Hapag-Lloyd

INTERIM GROUP REPORT I H1 2012

HAPAG-LLOYD HOLDING AG · 1 JANUARY TO 30 JUNE 2012

SUMMARY OF HAPAG-LLOYD KEY FIGURES | INTERIM GROUP REPORT H1 2012

KEY OPERATING FIGURES		1.4. – 30.6. 2012	1.4. – 30.6. 2011	1.1. – 30.6. 2012	1.1. – 30.6. 2011	Change absolute
Total vessels[1], of which:		**147**	144	**147**	144	+3
own vessels		**56**	58	**56**	58	–2
leased vessels		**7**	9	**7**	9	–2
chartered vessels		**84**	77	**84**	77	+7
Aggregate capacity of vessels	TTEU	**667**	651	**667**	651	+16
Aggregate container capacity	TTEU	**1,047**	1,040	**1047**	1,040	+7
Bunker price (average)	USD/t	**694**	609	**680**	561	+119
Freight rate (average)	USD/TEU	**1,594**	1,531	**1,539**	1,546	–7
Transport volume	TTEU	**1,359**	1,337	**2,682**	2,534	+148
Revenue	m EUR	**1,794**	1,484	**3,395**	2,967	+428
Transport expenses	m EUR	**1,612**	1,282	**3,107**	2,546	+561
EBITDA	m EUR	**102.0**	85.0	**80.9**	169.6	–88.7
EBIT	m EUR	**24.1**	16.5	**–78.9**	28.8	–107.7
EBIT adjusted	m EUR	**30.8**	26.0	**–68.7**	42.1	–110.8
Group profit/loss	m EUR	**–7.3**	–10.6	**–139.7**	–32.7	–107.0
Cash flow from operating activities	m EUR	**106.9**	111.3	**100.9**	145.8	–44.9
KEY RETURN FIGURES						
EBITDA margin (EBITDA / revenue)	%	**5.7**	5.7	**2.4**	5.7	–3.3ppt
EBIT margin (EBIT / revenue)	%	**1.3**	1.1	**–2.3**	1.0	–3.3ppt
EBIT margin adjusted	%	**1.7**	1.8	**–2.0**	1.4	–3.4ppt
KEY BALANCE SHEET FIGURES AS AT 30 JUNE						
Balance sheet total	m EUR	**6,911**	6,614[2]	**6,911**	6,614[2]	+297
Equity	m EUR	**3,263**	3,424[2]	**3,263**	3,424[2]	–161
Equity ratio (equity / balance sheet total)	%	**47.2**	51.8[2]	**47.2**	51.8[2]	–4.6ppt
Borrowed capital	m EUR	**3,648**	3,190[2]	**3,648**	3,190[2]	+458
KEY FINANCIAL FIGURES AS AT 30 JUNE						
Financial debt	m EUR	**2,227**	1,897[2]	**2,227**	1,897[2]	+330
Cash and cash equivalents	m EUR	**493**	673[2]	**493**	673[2]	–180
Net debt (financial debt – cash and cash equivalents)	m EUR	**1,734**	1,224[2]	**1,734**	1,224[2]	+510
Gearing (net debt / equity)	%	**53.1**	35.7[2]	**53.1**	35.7[2]	+17.4ppt
NUMBER OF EMPLOYEES AS AT 30 JUNE						
Employees at sea[1]		**1,302**	1,301	**1,302**	1,301	+1
Employees on land[1]		**5,666**	5,544	**5,666**	5,544	+122
HAPAG-LLOYD TOTAL		**6,968**	6,845	**6,968**	6,845	+123

[1] As at 30.6. [2] As at 31.12.2011

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

This report was published on 14 August 2012.

CONTENTS

HAPAG-LLOYD'S CAPITAL MARKET ACTIVITIES

Highly volatile stock markets

In the first three months of 2012, the international financial markets experienced the best start to any year since 1998. However, the renewed flare-up of the debt crisis in the eurozone and growing fears about the weakening of international economic growth prompted substantial price losses in the months that followed. Only the Dow Jones Industrial managed to achieve slight gains in a year-to-year comparison. An agreement concerning a EUR 130 billion stimulus package for the eurozone and the reduction of the base rate by the European Central Bank caused equity markets around the world to recover significantly towards the end of the second quarter. However, price trends on the international stock exchanges remained volatile in the first few weeks of Q3 2012, driven by uncertainty surrounding the financial situation in Spain, Portugal and Greece.

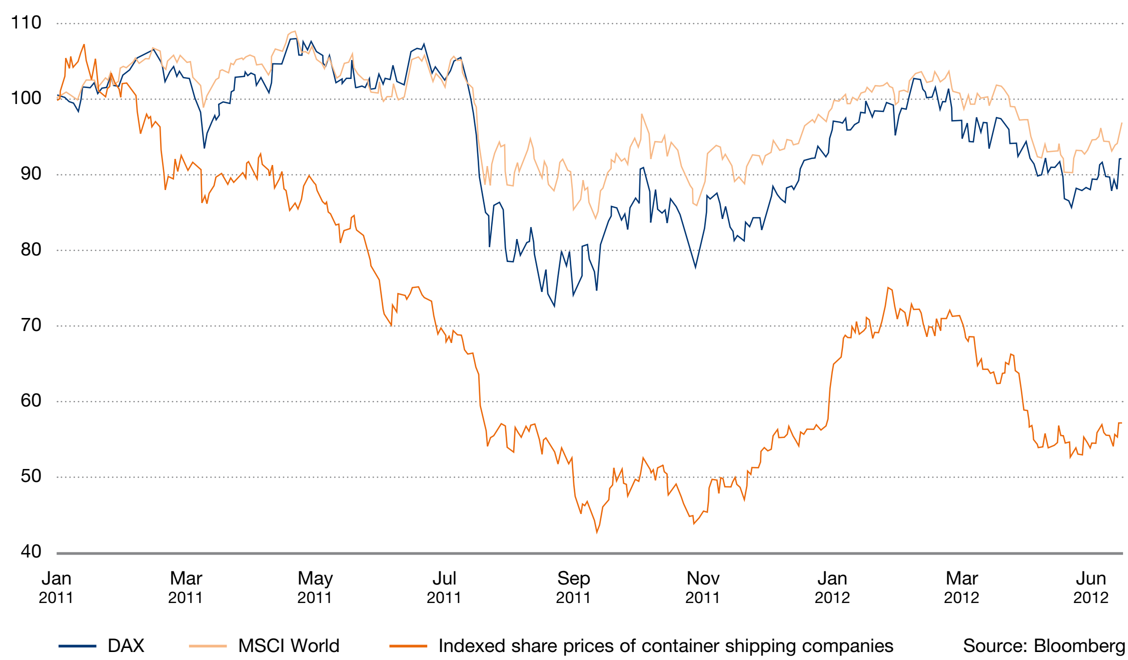
DEVELOPMENTS IN THE MOST IMPORTANT INDICES

Indices	**29.6.2012**	30.12.2011	30.6.2011
Dow Jones Industrial	12,880	12,217	12,414
MSCI World	1,236	1,182	1,331
EuroStoxx 50	2,265	2,316	2,848
DAX Index	6,416	5,898	7,376
Nikkei 225	9,007	8,455	9,816

Quelle: Bloomberg

A number of container liner shipping companies posted high operating losses for the first quarter of 2012. Together with the growing economic uncertainty, this weighed upon share prices for container shipping companies in the second quarter of 2012.

Indexed share prices of container shipping companies (January 2011 to June 2012)



Positive price trends for corporate bonds

As demand for investments remained high among both institutional and private investors, most corporate bonds charted substantial price gains and lower yields in the first half of 2012. The high-yield segment also benefited from this trend. European companies with a sub-investment grade rating (lower than Standard & Poor's BBB) issued bonds worth a total of EUR 19 billion in the first six months of the year (prior year period: EUR 34 billion).

Hapag-Lloyd's bonds

On 29 June 2012, the bonds issued by Hapag-Lloyd AG were traded at 102.1% (EUR tranche) and 92.9% (USD tranche).

Hapag-Lloyd's balance sheet ratios remained sound even after the Company took ownership of previously leased vessels in the first quarter of 2012. The equity ratio (equity/balance sheet total) as at 30 June 2012 amounted to about 47%. Gearing remains comparatively low at approximately 53%. On 30 June 2012, cash and cash equivalents made up around 7% of the balance sheet total. The agreed covenants were once again more than fulfilled as at 30 June 2012.

In its rating update on 4 April 2012, the international rating agency Standard & Poor's reiterated its issuer rating of BB- (outlook: "negative") for Hapag-Lloyd AG. Moody's rating of B1 ("negative outlook") for Hapag-Lloyd also remained in place.

KEY BOND DATA

	Issue volume (total)	Maturity*	Coupon	Issue price	Price on **29.6.2012**
EUR tranche	EUR 480 m	15.10.2015	9.00%	99.50%**	102.10%
USD tranche	USD 250 m	15.10.2017	9.75%	99.37%	92.94%

Price data: Bloomberg; *Callable; **Price of the first issue; increase of EUR 150 million at 103.38%

Open and transparent communication

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

- 10 January, London, UK, 8th Annual High Yield and Leveraged Finance Conference 2012, BNP Paribas
- 27–29 February, Miami, USA, Global High Yield & Leveraged Finance Conference 2012, J.P. Morgan
- 29 March, London, UK, 3rd Annual Credit Opportunities Conference 2012, Knight Capital Group
- 26 April, Düsseldorf, Germany, German Credit Conference, IKB
- 14 June, London, UK, 16th Annual European Leveraged Finance Conference, Deutsche Bank

A large number of individual discussions were also held with interested international analysts and investors. Published reports are available on the Hapag-Lloyd website – **www.hapag-lloyd.com/ir**.

INTERIM GROUP MANAGEMENT REPORT

BUSINESS AND GENERAL CONDITIONS

GROUP STRUCTURE

Hapag-Lloyd Holding AG is the parent company of the Hapag-Lloyd Group and holds all of the shares in Hapag-Lloyd AG (Hapag-Lloyd subgroup). At the balance sheet date (30 June 2012), a total of 49 direct and indirect subsidiaries and five equity-accounted investees belonged to the group of consolidated companies of Hapag-Lloyd Holding AG. The equity-accounted investees include two strategic holdings in container terminals in Hamburg and Montreal.

Shareholder structure and Supervisory Board
As at 30 June 2012, 78.0% of the shares in Hapag-Lloyd Holding AG were held by the Hamburgische Seefahrtsbeteiligung “Albert Ballin“ GmbH & Co. KG (“Albert Ballin“ consortium) and 22.0% by the TUI Group.

Shareholding in %	
Hamburgische Seefahrtsbeteiligung “Albert Ballin“ GmbH & Co. KG	**78.0%**
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	36.9%
Kühne Maritime GmbH	28.2%
IDUNA Vereinigte Lebensversicherung aG für Handwerk, Handel und Gewerbe	5.3%
HSH Nordbank AG	2.9%
HanseMerkur AG	1.8%
Group of investors managed by M.M.Warburg & CO Gruppe KGaA	2.9%
TUI AG / TUI-Hapag Beteiligungs GmbH	**22.0%**
Total	**100.0%**

On 11 June 2012, Dr Michael Frenzel, Chairman of the executive board of the TUI AG, stepped down from his position on Hapag-Lloyd’s Supervisory Board. The shareholders of Hapag-Lloyd Holding AG elected the Chairman of the Deutsche Lufthansa AG Supervisory Board, Dr Jürgen Weber, onto the Company’s Supervisory Board as his successor. Dr Jürgen Weber also succeeded Dr Michael Frenzel as Chairman of the Supervisory Board of Hapag-Lloyd Holding AG.

The shareholders of Hapag-Lloyd Holding AG reached a general agreement on a number of issues including the transfer of respective holdings on 14 February 2012. In line with these resolutions, the “Albert Ballin“ consortium increased its stake in Hapag-Lloyd Holding AG to 78.0% on 29 June.

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. The Hapag-Lloyd fleet consists of 147 container ships. Hapag-Lloyd currently has around 300 sales offices in 114 countries and offers its customers worldwide access to a network of 93 liner services. In the first six months of 2012, Hapag-Lloyd served 17,102 customers around the world.

The functional currency used by the international container liner shipping industry – and therefore also the Hapag-Lloyd subgroup – is the US dollar. Payment flows in currencies other than the US dollar are hedged to the US dollar as appropriate. However, the reporting currency of Hapag-Lloyd Holding AG is the euro. The translation of individual balance sheet items from foreign currencies, such as fixed assets and financial liabilities, results in some cases in significant valuation effects. The translation differences are recognised directly in other comprehensive income.

GROUP OBJECTIVES AND STRATEGY

The Hapag-Lloyd Group's prime objective is long-term profitable growth. Increasing global demand for container transport forms the basis for this planned organic growth. Based on current forecasts (IHS Global Insight, June 2012), the volume of global container transport should grow by 5.5% to 134.6 million TEU in 2013. Selling services at viable prices is still more important to Hapag-Lloyd than purely quantitative growth in volume.

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 strategy of achieving long-term profitable growth in operating activities is pursued with the help of these key figures. In addition to the operating result (adjusted EBIT), earnings before interest, taxes, depreciation and amortisation (EBITDA) is likewise used as an important parameter. EBITDA is an important indicator of the achievement of sustainable company results and gross cash flows. It has a special significance for capital-intensive companies. Hapag-Lloyd – with its balanced fleet structure, owning approximately 50% of its fleet – uses EBITDA as an important parameter for investment decisions.

The generation of sustainable cash flows and solid corporate financing, and therefore, in particular, a good liquidity and equity base, are once again key objectives of the corporate strategy in the 2012 financial year. As at 30 June 2012, Hapag-Lloyd had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 568.8 million (31 March 2012: EUR 518.4 million).

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

BUSINESS DEVELOPMENT

GENERAL ECONOMIC CONDITIONS

Economic developments are currently very restrained, particularly in the eurozone countries. Furthermore, economic growth is rapidly losing pace in Asia and Latin America as well. A number of other factors could also have a negative impact on economic developments in 2012. First and foremost, these include the high budget deficit in the USA, the ongoing debt crisis in the eurozone and the sharp deceleration of economic growth in China in the second quarter of 2012. Given the large number of imponderables, economists from the International Monetary Fund (IMF) revised their growth estimate for 2012 downwards by 0.1 percentage points and reduced their 2013 forecast by 0.2 percentage points in their latest economic outlook. However, the IMF experts currently expect the global economy to experience similarly strong growth to 2011 in 2013.

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

(in %)	2013e	2012e	2011
Global economic growth	3.9	3.5	3.9
Industrialised countries	1.9	1.4	1.6
Developing and newly industrialising countries	5.9	5.6	6.2
World trading volume (goods and services)	5.1	3.8	5.9

Source: IMF July 2012

SECTOR-SPECIFIC CONDITIONS

Demand for container transport services should rise in tandem with expected ongoing growth in the world trading volume. For instance, IHS Global Insight Industry Intelligence (June 2012) expects a 4.2% increase in the global cargo volume this year and growth of 5.5% to 134.6 million TEU in 2013. Due to the weaker than expected world economy, growth rates will be somewhat lower than originally expected at the beginning of 2012. However, the forecasted rise in worldwide transport volumes in container shipping for 2012 and 2013 is expected to slightly outpace the rate of growth for global trade.

With the total capacity of the world container ship fleet estimated at 16.8 million TEU at the beginning of 2012, the nominal supply capacity could see increases totalling 1.6 million TEU in 2012 (Transmodal, July 2012) and approximately 1.7 million TEU in 2013 due to new vessels. Due to the sharp fall in orders for new vessels, the tonnage of the commissioned container ships is currently equivalent to 21% of the global container fleet's capacity. It therefore remains well below the highest level seen to date, 56% in 2008. In the future too, the actual growth in the global container fleet's transport capacity is expected to be lower than the projected nominal increase, as old and inefficient vessels are scrapped, deliveries of newbuilds are postponed and slow steaming (reducing the speed at which services operate) is used. Based on estimates by the industry analysts Braemar Seascope, the scrapping of container ships looks set to reduce the global container fleet's transport capacity by at least 200,000 TEU in 2012 (2011: 83,900 TEU). Vessels with a total capacity of approximately 140,000 TEU were scrapped in the first six months of this year.

Although the prospects for growth remain positive in the medium term, we may see temporary imbalances in supply and demand, which could have a substantial impact on the respective transport volumes and freight rates. The ongoing rise in transport expenses seen in recent months is likely to weaken short-term industry developments. These higher expenses are chiefly attributable to the volatile bunker price, which has more than doubled since 2009. To compensate for the associated higher costs, leading container shipping companies have announced and implemented sharp increases in freight rates on important trades since the beginning of 2012. As a consequence, spot rates have firmed up considerably compared to prices in early 2012, especially on Asia–Europe and transpacific trades. Rate rises were also announced by various container shipping companies in the course of the second quarter and at the beginning of the third quarter of 2012.

Due to the forthcoming peak season with high demand for container transport services, the number of idle vessels has fallen in the last three months compared with the first quarter of 2012. At 446,000 TEU (Alphaliner, July 2012), the idle capacity at the beginning of July 2012 corresponded to approximately 3% of the global container fleet's total tonnage. The majority of idle ships have a tonnage of up to 3,000 TEU. The number of idle vessels is expected to rise again as the year progresses.

IMPORTANT PERFORMANCE INDICATORS

Efficient fleet

As at 30 June 2012, Hapag-Lloyd's fleet comprised 147 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 667,531 TEU. Hapag-Lloyd also owned or leased 649,935 containers with a capacity of 1,046,716 TEU for transporting cargo.

STRUCTURE OF HAPAG-LLOYD'S CONTAINER SHIP FLEET

	30.6.2012	31.12.2011	30.6.2011
Number of vessels	147	149	144
thereof			
own vessels	56	58	58
leased vessels	7	9	9
chartered vessels	84	82	77
Aggregate capacity of vessels (TTEU)	667	679	651
Aggregate container capacity (TTEU)	1,047	1,042	1,040
Number of services	93	84	76

On 5 July, the Hamburg Express – the first container vessel with a TEU capacity of over 10,000 TEU – went into service. There are another nine ships on the current order book, each with a capacity of 13,200 TEU.

Transport volumes and freight rates

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

In the first half of 2012, Hapag-Lloyd transported 2,682 TTEU worldwide. This corresponds to growth of 5.8% compared with the first half of the previous year. Trends in transport volumes were positive on all trades during the period under review. Above-average growth in cargo volumes was seen on the Transpacific, Far East and Australasia trades.

DEVELOPMENTS IN TRANSPORT VOLUME BY TRADE

TTEU	H1 2012	H1 2011	H1 2010	H1 2009	H1 2008
Atlantic	585	582	574	530	685
Latin America	591	559	523	408	454
Far East	583	549	563	522	631
Transpacific	618	560	518	501	565
Australasia	305	284	276	345	416
Total	**2,682**	**2,534**	**2,453**	**2,307**	**2,752**

In the first six months of 2012, the average freight rate was USD 1,539/TEU and therefore 0.5% down on the same period a year ago. The reason for the change was the persistently tough competition, especially for freight rates on Far East and Australasia trades. The Far East trade recorded a drop of 11.3% in the freight rate compared with the same period last year. By contrast, the Transpacific and Latin America trades saw positive developments in average freight rates. The freight rate increases and surcharges announced and implemented during the first six months of 2012 are expected to have a time-delayed effect on the average freight rate.

DEVELOPMENTS IN FREIGHT RATES BY TRADE

USD/TEU	H1 2012	H1 2011	H1 2010	H1 2009	H1 2008
Atlantic	1,754	1,758	1,528	1,455	1,675
Latin America	1,379	1,364	1,312	1,253	1,503
Far East	1,289	1,454	1,576	1,055	1,679
Transpacific	1,843	1,708	1,633	1,480	1,596
Australasia	1,305	1,327	1,229	874	1,164
Total (weighted average)	**1,539**	**1,546**	**1,481**	**1,247**	**1,554**

Selling services at viable prices is still more important to Hapag-Lloyd than purely quantitative growth in volume.

Quality and sustainability

Using scarce resources sustainably is becoming an increasingly important competitive factor for container liner shipping companies. Hapag-Lloyd made its pledge to uphold sustainable business practices as early as 1996. Both its vessels and its land-based operations are certified in line with ISO 9001 quality standards and the environmental norm ISO 14001. Hapag-Lloyd is a long-standing member of the Clean Cargo Working Group. Since 20 October 2011, customers wishing to do so have been able to use the Hapag-Lloyd emissions calculator EcoCalc to see the emissions caused by their container shipment throughout the entire transport chain, from start to finish. The emissions calculator can be found on the Hapag-Lloyd website, **www.hapag-lloyd.com**. In February, Hapag-Lloyd became the first shipping company in the world to have its entire own-managed fleet classified in accordance with the IMO's new Energy Efficiency Design Index (EEDI). The independent certification was carried out by Germanischer Lloyd. The EEDI will be mandatory for all newly built ships from 2013. In the second quarter of 2012, Hapag-Lloyd fitted the first of its ships, the Dallas Express, with the equipment needed to connect to an onshore power supply while in port. A further 14 vessels are due to be equipped with this technology by 2013. A connection to onshore power means that auxiliary diesel engines used to generate electricity can remain switched off while the vessels are in port. This slashes emissions and noise pollution, thus improving the air quality in and around ports.

Customers

Long-term, close business relations with clients are also important in driving value for corporate development. Relationships with major customers are managed by a special key account team. This enables the Company to establish and maintain sustainable customer relationships. In the first six months of the 2012 financial year, transport contracts were completed for 17,102 customers (prior year period: 16,115 customers).

Employees

The Hapag-Lloyd Group employed a workforce of 6,968 as at 30 June 2012. The headcount increased by a total of 123 compared to last year because the Company stepped up its sales and service activities in India, China and Dubai. Of the land-based employees, some 78% worked outside Germany as at 30 June 2012.

NUMBER OF EMPLOYEES

	30.6.2012	31.12.2011	30.6.2011
Marine division	1,224	1,198	1,204
Land division	5,589	5,465	5,466
Apprentices	155	210	175
Total	**6,968**	**6,873**	**6,845**

As at 30 June 2012, 1,224 people were employed in the marine division (30 June 2011: 1,204). The number of staff in the land division rose by 123 to 5,589. Several apprentices successfully completed their training courses, prompting the number to decline to 155 (30 June 2011: 175).

The number of full-time equivalent employees (FTE) increased from 6,713 as at 30 June 2011 to 6,834.

GROUP EARNINGS POSITION

CONSOLIDATED INCOME STATEMENT

in million EUR	**Q2 2012**	Q2 2011	**H1 2012**	H1 2011
Revenue	1,793.8	1,484.2	3,395.3	2,967.3
Other operating income	45.7	27.1	91.3	109.9
Transport expenses	1,612.4	1,282.2	3,107.2	2,545.7
Personnel expenses	87.4	79.1	183.1	175.5
Depreciation, amortisation and impairment	77.9	68.5	159.8	140.8
Other operating expenses	59.6	62.7	133.0	193.8
Operating result	**2.2**	**18.8**	**–96.5**	**21.4**
Share of profits of equity-accounted investees	7.4	1.0	13.7	7.9
Other financial result	14.5	–3.3	3.9	–0.5
Group earnings before interest and tax (EBIT)	**24.1**	**16.5**	**–78.9**	**28.8**
Net interest result	–30.2	–25.1	–58.2	–55.3
Income taxes	1.2	2.0	2.6	6.2
Group profit/loss	**–7.3**	**–10.6**	**–139.7**	**–32.7**
EBITDA	**102.0**	**85.0**	**80.9**	**169.6**
EBITDA margin (%)	**5.7**	**5.7**	**2.4**	**5.7**
EBIT adjusted	**30.8**	**26.0**	**–68.7**	**42.1**
EBIT margin (%) adjusted	**1.7**	**1.8**	**–2.0**	**1.4**
EBIT	**24.1**	**16.5**	**–78.9**	**28.8**
EBIT margin (%)	**1.3**	**1.1**	**–2.3**	**1.0**

For the Hapag-Lloyd Group, the first half of 2012 was dominated by rising bunker prices, which rose until the beginning of the second quarter, and persistently intense competition.

In this environment, Hapag-Lloyd was able to increase its revenue for the first half year of 2012 by approximately EUR 428 million (up 14.4%) compared to the same period of the previous year, taking the figure to EUR 3,395.3 million (prior year period: EUR 2,967.3 million). This positive revenue trend was attributable to an increase of approximately 6% in the transport volume to 2,682 TTEU (prior year period: 2,534 TTEU) and exchange rate effects. On average for the half year, the USD/EUR exchange rate strengthened to USD 1.30/EUR (prior year period: USD 1.40/EUR).

In the second quarter of 2012, the higher average freight rate of USD 1,594/TEU (prior year period: USD 1,531/TEU) and the markedly stronger US dollar had a particularly positive effect on revenue. Revenue in this period amounted to EUR 1,793.8 million – some 21% higher than in the first six months of last year.

The rate increases announced since the beginning of the year were mostly successfully implemented and therefore started to affect average freight rates mainly in the course of the second quarter.

TRANSPORT EXPENSES

in million EUR	**Q2 2012**	Q2 2011	**H1 2012**	H1 2011
Expenses for raw materials and supplies	456.7	291.3	854.2	590.3
Cost of purchased services	1,155.7	990.9	2,253.0	1,955.4
Transport expenses	**1,612.4**	**1,282.2**	**3,107.2**	**2,545.7**

Transport expenses rose by a total of EUR 561.5 million in the first half of 2012 (up 22.1%) to EUR 3,107.2 million. This rise resulted primarily from an increase of approximately 45% in expenses for raw materials and supplies compared to the first half of 2011. This in turn was driven by the substantially higher average bunker price, which stood at USD 680 per tonne (prior year period: USD 561 per tonne). The figure provided here is the average price for the consumed bunker stocks. Towards the end of the second quarter, the market price for bunkers fell, which will have a positive effect on earnings in the course of the third quarter. Changes in the fair value of bunker options used for hedging which had to be recorded in the second quarter also drove up expenses. The EUR 297.6 million rise in the cost of purchased services was prompted by the higher transport volume, the year-on-year increase in charter vessels, and elevated costs due to inflation and energy prices.

Other operating income came in at EUR 91.3 million in the first half of 2012 and was therefore slightly down on the first six months of 2011 due primarily to lower exchange rate gains (EUR 109.9 million). Income of approximately EUR 34.2 million from container sales was also included in the reporting period. This was generated by an operating sale and leaseback transaction completed in the second quarter of 2012.

Changes in the USD/EUR exchange rate caused period-specific exchange rate gains and losses to decrease considerably in the first half of 2012. This was reflected in other operating income and other operating expenses. On balance, exchange rate-related income and expenses resulted in a drop in earnings of EUR 17.0 million in the first half of 2012 (prior year period: EUR 13.6 million).

Depreciation and amortisation totalled EUR 159.8 million in the six months of 2012 (prior year period: EUR 140.8 million). This rise was mainly caused by regular depreciation on additions to the ship and container portfolios. The proceeds from the adjustment of the net value of containers amounting to EUR 9.7 million had a contrary effect.

The other financial result totalled EUR 3.9 million (prior year period: EUR –0.5 million) and included changes in the fair value of currency options. Last year, the other financial result also included a discount of EUR 17.9 million from the early repayment of a shareholder loan.

Due to high bunker and energy prices and a rise in other transport expenses, the Group's operating result before interest and taxes (EBIT) amounted to EUR –78.9 million in the period from January to June. It therefore fell short of last year's first-half figure (EUR 28.8 million). In the second quarter, EBIT totalled EUR 24.1 million, outstripping both the prior year period and the figure for the first three months of 2012. After taking into account depreciation and amortisation, EBITDA amounted to EUR 80.9 million for the first six months of 2012 (prior year period: EUR 169.6 million).

Adjusted for special items from the purchase price allocation, the Group reported an operating result before interest and taxes of EUR –68.7 million for the first half of 2012 (prior year period: EUR 42.1 million). The figure was not adjusted for income from container sales. The normal rhythm of selling old containers and purchasing new ones was interrupted due to the consequences of the 2009 financial and economic crisis. As the climate on the secondary container market is currently favourable, a larger-scale sale and leaseback transaction was recently completed. Selling containers is a typical, regular operating activity for liner shipping companies, which is why the figure was not adjusted for the effects of container sales. Overall, earnings improved in the second quarter compared to the first quarter of 2012 (adjusted EBIT: EUR –99.5 million). The adjusted EBIT stood at EUR 30.8 million for the second quarter.

The Group generated a net result of EUR –139.7 million in the first half of 2012 (prior year period: EUR –32.7 million).

GROUP FINANCIAL AND NET ASSET POSITION

CONDENSED STATEMENT OF CASH FLOWS

in million EUR	**Q2 2012**	Q2 2011	**H1 2012**	H1 2011
Cash flow from operating activities	106.9	111.3	100.9	145.8
Cash flow from investment activities	–38.7	–19.3	–163.7	–27.3
Free cash flow	**68.2**	**92.0**	**–62.8**	**118.5**
Cash flow from financing activities	–48.7	–195.1	–130.0	–235.1
Changes in cash and cash equivalents	**19.5**	**103.1**	**–192.8**	**–116.6**

Cash flow from operating activities

Operative cash flow totalled EUR 100.9 million in the first half of 2012 (prior year period: EUR 145.8 million).

Cash flow from investment activities

The cash outflow from investment activities totalled EUR 163.7 million in the first six months of 2012. This was due first and foremost to investments in two container vessels in the first quarter. Non-cash investments were also made by changing seven operating lease contracts into finance lease contracts. In the second quarter, Hapag-Lloyd signed an operating sale and leaseback agreement with an international container supplier. The standard industry agreement concerns the sale of 85,000 containers which will be leased back until their final disposal. This sale will consist of two tranches. The first tranche of approximately 37,000 containers was sold effective 29 June 2012, generating a liquidity inflow of USD 48.0 million (EUR 37.0 million).

Cash flow from financing activities

The net impact of the Company's financing activities was a cash outflow of EUR 130.0 million. In addition to regular interest and capital repayments of EUR 158.7 million, interest of EUR 36.9 million was paid on hybrid II capital and EUR 100.0 million of hybrid II capital was also repaid to TUI AG. This was offset by cash inflows of USD 124.6 million (EUR 96.0 million) from two loans to fund the two vessels acquired under an operating lease, a USD 25.0 million (EUR 19.3 million) increase in the programme established in 2011 to securitise receivables and other inflows of EUR 50.3 million.

DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

in million EUR	Q2 2012	Q2 2011	H1 2012	H1 2011
Cash and cash equivalents at beginning of period	**447.1**	**704.7**	**672.5**	**751.8**
Changes due to changes in the group of consolidated companies	0.0	0.0	0.0	0.1
Changes due to exchange rate fluctuations	26.7	–11.5	13.6	–45.2
Net changes	19.5	–103.1	–192.8	–116.6
Cash and cash equivalents at end of period	**493.3**	**590.1**	**493.3**	**590.1**

Overall, the aggregate outflow totalled EUR 192.8 million in the first half of 2012, such that after accounting for exchange rate effects at the end of the reporting period, cash and cash equivalents of EUR 493.3 million were reported. 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 is an as yet unused credit facility worth USD 95.0 million (EUR 75.5 million).

Sound financing structure

At EUR 1,734 million, the Group’s net debt was higher as at 30 June 2012 than at year-end 2011. This resulted primarily from the repayment of EUR 100.0 million of hybrid II capital and the restructuring of nine existing operating lease contracts. Related to this, two loans to purchase two previously leased vessels and the conversion of operating lease contracts into finance lease contracts for the other seven ships drove up financial debt.

FINANCIAL SOLIDITY

in million EUR	30.6.2012	31.12.2011
Cash and cash equivalents	493.3	672.5
Financial debt	2,227.3	1,896.5
Net debt	**1,734.0**	**1,224.0**
Gearing (%)	**53.1**	**35.7**
Unused credit lines	**75.5**	**73.4**
Equity ratio (%)	**47.2**	**51.8**

CHANGES IN THE ASSET STRUCTURE

CONDENSED BALANCE SHEET

in million EUR		30.6.2012	31.12.2011
Assets			
Non-current assets		5,574.2	5,170.9
thereof fixed assets		5,512.3	5,067.2
Current assets		1,337.1	1,442.9
thereof cash and cash equivalents		493.3	672.5
Total assets		**6,911.3**	**6,613.8**
Equity and liabilities			
Equity		3,263.3	3,424.4
Borrowed capital		3,648.0	3,189.4
thereof non-current liabilities		2,151.3	1,911.5
thereof current liabilities		1,496.7	1,277.9
thereof financial debt		2,227.3	1,896.5
thereof non-current financial debt		1,927.7	1,689.3
thereof current financial debt		299.6	207.2
Total equity and liabilities		**6,911.3**	**6,613.8**
Asset coverage ratio I	(in %)	59.2	67.6
Asset coverage ratio II	(in %)	98.2	105.3
Liquidity ratio I	(in %)	33.0	52.6
Net debt		1,734.0	1,224.0
Equity ratio	(in %)	47.2	51.8

As at 30 June 2012, the Group's balance sheet total was EUR 6,911.3 million and thereby EUR 297.5 million higher than the figure from year-end 2011.

While non-current assets grew by EUR 403.3 million, current assets shrank by EUR 105.8 million. Non-current assets increased due to investments made in the amount of EUR 494.6 million as well as due to exchange rate effects of EUR 126.9 million on the reporting date. The investments relate primarily to the purchase of two previously leased vessels in the first quarter, the conversion of existing, long-term operating lease contracts into finance lease contracts for seven ships, and the addition of new containers. These factors were partly offset in the second quarter by the sale of four ships with carrying amounts of EUR 18.0 million, the disposal of containers with carrying amounts of EUR 2.9 million, and depreciation/amortisation totalling EUR 159.8 million.

Within current assets, increases were seen in both trade accounts receivable and the market value of the current financial derivatives associated with fuel and currency hedges.

Cash and cash equivalents fell by a total of EUR 179.2 million, taking them to EUR 493.3 million. This was due to outflows of funds, particularly the partial repayment of hybrid capital II and associated interest amounting to EUR 136.9 million, scheduled repayments of EUR 101.2 million and prepayments on ships totalling EUR 66.9 million.

On the liabilities side, equity (including non-controlling interests) contracted by EUR 161.1 million to a total of EUR 3,263.3 million on the reporting date. The decline was primarily attributable to the Group negative net result and the partial repayment of hybrid II capital (EUR 100.0 million). However, currency translation effects had an opposite effect. On 12 April, EUR 249.2 million was transferred to subscribed capital and capital reserves from hybrid II capital as part of a capital increase. The equity ratio was approximately 47% on 30 June 2012 (31 December 2011: around 52%).

The rise in non-current and current liabilities resulted first and foremost from the increase in financial debt compared to year-end 2011. Within non-current liabilities, financial debt rose by EUR 238.4 million. This was largely due to the conversion of operating lease contracts for seven vessels into finance lease contracts along with the use of loans to acquire two previously leased ships. This conversion had no effect on liquidity.

Taking cash and cash equivalents and financial debt into account, net debt as at 30 June 2012 was EUR 1,734.0 million (31 December 2011: EUR 1,224.0 million).

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

RISK AND OPPORTUNITY REPORT

Please refer to the 2011 annual report for details of specific opportunities and risks. At the time of reporting, there were no risks which threatened the continued existence of the Hapag-Lloyd Group. From today's perspective, we do not anticipate any fundamental changes to the risk position.

There were no other major changes to the external environment or the Company's internal conditions in the first six months of 2012.

EVENTS AFTER THE BALANCE SHEET DATE

On 5 July, the Company took delivery of the Hamburg Express – the first of ten ships on order with a TEU capacity of 13,200 TEU. In connection with this, the first USD 92.5 million (EUR 73.9 million) tranche of the USD 925 million K-sure II financing package was paid out.

At the end of July 2012, a second tranche of around 48,000 containers was sold as part of the operating container sale and leaseback transaction. This generated a liquidity inflow of roughly USD 82 million.

An agreement was signed on 22 June 2012 for a total of up to USD 165 million (EUR 131.2 million) to finance the acquisition of new containers and those already in use. These funds will be drawn down in line with actual container orders. The first two tranches of the loan – amounting to USD 22.7 million (EUR 18.1 million) and USD 15.3 million (EUR 12.6 million) – were paid out on 5 July 2012 and 13 July 2012. Additional payouts are expected in September and December 2012, should the Company decide to invest in more containers.

PROSPECTS

The statements made in the "Prospects" section of the Group management report for 2011 generally remain valid as regards the medium-term growth prospects for container shipping.

DEVELOPMENT IN IMPORTANT MACROECONOMIC AND SECTOR–SPECIFIC FACTORS

Influencing factor	Development in H1 2012	Consequences in 2012
Global economic growth	Higher risks and reduction of growth forecasts	Slightly negative
Transport volume	Slight increase	Positive
Transport costs	Strong increase in bunker consumption prices	Negative impacts of energy price related increase in service costs
Freight rates	Substantial rate increases announced	By occurrence, time-delayed positive impact on level of freight rates

The short-term prospects for the industry remain shrouded in uncertainty due to the existing and heightened risks for global economic developments. Weak economic expansion in the eurozone, a further slowdown in China's economic growth and the high budget deficit in the USA are the main factors restricting growth. In addition to this, bunker prices remain comparatively high, exacerbating the industry's cost position.

In spite of these imponderables, Hapag-Lloyd is striving to achieve again a positive operating result (EBIT) for the current financial year, provided that there is no fundamental escalation of the risks and assuming it proves possible to implement further rate increases in the course of 2012.

The Company's performance in the peak season will largely determine whether it is able to achieve the earnings currently forecast for the full twelve months. Hapag-Lloyd expects the liquidity situation to remain adequate for the full year, despite the effect of higher investments in newbuilds and the ship portfolio on net debt. All of the planned ship investments will be funded through long-term loan agreements.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD HOLDING AG
FOR THE PERIOD 1 JANUARY TO 30 JUNE 2012

in million EUR	**Q2 2012**	Q2 2011	**H1 2012**	H1 2011
Revenue	1,793.8	1,484.2	3,395.3	2,967.3
Other operating income	45.7	27.1	91.3	109.9
Transport expenses	1,612.4	1,282.2	3,107.2	2,545.7
Personnel expenses	87.4	79.1	183.1	175.5
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	77.9	68.5	159.8	140.8
Other operating expenses	59.6	62.7	133.0	193.8
Operating result	**2.2**	**18.8**	**–96.5**	**21.4**
Share of profit of equity-accounted investees	7.4	1.0	13.7	7.9
Other financial result	14.5	–3.3	3.9	–0.5
Earnings before interest and tax (EBIT)	**24.1**	**16.5**	**–78.9**	**28.8**
Interest income	1.4	2.7	3.3	4.8
Interest expenses	31.6	27.8	61.5	60.1
Earnings before income taxes	**–6.1**	**–8.6**	**–137.1**	**–26.5**
Income taxes	1.2	2.0	2.6	6.2
Group profit/loss	**–7.3**	**–10.6**	**–139.7**	**–32.7**
thereof attributable to shareholders of Hapag-Lloyd Holding AG	–7.5	–10.6	–140.0	–32.7
thereof attributable to non-controlling interests	0.2	0.0	0.3	0.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD HOLDING AG FOR THE PERIOD 1 JANUARY TO 30 JUNE 2012

in million EUR	**Q2 2012**	Q2 2011	**H1 2012**	H1 2011
Group profit/loss	**–7.3**	**–10.6**	**–139.7**	**–32.7**
Cash flow hedges (no tax effect)	–16.0	–49.8	–1.9	60.7
Addition to other comprehensive income (OCI)	–12.6	20.0	11.7	167.3
Reclassification to income statement due to realisation	–3.4	–69.8	–13.6	–106.6
Actuarial gains (+) and losses (–) from pension provisions and related fund assets, after tax	–0.3	0.1	–0.3	0.2
Actuarial gains (+) and losses (–) from pension provisions and related fund assets, before tax	–0.3	0.1	–0.3	0.2
Tax effect	-	-	-	-
Currency translation (no tax effect)	166.7	–48.8	80.5	–207.1
Other comprehensive income	**150.4**	**–98.5**	**78.3**	**–146.2**
Total comprehensive income	**143.1**	**–109.1**	**–61.4**	**–178.9**
thereof attributable to shareholders of Hapag-Lloyd Holding AG	142.9	–109.1	–61.7	–178.9
thereof attributable to non-controlling interests	0.2	-	0.3	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD HOLDING AG
AS AT 30 JUNE 2012

in million EUR	**30.6.2012**	31.12.2011
Assets		
Goodwill	727.4	707.3
Other intangible assets	706.0	729.6
Property, plant and equipment	3,766.8	3,314.4
Investments in equity-accounted investees	312.1	315.9
Other assets	25.7	43.8
Derivative financial instruments	22.8	46.9
Deferred tax assets	13.4	13.0
Non-current assets	**5,574.2**	**5,170.9**
Inventories	196.8	208.7
Trade accounts receivable	502.8	419.6
Other assets	112.6	106.5
Derivative financial instruments	20.2	17.1
Income tax receivables	11.4	7.7
Cash and cash equivalents	493.3	672.5
Non-current assets held for sale	0.0	10.8
Current assets	**1,337.1**	**1,442.9**
Total assets	**6,911.3**	**6,613.8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD HOLDING AG AS AT 30 JUNE 2012

in million EUR	**30.6.2012**	31.12.2011
Equity and liabilities		
Subscribed capital	66.1	60.0
Capital reserves	3,269.8	3,026.6
Retained earnings	–201.4	–61.3
Cumulative other equity	128.2	49.9
Hybrid capital	0.0	348.9
Equity attributable to the shareholders of Hapag-Lloyd Holding AG	**3,262.7**	**3,424.1**
Non-controlling interests	0.6	0.3
Equity	**3,263.3**	**3,424.4**
Provisions for pensions and similar obligations	109.6	104.8
Other provisions	102.1	110.1
Financial debt	1,927.7	1,689.3
Other liabilities	5.8	5.8
Deferred tax liabilities	4.3	0.0
Non-current liabilities	**2,151.3**	**1,911.5**
Provisions for pensions and similar obligations	4.2	5.1
Other provisions	120.8	129.4
Income tax liabilities	4.0	4.3
Financial debt	299.6	207.2
Trade accounts payable	952.1	791.8
Other liabilities	116.0	140.1
Current liabilities	**1,496.7**	**1,277.9**
Total equity and liabilities	**6,911.3**	**6,613.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD HOLDING AG FOR THE PERIOD 1 JANUARY TO 30 JUNE 2012

in million EUR	Equity attributable to shareholders of Hapag-Lloyd Holding AG										Non-controlling interests	Total equity
	Capital provided by limited partners	Subscribed capital	Capital reserves	Retained earnings	Reserve for cash flow hedges	Actuarial gains and losses	Translation reserve	Cumulative other equity	Hybrid capital	Total		
As per 1.1.2011	**3,086.6**	**-**	**-**	**0.0**	36.1	–15.4	–22.4	**–1.7**	**357.6**	**3,442.5**	**0.3**	**3,442.8**
Total comprehensive income	**-**	**-**	**-**	**–32.7**	60.7	0.2	–207.1	**–146.2**	**-**	**–178.9**	**-**	**–178.9**
Transactions with shareholders	**–3,086.6**	**60.0**	**3,026.6**	**–8.7**	-	-	-	**-**	**4.4**	**–4.3**	**-**	**–4.3**
thereof												
Paid interest hybrid I	-	-	-	-	-	-	-	-	–4.3	–4.3	-	–4.3
Interest from hybrid II	-	-	-	–8.7	-	-	-	-	8.7	-	-	-
Change of legal form	–3,086.6	60.0	3,026.6	-	-	-	-	-	-	-	-	-
As per 30.6.2011	**-**	**60.0**	**3,026.6**	**–41.4**	96.8	–15.2	–229.5	**–147.9**	**362.0**	**3,259.3**	**0.3**	**3,259.6**
As per 1.1.2012	**-**	**60.0**	**3,026.6**	**–61.3**	-	–23.7	73.6	**49.9**	**348.9**	**3,424.1**	**0.3**	**3,424.4**
Total comprehensive income	**-**	**-**	**-**	**–140.0**	–1.9	–0.3	80.5	**–78.3**	**-**	**–61.7**	**0.3**	**–61.4**
Transactions with shareholders	**-**	**6.1**	**243.2**	**–0.1**	-	-	-	**-**	**–348.9**	**–99.7**	**-**	**–99.7**
thereof												
Partial repayment of hybrid II	-	-	-	-	-	-	-	-	–100.0	–100.0	-	–100.0
Realisation of transaction costs	-	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Capital increase from contribution of hybrid II	-	6.1	243.9	-	-	-	-	-	–250.0	-	-	-
Reclassification of transaction costs	-	-	–0.7	–0.1	-	-	-	-	0.8	-	-	-
As per 30.6.2012	**-**	**66.1**	**3,269.8**	**–201.4**	–1.9	–24.0	154.1	**–128.2**	**-**	**3,262.7**	**0.6**	**3,263.3**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD HOLDING AG FOR THE PERIOD 1 JANUARY TO 30 JUNE 2012

in million EUR	**Q2 2012**	Q2 2011	**H1 2012**	H1 2011
Cash inflow(+)/outflow(–) from operating activities	106.9	111.3	100.9	145.8
Cash inflow(+)/outflow(–) from investing activities	–38.7	–19.3	–163.7	–27.3
Cash inflow(+)/outflow(–) from financing activities	–48.7	–195.1	–130.0	–235.1
Net change in cash and cash equivalents	**19.5**	**–103.1**	**–192.8**	**–116.6**
Cash and cash equivalents at beginning of the period	**447.1**	**704.7**	**672.5**	**751.8**
Change in cash and cash equivalents due to a change of consolidated companies	0.0	0.0	0.0	0.1
Change in cash and cash equivalents due to exchange rate fluctuations	26.7	–11.5	13.6	–45.2
Net change in cash and cash equivalents	19.5	–103.1	–192.8	–116.6
Cash and cash equivalents at the end of the period	**493.3**	**590.1**	**493.3**	**590.1**

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

General notes

The presented condensed interim consolidated financial statements of Hapag-Lloyd Holding AG and its subsidiaries, hereinafter referred to as Hapag-Lloyd Group, were prepared for the interim report according to the International Financial Reporting Standards (IFRS) and the relevant interpretations by the International Accounting Standards Board (IASB) as they are to be applied in the European Union (EU). Therefore, these financial statements to the interim report in accordance with IAS 34 do not contain all information and notes that are necessary according to IFRS for complete consolidated financial statements to the end of a financial year.

The presented interim consolidated financial statements comprise the period 1 January to 30 June 2012. The accounting principles and methods applied in the interim consolidated financial statements are the same as those used for the last consolidated financial statements at the end of the financial year.

Results of interim periods are not necessarily indicative of results that can be expected for future periods or the entire financial year. The earnings position of the Hapag-Lloyd Group is principally shaped by the seasonality of transport volumes and freight rates in the container shipping business. Fluctuations result from the usually higher demand for transport services in the container shipping business during the second and third quarters.

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

The functional currency of Hapag-Lloyd AG and its subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd Holding AG, however, is the euro. For the purpose of integrating Hapag-Lloyd AG and its subsidiaries into the financial statements of the Hapag-Lloyd Group, balance sheet assets and liabilities are translated into euros as at the reporting date (closing date rate) using the middle rate of that day. The expenses, income and the result recognised in the statement of cash flows and the Group income statement are translated using the average rate for the reporting period. The resulting differences are recognised directly in other comprehensive income.

As at 30 June 2012 the USD/EUR exchange rate was lower than the rate on 31 December 2011 (closing date rate: 30 June 2012 USD/EUR 1.2579; 31 December 2011 USD/EUR 1.2937). The average rate for the first half of 2012 was USD/EUR 1.2975 (prior year period: USD/EUR 1.4035).

Segment reporting

Since Hapag-Lloyd Holding AG at the time of the preparation of the interim financial statements as at 30 June 2012 neither traded bonds or equity instruments on any public market nor presented the consolidated financial statements to regulatory authorities for the issuing of instruments, there was no obligation to prepare any segment reporting as at the reporting date.

New accounting standards

The following change to an existing standard published by the IASB, which has already been endorsed, had to be applied for the first time in the interim financial statements presented. However, the first-time application did not have a significant effect on the net asset, financial or earnings position of the Hapag-Lloyd Group:

- Amendment to IFRS 7 *Financial Instruments: Disclosures*

The amendment to IFRS 7 *Financial Instruments: Disclosures* relates to the disclosure obligations associated with transferring financial assets. In particular, any remaining or acquired rights and obligations now have to be disclosed in full, even if the financial asset is no longer held within the financial statements.

Consolidated companies

The consolidated financial statements include all significant subsidiaries and investments accounted for using the equity method. Within the interim financial statements as at 30 June 2012 Hapag-Lloyd Holding AG and 49 companies were fully consolidated, and five additional companies were included using the equity method.

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

Hapag-Lloyd Agency L.L.C., Dubai, commenced its operating activities in the first quarter of 2012 and was therefore fully consolidated for the first time.

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

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Revenue was primarily generated from the rendering of transport services. The increase in revenue compared with the first half of last year was largely due to the higher transport volume and positive exchange rate effects.

The revenue includes proportional income from unfinished voyages as at the reporting date.

Transport expenses mainly comprise fuel costs, expenditure for port, terminal and container transport services, chartering, leases and container rental expenses, maintenance and repair costs, and charges for other services. In addition to transport volume growth and additional charter vessels, the year-on-year increase resulted from higher fuel expenses in connection with elevated bunker prices and soaring costs due to inflation.

The interest result essentially comprises interest expenses for bank loans and bonds.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill

Goodwill rose by EUR 20.1 million compared with 31 December 2011 due to the USD/EUR exchange rate.

Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

in million EUR	**30.6.2012**	31.12.2011
Vessels	2,750.0	2,416.9
Container, chassis	348.5	310.3
Other equipment	121.7	120.6
Prepayments on account and assets under construction	546.6	466.6
Total	**3,766.8**	**3,314.4**

The changes to property, plant and equipment were primarily additions to ocean-going vessels and containers amounting to EUR 423.6 million.

Firstly, two ships from previous operating lease contracts were purchased. In addition, seven operating lease contracts for vessels and one operating lease contract for containers were amended, obliging Hapag-Lloyd to buy the assets at the end of the lease agreement. These agreements are now classified as finance lease contracts. The contracts state that legal ownership will be transferred at the end of the non-cancellable terms between 2013 and 2015. As at 30 June 2012, the vessels recognised in connection with the finance lease contracts had a total carrying value of EUR 237.4 million; the containers were recognised at EUR 13.2 million as at 30 June 2012.

The reconciliation statement below shows the future minimum lease payments and their net present value:

in million EUR	**Total 30.6.2012**	**Maturity < 1 year**	**Maturity 1–5 years**
Future minimum lease payments	272.2	30.9	241.3
Interest component	37.6	14.9	22.7
Net present value	**234.6**	**16.0**	**218.6**

There are no future minimum lease payments which fall due after more than five years.

Furthermore, two ships with a net book value of EUR 7.2 million were also disposed of in the first half of 2012. Disposals of containers as part of a sale and leaseback transaction generated income of EUR 34.2 million.

Given the current situation on the secondary container market, the anticipated residual values for the containers were reviewed and adjusted to the present market situation. As a result, scheduled depreciation decreased by EUR 9.7 million in the first six months of the year.

Non-current assets held for sale

The two vessels which, in view of the intention to sell them, were reported as assets held for sale in accordance with IFRS 5 as at 31 December 2011 were sold in the first half of 2012.

Derivative financial instruments

Derivative financial instruments include positive and negative market values from currency forward contracts and commodity and currency options.

Equity
As at 30 June 2012, Hapag-Lloyd Holding AG’s subscribed capital is divided into 66.1 million (31 December 2011: 60.0 million) no-par registered shares with equal rights.

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

The entry into the commercial register on 12 April 2012 completed a capital increase involving the contribution of EUR 125.0 million of hybrid capital II each by the “Albert Ballin“ consortium and TUI AG to Hapag-Lloyd Holding AG in exchange for new shares from previously authorised capital. This caused subscribed capital to grow to EUR 66.1 million and prompted a EUR 243.1 million addition to capital reserves, after allowing for transaction costs.

The reserve for cash flow hedges includes changes in the fair value of hedging transactions recognised directly in equity and amounted to EUR 1.9 million as at 30 June 2012 (30 June 2011: EUR 96.8 million).

The reserve for actuarial gains and losses (30 June 2012: EUR –24.0 million; 30 June 2011: EUR –15.2 million) results from gains and losses taken directly to equity which arose, for example, from the change in actuarial parameters in conjunction with the valuation of pension obligations and the associated fund assets.

The effects arising from currency translation recorded in the first half of 2012 totalled EUR 80.5 million (prior year period: EUR –207.1 million). This contains differences from the translation of subsidiary financial statements prepared in a foreign currency and from the conversion of goodwill carried in foreign currency.

Other provisions
During the purchase price allocation, existing contracts were identified, the contractual terms of which at the time of acquisition substantiated negative fair values compared with the current market conditions. The amortisation of these items in the first half of the financial year 2012 led to a reduction in transport expenses.

Financial debt

FINANCIAL DEBT		
in million EUR	**30.6.2012**	31.12.2011
Liabilities to banks	1,328.6	1,239.1
Bonds	662.6	655.9
Liabilities from finance lease contracts	234.6	0.0
Other financial debt	1.5	1.5
Total	**2,227.3**	**1,896.5**

FINANCIAL DEBT BY CURRENCY EXPOSURE		
in million EUR	**30.6.2012**	31.12.2011
Financial debt denoted in USD (excl. transaction costs)	1,614.4	1,273.6
Financial debt denoted in EUR (excl. transaction costs)	634.1	646.5
Interest liabilities	20.6	22.1
Accounting for transaction costs	–41.8	–45.7
Total	**2,227.3**	**1,896.5**

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

Liabilities to banks rose in connection with financing arrangements for the acquisition of two ships. They were offset by above all, regular repayments.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Ordinary business activities resulted in an inflow of cash and cash equivalents totalling EUR 100.9 million (prior year period: EUR 145.8 million).

The cash outflow from investing activities amounted to EUR 163.7 million in the first half of the financial year 2012 (prior year period: EUR 27.3 million). EUR 254.3 million (prior year period: EUR 73.7 million) was paid for investments in property, plant and equipment and other non-current assets in the first half of the financial year 2012. The payments primarily related to the acquisition of two vessels from existing operating lease contracts and the purchase of new containers. These were partly offset by incoming payments from the sale of property, plant and equipment and other non-current assets as well as dividends received totalling EUR 90.6 million (prior year period: EUR 46.4 million). The incoming payments were primarely generated by the sale of four ships and the first tranche of a container sale and leaseback transaction, which involves selling a total of 85,000 containers and leasing them back until their final disposal.

Cash and cash equivalents of EUR 130.0 million from financing activities were paid out in the first half of 2012 (prior year period: EUR 235.1 million). This was largely in connection with the repayment of EUR 100.0 million of hybrid II capital, the payment of interest totalling EUR 36.9 million on hybrid II capital and scheduled repayments. These effects were in particular offset by, two new loans totalling USD 124.6 million (EUR 96.0 million) to finance the acquired vessels and a USD 25.0 million (EUR 19.3 million) increase in the programme established in 2011 to securitise receivables.

OTHER NOTES

Legal disputes

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

Other financial obligations

In addition to the purchase obligation for investments in container ships, the Group's other financial obligations contain charter and lease agreements for ships and containers and rental payments for business premises, in particular for the central administration building in Rosenstrasse. The agreements have terms of between one year and 19 years and some include prolongation and purchase options as well as price adjustment clauses. Some of the rental agreements for buildings include agreements regarding conditional rental payments based on the consumer price index for Germany.

In the first half of 2012, charter, rental and lease payments of EUR 370.2 million (prior year period: EUR 325.9 million) were posted to expenses.

The total other financial obligations can be broken down as follows:

in million EUR	**30.6.2012**	31.12.2011
Vessels and containers	900.0	1,200.1
Administrative buildings	119.0	126.5
Other	150.2	162.5
Rent	1,169.2	1,489.1
Purchase commitments	838.9	744.1
Total	**2,008.1**	**2,233.2**
Fair value	**1,924.9**	**2,087.0**

Other financial obligations declined in the first half year of 2012. This was due in part to the restructuring of nine existing operating lease contracts, which meant that the Company acquired two ships while the agreements for the remaining seven vessels were converted into finance lease contracts. Other financial obligations rose marginally due to the completed container sale and leaseback transaction.

The fair value of the other financial obligations was ascertained by discounting the future expenses while applying a market interest rate of 2.5% p. a. (31 December 2011: 3.1% p. a.).

Related party transactions

In carrying out its ordinary business activities, the Hapag-Lloyd Group maintains indirect or direct relationships with related companies and individuals and with its own subsidiaries included in the consolidated financial statements. All of the transactions with related parties were executed on the basis of international price comparison methods in accordance with IAS 24 on terms that are also usual with non-Group third parties. Further information on related parties is included in the Notes to the consolidated financial statements for 2011 under “Other notes”.

SIGNIFICANT TRANSACTIONS AFTER THE BALANCE SHEET DATE

On 5 July, the Company took delivery of the Hamburg Express – the first of ten ships on order with a TEU capacity of 13,200 TEU. In connection with this, the first USD 92.5 million (EUR 73.9 million) tranche of the USD 925 million K-sure II financing package was paid out.

At the end of July 2012, a second tranche of around 48,000 containers was sold as part of the operating container sale and leaseback transaction. This generated a liquidity inflow of roughly USD 82 million.

An agreement was signed on 22 June 2012 for a total of up to USD 165 million (EUR 131.2 million) to finance the acquisition of new containers and those already in use. These funds will be drawn down in line with actual container orders. The first two tranches of the loan – amounting to USD 22.7 million (EUR 18.1 million) and USD 15.3 million (EUR 12.6 million) – were paid out on 5 July 2012 and 13 July 2012. Additional payouts are expected in September and December 2012, should the Company decide to invest in more containers.

Hamburg, 14 August 2012

Hapag-Lloyd Holding AG
The Executive Board

Michael Behrendt

Peter Ganz | Ulrich Kranich | Jesper Praestensgaard

FINANCIAL CALENDAR 2012

November 2012	Publication of interim report for third quarter/first nine months of 2012
March 2013	Publication of annual financial statements and annual report 2012
May 2013	Publication of interim report for first quarter of 2013
August 2013	Publication of interim report for second quarter/first six months of 2013
November 2013	Publication of interim report for third quarter/first nine months of 2013

IMPRINT

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