Hapag-Lloyd

INTERIM GROUP REPORT I 9M 2012

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

SUMMARY OF HAPAG-LLOYD KEY FIGURES | INTERIM GROUP REPORT 9M 2012

KEY OPERATING FIGURES		1.7. – 30.9. 2012	1.7. – 30.9. 2011	Change absolute	1.1. – 30.9. 2012	1.1. – 30.9. 2011	Change absolute
Total vessels[1], of which:		**146**	147	–1	**146**	147	–1
own vessels		**58**	58	0	**58**	58	0
leased vessels		**7**	9	–2	**7**	9	–2
chartered vessels		**81**	80	+1	**81**	80	+1
Aggregate capacity of vessels	TTEU	**675**	657	+18	**675**	657	+18
Aggregate container capacity	TTEU	**1,064**	1,049	+15	**1,064**	1,049	+15
Bunker price (average)	USD/t	**634**	644	–10	**665**	590	+75
Freight rate (average)	USD/TEU	**1,647**	1,529	+118	**1,574**	1,540	+34
Transport volume	TTEU	**1,281**	1,340	–59	**3,963**	3,874	+89
Revenue	m EUR	**1,765**	1,537	+228	**5,160**	4,504	+656
Transport expenses	m EUR	**1,531**	1,346	+185	**4,638**	3,892	+746
EBITDA	m EUR	**164.1**	105.4	+59	**245.0**	275.0	–30
EBIT	m EUR	**79.8**	34.1	+46	**0.9**	62.9	–62
EBIT adjusted	m EUR	**86.6**	36.7	+50	**17.9**	78.8	–61
Group profit/loss	m EUR	**45.6**	9.6	+36	**–94.1**	–23.1	–71
Cash flow from operating activities	m EUR	**26.2**	41.0	–15	**127.1**	186.8	–60
KEY RETURN FIGURES							
EBITDA margin (EBITDA / revenue)	%	**9.3**	6.9	+2.4pp	**4.7**	6.1	–1.4ppt
EBIT margin (EBIT / revenue)	%	**4.5**	2.2	+2.3pp	**0.0**	1.4	–1.4ppt
EBIT margin adjusted	%	**4.9**	2.4	+2.5pp	**0.3**	1.7	–1.4ppt
KEY BALANCE SHEET FIGURES AS AT 30 SEPTEMBER							
Balance sheet total	m EUR	**6,964**	6,614[2]	+350	**6,964**	6,614[2]	+350
Equity	m EUR	**3,225**	3,424[2]	–199	**3,225**	3,424[2]	–199
Equity ratio (equity / balance sheet total)	%	**46.3**	51.8[2]	–5.5pp	**46.3**	51.8[2]	–5.5ppt
Borrowed capital	m EUR	**3,739**	3,189[2]	+550	**3,739**	3,189[2]	+550
KEY FINANCIAL FIGURES AS AT 30 SEPTEMBER							
Financial debt	m EUR	**2,345**	1,897[2]	+448	**2,345**	1,897[2]	+448
Cash and cash equivalents	m EUR	**579**	673[2]	–94	**579**	673[2]	–94
Net debt (financial debt – cash and cash equivalents)	m EUR	**1,766**	1,224[2]	+542	**1,766**	1,224[2]	+542
Gearing (net debt / equity)	%	**54.8**	35.7[2]	+19.1pp	**54.8**	35.7[2]	+19.1ppt
NUMBER OF EMPLOYEES AS AT 30 SEPTEMBER							
Employees at sea[1]		**1,355**	1,336	+19	**1,355**	1,336	+19
Employees on land[1]		**5,678**	5,570	+108	**5,678**	5,570	+108
HAPAG-LLOYD TOTAL		**7,033**	6,906	+127	**7,033**	6,906	+127

[1] As at 30.9.2012   [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 13 November 2012.

CONTENTS

HAPAG-LLOYD'S CAPITAL MARKET ACTIVITIES

Stock markets depend on central bank policy

Despite disappointing economic growth in the USA and the brisk cool-down of economic activities in the growth region of Asia, most of the major international stock market indices charted considerable price rises in the third quarter. America's leading index, the Dow Jones Industrial, and Germany's DAX both stood at their highest level for 12 months in September. Investors' confidence in both the euro and the international stock markets improved in particular due to the Federal Reserve's billion-dollar programme to repurchase mortgage bonds and the announcement that the European Central Bank (ECB) would continue buying large quantities of government bonds issued by crisis-hit eurozone countries. The prospect of continuously low interest rates for the medium term also underpinned the upturn on the stock markets. However, stock exchange trends are largely driven by liquidity and market experts expect them to remain volatile in the fourth quarter due to the US presidential election and the weak global economy.

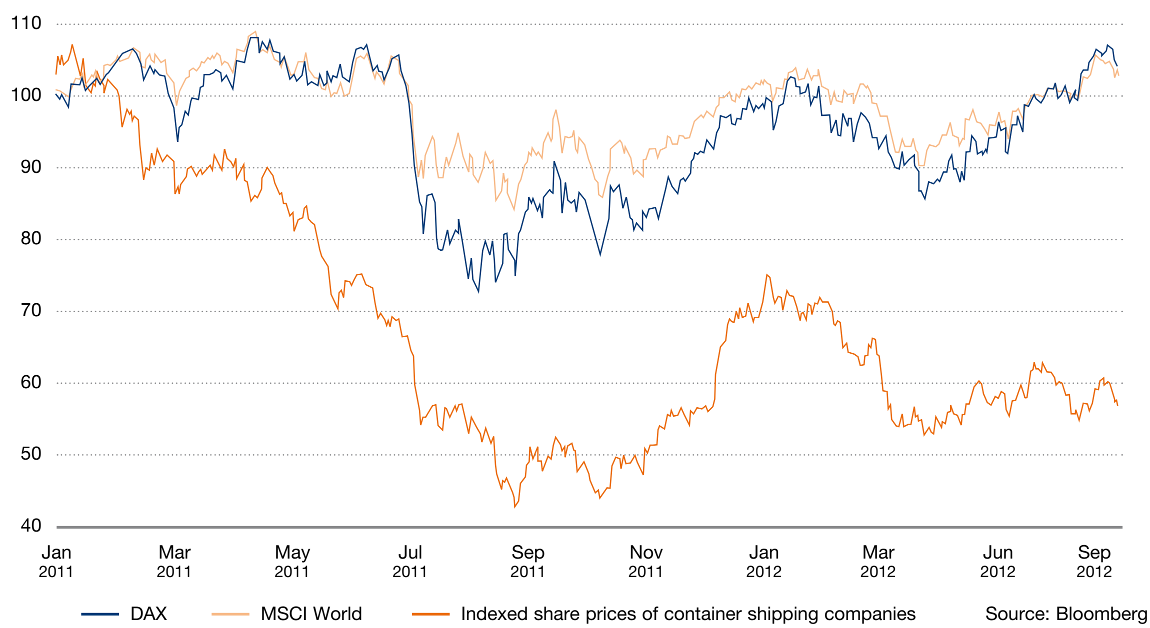
DEVELOPMENTS IN THE MOST IMPORTANT INDICES

Indices	**28.9.2012**	30.12.2011	30.9.2011
Dow Jones Industrial	13,437	12,217	10,913
MSCI World	1,312	1,182	1,104
EuroStoxx 50	2,454	2,316	2,179
DAX Index	7,327	5,898	5,502
Nikkei 225	8,870	8,455	8,700

Source: Bloomberg

As spot rates for container services deteriorated again on the important Far East trade, shares in the publicly listed container liner shipping companies were unable to participate in the positive stock market mood.

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



Positive price trends for corporate bonds

In the eurozone, inflation stood at 2.7% p.a. in September and thereby 0.1 percentage points up on the previous month. For the last six months, the figure has considerably exceeded the ECB's 2% target. Despite the high rate of inflation, demand for investments remained high among both institutional and private investors. This prompted rising prices and falling returns for corporate bonds once again in the third quarter of 2012. Companies capitalised on the persistently high demand and issued corporate bonds worth a record USD 237.6 billion in August, according to an analysis by the news agency Bloomberg.

Hapag-Lloyd's bonds

On 28 September 2012, the bonds issued by Hapag-Lloyd AG were traded at 104.76% (EUR tranche) and 98.19% (USD tranche).

The Hapag-Lloyd Group still has solid balance sheet ratios. The equity ratio (equity/balance sheet total) as at 30 September 2012 amounted to around 46%. Gearing remains comparatively low at approximately 55%. On 30 September 2012, cash and cash equivalents accounted for around 8% of the balance sheet total. The agreed covenants were once again fulfilled as at 30 September 2012.

In its rating update on 28 September 2012, the international rating agency Standard & Poor's downgraded its issuer rating for Hapag-Lloyd Holding AG from BB– to B+. The outlook ("negative") remained unchanged. The rating agency Moody's reduced its rating from B1/"Negative Outlook" to B2/"Negative Outlook" on 31 October 2012. The euro bond was trading at 106.78% on 22 October 2012. The US dollar bond was trading at 99.31% and was therefore also higher than the price at the end of the reporting period.

KEY BOND DATA

	Issue volume (total)	Maturity*	Coupon	Issue price	Price on **28.9.2012**
EUR tranche	EUR 480 m	15.10.2015	9.00%	99.50%**	104.76%
USD tranche	USD 250 m	15.10.2017	9.75%	99.37%	98.19%

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 nine months of 2012, Hapag-Lloyd attended the following international capital market conferences:

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

Numerous individual discussions were also held with interested international analysts and investors.

Published reports are available on the Hapag-Lloyd website – **www.hapag-lloyd.com/investor_relations**.

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 September 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 corporate management
As at 30 September 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%
SIGNAL IDUNA Gruppe	5.3%
HSH Nordbank AG	2.9%
HanseMerkur Versicherungsgruppe	1.8%
Investorenpool unter Leitung von M.M.Warburg & CO KGaA	2.9%
TUI AG / TUI-Hapag Beteiligungs GmbH	**22.0%**
Total	**100.0%**

At its meeting on 24 September 2012, the Supervisory Board extended the contracts of Michael Behrendt and Ulrich Kranich as members of the executive board for a further year. They now expire on 30 June 2014. Michael Behrendt was again appointed as Chairman of the Executive Board and Labour Director.

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 146 container ships (30 September 2012). Hapag-Lloyd currently has around 300 sales offices in 114 countries and offers its customers worldwide access to a network of 89 liner services. In the first nine months of 2012, Hapag-Lloyd served 19,937 customers worldwide.

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 debt, 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, October 2012), the volume of global container transport should grow by 4.4% to 131.9 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 September 2012, Hapag-Lloyd had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 652.2 million (30 June 2012: EUR 568.8 million). In accordance with the financing policy, financing for the completed and planned investments in ships and containers were secured through corresponding financing agreements before placing orders.

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

Economists from the International Monetary Fund (IMF) believe that the risks for the global economy increased further in the third quarter of 2012. The ongoing sovereign debt crisis in the eurozone is burdening Europe's economic development. Economic growth in the USA is also somewhat disappointing at present, despite the Federal Reserve's aggressive monetary policy. China – Asia's largest economy – is experiencing a more rapid cool-down than anticipated. Economic developments in important newly industrialising countries such as India and Brazil are also failing to meet expectations at present. In light of these negative factors, the IMF has downgraded its current economic forecast again.

It has reduced its growth estimate for 2012 by 0.2 percentage points and its 2013 outlook by 0.3 percentage points.

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

(in %)	2013e	2012e	2011
Global economic growth	3.6	3.3	3.8
Industrialised countries	1.5	1.3	1.6
Developing and newly industrialising countries	5.6	5.3	6.2
World trading volume (goods and services)	4.5	3.2	5.8

Source: IMF October 2012

SECTOR-SPECIFIC CONDITIONS

In the medium term, 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 (October 2012) expects a 3.2% increase in the global cargo volume this year and growth of 4.4% to 131.9 million TEU in 2013. As the global economy is currently weak, the global cargo volume estimates have been reduced by 0.9% for 2012 and 2.0% for 2013. Overall, the forecast rise in worldwide transport volumes in container shipping for 2012 and 2013 should be in line with 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 1.5 million TEU in 2012 and approximately 1.8 million TEU in 2013 due to new vessels (Transmodal, October 2012). 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. According to the industry information service AXS-Alphaliner (August 2012), the transport capacity used for slow steaming has increased by more than 230,000 TEU to an estimated 930,000 TEU since the beginning of the year. Meanwhile, Clarksons Shipping Intelligence Network (October 2012) reports that container vessels with an aggregate transport capacity of 235,000 TEU have already been scrapped since the beginning of the year (2011: 77,000 TEU). The scrapping of inefficient ships could increase to some 270,000 TEU for the full year 2012 (Dynaliner, May 2012). 377,000 TEU of unused transport capacity was permanently taken out of service in 2009 – the only year with a higher scrapping rate.

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 is likely to weaken short-term industry developments. This is primarily attributable to trends in bunker prices, which have more than trebled since the beginning of 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 for container services have firmed up compared to prices in early 2012, especially on Asia–Europe and Transpacific trades. However, trends in freight rates on the respective trades are shaped by demand and are therefore likely to continue to fluctuate considerably.

Due to unforeseen weaker demand for container transport services in the peak season, the number of idle ships has risen sharply again in recent weeks. At 550,000 TEU (AXS-Alphaliner, September 2012), the idle capacity corresponded to approximately 4% of the global container fleet's total tonnage at the end of the third quarter of 2012. The majority of idle ships have a tonnage of up to 3,000 TEU. The number of idle vessels is expected to increase dramatically again in the course of the fourth quarter of 2012. By the end of 2012, the idle fleet's capacity could total as much as 900,000 TEU (AXS-Alphaliner September 2012).

IMPORTANT PERFORMANCE INDICATORS

Efficient fleet

As at 30 September 2012, Hapag-Lloyd's fleet comprised 146 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 675,273 TEU. Hapag-Lloyd also owned or leased 659,570 containers with a capacity of 1,064,373 TEU for transporting cargo.

STRUCTURE OF HAPAG-LLOYD'S CONTAINER SHIP FLEET

	30.9.2012	31.12.2011	30.9.2011
Number of vessels	146	149	147
thereof			
own vessels	58	58	58
leased vessels	7	9	9
chartered vessels	81	82	80
Aggregate capacity of vessels (TTEU)	675	679	657
Aggregate container capacity (TTEU)	1,064	1,042	1,049
Number of services	89	84	82

The "New York Express" went into service in the third quarter, on 28 September 2012. It follows the "Hamburg Express" as the Company's second container vessel with a capacity exceeding 10,000 TEU. There are another eight 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 nine months of 2012, Hapag-Lloyd transported 3,963 TTEU worldwide. This corresponds to growth of 2.3% compared with the same period of the previous year. With the exception of the Atlantic trade, the development in transport volumes was positive on all trades during the period under review. Above-average growth in cargo volumes was achieved on the Transpacific and Australasia trades.

DEVELOPMENTS IN TRANSPORT VOLUME BY TRADE

TTEU	9M 2012	9M 2011	9M 2010	9M 2009	9M 2008
Atlantic	857	876	859	787	1,029
Latin America	881	869	814	655	728
Far East	861	849	848	793	977
Transpacific	909	848	807	741	861
Australasia	455	432	400	517	634
Total	**3,963**	**3,874**	**3,728**	**3,493**	**4,229**

In the first three quarters of 2012, the average freight rate was USD 1,574/TEU and therefore 2.2% up on the same period a year ago. This rise was attributable to the freight rate increases and surcharges imposed largely in the first six months of 2012. Competition remained tough, however, and continued to burden freight rate developments, especially on the Far East trade. In spite of the rate rises, the average freight rate on this trade was down 4.1% in the reporting period against the same period a year ago. By contrast, the Transpacific and Latin America trades saw positive developments in average freight rates.

DEVELOPMENTS IN FREIGHT RATES BY TRADE

USD/TEU	9M 2012	9M 2011	9M 2010	9M 2009	9M 2008
Atlantic	1,754	1,768	1,579	1,421	1,708
Latin America	1,425	1,360	1,353	1,196	1,517
Far East	1,350	1,408	1,639	1,070	1,679
Transpacific	1,886	1,724	1,740	1,419	1,678
Australasia	1,325	1,341	1,285	891	1,166
Total (weighted average)	**1,574**	**1,540**	**1,547**	**1,220**	**1,581**

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. The ISO certificate has been extended for a further three years by the certification body, Germanischer Lloyd. 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 (known as cold ironing) while in port. Other vessels will follow suit. Cold ironing means that the auxiliary diesel engines used to generate electricity can remain switched off while the vessels are in port. This reduces 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 nine months of the 2012 financial year, transport contracts were completed for 19,937 customers (prior year period: 19,072).

Employees

The Hapag-Lloyd Group employed a workforce of 7,033 as at 30 September 2012. The headcount increased by a total of 127 compared to last year because the Company stepped up its sales and service activities in India, China, Dubai and at its head offices, and it has also taken over new, larger vessels. Of the land-based employees, some 78% worked outside Germany as at 30 September 2012.

NUMBER OF EMPLOYEES

	30.9.2012	31.12.2011	30.9.2011
Marine division	1,252	1,198	1,218
Land division	5,568	5,465	5,464
Apprentices	213	210	224
Total	**7,033**	**6,873**	**6,906**

As at 30 September 2012, 1,252 people were employed in the marine division (30 September 2011: 1,218). The number of staff in the land division rose by 104 to 5,568.

The number of full-time equivalent employees (FTE) increased from 6,786 as at 30 September 2011 to 6,885 (+99 employees).

GROUP EARNINGS POSITION

CONSOLIDATED INCOME STATEMENT

in million EUR	**Q3 2012**	Q3 2011	**9M 2012**	9M 2011
Revenue	1,764.8	1,536.5	5,160.1	4,503.8
Other operating income	83.1	1.8	174.4	111.7
Transport expenses	1,530.9	1,346.1	4,638.1	3,891.8
Personnel expenses	87.6	75.7	270.7	251.2
Depreciation, amortisation and impairment	84.3	71.3	244.1	212.1
Other operating expenses	75.4	33.2	208.4	227.0
Operating result	**69.7**	**12.0**	**–26.8**	**33.4**
Share of profits of equity-accounted investees	8.5	5.8	22.2	13.7
Other financial result	1.6	16.3	5.5	15.8
Group earnings before interest and tax (EBIT)	**79.8**	**34.1**	**0.9**	**62.9**
Net interest result	–33.5	–22.0	–91.7	–77.3
Income taxes	0.7	2.5	3.3	8.7
Group profit/loss	**45.6**	**9.6**	**–94.1**	**–23.1**
EBITDA	**164.1**	**105.4**	**245.0**	**275.0**
EBITDA margin (%)	**9.3**	**6.9**	**4.7**	**6.1**
EBIT adjusted	**86.6**	**36.7**	**17.9**	**78.8**
EBIT margin (%) adjusted	**4.9**	**2.4**	**0.3**	**1.7**
EBIT	**79.8**	**34.1**	**0.9**	**62.9**
EBIT margin (%)	**4.5**	**2.2**	**0.0**	**1.4**

The first nine months of the 2012 financial year saw high, volatile bunker prices and a significant decline in global economic growth towards the end of the period. Both of these factors had a substantial effect on business developments at the Hapag-Lloyd Group. Competition also remained tough, which continued to impact on the Group's earnings development.

Despite the difficult market environment, Hapag-Lloyd's consolidated revenue rose by EUR 656.3 million in the first nine months of the 2012 financial year to EUR 5,160.1 million (prior year period: EUR 4,503.8 million). This positive trend resulted from a 2.3% increase in the transport volume, which reached 3,963 TTEU, and a rise in the average freight rate by 2.2% to USD 1,574/TEU. Exchange rate effects also helped. The average USD/EUR exchange rate strengthened to USD 1.28/EUR (prior year period: USD 1.41/EUR).

TRANSPORT EXPENSES

in million EUR	**Q3 2012**	Q3 2011	**9M 2012**	9M 2011
Expenses for raw materials and supplies	380.7	331.0	1,234.9	921.3
Cost of purchased services	1,150.2	1,015.1	3,403.2	2,970.5
Transport expenses	**1,530.9**	**1,346.1**	**4,638.1**	**3,891.8**

Transport expenses climbed by a total of EUR 746.3 million (19.2%) in the first nine months of 2012 to EUR 4,638.1 million. This increase resulted primarily from a 34.0% rise in expenses for raw materials and supplies. During the reporting period, the average bunker price was USD 665 per tonne (prior year period: USD 590 per tonne) – up approximately 13% on the same period of the previous year. The cost of purchased services rose by 14.6%. This was due to cost increases associated with inflation, energy prices and higher volumes and, in particular, the trend in the US dollar-euro exchange rate.

At EUR 174.4 million, other operating income for the first nine months of 2012 exceeded the figure of EUR 111.7 million posted for the same period of the previous year. This rise was primarily attributable to income of EUR 92.1 million from container sales in conjunction with an operating sale and leaseback transaction. Other operating income also contained gains from derivatives for exchange rate risks.

Changes in the USD/EUR exchange rate caused period-specific exchange rate gains and losses to decrease considerably in the period under review. 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 28.3 million in the first nine months of 2012.

Compared with the previous year, depreciation and amortisation climbed from EUR 212.1 million to EUR 244.1 million. This was caused by regular depreciation on additions to the ship and container portfolios. The other financial result 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 0.9 million in the reporting period. It therefore fell short of last year's nine-month figure (EUR 62.9 million). After taking into account depreciation and amortisation, EBITDA amounted to EUR 245.0 million for the first nine months of 2012 (prior year period: EUR 275.0 million).

Adjusted for special items from the purchase price allocation, the Group reported an operating result before interest and taxes of EUR 17.9 million for the first nine months of the financial year (prior year period: EUR 78.8 million). The figure was not adjusted for income from container sales. The consequences of the financial and economic crisis in 2009 upset the normal rhythm of selling old containers and buying new ones. In light of the favourable situation on the secondary container market at present, a larger-scale sale and leaseback transaction was completed in the second and third quarters of 2012. Sales of containers are generally classed as typical, regular operating transactions for liner shipping companies. The adjusted EBIT stood at EUR 86.6 million in the third quarter. All in all, the Company therefore achieved substantially better earnings in the third quarter than in the nine months to September 2011 (adjusted EBIT: EUR 36.7 million).

In the period under review, the Group generated a net result of EUR –94.1 million (prior year period: EUR –23.1 million). The Group generated earnings after tax of EUR 45.6 million in the third quarter of 2012 (prior year period: EUR 9.6 million).

GROUP FINANCIAL AND NET ASSET POSITION

CONDENSED STATEMENT OF CASH FLOWS

in million EUR	**Q3 2012**	Q3 2011	**9M 2012**	9M 2011
Cash flow from operating activities	26.2	41.0	127.1	186.8
Cash flow from investment activities	–66.0	–100.7	–229.7	–128.0
Free cash flow	**–39.8**	**–59.7**	**–102.6**	**58.8**
Cash flow from financing activities	139.3	46.3	9.3	–188.8
Changes in cash and cash equivalents	**99.5**	**–13.4**	**–93.3**	**–130.0**

Cash flow from operating activities

Operating cash flow came to EUR 127.1 million in the first nine months of the 2012 financial year (prior year period: EUR 186.8 million).

Cash flow from investment activities

The cash outflow from investment activities amounted to EUR 229.7 million in the first nine months of 2012 and resulted mainly from the purchase of container ships. 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 agreement concerns the sale of some 85,000 containers which will be leased back until their final physical disposal. This sale was completed in two tranches. The first tranche of approximately 37,000 containers was sold in June 2012, followed by the second tranche of around 48,000 containers at the end of July 2012. This transaction generated a total liquidity inflow of USD 129.8 million (EUR 101.2 million).

Cash flow from financing activities

The net impact of the Company's financing activities was a cash inflow of EUR 9.3 million. Cash inflows of EUR 406.7 million were offset by regular interest and capital repayments (EUR 260.5 million) and the repayment of hybrid capital II and associated interest (EUR 136.9 million). The newly received funds relate to loans to finance vessels and containers and from an increase in the programme established in 2011 to securitise receivables.

DEVELOPMENTS IN CASH AND CASH EQUIVALENTS

in million EUR	Q3 2012	Q3 2011	9M 2012	9M 2011
Cash and cash equivalents at beginning of period	**493.3**	**590.1**	**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	–14.1	23.8	–0.5	–21.4
Net changes	99.5	–13.4	–93.3	–130.0
Cash and cash equivalents at end of period	**578.7**	**600.5**	**578.7**	**600.5**

Overall, the aggregate cash outflow totalled EUR 93.3 million in the first nine months of 2012, such that after accounting for exchange rate effects at the end of the reporting period, cash and cash equivalents of EUR 578.7 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 million (EUR 73.5 million).

Sound financing structure

At EUR 1,765.8 million, the Group’s net debt was higher as at 30 September 2012 than at year-end 2011. This was first and foremost due to new borrowing for the purpose of financing investments in ships and containers and the repayment of hybrid capital II totalling EUR 100.0 million. As already reported on 30 June 2012, the conversion of operating lease into finance lease contracts resulted in an increase of financial debt.

FINANCIAL SOLIDITY

in million EUR	30.9.2012	31.12.2011
Cash and cash equivalents	578.7	672.5
Financial debt	2,344.5	1,896.5
Net debt	**1,765.8**	**1,224.0**
Gearing (%)	**54.8**	**35.7**
Unused credit lines	**73.5**	**73.4**
Equity ratio (%)	**46.3**	**51.8**

CHANGES IN THE ASSET STRUCTURE

CONDENSED BALANCE SHEET

in million EUR		**30.9.2012**	31.12.2011
Assets			
Non-current assets		5,569.6	5,170.9
thereof fixed assets		5,508.0	5,067.2
Current assets		1,394.0	1,442.9
thereof cash and cash equivalents		578.7	672.5
Total assets		**6,963.6**	**6,613.8**
Equity and liabilities			
Equity		3,224.6	3,424.4
Borrowed capital		3,739.0	3,189.4
thereof non-current liabilities		2,255.5	1,911.5
thereof current liabilities		1,483.5	1,277.9
thereof financial debt		2,344.5	1,896.5
thereof non-current financial debt		2,022.8	1,689.3
thereof current financial debt		321.7	207.2
Total equity and liabilities		**6,963.6**	**6,613.8**
Asset coverage ratio I	(in %)	58.5	67.6
Asset coverage ratio II	(in %)	99.5	105.3
Liquidity ratio I	(in %)	39.0	52.6
Net debt		1,765.8	1,224.0
Equity ratio	(in %)	46.3	51.8

As at 30 September 2012, the Group's balance sheet total was EUR 6,963.6 million – EUR 349.8 million higher than the figure from year-end 2011.

While non-current assets increased by EUR 398.7 million, current assets decreased by EUR 48.9 million. Non-current assets increased due to investments of EUR 692.5 million, made largely in containers and ocean-going vessels. Key investments were the purchase of two previously leased ships, the conversion of existing operating lease contracts into finance lease contracts for seven vessels, and the addition of new containers and two new container ships with a capacity of 13,200 TEU each. These factors were partly offset in the reporting period by the sale of four ships with carrying amounts of approximately EUR 18 million, the disposal of containers with carrying amounts of EUR 9.1 million, and scheduled depreciation/amortisation totalling EUR 244.1 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 EUR 93.8 million to EUR 578.7 million (previous year: EUR 672.5 million) due to cash outflows for investments in ships and containers.

On the liabilities side, equity (including non-controlling interests) contracted by EUR 199.8 million to a total of EUR 3,224.6 million as at 30 September 2012. The decline was primarily attributable to the Group negative net result and the partial repayment of hybrid capital II (EUR 100.0 million). On 12 April 2012, EUR 249.2 million was transferred to subscribed capital and capital reserves from hybrid capital II as part of a capital increase. The equity ratio was approximately 46% on 30 September 2012 (31 December 2011: approximately 52%).

The rise in non-current and current liabilities resulted first and foremost from the increase in financial debt compared to year-end 2011. 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 invest in ships and containers. In addition to this, a credit financing agreement for a container portfolio was signed with a group of Japanese investors in the third quarter.

Taking cash and cash equivalents and financial debt into account, net debt as at 30 September 2012 was EUR 1,765.8 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.

In its rating update on 28 September 2012, the international rating agency Standard & Poor's downgraded its issuer rating for Hapag-Lloyd Holding AG from BB– to B+. The outlook ("negative") remained unchanged. The rating agency Moody's reduced its rating from B1/"Negative Outlook" to B2/"Negative Outlook" on 31 October.

As described in the section "Risk and Opportunity" of the Group management report for 2010 and 2011, the downgrading of Hapag-Lloyd Holding AG's rating and that of the bonds issued could result in less favourable conditions for raising new funds in the medium term and could adversely affect the trading price and the fungibility of the securities.

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

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant transactions after the balance sheet date.

OUTLOOK

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.

DEVELOPMENTS IN IMPORTANT MACROECONOMIC AND SECTOR-SPECIFIC FACTORS

Influencing factor	Developments in Q3 2012	Consequences in Q4 2012
Global economic growth	Further reduction in the growth forecasts and increasing threat of a global recession	Weaker growth in volumes
Transport volume	Global demand for container transport services continues to increase slightly in 2012	Slightly positive impact
Transport costs	Rise in bunker consumption prices	Negative impact on costs
Freight rates	Further increases in rates announced	Consequences unclear as weak global economy makes implementation difficult

In the medium term, demand for container transport services should continue to rise in tandem with expected ongoing growth in the world trading volume. IHS Global Insight Industry Intelligence (October 2012) anticipates a 4.4% increase in the global cargo volume to 131.9 million TEU in 2013. However, as the world economy is currently weak, the global cargo volume estimates have been reduced by 0.9% for 2012 and 2.0% for 2013. Overall, the forecast rise in worldwide transport volumes in container shipping for 2012 and 2013 should be in line with the rate of growth for global trade.

However, the risks for the global economy increased further in the third quarter of 2012 according to the World Economic Outlook published by the International Monetary Fund (IMF) in October. The ongoing sovereign debt crisis in the eurozone is impairing Europe's economic development. Economic growth in the USA is also somewhat disappointing at present, despite the Federal Reserve's aggressive monetary policy. China – Asia's largest economy – is experiencing a more rapid cool-down than anticipated. In light of these negative factors, the IMF has downgraded the current economic forecast again. It has reduced its growth estimate for 2012 by 0.2 percentage points and its 2013 outlook by 0.3 percentage points.

Global demand for container transport services was substantially weaker than expected in the third quarter of 2012 – which is traditionally the peak season for container shipping – due to sluggish growth in the world economy. In addition to this, bunker prices remain comparatively high, exacerbating the industry's cost position.

In spite of these negative factors, Hapag-Lloyd is striving to achieve positive operating result again for the current financial year, provided that there is no fundamental escalation of the risks in the fourth quarter of 2012. 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 and container investments are 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 SEPTEMBER 2012

in million EUR	**Q3 2012**	Q3 2011	**9M 2012**	9M 2011
Revenue	1,764.8	1,536.5	5,160.1	4,503.8
Other operating income	83.1	1.8	174.4	111.7
Transport expenses	1,530.9	1,346.1	4,638.1	3,891.8
Personnel expenses	87.6	75.7	270.7	251.2
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment	84.3	71.3	244.1	212.1
Other operating expenses	75.4	33.2	208.4	227.0
Operating result	**69.7**	**12.0**	**–26.8**	**33.4**
Share of profit of equity-accounted investees	8.5	5.8	22.2	13.7
Other financial result	1.6	16.3	5.5	15.8
Earnings before interest and tax (EBIT)	**79.8**	**34.1**	**0.9**	**62.9**
Interest income	1.6	2.7	4.9	7.5
Interest expenses	35.1	24.7	96.6	84.8
Earnings before income taxes	**46.3**	**12.1**	**–90.8**	**–14.4**
Income taxes	0.7	2.5	3.3	8.7
Group profit/loss	**45.6**	**9.6**	**–94.1**	**–23.1**
thereof attributable to shareholders of Hapag-Lloyd Holding AG	45.4	9.6	–94.6	–23.1
thereof attributable to non-controlling interests	0.2	0.0	0.5	0.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

in million EUR	**Q3 2012**	Q3 2011	**9M 2012**	9M 2011
Group profit/loss	**45.6**	**9.6**	**–94.1**	**–23.1**
Cash flow hedges (no tax effect)	8.5	–70.9	6.6	–10.2
Addition to other comprehensive income (OCI)	18.0	–9.0	29.7	158.3
Reclassification to income statement due to realisation	–9.5	–61.9	–23.1	–168.5
Actuarial gains (+) and losses (–) from pension provisions and related fund assets, after tax	–16.5	1.1	–16.8	1.3
Actuarial gains (+) and losses (–) from pension provisions and related fund assets, before tax	–16.5	1.1	–16.8	1.3
Tax effect	-	-	-	-
Currency translation (no tax effect)	–76.2	185.5	4.3	–21.6
Other comprehensive income	**–84.2**	**115.7**	**–5.9**	**–30.5**
Total comprehensive income	**–38.6**	**125.3**	**–100.0**	**–53.6**
thereof attributable to shareholders of Hapag-Lloyd Holding AG	–38.8	125.3	–100.5	–53.6
thereof attributable to non-controlling interests	0.2	-	0.5	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

in million EUR	**30.9.2012**	31.12.2011
Assets		
Goodwill	708.1	707.3
Other intangible assets	670.1	729.6
Property, plant and equipment	3,809.6	3,314.4
Investments in equity-accounted investees	320.2	315.9
Other assets	22.5	43.8
Derivative financial instruments	25.8	46.9
Deferred tax assets	13.3	13.0
Non-current assets	**5,569.6**	**5,170.9**
Inventories	199.7	208.7
Trade accounts receivable	436.1	419.6
Other assets	124.0	106.5
Derivative financial instruments	42.9	17.1
Income tax receivables	12.6	7.7
Cash and cash equivalents	578.7	672.5
Non-current assets held for sale	0.0	10.8
Current assets	**1,394.0**	**1,442.9**
Total assets	**6,963.6**	**6,613.8**

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

in million EUR	**30.9.2012**	31.12.2011
Equity and liabilities		
Subscribed capital	66.1	60.0
Capital reserves	3,269.8	3,026.6
Retained earnings	–156.0	–61.3
Cumulative other equity	44.0	49.9
Hybrid capital	0.0	348.9
Equity attributable to the shareholders of Hapag-Lloyd Holding AG	**3,223.9**	**3,424.1**
Non-controlling interests	0.7	0.3
Equity	**3,224.6**	**3,424.4**
Provisions for pensions and similar obligations	126.5	104.8
Other provisions	93.4	110.1
Financial debt	2,022.8	1,689.3
Other liabilities	5.4	5.8
Derivative financial instruments	5.8	0.0
Deferred tax liabilities	1.6	1.5
Non-current liabilities	**2,255.5**	**1,911.5**
Provisions for pensions and similar obligations	5.0	5.1
Other provisions	115.9	129.4
Income tax liabilities	5.6	4.3
Financial debt	321.7	207.2
Trade accounts payable	925.5	791.8
Other liabilities	109.8	140.1
Current liabilities	**1,483.5**	**1,277.9**
Total equity and liabilities	**6,963.6**	**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 SEPTEMBER 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	**-**	**-**	**-**	**–23.1**	–10.2	1.3	–21.6	**–30.5**	**-**	**–53.6**	**-**	**–53.6**
Transactions with shareholders	**–3,086.6**	**60.0**	**3,026.6**	**–20.6**	-	-	-	**-**	**16.3**	**–4.3**	**-**	**–4.3**
thereof												
Paid interest hybrid I	-	-	-	-	-	-	-	-	–4.3	–4.3	-	–4.3
Interest from hybrid II	-	-	-	–20.6	-	-	-	-	20.6	-	-	-
Change of legal form	–3,086.6	60.0	3,026.6	-	-	-	-	-	-	-	-	-
As per 30.9.2011	**-**	**60.0**	**3,026.6**	**–43.7**	25.9	–14.1	–44.0	**–32.2**	**373.9**	**3,384.6**	**0.3**	**3,384.9**
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	**-**	**-**	**-**	**–94.6**	6.6	–16.8	4.3	**–5.9**	**-**	**–100.5**	**0.5**	**–100.0**
Transactions with shareholders	**-**	**6.1**	**243.2**	**–0.1**	-	-	-	**-**	**–348.9**	**–99.7**	**–0.1**	**–99.8**
thereof												
Partial repayment of hybrid II	-	-	-	-	-	-	-	-	–100.0	–100.0	-	–100.0
Realisation transaction costs	-	-	-	-	-	-	-	-	0.3	0.3	-	0.3
Capital increase from contribution of hybrid II	-	6.1	243.9	-	-	-	-	-	–250.0	-	-	-
Reclassification transaction costs	-	-	–0.7	–0.1	-	-	-	-	0.8	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-	-	-	–0.1	–0.1
As per 30.9.2012	**-**	**66.1**	**3,269.8**	**–156.0**	6.6	–40.5	77.9	**44.0**	**-**	**3,223.9**	**0.7**	**3,224.6**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

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

in million EUR	**Q3 2012**	Q3 2011	**9M 2012**	9M 2011
Cash inflow(+)/outflow(–) from operating activities	26.2	41.0	127.1	186.8
Cash inflow(+)/outflow(–) from investing activities	–66.0	–100.7	–229.7	–128.0
Cash inflow(+)/outflow(–) from financing activities	139.3	46.3	9.3	–188.8
Net change in cash and cash equivalents	**99.5**	**–13.4**	**–93.3**	**–130.0**
Cash and cash equivalents at beginning of the period	**493.3**	**590.1**	**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	–14.1	23.8	–0.5	–21.4
Net change in cash and cash equivalents	99.5	–13.4	–93.3	–130.0
Cash and cash equivalents at the end of the period	**578.7**	**600.5**	**578.7**	**600.5**

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 cover the period 1 January to 30 September 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 September 2012 the USD/EUR exchange rate was virtually on par with the rate on 31 December 2011 (closing date rate: 30 September 2012 USD/EUR 1.2922; 31 December 2011 USD/EUR 1.2937). At USD/EUR 1.2824, the average rate for the first nine months of 2012 remained below the average rate for the prior year period of USD/EUR 1.4065.

Segment reporting

Since Hapag-Lloyd Holding AG at the time of the preparation of the interim financial statements as at 30 September 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 September 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 prior year period was primarily attributable to a larger transport volume, a higher average freight rate 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. Expenses were up on the prior year period due to rising costs associated with inflation, energy prices and higher volumes. The trend in the US dollar-euro exchange rate and, in particular, higher fuel costs arising from an increase in bunker prices also played a role.

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

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill

Goodwill rose slightly by EUR 0.8 million compared with 31 December 2011 due to the USD/EUR exchange rate.

Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

in million EUR	**30.9.2012**	31.12.2011
Vessels	2,902.1	2,416.9
Container, chassis	374.5	310.3
Other equipment	119.9	120.6
Prepayments on account and assets under construction	413.1	466.6
Total	**3,809.6**	**3,314.4**

The changes in property, plant and equipment were primarily additions to ocean-going vessels and containers amounting to EUR 473.3 million and prepayments for newbuild vessels ordered totalling EUR 214.0 million.

Firstly, two ships from previous operating lease contracts were purchased in the first quarter of 2012. 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 September 2012, the vessels recognised in connection with the finance lease contracts had a total carrying value of EUR 231.9 million; the containers were recognised at EUR 12.4 million as at 30 September 2012.

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

in million EUR	Total 30.9.2012	Maturity < 1 year	1–5 years
Future minimum lease payments	257.2	31.5	225.7
Interest component	32.9	14.4	18.5
Net present value	**224.3**	**17.1**	**207.2**

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

In the reporting period four ships were sold and in the third quarter Hapag-Lloyd took delivery of two newly built ships.

Disposals of containers as part of a sale and leaseback transaction resulted in income of USD 118.1 million (EUR 92.1 million).

Due to the changed market conditions in the secondary container market, the anticipated residual values have been reassessed and adjusted accordingly in the first six months of 2012.

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 September 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 243.2 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 6.6 million as at 30 September 2012 (30 September 2011: EUR 25.9 million).

The reserve for actuarial gains and losses (30 September 2012: EUR –40.5 million; 30 September 2011: EUR –14.1 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 nine months of 2012 totalled EUR 4.3 million (prior year period: EUR –21.6 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 nine months of the financial year 2012 led to a reduction in transport expenses.

Financial debt

FINANCIAL DEBT

in million EUR	**30.9.2012**	31.12.2011
Liabilities to banks	1,460.2	1,239.1
Bonds	658.6	655.9
Liabilities from finance lease contracts	224.3	0.0
Other financial debt	1.4	1.5
Total	**2,344.5**	**1,896.5**

FINANCIAL DEBT BY CURRENCY EXPOSURE

in million EUR	**30.9.2012**	31.12.2011
Financial debt denoted in USD (excl. transaction costs)	1,729.2	1,273.6
Financial debt denoted in EUR (excl. transaction costs)	627.9	646.5
Interest liabilities	35.7	22.1
Accounting for transaction costs	–48.3	–45.7
Total	**2,344.5**	**1,896.5**

In the first quarter 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 conjunction with financing arrangements for the acquisition of two vessels from previous operating lease contracts and due to payments for the first two tranches of the K-sure II financing package for the newbuilds “Hamburg Express” and “New York Express”.

An agreement was also signed in the third quarter of 2012 for a total of up to USD 165 million (EUR 127.7 million) to finance the acquisition of new containers and those already in use. These funds will be drawn down in line with actual container orders. The Company had associated liabilities of USD 35.5 million (EUR 27.5 million) on the reporting date.

A container portfolio was also sold to a group of Japanese investors in the third quarter of 2012 and leased back as part of a 3.5-year lease agreement. The container lease is classed as credit financing in accordance with SIC-27 *Evaluating the substance of transactions involving the legal form of a lease* because there is a high probability that the containers will be transferred back to Hapag-Lloyd at the end of the lease based on the attractive purchase option included in the agreement. The lease agreement is essentially a form of borrowing with the container portfolio transferred by way of security. Accordingly, the containers are still being reported and amortised in the Group.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Ordinary business activities resulted in an inflow of cash and cash equivalents totalling EUR 127.1 million (prior year period: EUR 186.8 million).

The cash outflow from investing activities amounted to EUR 229.7 million in the first nine months of the financial year 2012 (prior year period: EUR 128.0 million). EUR 391.1 million (prior year period: EUR 186.7 million) was paid for investments in property, plant and equipment, intangible assets and other non-current assets in the first nine months of the financial year 2012. These payments relate primarily to the acquisition of two vessels from previous operating lease contracts, payments in conjunction with the delivery of two newbuilds, prepayments for additional newbuilds 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 161.4 million (prior year period: EUR 58.7 million). The incoming payments were primarily generated by the sale of four ships and two tranches of a container sale and leaseback transaction, which involves selling a total of 85,000 containers and leasing them back until their final return.

In the first nine months of 2012, the inflow of cash and cash equivalents from financing activities amounted to EUR 9.3 million (prior year period: outflow of EUR 188.8 million). This resulted primarily from inflows of funds totalling EUR 406.7 million. These inflows were offset by regular interest and capital repayments (EUR 260.5 million) and the repayment of hybrid capital II and associated interest (EUR 136.9 million).

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 obligations 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 nine months of 2012, charter, rental and lease payments of EUR 567.7 million (prior year period: EUR 498.0 million) were posted to expenses.

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

in million EUR	**30.9.2012**	31.12.2011
Vessels and containers	808.5	1,200.1
Administrative buildings	118.7	126.5
Other	127.4	162.5
Rent	1,054.6	1,489.1
Purchase commitments	639.3	744.1
Total	**1,693.9**	**2,233.2**
Fair value	**1,636.0**	**2,087.0**

Other financial obligations declined in the first nine months 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 only 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 2.0% 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

There were no significant transactions after the balance sheet date.

Hamburg, 13 November 2012

Hapag-Lloyd Holding AG
The Executive Board

Michael Behrendt

Peter Ganz

Ulrich Kranich

Jesper Praestensgaard

FINANCIAL CALENDAR 2013

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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