	-	6.7	-	-

[1] Part of financial debt

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

The fair values are allocated to different levels of the fair value hierarchy based on the input factors used in the valuation methods. An explanation of the individual levels from 1 to 3 of the fair value hierarchy can be found in the chapter “Accounting and measurement principles”.

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

Million EUR	31.12.2012			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments (hedge accounting)	-	45.5	-	45.5
Derivative financial instruments (trading)	-	24.0	-	24.0
Liabilities				
Financial debt	-	2,236.2	-	2,236.2
Liabilities from finance leases	-	223.0	-	223.0
Derivative financial instruments (trading)	-	6.0	-	6.0

Million EUR	31.12.2013			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial instruments (hedge accounting)	-	41.2	-	41.2
Derivative financial instruments (trading)	-	58.4	-	58.4
Liabilities				
Financial debt	-	2,792.6	-	2,792.6
Liabilities from finance leases	-	244.6	-	244.6
Derivative financial instruments (trading)	-	6.7	-	6.7

Net earnings

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

Million EUR	31.12.2013			31.12.2012		
	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
Loans and receivables	–0.6	–11.3	–11.9	0.9	–1.9	–1.0
Available-for-sale financial assets	-	-	-	-	-	-
Financial assets and liabilities held for trading	–0.4	2.8	2.4	-	–8.4	–8.4
Financial liabilities measured at amortised cost	–133.2	–13.9	–147.1	–121.4	11.2	–110.2
Total	**–134.2**	**–22.4**	**–156.6**	**–120.5**	**0.9**	**–119.6**

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

Capital management

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

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

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

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

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

(26) Cash inflow/outflow from operating activities

In the financial year, interest amounting to EUR 1.6 million was received (2012: EUR 2.4 million). Income tax payments in the financial year 2013 led to a cash inflow of EUR 0.0 million (2012: EUR 1.9 million) and a cash outflow of EUR 5.9 million (2012: EUR 4.9 million).

The other non-cash expenses and income contained in the reconciliation from Group profit/loss to cash inflow/outflow from operating activities essentially encompass the effects of the measurement of financial debt in a foreign currency, the effects of the measurement of the time value of derivative financial instruments, and expenses in connection with options, which were not exercised.

(27) Cash inflow/outflow from investing activities

In the year under review, the cash outflow from investing activities amounted to EUR 544.7 million (2012: EUR 272.6 million). Cash payments for investments in property, plant and equipment and intangible assets totalling EUR 664.5 million (2012: EUR 526.7 million) mainly consisted of investments in new containers, final payments for ship newbuilds delivered in 2013 and prepayments on account for ship newbuilds due to be delivered in 2014, as well as shore-based power units.

The proceeds from disposals of property, plant and equipment and intangible assets totalling EUR 66.0 million (2012: EUR 225.0 million) primarily related to ship and container disposals, and the signing of three operating sale and leaseback agreements. Dividends amounting to EUR 33.2 million were also received (2012: EUR 18.4 million). The proceeds from the disposal of companies in the amount of EUR 20.6 million came from the sale of Montreal Gateway Terminals Ltd. Partnership, Montreal, (EUR 19.1 million) and the sale of 4.9% of the Company’s shares in Hapag-Lloyd Grundstücksholding GmbH, Hamburg (EUR 1.5 million).

Cash flows from investing activities contained capitalised interest on debt amounting to EUR 16.3 million (2012: EUR 36.8 million).

(28) Cash inflow/outflow from financing activities

Cash inflow from financing activities amounted to a balance of EUR 403.2 million (2012: EUR 39.7 million).

Borrowing amounting to EUR 1,118.8 million (2012: EUR 763.1 million) related primarily to cash inflows from the placement of a new EUR bond and to loans for the financing of vessels and containers. This was offset by the partial repayment of a bond issued in 2010 as well as interest and capital repayments amounting to EUR 707.9 million (2012: EUR 606.7 million) and payments made in connection with hedging transactions for financial debt. In the previous year, funds of EUR 136.9 million were also used to repay the residual hybrid capital including interest.

(29) Cash and cash equivalents at the end of the period

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 2013, as in the previous year, cash and cash equivalents were not subject to any restrictions.

OTHER NOTES

(30) Government assistance

The Federal Maritime and Hydrographic Agency approved training subsidies and subsidies for marine personnel totalling EUR 10.3 million in 2013 (2012: EUR 7.9 million) according to the guideline for lowering indirect labour costs in the German marine industry; this amount is recorded as other operating income.

(31) Contingencies

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

As at 31 December 2013, there were merely guarantees and sureties for liabilities of affiliated consolidated companies.

(32) 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 have been formed and no contingent liabilities reported in the Notes.

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 assumes that the transport services are provided in line with EU competition regulations. There were no new developments in this context in 2013. Consequently, no provisions for litigation risks were formed and no contingent liabilities were reported in the Notes.

At Hapag-Lloyd Mexico in 2013, tax audits were completed for the years 2004 and 2005. The Company appealed against the resulting tax assessments which, among other things, obliged it to make significant additional value-added-tax payments. The lawyers handling the case are of the opinion that the tax assessments are not lawful. The quantification of a financial risk, the determination of the maturity of possible outflows and the evaluation of third-party rights to reimbursement are therefore currently not possible for these circumstances.

Naturally the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2013. Such payment obligations will not have any significant influence on the Group's net assets and earnings positions.

(33) Leases

Lessee – finance leases

The items leased on the basis of finance lease contracts are primarily vessels and containers. In the previous year, seven operating lease contracts for vessels and one for containers were amended such that Hapag-Lloyd committed to purchasing these assets at the end of their lease tenures. These contracts have now become finance lease contracts. The contracts state that legal ownership will be transferred between 2014 and 2019. In the 2013 financial year, existing short-term operating lease contracts for containers were turned into long-term lease contracts, resulting in the classification of the amended container rental agreements as

finance lease contracts. The contracts have terms of up to twelve years. The containers can continue to be used in line with the contracts once the term of a contract has expired. As at 31 December 2013, the vessels recognised in connection with the finance lease contracts had a net carrying amount of EUR 201.5 million (2012: EUR 225.6 million); the containers were recognised at EUR 75.2 million as at 31 December 2013 (2012: EUR 11.7 million).

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

Million EUR	**31.12.2013**				31.12.2012			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Future minimum lease payments	276.2	126.3	101.8	48.1	244.4	45.1	199.3	-
Interest portion	42.6	15.5	18.7	8.4	28.6	13.9	14.7	-
Present value	**233.6**	**110.8**	**83.1**	**39.7**	**215.8**	**31.2**	**184.6**	**0.0**

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

Lessee – operating leases

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for vessels and containers, and rental agreements for business premises. The agreements have terms of between one year and 17 years, with the majority of them having a term of up to five years. Some of the agreements include prolongation and purchase options as well as price adjustment clauses. The containers are used in the short term at standard market leasing rates until they are ultimately transferred to the purchaser. There is no obligation to repurchase them. Some of the rental agreements for business premises include conditional rental payments based on the consumer price index for Germany.

Charter agreements for ships are always structured as time charter contracts, i.e. in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the 2013 financial year, lease payments of EUR 698.6 million were posted to expenses (2012: EUR 767.2 million), of which EUR 335.7 million were charter expenses (2012: EUR 403.6 million), of which EUR 0.1 million related to conditional rental payments (2012: EUR 0.0 million).

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

Million EUR	**31.12.2013** Remaining terms				31.12.2012 Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Vessels and containers	606.5	355.3	251.2	-	733.6	350.1	383.5	-
Business premises	98.7	16.7	39.2	42.8	117.3	18.4	51.2	47.7
Other	82.0	37.5	44.5	-	143.6	47.1	96.5	-
Total	**787.2**	**409.5**	**334.9**	**42.8**	**994.5**	**415.6**	**531.2**	**47.7**
Fair value	**761.5**	**406.1**	**318.8**	**36.6**	**962.4**	**412.6**	**508.4**	**41.4**

The fair value was ascertained by discounting the future minimum lease payments using a market interest rate of 1.6% p.a. (31 December 2012: 1.4% p.a.). Due to the change in the discount rate, other financial obligations decreased by EUR 3.0 million.

The decline in obligations from operating lease contracts in the 2013 financial year was due, in part, to the cancellation of existing operating lease contracts through the exercising of purchase options, followed by the sale and leaseback over 3.5 and 4.5 years. The obligations rose marginally due to the completed sale and leaseback transactions.

As at 31 December 2013, future minimum lease income from subletting arrangements relating to non-cancellable subletting arrangements totalled EUR 2.5 million (2012: EUR 3.0 million).

Lessor – operating leases

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

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

Million EUR	**31.12.2013** Remaining terms				31.12.2012 Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Vessels	24.3	24.3	-	-	16.3	16.3	-	-
Business premises	0.5	0.1	0.4	-	0.5	0.2	0.3	-
Total	**24.8**	**24.4**	**0.4**	**0.0**	**16.8**	**16.5**	**0.3**	**0.0**

At the reporting date, the gross carrying amount of the chartered ship (2012: five ships) amounted to EUR 84.7 million (2012: EUR 463.0 million). The accumulated depreciation amounted to EUR 23.0 million (2012: EUR 101.2 million) and depreciation for the period amounted to EUR 4.3 million (2012: EUR 23.7 million). No conditional rental payments were recorded through profit or loss in the financial year 2013.

(34) Other financial obligations

The Group's other financial obligations as at 31 December 2013 include a purchase obligation for investments in container ships amounting to EUR 113.4 million (2012: EUR 502.1 million), of which EUR 113.4 million is for a term of up to a year (2012: EUR 502.1 million). Neither in the 2013 financial year nor in the previous year was the remaining term of the purchase obligation greater than five years.

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

The following corporate entities, which are affiliated consolidated subsidiaries of Hapag-Lloyd AG and for which the consolidated financial statements of Hapag-Lloyd AG 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 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

In the 2013 financial year, the following fees were paid to the auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network:

Million EUR	**1.1.–31.12. 2013** Total	**1.1.–31.12. 2013** Domestic	1.1.–31.12. 2012 Total	1.1.–31.12. 2012 Domestic
Audit fees for annual audit	1.2	0.5	1.0	0.4
Audit fees for other assurance services	0.1	0.1	0.1	0.1
Audit fees for tax consultancy	0.1	-	-	-
Audit fees for other services	0.8	0.8	0.4	0.3
Total	**2.2**	**1.4**	**1.5**	**0.8**

Fees for audit services were mainly related to the audit of the consolidated financial statements as well as the statutory audit of Hapag-Lloyd AG.

(37) Related party disclosures

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

The Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. During the reporting period, transactions were made with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), which is a wholly owned subsidiary of the Free and Hanseatic City of Hamburg, the shareholder of Hapag-Lloyd AG. Payments in the amount of EUR 3.8 million were made to HGV, its affiliates and its associated companies mainly for harbour dues and mooring fees (2012: EUR 3.9 million).

Following the dissolution of the "Albert Ballin" consortium per shareholder resolution in September 2013, the former members of the consortium have a direct stake in Hapag-Lloyd AG. Their shareholdings have not changed in volume.

Shares in %	**2013**	**2012**
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	36.9%	36.9%
Kühne Maritime GmbH	28.2%	28.2%
TUI AG/TUI-Hapag Beteiligungs GmbH	22.0%	22.0%
SIGNAL IDUNA Gruppe	5.3%	5.3%
HSH Nordbank AG	2.9%	2.9%
Pool of investors led by M.M.Warburg & CO KGaA	2.9%	2.9%
HanseMerkur Versicherungsgruppe	1.8%	1.8%
Total	**100.0%**	**100.0%**

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

Million EUR	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
	1.1.–31.12. 2013	1.1.–31.12. 2012	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Parent company	-	0.1	-	-
Shareholders	282.5	269.7	42.8	35.7
Associated companies	0.2	0.1	109.6	98.0
Other investments	5.2	4.2	1.3	1.4
Total	**287.9**	**274.1**	**153.7**	**135.1**

Million EUR	Receivables		Liabilities	
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
Parent company	-	2.2	-	-
Shareholders	118.7	116.1	235.8	275.0
Affiliated non-consolidated companies	-	-	0.2	0.2
Associated companies	0.7	0.5	13.0	10.7
Other investments	1.0	0.8	0.3	0.3
Total	**120.4**	**119.6**	**249.3**	**286.2**

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 287.5 million; 2012: EUR 272.9 million), interest income (EUR 0.2 million; 2012: EUR 0.8 million) and other services (EUR 0.2 million; 2012: EUR 0.4 million).

Of the expenses shown above, EUR 135.0 million result from operating services (2012: EUR 112.7 million), EUR 18.6 million relate to interest expenses (2012: EUR 22.0 million), and EUR 0.1 million are from other services (2012: EUR 0.4 million).

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 AG.

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

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Short-term benefits	1.8	2.0
Post-employment benefits	0.9	0.7
Total	**2.7**	**2.7**

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

Pension obligations to current and former members of the Executive Board amount to EUR 18.7 million (2012: EUR 19.1 million). The fair value of plan assets for members of the Executive Board amounts to EUR 10.0 million (2012: EUR 9.8 million).

Pensions and other expense allowances in the amount of EUR 0.8 million were paid to former members of the Executive Board in the 2013 financial year (2012: EUR 0.2 million).

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

Million EUR	**1.1.–31.12. 2013**	1.1.–31.12. 2012
Short-term benefits	1.1	1.1
Total	**1.1**	**1.1**

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

(38) Significant transactions after the balance sheet date

There were no events after the balance sheet date that would have brought a material change in the net asset, financial and earnings position of the Hapag-Lloyd Group.

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

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/ loss for the year in TCU*
Affiliated consolidated companies					
Hamburg-Amerika Linie GmbH	Hamburg	100.00	EUR	63	2
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	94.90	EUR	30,045	**
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	100.00	EUR	26	**
Hapag-Lloyd Africa PTY Ltd.	Durban	100.00	ZAR	2,937	366
Hapag-Lloyd (Austria) GmbH	Vienna	100.00	EUR	1,195	21
Hapag-Lloyd Belgium N.V.***	Antwerp	100.00	EUR	5,391	0
Oy Hapag-Lloyd Finland AB	Helsinki	100.00	EUR	111	40
Hapag-Lloyd (France) S.A.S.	Paris	100.00	EUR	4,771	282
Hapag-Lloyd (Ireland) Ltd.	Dublin	100.00	EUR	201	24
Hapag-Lloyd (Italy) S.R.L.	Milan	100.00	EUR	1,222	235
Hapag-Lloyd Polska Sp.z.o.o.	Gdynia	100.00	PLN	647	33
Hapag-Lloyd Portugal LDA	Lisbon	100.00	EUR	136	5
Hapag-Lloyd (Schweiz) AG	Basle	100.00	CHF	284	34
Hapag-Lloyd Special Finance Limited	Dublin	100.00	USD	15	5
Hapag-Lloyd (Sweden) AB	Gothenburg	100.00	SEK	2,184	382
Hapag-Lloyd Spain S.L.	Barcelona	90.00	EUR	720	78
Hapag-Lloyd (UK) Ltd.	London	100.00	GBP	3,427	132
Hapag-Lloyd Agency LLC.	Dubai	49.00	AED	9,335	8,885
Hapag-Lloyd (Australia) Pty.Ltd.	Sydney	100.00	AUD	1,889	55
Hapag-Lloyd (China) Ltd.	Hong Kong	100.00	HKD	5,817	584
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	100.00	CNY	50,977	3,154
Hapag-Lloyd Crew Management Pte.Ltd.***	Singapore	100.00	USD	0	–3
Hapag-Lloyd (Eastwind) Pte. Ltd.	Singapore	100.00	USD	385	23
Hapag-Lloyd Global Services Pvt.Ltd.	Mumbai	100.00	INR	492,230	51,091
Hapag-Lloyd India Private Ltd.	Mumbai	100.00	INR	198,759	26,103
Hapag-Lloyd (Japan) K.K.	Tokyo	100.00	JPY	227,255	3,182
Hapag-Lloyd (Korea) Ltd.	Seoul	100.00	KRW	1,286,505	58,389
Hapag-Lloyd (Malaysia) Sdn.Bhd.	Kuala Lumpur	100.00	MYR	1,309	–1
Hapag-Lloyd (New Zealand) Ltd.	Auckland	100.00	NZD	762	68
Hapag-Lloyd Pte.Ltd.	Singapore	100.00	USD	6,745	765
Hapag-Lloyd (South East Asia) Sdn. Bhd.	Kuala Lumpur	100.00	MYR	2,399	–24
Hapag-Lloyd (Taiwan) Ltd.	Taipei	100.00	TWD	85,962	1,154
Hapag-Lloyd (Thailand) Ltd.	Bangkok	49.90	THB	5,310	338
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	100.00	VND	3,528,366	836,677
Hapag-Lloyd (America) Inc.	Piscataway	100.00	USD	7,369	627
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	100.00	ARS	3,862	–260
Hapag-Lloyd Brasil Agenciamento Maritimo Ltda.	Sao Paolo	100.00	BRL	11,854	–682
Hapag-Lloyd (Canada) Inc.	Montreal	100.00	CAD	692	206
Hapag-Lloyd Chile Agencia Maritima Ltda.	Santiago	100.00	CLP	133,101	27,351
Hapag-Lloyd Colombia LTDA	Bogota	100.00	COP	149,841	–35,382
Hapag-Lloyd Costa Rica S.A.	San Jose	100.00	CRC	147,602	8,186
Hapag-Lloyd Guatemala S.A.	Guatemala	100.00	GTQ	–219	28
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	100.00	MXN	238,241	–28,087
Hapag-Lloyd (Peru) S.A.C.	Lima	100.00	PEN	5,417	10,315
Hapag-Lloyd USA LLC	Tampa	100.00	USD	210,832	29,844
Hapag-Lloyd Venezuela C.A.	Caracas	100.00	VEF	967	202
Florida Vessel Management LLC	Tampa	75.00	USD	34	–6
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	100.00	MXN	6,536	4,095

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/ loss for the year in TCU*
Associated companies					
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	50.00	TRY	29,182	21,018
Hapag-Lloyd Lanka (Pvt) Ltd	Colombo	40.00	LKR	122,827	114,867
HHLA Container Terminal Altenwerder GmbH	Hamburg	25.10	EUR	74,072	**
HHLA CTA Besitzgesellschaft mbH	Hamburg	25.10	EUR	6,360	**
Affiliated non-consolidated companies					
Hapag-Lloyd Container Ltd	Barking	100.00	EUR	2	1
Hapag-Lloyd Container (No. 2) Ltd.	Barking	100.00	EUR	1	1
Hapag-Lloyd GP Inc.	Montreal	100.00	CAD	–20	–6
Hapag-Lloyd Ships Ltd.	London	100.00	EUR	103	–1
Hamburg-Amerikanische Packetfahrt-Gesellschaft mbH	Hamburg	100.00	EUR	63	2
Norddeutscher Lloyd GmbH	Bremen	100.00	EUR	31	1
Verwaltung “Albert Ballin“ Holding GmbH***	Hamburg	100.00	EUR	16	0
Zweite Hapag-Lloyd Schiffsvermietungs-gesellschaft mbH	Hamburg	100.00	EUR	26	**

*) TCU = thousand of currency units as at 31.12.2013
**) Profit and loss transfer agreement
***) In liquidation

Hamburg, 28 February 2014

Hapag-Lloyd AG
Executive Board

Michael Behrendt

Peter Ganz

Ulrich Kranich

AUDITOR'S REPORT

Auditor's report

We have audited the consolidated financial statements prepared by Hapag-Lloyd Aktiengesellschaft, Hamburg – consisting of consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, and notes to the consolidated financial statements – and the Group management report for the financial year from 1 January to 31 December 2013. 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 Executive Board. 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 Public Auditors in Germany (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 group of consolidated companies, the accounting and consolidation principles used and significant estimates made by the Executive Board, 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, 28 February 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

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

CORPORATE GOVERNANCE

RESPONSIBLE CORPORATE GOVERNANCE

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

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

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

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

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

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

The great importance attached to quality and environmental protection at Hapag-Lloyd is also reflected in an integrated quality and environmental management system (ISO 9001 and 14001) that is applicable throughout the world. 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 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 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 three 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.

As at 31 December 2013, the members of the Executive Board were Michael Behrendt (Chairman of the Executive Board), Peter Ganz and Ulrich Kranich. None of the members of the Executive Board has a remaining term exceeding three years.

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

Members of the Executive Board (31 December 2013):

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

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

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

Newly appointed members of the Executive Board:

Rolf Habben Jansen Born 1966	**Member of the Executive Board**
First appointment:	Member of the Executive Board at Hapag-Lloyd AG from 1 April 2014

Anthony James Firmin Born 1954	**Member of the Executive Board**
First appointment:	Member of the Executive Board at Hapag-Lloyd AG from 1 July 2014

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 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 twelve 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. At least one independent member has specialist knowledge of accounting or auditing. As at 31 December 2013, the members of the Supervisory Board of Hapag-Lloyd AG were:

Members of the Supervisory Board of Hapag-Lloyd AG

Dipl.-Ing. Dr-Ing. E. h. Jürgen Weber
(Chairman of the Supervisory Board)
Former Chairman of the Supervisory Board
Deutsche Lufthansa AG, Frankfurt

Karl-Heinz Biesold
(1st Deputy Chairman of the Supervisory Board)
Trade Union Secretary
Ver.di – Vereinigte Dienstleistungsgewerkschaft, Berlin

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

Andreas Bahn
(since 26.2.2013)
Trade Union Secretary
ver.di – Vereinte Dienstleistungsgewerkschaft, Hamburg

Horst Baier
Member of the Executive Board
TUI AG, Hannover

Oliver Bringe
Member of the Workers' Council
Hapag-Lloyd AG, Hamburg

Renate Commerell
Commercial clerk
Hapag-Lloyd AG, Hamburg

Jutta Diekamp
Member of the Marine Workers' Council
Hapag-Lloyd AG, Hamburg

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

Ulrich Leitermann
Chairman of the Boards
SIGNAL IDUNA Group, Dortmund

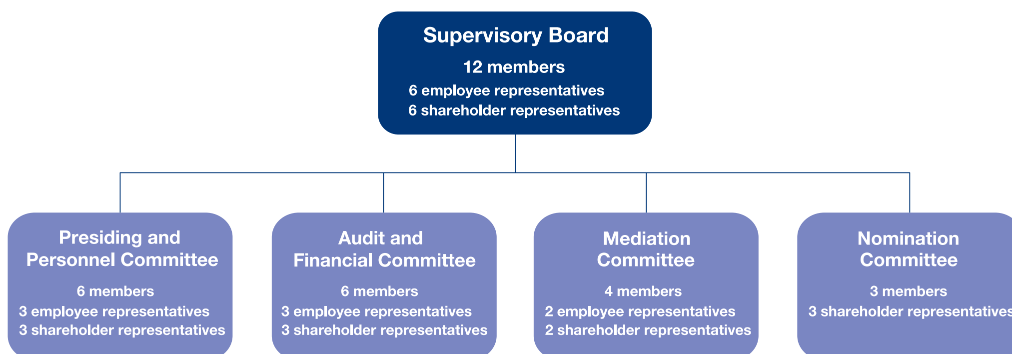
Arnold Lipinski
Director of Human Resources, Marine
Hapag-Lloyd AG, Hamburg

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

Supervisory Board committees

To help the Supervisory Board perform its tasks efficiently, it 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 Mediation Committee and a Nomination Committee as permanent committees in accordance with Section 27 (3) of the German Co-Determination Act (MitbestG).

Supervisory Board and Committees of Hapag-Lloyd AG



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

Members:
Dr Jürgen Weber (Chairman), Karl Gernandt, Karl-Heinz Biesold, Oliver Bringe, Jutta Diekamp, Dr Rainer Klemmt-Nissen

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, Oliver Bringe, Jutta Diekamp, Ulrich Leitermann, Arnold Lipinski

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

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

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

Members:
Dr Jürgen Weber (Chairman), Karl-Heinz Biesold, Jutta Diekamp, Dr Rainer Klemmt-Nissen

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 AG, based in Hamburg, is the parent company of the Hapag-Lloyd Group. As at 31 December 2013, Hapag-Lloyd AG's shareholders were:

Shareholding in %	2013
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	36.9%
Kühne Maritime GmbH	28.2%
TUI AG / TUI-Hapag Beteiligungs GmbH	22.0%
SIGNAL IDUNA Gruppe	5.3%
HSH Nordbank AG	2.9%
Pool of investors led by M.M.Warburg & CO KGaA	2.9%
HanseMerkur Versicherungsgruppe	1.8%
Total	**100.0%**

Accounting and auditing

The annual financial statements and associated management report of Hapag-Lloyd AG are prepared by the Executive Board in accordance with the German Commercial Code (HGB). The consolidated financial statements and the Group management report are prepared in line with the International Financial Reporting Standards (IFRS) as applicable within the European Union. The annual and consolidated financial statements and their respective management reports are examined by the auditors and by the Supervisory Board.

The annual and consolidated financial statements of Hapag-Lloyd AG were audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The audits were carried out in accordance with German auditing rules and in compliance with the principles of proper auditing established by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer).

Supervisory Board members' seats on other supervisory boards and other supervising bodies

Dipl.-Ing. Dr.-Ing. E. h. Jürgen Weber
Willy Bogner GmbH & Co. KGaA · *Chairman of the Supervisory Board*
Loyalty Partner GmbH · *Chairman of the Supervisory Board*
Tetra Laval Group · *Member of the Supervisory Board*

Horst Baier
TUI Deutschland GmbH · *Member of the Supervisory Board*
TUIfly GmbH · *Member of the Supervisory Board*
TUI Travel PLC · *Non-Executive Director*
TUI Leisure Travel GmbH · *Member of the Supervisory Board*
RIUSA II S.A. · *President*

Karl Gernandt
Kühne + Nagel International AG · *Chairman of the Board of Directors*
Kühne + Nagel AG, Luxembourg · *Managing Director*
Kühne Logistics University · *Member of the Supervisory Board*

Ulrich Leitermann
Signal Iduna Bauspar AG · *Chairman of the Supervisory Board*
HANSAINVEST Hanseatische Investment-Gesellschaft mbH · *Chairman of the Supervisory Board*
Donner & Reuschel AG · *Chairman of the Supervisory Board*
Signal Iduna Asset Management GmbH · *Chairman of the Supervisory Board*
Signal Iduna Rückversicherung AG, Zug, Switzerland · *Member of the Board of Directors*
Dortmunder Volksbank eG · *Member of the Supervisory Board*

Arnold Lipinski
Knappschaft Bahn See · *Member of the Delegates' Conference*
BG Verkehr · *Member of the Delegates' Conference*

Dr Rainer Klemmt-Nissen
Hamburger Hochbahn AG · *Member of the Supervisory Board*
HSH Nordbank AG · *Member of the Supervisory Board*
HMC Hamburg Messe und Congress GmbH · *Member of the Supervisory Board*
Vattenfall Wärme Hamburg GmbH · *Member of the Supervisory Board*
HSH Finanzfonds AoR · *Member of the Advisory Council*

Dr Andreas Rittstieg
TOMORROW Focus AG · *Deputy Chairman of the Supervisory Board*
Brenntag AG · *Member of the Supervisory Board*
Huesker Holding GmbH, Gescher and affiliated companies · *Member of the Advisory Council*
Berenberg Bank · *Member of the Board of Directors*
Kühne Holding AG, Schindellegi, Switzerland · *Member of the Board of Directors*

PRELIMINARY FINANCIAL CALENDAR

May 2014
Publication of interim report for first quarter of 2014

August 2014
Publication of interim report for second quarter/first six months of 2014

November 2014
Publication of interim report for third quarter/first nine months of 2014

IMPRINT

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www.hapag-lloyd.com

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

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