Annual Report 2020

Hapag-Lloyd

SUMMARY OF KEY FIGURES

		1.1.– 31.12.2020	1.1.– 31.12.2019	Change absolute
Key operating figures				
Total vessels (as at 31 December)[1]		237	239	–2
Aggregate capacity of vessels[1]	TTEU	1,719	1,707	12
Aggregate capacity of containers[1]	TTEU	2,704	2,540	164
Freight rate (average)	USD/TEU	1,115	1,072	43
Transport volume	TTEU	11,838	12,037	–198
Revenue	million EUR	12,772	12,608	164
EBITDA	million EUR	2,700	1,986	715
EBIT	million EUR	1,315	811	504
Group profit/loss	million EUR	935	373	562
Earnings per share	EUR	5.27	2.06	3.21
Cash flow from operating activities	million EUR	2,898	2,028	870
Key return figures				
EBITDA margin (EBITDA/revenue)	%	21.1	15.8	5.4 ppt
EBIT margin (EBIT/revenue)	%	10.3	6.4	3.9 ppt
ROIC (Return on Invested Capital)[2]	%	10.6	6.1	4.5 ppt
Key balance sheet figures as at 31 December[1]				
Balance sheet total	million EUR	15,184	16,200	–1,016
Equity	million EUR	6,723	6,621	102
Equity ratio (equity/balance sheet total)	%	44.3	40.9	3.4 ppt
Borrowed capital	million EUR	8,462	9,580	–1,118
Key financial figures as at 31 December[1]				
Financial debt and and lease liabilities	million EUR	5,136	6,397	–1,261
Cash and cash equivalents	million EUR	681	512	170

1 Figures as per 31 December of the respective financial year.
2 The return on invested capital (ROIC) is calculated as the ratio of net operating profit after taxes (NOPAT) to invested capital (assets excluding cash and cash equivalents less liabilities excluding financial debt). This key operating figure is calculated on an annualised basis and in US dollars.

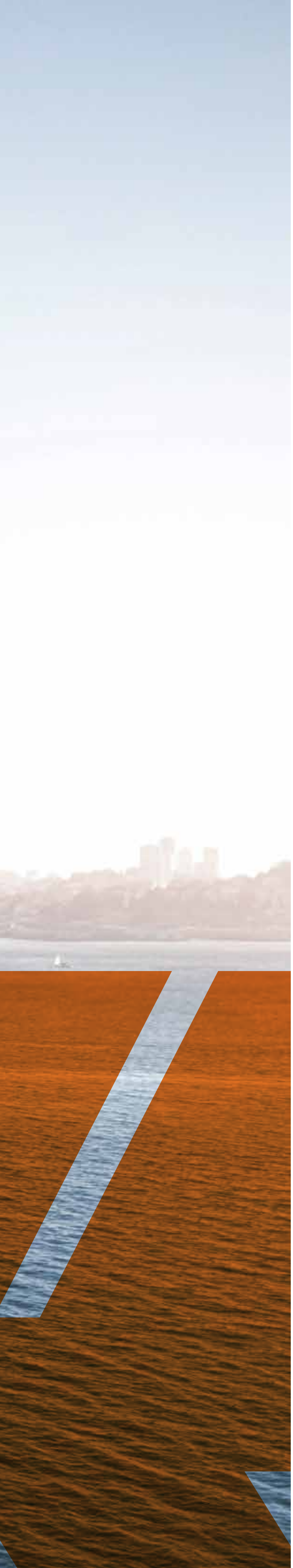
For computational reasons, rounding differences may occur in some of the tables and charts of this financial report.

This report was published on 18 March 2021.

MAIN DEVELOPMENTS IN THE 2020 FINANCIAL YEAR

- The 2020 financial year was characterised by the outbreak of the COVID-19 pandemic and the associated volatile development of demand.
- Hapag-Lloyd responded to the challenging environment by launching the Performance Safeguarding Program (PSP) at an early stage in order to mitigate the economic impact of the pandemic.
- In the 2020 financial year, transport volumes declined by 1.6% to 11,838 TTEU. The decline was mainly due to a double-digit slump in demand in the second quarter of 2020, before a steady recovery in cargo volumes occurred in the second half of the year. In the fourth quarter, the transport volume was already 3.8% above the previous year's level.
- The unexpectedly strong recovery in demand led to a significant increase in spot rates for transports from Asia at the end of 2020. Accordingly, the average freight rate improved by 4.0% compared to the same period of the previous year to USD 1,115 / TEU (previous year period: USD 1,072 / TEU).
- Revenue increased by around 1.3% to EUR 12,772.4 million in the 2020 financial year (previous year period: EUR 12,607.9 million). The lower transport volume and a weaker US dollar were more than compensated for by the higher freight rate.
- Compared to the decrease in transport volume, transport expenses in 2020 fell disproportionately by 5.8% to EUR 9,140.2 million (previous year period: EUR 9,707.0 million). This decline is primarily due to lower average bunker prices, a weaker US dollar and active cost management as part of the PSP programme.
- Accordingly, EBITDA of EUR 2,700.4 million was significantly above the previous year's figure of EUR 1,985.8 million. The EBITDA margin improved by 5.4 percentage points to 21.1% (previous year period: 15.8%).
- EBIT also increased significantly to EUR 1,315.2 million (previous year period: EUR 811.4 million). This includes EUR 135.6 million in expenses which, in addition to the complete write-off of brands, were incurred primarily for impairments as part of the vessel portfolio optimisation in the fourth quarter.
- The improved operating result and lower interest expenses led to a jump in earnings per share to EUR 5.27 (previous year period: EUR 2.06).
- Free cash flow was again clearly positive at EUR 2,420.3 million (previous year period: EUR 1,658.7 million). As a result, debt could be further reduced.
- The liquidity reserve at the end of the year was around EUR 1.2 billion (31 December 2019: EUR 1.0 billion).
- Hapag-Lloyd has got 2021 off to a very positive start due to the exceptionally strong demand, which resulted in a significant increase in freight rate levels. Building on this, the Executive Board of Hapag-Lloyd AG expects that the operative performance indicators EBITDA and EBIT for the current 2021 financial year will both be clearly above the prior-year levels and that, unlike in previous years, a large proportion of the 2021 earnings will already be generated in the first one or two quarters of the year.
- In view of the current above-average high volatility of freight rates, operational challenges due to existing infrastructural bottlenecks, among other things, as well as the unforeseeable further course of the COVID-19 pandemic and its economic effects, the forecast is subject to considerable uncertainty.

Contents



You can find our
online report here

CEO
ROLF HABBEN JANSEN

01 INTERVIEW

“STRONG TEAM – STRONG PERFORMANCE”

Message from the CEO

Heiko Hoffmann, Head of Investor Relations, speaks with the Chief Executive Officer of Hapag-Lloyd AG about business developments in 2020.

Heiko Hoffmann: How satisfied are you with how our 2020 financial year went?
Rolf Habben Jansen: Business in 2020 was very much influenced by the coronavirus pandemic. After transport volumes plummeted in the second quarter, we enjoyed unexpectedly strong demand for container transports beginning in the second half of the year, which was especially driven by a sharp increase in consumption in the United States and Europe. However, on the whole, we can look back on a good financial year because, even though there was a slight decline in transport volumes, we benefited from improved freight rates, lower bunker prices and cost savings, which in turn enabled us to increase our result quite significantly compared to the previous year.

What measures did you take to safeguard the company results in response to the coronavirus pandemic?
We launched our Performance Safeguarding Program, reacted flexibly to the fall in demand in the second quarter with capacity adjustments, and implemented countermeasures on the cost side. With around 1,700 individual measures, we saved roughly USD 500 million in the reporting year. At the same time, we very significantly increased our liquidity initially in the first half of the year. But as a result of better than originally expected business developments in the second half of the year and in favour of further reducing our debt, we brought it back down to EUR 1.2 billion

at year end. Moreover, we broadened our digitalisation campaign and intensified our efforts to inform customers about our online products – with the idea always being to provide them with the right offering at the right time and to thereby create added value. With the unexpectedly sharp increase in demand for container transports in the third quarter, we put all of our available ship and container capacities into the market. At the same time, we purchased or leased around 300,000 TEU of new container capacity in 2020 to meet the demand of our customers.

How did the coronavirus pandemic impact your operations and employees?
The coronavirus pandemic has demanded enormous flexibility from our staff. Since their safety and well-being are our top priorities, we encouraged our staff to work from home wherever possible, and we quickly made the technical arrangements needed to make this possible. In addition, many seafarers have unfortunately had to stay on board their ships much longer than originally planned, as crew changes have been severely restricted due to travel restrictions imposed in many countries. This problem has not been satisfactorily resolved yet, and it is clear that we will continue to make all possible efforts to get our colleagues safely back to their families and friends on shore again as soon as possible. The fact is that seafarers should also be classified as key workers, as they work extremely hard day after day to ensure that our customers' supply chains remain intact, thereby making an indispensable contribution to the functioning of global trade.

How did the market environment affect the implementation of your Strategy 2023, and what progress have you been able to make towards achieving its goals?
In addition to reprioritising some projects and investments, we have deliberately focused on securing the supply chains of our customers. At the same time, we have expanded our market position in strategically important target markets, such as India and Africa, as well as our global presence by opening new offices at the local level. We grew by more than 10 percent in the attractive reefer business, thereby getting much closer to our goal of achieving a total market

Rolf Habben Jansen

share of 10 percent in this segment. We have launched several Quality Promises that can be used to transparently measure how we deliver on them while at the same time making our performance transparently comprehensible to our customers in terms of quality – and very conveniently, too, via our new Quality Promise Dashboard. We have also significantly expanded our online business and increased the number of bookings made via our web channel by around 40 percent compared to the prior year, to more than 1.3 million TEU. In addition, we have made new products available to our customers, such as our Shipping Guarantee. What's more, we have ordered six new ultra-large container ships that will help us boost our competitiveness in the Europe-Far East trade and advance the modernisation of our fleet while reducing our CO_2 footprint at the same time.

Heiko Hoffmann

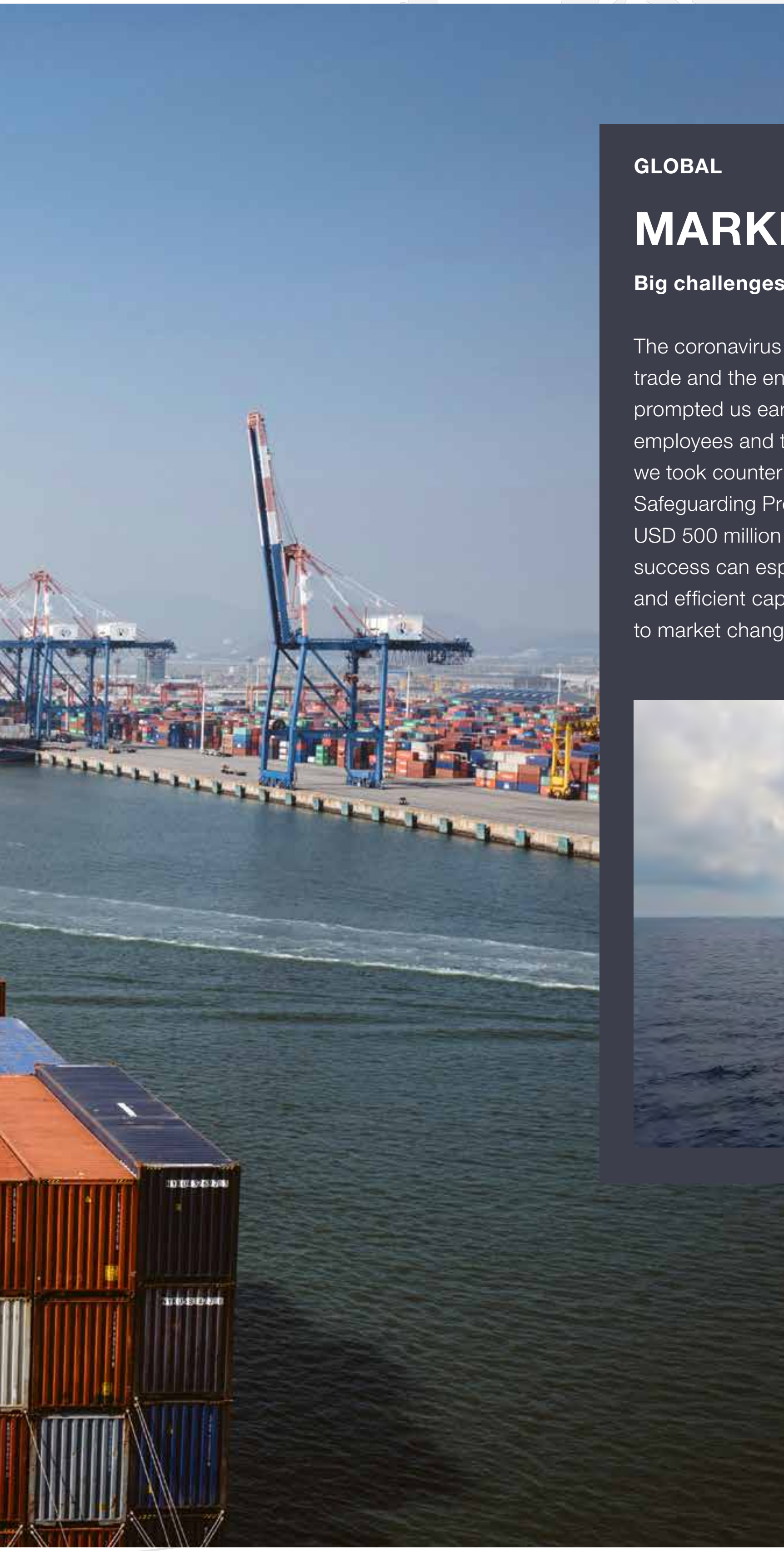
How is this reflected in the results? And can your shareholders look forward to a dividend again?
We have achieved a very positive Group net result of approximately EUR 935 million and we have significantly increased the return on invested capital costs to roughly 11 percent and thereby more than earned our cost of capital in 2020. At the same time, we lowered our financial debt by more than EUR 1 billion in the reporting year. With a free cash flow of more than EUR 2 billion and equity of EUR 6.7 billion, we have a very stable financial and asset position. Our earnings performance, our rigorous cost management and our deleveraging efforts have also been recognised and rewarded in the reporting year with ratings upgrades from Standard & Poor's and Moody's. Our shareholders should also benefit from all the positive results and our good business performance, which is why the Executive Board and the Supervisory Board will jointly propose to the Annual General Meeting that a dividend of EUR 3.50 per share be paid out.

Looking ahead, what do you think the rest of 2021 will be like?
Even if the International Monetary Fund believes that overall economic conditions will become gloomier again at first, the forecasts for worldwide economic growth and global trade volumes are significantly above the prior-year level. This should also be reflected in rising demand for container transports. At the same time, the growth in supply will remain moderate owing to a comparatively low level of orders for new vessels, which means that supply and demand should remain relatively balanced. With this in mind, we expect that the market environment will continue to normalise and gradually improve over the rest of the year. However, it is also clear that the existing forecasts are subject to an extraordinarily high degree of uncertainty due to the coronavirus pandemic. We will continue to implement our Strategy 2023 while keeping a close eye on the market environment and flexibly adapting as required. While doing so, we will continue to focus on the supply chains of our customers and to create added value for our shareholders. I would like to thank everyone very sincerely for their close collaboration in this extraordinary business year and for the confidence they have placed in me.

Many thanks for the interview.

02
OPERATIONS

GLOBAL.
FLEXIBLE.
RELIABLE.



GLOBAL

MARKET ENVIRONMENT

Big challenges due to highly fluctuating transport volumes

The coronavirus pandemic presented the biggest challenge to global trade and the entire logistics industry in the 2020 financial year. This prompted us early on to focus on the safety and well-being of our employees and the supply chains of our customers. At the same time, we took countermeasures on the cost side with our Performance Safeguarding Program. This enabled us to achieve savings of over USD 500 million using approximately 1,700 individual measures. This success can especially be attributed to our focused business model and efficient capacity management, which enable us to flexibly react to market changes.

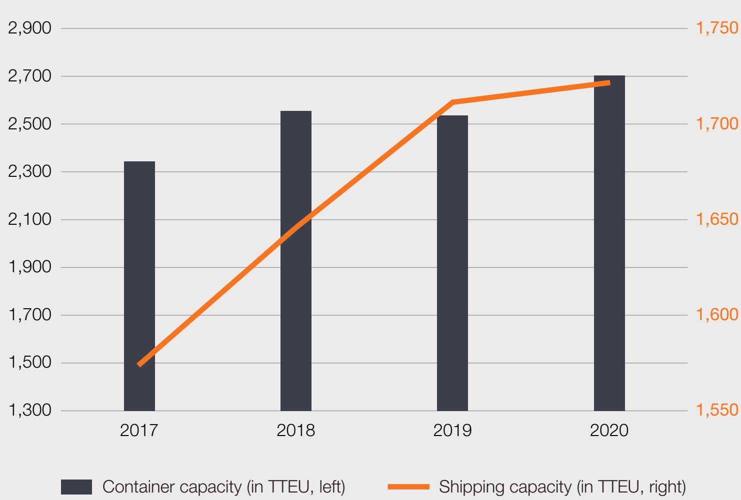
FLEXIBLE AND EFFICIENT

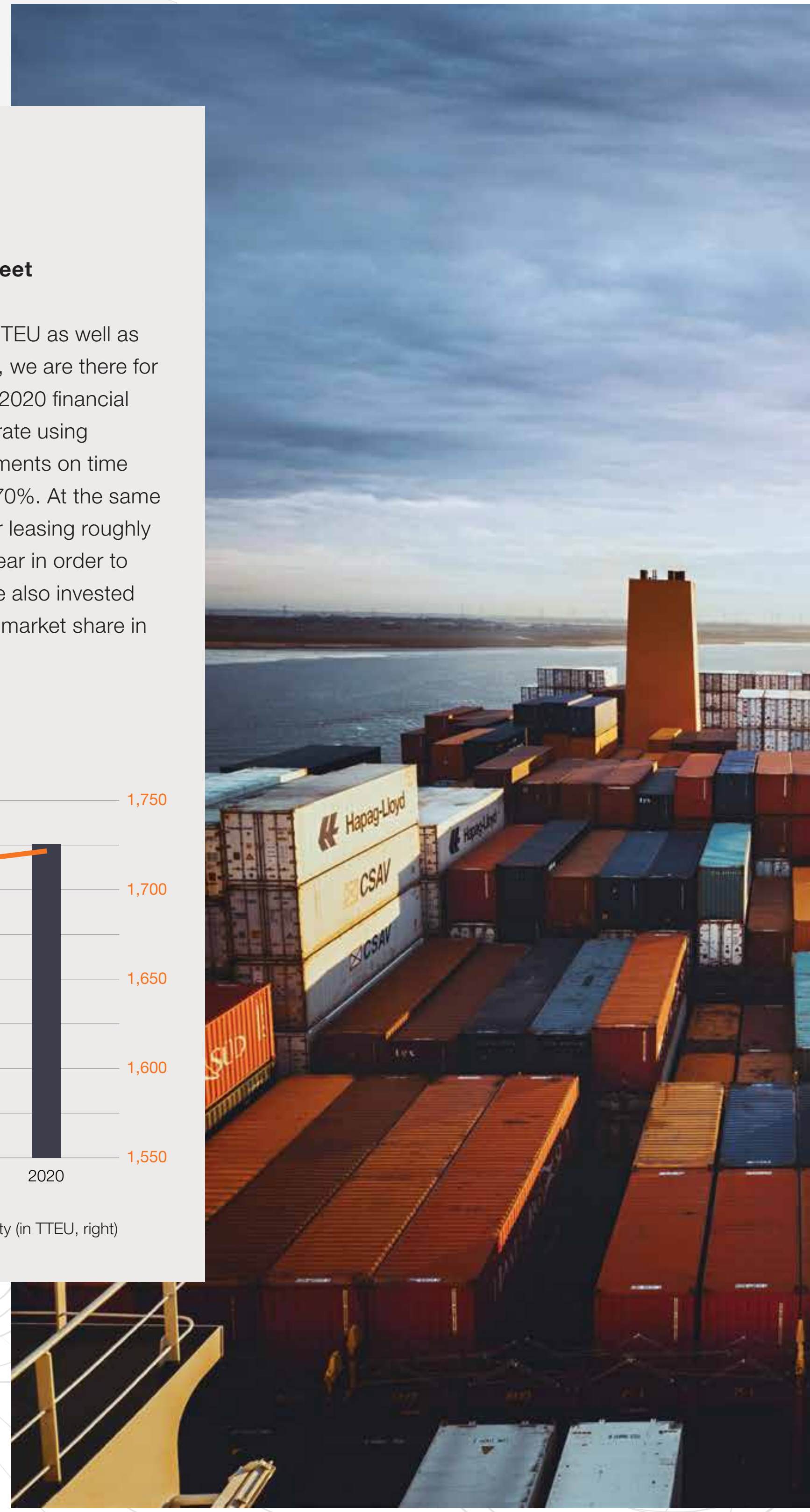
FLEET

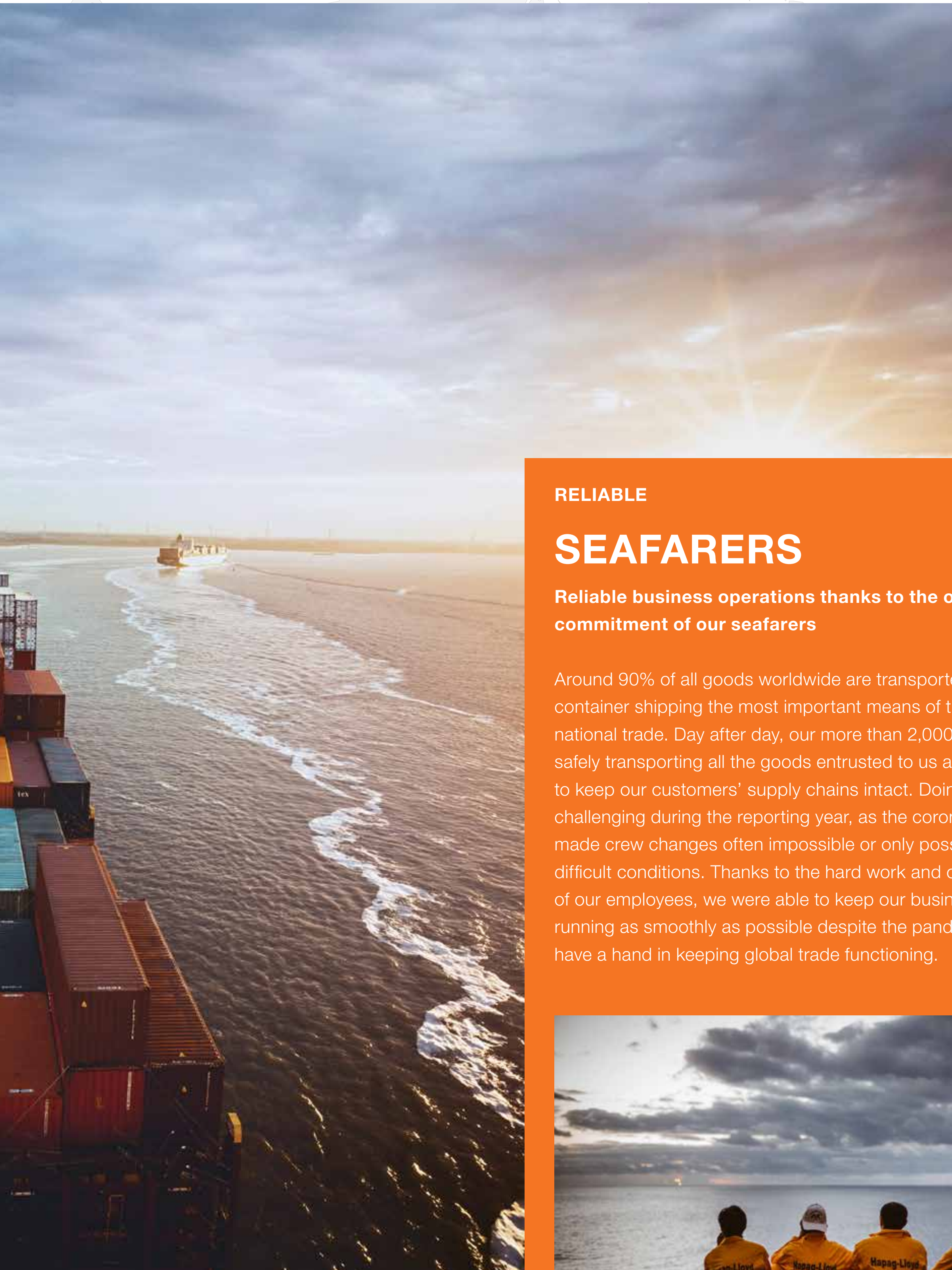
Efficient and flexible management of a growing fleet

With 237 vessels and a shipping capacity of 1.7 million TEU as well as 1.6 million containers with a capacity of 2.7 million TEU, we are there for our customers worldwide. At the very beginning of the 2020 financial year, we successfully converted our vessel fleet to operate using low-sulphur fuel, thereby meeting all IMO 2020 requirements on time and reducing sulphur dioxide emissions by more than 70%. At the same time, we expanded our container fleet by purchasing or leasing roughly 300 TTEU of additional capacity in the 2020 financial year in order to meet the demand of our customers. While doing so, we also invested in the refrigerated-container market and expanded our market share in this attractive business segment.

Development of container and ship fleets







RELIABLE

SEAFARERS

Reliable business operations thanks to the outstanding commitment of our seafarers

Around 90% of all goods worldwide are transported by sea. This makes container shipping the most important means of transportation for international trade. Day after day, our more than 2,000 seafarers have been safely transporting all the goods entrusted to us and working tirelessly to keep our customers’ supply chains intact. Doing so was especially challenging during the reporting year, as the coronavirus pandemic made crew changes often impossible or only possible under extremely difficult conditions. Thanks to the hard work and outstanding dedication of our employees, we were able to keep our business operations up and running as smoothly as possible despite the pandemic and to thereby have a hand in keeping global trade functioning.

03

STRATEGY 2023

OUR WAY FORWARD

10% MARKET SHARE

GLOBAL PLAYER

Expansion in strategically important target markets

Hapag-Lloyd ranks among the world’s leading liner shipping companies, and profitable growth is firmly anchored in our Strategy 2023. We want to grow in attractive niches and further consolidate our overall global market share of 10%. Despite the coronavirus pandemic, we expanded our market position in the reporting year in strategically important target markets, such as India and Africa, and strengthened our global presence on the ground by opening new offices in several locations. At the same time, we grew by more than 10% in the attractive refrigerated-container business, thereby getting much closer to our goal of achieving a total market share of 10% in this segment.

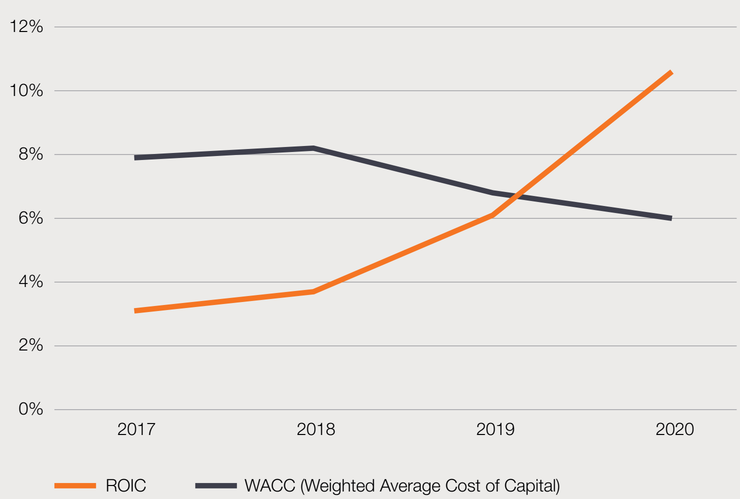
11% ROIC

SUSTAINABLE PROFITABILITY

Profitability across the economic cycle

Sustainable profitability across the economic cycle is an essential building block of our Strategy 2023. Since the mergers with CSAV and UASC, we have continuously increased our profitability – and successfully so, as Hapag-Lloyd now ranks among the most profitable and financially stable liner shipping companies in the world. This is also reflected in the fact that we earned more than our cost of capital in 2020. At the same time, we reduced our debt by much more than EUR 1 billion in the reporting year.

Return on Invested Capital (ROIC)



QUALITY PROMISES

NUMBER ONE FOR QUALITY

Transparent monitoring of how we deliver

We want to be the number one for quality for our customers – that is our goal, and we are working on it every day. In the reporting year, we launched the first 4 of 10 Quality Promises, which will form the foundation of our partnership with our customers. At the same time, we provided our customers with a transparent and convenient way to monitor how we are delivering on our Quality Promises by launching our new Quality Promise Dashboard. As we continue to expand our Web Channel, we have made new features available, such as our Shipping Guarantee – with the idea always being to offer the right product at the right time, to stand by the side of our customers even during the coronavirus pandemic, and to create added value via digital channels. And we have succeeded at this, too, as we have boosted the share of bookings made via our Web Channel by around 40% compared to the prior year, to more than 1.3 million TEU.

04
KEY FIGURES

FINANCIALLY STRONG. STABLE. RESPONSIBLE.

TRANSPORT VOLUME

11.8

MILLION STANDARD CONTAINERS

PAGE 78

EARNINGS POSITION

935

EUR M
GROUP PROFIT

PAGE 77

FINANCIAL POSITION

2.4

EUR BN
FREE CASH FLOW

PAGE 88

NET ASSET POSITION

6.7

EUR BN
EQUITY

PAGE 90

ROLF HABBEN JANSEN

Chief Executive Officer (CEO)

- Member of the Executive Board since 2014
- Chairman of the Executive Board since 2014
- Current appointment: Until 31 March 2024

“In 2020, our business was very strongly influenced by the coronavirus pandemic. Nevertheless, we were able to increase our result very significantly compared to the previous year and more than earned our cost of capital. All and all, we can look back on a good business year.”

“Thanks to our Performance Safeguarding Program (PSP), we reacted to the coronavirus pandemic early on and saved roughly USD 500 million in the reporting year. What’s more, we lowered our financial debt by much more than EUR 1 billion.”

MARK FRESE

Chief Financial Officer (CFO)

- Member of the Executive Board since 2019
- Current appointment: Until 30 November 2022

DR MAXIMILIAN ROTHKOPF

Chief Operating Officer (COO)

- Member of the Executive Board since 2019
- Current appointment: Until 30 April 2022

“We have ordered six highly efficient dual-fuel container ships that will help us to advance the modernisation of our fleet and reduce our carbon footprint while boosting our competitiveness in the Europe-Far East trade at the same time.”

JOACHIM SCHLOTFELDT

Chief Personnel and Procurement Officer (CPO)

- Member of the Executive Board since 2018
- Current appointment: Until 31 March 2023

“The safety and well-being of our employees is our top priority, especially in times of the coronavirus pandemic. This has demanded an enormous amount of effort, flexibility and perseverance from all of us – in the home office and on board our ships.”

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
In the 2020 financial year, the Supervisory Board of Hapag-Lloyd AG properly and conscientiously performed all of the tasks for which it is responsible in accordance with the applicable laws, articles of association and rules of procedure. The Supervisory Board monitored the Executive Board as it managed the Company and diligently advised it on a regular basis. Its main priority at all times was to protect the interests of Hapag-Lloyd AG, the primary operating unit responsible for the Group's performance.

Cooperation between the Supervisory Board and the Executive Board
In the 2020 financial year, the Executive Board informed the Supervisory Board regularly, comprehensively and promptly about the competitive environment, the planned business policies, all strategic and fundamental operating decisions and the risk management system. The Executive Board also discussed with the Supervisory Board the most important financial indicators as a means of assessment for the Company's economical position. The reports and discussions in the 2020 financial year focused in particular on the corporate and social measures in relation to the COVID-19 pandemic. They also focused on corporate planning, the implementation of "Hapag-Lloyd Strategy 2023" and fleet planning.

The Executive Board reported both orally and in writing to the Supervisory Board in its meetings, providing full responses to all of the Supervisory Board's questions. Outside of the meetings, regular reports on the Group's performance and on the most important transactions at Hapag-Lloyd AG also ensured that the Supervisory Board was kept well informed. Furthermore, frequent discussions on the current business took place between the Chairman of the Supervisory Board and the Chief Executive Officer. The Chairman of the Supervisory Board also attended Executive Board meetings on a regular basis in the 2020 financial year. As a result, the Supervisory Board was fully up to date at all times. The reports by the Executive Board complied with legal requirements and those of the Supervisory Board and adhered to the principles of good corporate governance.

The Executive Board involved the Supervisory Board at an early stage in decisions with a significant influence on the position and performance of the Company. The Supervisory Board thus monitored the Executive Board's management of the Company at all times on the basis of legality, correctness, appropriateness and viability.

«

Michael Behrendt
(Chairman of the
Supervisory Board)

Meetings of the Supervisory Board and matters addressed
The Supervisory Board met 4 times in the reporting period. These meetings were held on 19 March 2020, 4 June 2020, 16 September 2020 and 11 November 2020. All the meetings of the Supervisory Board and its committees in 2020 were attended by the respective members predominantly by video.

The average attendance rate of Supervisory Board members at Supervisory Board meetings and committee meetings was as follows:

- Meetings of the Supervisory Board: 98.6%
- Meetings of the Presidential and Personnel Committee: 100%
- Meetings of the Audit and Financial Committee: 100%

Attendance of the Supervisory Board members in the 2020 financial year

Meeting	Meetings by the Supervisory Board				Meetings by the Presidential and Personnel Committee			Meetings by the Audit and Financial Committee			
Name	19.3.2020	4.6.2020	16.9.2020	11.11.2020	19.3.2020	16.9.2020	11.11.2020	18.3.2020	14.5.2020	13.8.2020	10.11.2020
Albrecht	✓	✓	✓	✓			✓				
Alnowaiser	✓	✓	○	✓				✓	✓	✓	✓
Al-Thani	✓	✓	✓	✓	✓	✓	✓				
Behrendt	✓	✓	✓	✓	✓	✓	✓				
Diekamp	✓	✓			✓						
Gehrt	✓	✓	✓	✓							
Gernandt	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hasbún	✓	✓	✓	✓				✓	✓	✓	✓
Klemmt-Nissen	✓	✓			✓			✓	✓		
Kröger	✓	✓	✓	✓				✓	✓	✓	✓
Lipinski	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Nieswand	✓	✓	✓	✓	✓	✓	✓				
Niklas			✓	✓		✓	✓			✓	✓
Pérez	✓	✓	✓	✓	✓	✓	✓				
Schroeter	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Schwiegershausen-Güth	✓	✓	✓	✓							
Stawars			✓	✓							
Zimmermann	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ Meeting attendance
○ Did not attend the meeting
Was not a member of the Supervisory Board or the committee at the time of the meeting

Supervisory Board meeting on 19 March 2020

In its meeting on 19 March 2020, the Supervisory Board began by focusing on the amendment of the long-term remuneration element as a component of the Executive Board members' annual variable remuneration. The Supervisory Board subsequently focused primarily on the annual financial statements. Following its own review and the recommendation of the Audit and Financial Committee, it approved the annual and consolidated financial statements as well as the combined management report for the 2019 financial year. The Supervisory Board then approved the agenda for the Company's Annual General Meeting on 5 June 2020 and adopted its resolution proposals for the agenda items. In particular, the Supervisory Board decided to follow the recommendation of the Audit and Finance Committee regarding its proposal for the selection of the external auditors of the annual and consolidated financial statements. On the recommendation of the Nomination Committee, the Supervisory Board decided to propose to the Annual General Meeting Dr Isabella Niklas for election to the Supervisory Board as a shareholder representative since Dr Klemmt-Nissen's term as Supervisory Board member expired at the end of the 2020 Annual General Meeting. Furthermore, the Supervisory Board decided to propose to the Annual General Meeting a pay-out of a dividend. The Supervisory Board also conducted a review of the non-financial report prepared in accordance with Sections 289b (3) and 315b (3) of the German Commercial Code (HGB) and the Declaration of Conformity with the German Corporate Governance Code 2017. It adopted this report and then discussed the current business.

The Supervisory Board passed a resolution outside of a meeting on 27 April 2020 to approve the Executive Board's resolution to conduct the Annual General Meeting on 5 June 2020 virtually without the physical presence of the shareholders or their proxies in accordance with Section 1 (2) of the German Act Concerning Measures Under the Law of Companies, Cooperative Societies, Associations, Foundations and Commonhold Property to Combat the Effects of the COVID-19 pandemic.

Supervisory Board meeting on 4 June 2020

Before the Annual General Meeting, the Supervisory Board decided to extend by a further two years the employment contract of Executive Board member Mr Joachim Schlotfeldt, which was scheduled to expire in 2021. Afterwards, the Supervisory Board obtained information from the Executive Board about the current business and in particular discussed with the Executive Board the effects of the COVID-19 pandemic on the business. The forecast results for the 2020 financial year were also discussed in detail in light of the cost-cutting and control measures implemented due to the outbreak of the COVID-19 pandemic as well as financing measures for ship investments. Finally, the Supervisory Board prepared for the Company's Annual General Meeting, which took place the day after the meeting.

Elections to the committees took place by means of resolutions passed outside of a meeting on 10 June 2020, a process which was initiated after the Annual General Meeting on 5 June 2020.

Supervisory Board meeting on 16 September 2020

In its meeting on 16 September 2020, the Supervisory Board welcomed Dr Isabella Niklas, who was elected by the Annual General Meeting on 5 June, and Ms Svea Stawars, who was court-appointed with effect from 31 July 2020, as new members of the Supervisory Board. The Supervisory Board then took stock of the Executive Board's report on the current business. The Executive Board reported in particular on the performance factors of cost-cutting programmes and on corporate and social measures as a result of the COVID-19 pandemic. The remaining discussions focused on the second earnings forecast for 2020, fleet planning as well as the report of the Chief Compliance Officer.

Supervisory Board meeting on 11 November 2020
At the start of the meeting, the Supervisory Board passed changes to the rules of procedure for the Executive Board and Supervisory Board and dealt with the policy prepared by the Executive Board regarding a guideline on the new transparency regulations for related party transactions. This meeting also focused on discussions about the current business and the annual budget for 2021, including Hapag-Lloyd AG's business plan. The Executive Board gave a precise account of the corresponding planning and went into detail on the underlying assumptions. On the recommendation of the Audit and Financial Committee, the Supervisory Board approved the Executive Board's annual budget for 2021. Finally, the Supervisory Board focused on fleet planning and the ordering of six newbuilds.

Meetings of the committees and matters addressed
The work of the Supervisory Board was prepared and supported by its committees. The following committees, with the members listed beside them, were active in the reporting year:

Presidential and Personnel Committee: Michael Behrendt (Chairman), Felix Albrecht (from 16 September 2020), Sheikh Ali bin Jassim Al-Thani, Jutta Diekamp (until 30 June 2020), Karl Gernandt, Dr Rainer Klemmt-Nissen (until 5 June 2020), Arnold Lipinski, Sabine Nieswand, Dr Isabella Niklas (from 10 June 2020), José Francisco Pérez Mackenna, Klaus Schroeter, Uwe Zimmermann.

Audit and Financial Committee: Karl Gernandt (Chairman from 10 June 2020), Oscar Hasbún Martínez (Chairman until 10 June 2020), Turqi Alnowaiser, Dr Rainer Klemmt-Nissen (until 5 June 2020), Annabell Kröger, Arnold Lipinski, Dr Isabella Niklas (from 10 June 2020), Klaus Schroeter, Uwe Zimmermann.

Mediation Committee pursuant to Section 27 (3) of the German Co-Determination Act (MitbestG): Michael Behrendt (Chairman), Felix Albrecht (from 16 September 2020), Jutta Diekamp (until 30 June 2020), José Francisco Pérez Mackenna, Klaus Schroeter.

Nomination Committee: Michael Behrendt (Chairman), Sheikh Ali bin Jassim Al-Thani, Karl Gernandt, Dr Rainer Klemmt-Nissen (until 5 June 2020), Dr Isabella Niklas (from 10 June 2020), José Francisco Pérez Mackenna.

The responsibilities assigned to these committees are described in detail in the joint Corporate Governance Report of the Executive Board and the Supervisory Board (Corporate Governance Report).

The **Presidential and Personnel Committee** met three times in 2020, on 19 March 2020, 16 September 2020 and 11 November 2020.

Besides discussing the preparations for the Supervisory Board's session on 19 March 2020, the Presidential and Personnel Committee also focused on the amendment of the long-term remuneration element as a component of the Executive Board members' annual variable remuneration.

The Presidential and Personnel Committee passed a resolution outside of a meeting on 21 May 2020 to recommend to the Supervisory Board that the employment contract of Executive Board member Mr Joachim Schlotfeldt be extended by a further 2 years.

In its meeting on 16 September, the Presidential and Personnel Committee dealt with the preparation of the following Supervisory Board meeting.

The **Audit and Financial Committee** convened four meetings in the financial year, on 18 March 2020, 14 May 2020, 13 August 2020 and 10 November 2020.

In the meeting on 18 March 2020, the discussions centred on issues relating to the annual financial statements, including the external auditors' report on the annual and consolidated financial statements for the 2019 financial year (see also "Annual and consolidated financial statements 2019" in the 2019 annual report). The dependency report and the proposal for the election of the external auditors were discussed, and a corresponding proposal to the Supervisory Board was passed (see also "Review of the report by the Executive Board on relationships with affiliated companies" in the 2019 annual report).

The second meeting on 14 May 2020 was dominated by a discussion on the financial report for the first quarter and the forecast for the second quarter. Financing measures were also discussed, as were the internal control and risk management system (ICS) and the Group's risk situation.

In the meeting on 13 August 2020, the discussion centred on the half-year financial report and the forecast for the second half, with a particular focus on Group liquidity. The Audit and Financial Committee also dealt with the report by the Corporate Audit department and the report regarding the Group's hedging transactions.

In the fourth meeting on 10 November 2020, the focus was on the presented 2021 annual budget, including Hapag-Lloyd AG's business plan. The committee discussed the targets and measures with the Executive Board in detail, in particular in light of the ongoing COVID-19 pandemic, and decided to recommend that the Supervisory Board approve the Executive Board's planning. Investments in newbuilds were also discussed, as were the financial report for the third quarter and the audit focal points in the external audit.

In its meeting on 19 March 2020, the **Nomination Committee** proposed the appointment of a shareholder representative to the Supervisory Board, to be elected at the 2020 Annual General Meeting. This was due to the resignation of a shareholder representative on the Supervisory Board for personal reasons with effect from the end of the Annual General Meeting on 5 June 2020.

The **Mediation Committee** did not meet in the reporting period.

Personnel changes in the Supervisory Board and the Executive Board
Dr Klemmt-Nissen retired as a shareholder representative on the Supervisory Board, stepping down with effect from the end of the Annual General Meeting on 5 June 2020. The Annual General Meeting elected Dr Isabella Niklas to succeed him as the Supervisory Board's shareholder representative. Ms Jutta Diekamp retired from the Company on 30 June 2020. Hamburg district court appointed Ms Svea Stawars as the Supervisory Board's new employee representative with effect from 31 July 2020.

As per a resolution passed by the Supervisory Board on 4 June 2020, the employment contract of Executive Board member (CPO) Mr Joachim Schlotfeldt was extended by a further 2 years.

Executive Board member Mr Nicolás Burr resigned on 29 February 2020. According to a resolution passed by the Supervisory Board on 13 November 2019, Mr Mark Frese was appointed as Executive Board member with effect from 25 November 2019 and succeeded Mr Nicolás Burr as the new CFO.

Corporate governance
The Supervisory Board is committed to the principles of good corporate governance and maintained a continuous focus on these principles in the 2020 financial year. One key element of this is the recommendations and, in some cases, the suggestions of the German Corporate Governance Code (GCGC) as amended on 7 February 2017 (since the announcement on 24 April 2017 and in the corrected version dated 19 May 2017, GCGC 2017). This does not preclude a deviation from the recommendations of the Code in certain justified cases. As a listed company, Hapag-Lloyd AG is required to issue a statement in accordance with Section 161 of the German Stock Corporation Act (AktG) indicating the extent to which it has complied and is complying with the recommendations of the GCGC or which recommendations it has not followed or is not following, and to provide reasons for deviating from recommendations (Declaration of Conformity). On 19 March 2020, the Executive Board and Supervisory Board issued a Declaration of Conformity, which is available on the Company's website. Further details on corporate governance can be found in the joint Corporate Governance Report of the Executive Board and the Supervisory Board (Corporate Governance Report).

The Supervisory Board members of Hapag-Lloyd AG are required to disclose any conflicts of interest to the Chairman of the Supervisory Board, in particular those which may occur as a result of providing advisory or consulting services to customers, suppliers, lenders or other third parties or holding positions on their corporate bodies. In line with the GCGC's recommendation, the Supervisory Board will outline any conflicts of interest that occurred and how they were dealt with in its report to the Annual General Meeting. There were no indications of actual or potential conflicts of interest in the 2020 financial year.

Audit of the 2020 annual and consolidated financial statements

The Executive Board submitted the annual financial statements, the consolidated financial statements and the combined management report of Hapag-Lloyd AG and the proposal on the appropriation of profits to the Supervisory Board within the specified time.

KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg, audited the annual financial statements as at 31 December 2020 prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements prepared in accordance with Section 315 e HGB on the basis of the International Financial Reporting Standards (IFRS), as applicable in the European Union, as well as the combined management report and issued each of them with an unqualified auditor's opinion.

Before the Audit and Financial Committee made a decision on its recommendation to the Supervisory Board regarding the proposal of the external auditors to the Annual General Meeting, the external auditors declared that there were no business, financial, personal or other relationships between the auditors, their corporate bodies and their lead auditors on one side and the Company and the members of its corporate bodies on the other side that could raise doubts about the auditors' independence. This declaration also disclosed the extent to which other services had been provided to the Company in the previous financial year or contractually agreed for the following year. Within this context, the Audit and Financial Committee verified and confirmed that the required independence exists. The Supervisory Board was informed of the result of this verification process before making its decision on the proposal of the external auditors to the Annual General Meeting.

The audit engagement for the annual financial statements of the Company and the Group was awarded by the Chairman of the Supervisory Board's Audit and Financial Committee in accordance with the resolution of the Annual General Meeting on 5 June 2020.

The documents relating to the annual and consolidated financial statements and the appropriation of profits were examined and discussed at length at the meeting of the Audit and Financial Committee on 16 March 2021 in preparation for the audit and the handling of these documents by the Supervisory Board in the presence of the external auditors, who gave an account of the results of their audit, and in the presence of the Executive Board; this included questions to the external auditors regarding the manner and scope of the audit as well as the audit result. As a result, the Audit and Financial Committee was convinced of the correctness of the audit and the audit report. In particular, it was also satisfied that the audit report – as well as the audit performed by the external auditors themselves – complied with all legal requirements. Within this context, the external auditors also confirmed to the Audit and Financial Committee that no circumstances existed which would lead to concerns about their impartiality. Furthermore, the Audit and Financial Committee obtained a report from the external auditors on the audit of the risk early-warning system. The external auditors stated that the Executive Board had taken the measures required under Section 91 (2) of the German Stock Corporation Act (AktG) regarding the establishment of a risk early-warning system in a suitable form and that the risk early-warning system was suitable for identifying at an early stage any developments that would endanger the existence of the Company. The Audit and Financial Committee agrees with this assessment. The Audit and Financial Committee made a recommendation to the Supervisory Board to acknowledge and approve the result of the audit performed by the external auditors, and since it had no objections of its own to the documents for the annual financial statements and consolidated financial statements along with the combined management report submitted by the Executive Board, to approve the annual financial statements, the consolidated financial statements and the combined management report.

The aforementioned financial statement documents, the Executive Board's proposal on the appropriation of profits and the audit reports of the external auditors were provided to all members of the Supervisory Board in time to prepare for the Supervisory Board's meeting on 17 March 2021.

In its meeting on 17 March 2021, the Supervisory Board discussed the results of the audit performed by the external auditors and the recommendation of the Audit and Financial Committee and conducted its own in-depth review of them after the Executive Board had explained the documents submitted. This meeting was also attended by the external auditors, who reported on the main results of their audit and answered questions from the Supervisory Board about the manner and scope of the audit and the audit results. The discussion also included the risk early-warning system. The Supervisory Board agrees with the Audit and Financial Committee's understanding of the effectiveness of this system. It also obtained a report from the Audit and Financial Committee on its monitoring of the external auditors' independence, taking into account the non-audit services provided, and its assessment that the external auditors continue to have the necessary independence. The Supervisory Board fully observed its increased monitoring duties, in particular with regard to the independence of the external auditors, using its corresponding guideline for the approval of non-audit services provided by the external auditors.

The Supervisory Board was satisfied that the external auditors had correctly performed the audit and that both the audit and the audit reports complied with the legal requirements. Following its own thorough review of the annual financial statements, the consolidated financial statements and the combined management report (including the declaration on corporate governance), the Supervisory Board declares that it has no objections to the annual financial statements and consolidated financial statements or the combined management report. Following the recommendation of the Audit and Financial Committee, the Supervisory Board acknowledged and agreed with the external auditors' findings. The Supervisory Board therefore approved the annual financial statements and the consolidated financial statements in its meeting on 17 March 2021. The annual financial statements of Hapag-Lloyd AG have thereby been adopted. The Supervisory Board agrees with the Executive Board's assessment of the state of the Company and the Group as expressed in the combined management report. The Supervisory Board discussed the Executive Board's proposal on the appropriation of profits, which includes a dividend of EUR 3.50 per dividend-eligible share, from the perspectives of the dividend policy and the shareholders' interests. The remaining retained earnings of EUR 631.8 million will be carried forward to the subsequent year. The Supervisory Board concurred with the Executive Board's proposal on the appropriation of profits on 17 March 2021.

Review of the Executive Board report on relationships with affiliates
The Executive Board submitted its report on relationships with affiliated companies in the 2020 financial year (dependency report) to the Supervisory Board in a timely manner.

The external auditors audited the dependency report and issued the following unqualified auditor's opinion:

"Following our mandatory audit and assessment, we hereby confirm that:
1. the actual disclosures in this report are accurate
2. the payments made by the Company for the legal transactions detailed in the report were not unreasonably high"

The audit report of the external auditors was also submitted to the Supervisory Board. The dependency report and the corresponding audit report were sent to all members of the Supervisory Board in a timely manner to enable them to prepare for the discussions in the Supervisory Board meeting on 17 March 2021.

In preparation for the Supervisory Board's review and decision-making process, the Audit and Financial Committee assessed the aforementioned documents in detail. The members of the Executive Board explained the dependency report to the Audit and Financial Committee in detail in its meeting on 16 March 2021. They also answered questions from committee members. The meeting was also attended by the external auditors, who reported on their audit, in particular their audit focal points and the main results of their audit, and explained their audit report. The members of the Audit and Financial Committee took note of the audit report and the auditor's opinion, critically examined them, and discussed these documents as well as the audit itself with the external auditors. This included questions about the manner and scope of the audit and the audit results. Consequently, the Audit and Financial Committee was able to satisfy itself of the correctness of the audit and the audit report. In particular, it was satisfied that the audit report – as well as the audit performed by the external auditors themselves – complied with all legal requirements. The Audit and Financial Committee made a recommendation to the Supervisory Board to approve the result of the audit performed by the external auditors, and since it has no objections to the Executive Board's statement on the dependency report, to decide on a corresponding assessment.

The Supervisory Board performed the final review in its meeting on 17 March 2021, taking into consideration the resolution and recommendation of the Audit and Financial Committee as well as the audit report of the external auditors. The Executive Board explained the dependency report in this meeting and answered questions from Supervisory Board members. The external auditors also attended this meeting, reported on their audit of the dependency report and their main audit results, explained their audit report, and answered questions from Supervisory Board members, in particular regarding the manner and scope of the dependency report audit and the audit results. Based on this, the Supervisory Board reviewed the legal transactions detailed in the report on the relationships with affiliates to determine whether the payments made by the Company were not unreasonably high in consideration of the circumstances that were known at the time they were made or whether disadvantages had been offset. To enable this, the Supervisory Board obtained an explanation of the most important legal transactions, which formed the basis for the payments made by the Company and the services received in return. In doing so, and on the basis of the report provided by the Audit and Financial Committee, the Supervisory Board was convinced of the correctness of the dependency report audit and the audit report. In particular, it was satisfied that the audit report – as well as the audit performed by the external auditors themselves – complied with all legal requirements. The Supervisory Board reviewed the dependency report with regard to its accuracy in particular and also verified that the affiliates were identified with the necessary diligence and that all precautions necessary for recording legal transactions and measures which are subject to reporting requirements were taken. This review did not identify any reasons for objections to the dependency report. Following the recommendation of the Audit and Financial Committee, the Supervisory Board agreed with the result of the dependency report audit by the external auditors. Based on the final results of the Supervisory Board's own review of the dependency report, there are no objections to the Executive Board's statement on the dependency report.

The Supervisory Board thus performed its own review of the Executive Board's dependency report and the external auditors' audit report.

Audit of the non-financial report 2020

The Executive Board submitted the separate non-financial report of Hapag-Lloyd AG to the members of the Supervisory Board in good time for them to prepare their own audit. The Supervisory Board commissioned an external audit of the content of the non-financial report within the context of obtaining limited assurance. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, performed an external audit of the content of the non-financial report in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) within the context of providing limited assurance and issued an unqualified auditor's opinion. After conducting its own independent review of the non-financial report 2020, the Supervisory Board raised no objections.

In its meeting on 17 March 2021, the Supervisory Board addressed the result of the audit of the non-financial report and conducted its own in-depth review of it after the Executive Board had explained the documents submitted and in the presence of the auditors, who gave an account of the results of their audit. Consequently, the Supervisory Board was able to satisfy itself of the correctness of the audit and the audit report. It thus acknowledged and agreed with the auditors' findings and adopted the non-financial report in its meeting on 17 March 2021.

At the same meeting, the Supervisory Board also awarded the audit engagement for the non-financial report for the current financial year to an external auditor.

Acknowledgement

We would like to sincerely thank the Executive Board and all employees of the Hapag-Lloyd Group for the services rendered in the last financial year and their great personal commitment.

Adoption of the report

The Supervisory Board adopted this report by a resolution on 17 March 2021 in accordance with Section 171 (2) AktG.

Hamburg, 17 March 2021

For the Supervisory Board

Michael Behrendt
(Chairman of the Supervisory Board)

CORPORATE GOVERNANCE

PRINCIPLES OF CORPORATE GOVERNANCE AND CORPORATE STRUCTURE

Corporate governance comprises all principles relating to the management and monitoring of a company. Within this meaning, corporate governance is an expression of good and responsible corporate management and, as such, is an integral part of Hapag-Lloyd's management philosophy. The principles of corporate governance pertain, in particular, to cooperation within the Executive Board, the Supervisory Board, and between the two boards as well as between the corporate bodies and the shareholders, in particular in the Annual General Meeting. They also pertain to the relationship between the Company and other persons and institutions that have a business relationship with Hapag-Lloyd.

Commitment to the German Corporate Governance Code

Hapag-Lloyd AG is a listed corporation in accordance with German law. For Hapag-Lloyd, the starting point for ensuring responsible management and control of the Company that is geared towards sustainable appreciation is, in addition to compliance with the applicable laws, a commitment to the German Corporate Governance Code as amended on 7 February 2017 (GCGC).

As in the past, the Executive Board and Supervisory Board of Hapag-Lloyd AG gave a great deal of attention to the corporate governance system of the Company in the reporting year. The Executive Board and the Supervisory Board are committed to responsible corporate governance and identify with the objectives of the GCGC. The basis for this were the recommendations and, in some cases, the suggestions of the 2017 Code. According to the preamble of the GCGC, in the interests of good corporate management and an active corporate governance culture, this does not preclude non-compliance with individual provisions of the code if the deviations are justified due to the specifics of the Company. In addition, the changes resulting from the new 2019 German Corporate Governance Code have come into focus, and the Company will express its commitment to these in its next regular Declaration of Conformity.

INFORMATION ON CORPORATE MANAGEMENT AND CORPORATE GOVERNANCE

Declaration of conformity with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

Section 161 of the German Stock Corporation Act (AktG) requires the Executive Board and Supervisory Board of Hapag-Lloyd AG to issue an annual statement indicating that the recommendations by the German Corporate Governance Code Commission, published by the German Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (Bundesanzeiger) were and are being complied with, or which recommendations were not or are not being followed and why. The statement must be made permanently available to the public on the Company's website.

Statement by the Executive Board and the Supervisory Board of Hapag-Lloyd Aktiengesellschaft on the recommendations of the German Corporate Governance Code Commission pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Executive Board and the Supervisory Board of Hapag-Lloyd Aktiengesellschaft hereby declare that the Company has, since its last declaration of conformity on 12 June 2019, complied with the recommendations of the German Corporate Governance Code Commission in the version of 7 February 2017 published in the official section of the Federal Gazette (Bundesanzeiger) on 24 April 2017 and will continue to do so with the following exception:

No. 5.3.2 sentence 5 of the German Corporate Governance Code in the version of 7 February 2017 (published on 24 April 2017 and published in its corrected version on 19 May 2017, GCGC) provides, inter alia, the recommendation that the chair of the Audit and Financial Committee shall be independent. Currently, this recommendation is not complied with. The chairman of the Audit and Financial Committee, Oscar Hasbún Martínez, is at the same time CEO of a direct main shareholder of Hapag-Lloyd AG and, therefore, lacks the required independence within the meaning of no. 5.3.2 sentence 5 GCGC. To the conviction of the Supervisory Board, the exercise of the office as chairman of the Audit and Financial Committee by Mr Hasbún Martínez is in the best interest of the Company and its entire shareholders, since Mr Hasbún Martínez is perfectly suited as chairman of the Audit and Financial Committee. It is not doubtful that he in fact serves independently. In addition, it is to be assumed that other candidates for the chair of the Audit and Financial Committee may lack the required independence within the meaning of no. 5.3.2 sentence 5 GCGC for similar reasons.

Hamburg, 19 March 2020
Executive Board and Supervisory Board
Hapag-Lloyd Aktiengesellschaft

In addition to compliance with the accepted principles of good corporate management, Hapag-Lloyd's own guidelines and standards for good and sustainable corporate development contribute to the good and sustainable development of the Company as well.

In 2010, Hapag-Lloyd introduced a Code of Ethics which expresses Hapag-Lloyd's commitment to law-abiding, sustainable conduct that expresses integrity as well as social responsibility. The Code of Ethics is intended to serve employees as a guideline in performing their responsibilities and defines the basic values of the Company. It serves, in particular, as a guideline on how to treat customers, suppliers and competitors fairly and also addresses conduct within the Company.

Hapag-Lloyd believes that it is not only important that its employees are responsible and comply with the high legal and ethical standards, but also views itself as a company that highly values environmental protection, high quality standards, economic viability, and the health and safety of its employees.

This ethos is firmly anchored in the Company's sustainability policy. The Company's sustainability policy can be found at https://www.hapag-lloyd.com/en/about-us/sustainability/at-a-glance.html

The significant importance of quality and environmental protection at Hapag-Lloyd is also reflected in the globally applicable integrated quality and environmental management system (ISO 9001 and 14001). Hapag-Lloyd uses this system to cover all the activities along its global transportation chain. Detailed information about Hapag-Lloyd's quality and environmental protection programs can be found at https://www.hapag-lloyd.com/en/about-us/sustainability/at-a-glance.html

Information on relevant corporate management practices

Corporate governance

Apart from the exception mentioned and justified in the Declaration of Conformity, the Company follows the recommendations of the German Corporate Governance Code 2017 (see above).

Compliance

At Hapag-Lloyd, compliance has top priority, as do high quality standards, proactive environmental protection and sustainability in management and all operational processes. The Company expressly commits to fair competition as well as compliance with all national and international laws that apply to Hapag-Lloyd, in particular with regard to corruption, bribery and price fixing. Any internal or external violations of applicable law are strictly opposed and are not tolerated in any way. Hapag-Lloyd will not accept any such legal violations under any circumstances and will legally pursue them. Hapag-Lloyd has a Code of Ethics which clearly spells out the respective conduct instructions (see above and below).

To prevent breaches of compliance, the Executive Board has implemented a range of measures as part of the compliance management system. These include mandatory compliance training, which every employee worldwide must complete, as well as a whistle-blower system, which allows violations to be reported anonymously.

The compliance programme of Hapag-Lloyd AG, the implementation of which is seen to by the compliance organisation, primarily consists of anti-competition and antitrust law, combating corruption, and compliance with embargoes and sanctions.

Compliance organisation

The central Global Compliance team, which reported directly to the Chief Financial Officer until the reporting date of 31 December 2020 and as of 1 January 2021 reports directly to the Chief Executive Officer of Hapag-Lloyd AG, as well as the compliance officers in the regional centres and the national affiliates ensure that the Hapag-Lloyd compliance programme is implemented across the Group, for example through online and on-site training sessions. The Executive Board and the Supervisory Board are regularly updated via compliance reports.

The compliance organisation of Hapag-Lloyd makes it possible to fundamentally implement measures as part of the compliance programme which ensure that the Company complies with laws and internal and external guidelines.

Compliance organisation

Code of Ethics

The Global Code of Ethics reflects the corporate culture of Hapag-Lloyd and defines the basic values and expectations regarding the conduct of executives and employees, both with regard to internal and external relationships. This code summarises the principles governing fair dealings with each other as well as the customers and business partners of Hapag-Lloyd (see above).

Corporate responsibility

Hapag-Lloyd, with its long-standing tradition as a global company, bears a social responsibility towards its customers, employees, investors and the general public. Hapag-Lloyd therefore regards compliance with individual rights, laws and internal guidelines as the foundation of its own corporate and economic activities. The global focus and strategy of profitable growth require a common system of values and principles which serves as a code of conduct for all employees.

Hapag-Lloyd's compliance organisation helps to incorporate and permanently embed the aforementioned values in the corporate structure. It ensures that the compliance programme is implemented globally.

The aforementioned important documents that outline the approach of the Hapag-Lloyd Group can be found online at https://www.hapag-lloyd.com/en/about-us/compliance.html

Transparency

Informing the general public in a timely and consistent manner is an important element of good corporate governance for Hapag-Lloyd. For this purpose, extensive information is available in German and English on the Hapag-Lloyd website under Investor Relations.

A financial calendar provides a quick overview of the key publication dates.

The most up-to-date financial calendar is available at https://www.hapag-lloyd.com/en/ir/calendar-events/financial-calendar.html

The business development of Hapag-Lloyd is explained in particular in the financial reports, the annual report and investor relations presentations. In addition, details about Hapag-Lloyd's share and the terms and conditions of Hapag-Lloyd's issued bond are available.

Mandatory publications under capital market law – such as ad-hoc notifications, voting right notifications and information about managers' transactions – are immediately posted on the Investor Relations web page as well.

Explanations about the corporate strategy, shareholder structure and business model complete the range of information provided.

Executive Board and Supervisory Board

The German Stock Corporation Act (AktG) is the legal basis of the corporate governance of Hapag-Lloyd AG. It is further enhanced by the Company's articles of association and the provisions of the GCGC 2017 (see above).

The Executive Board manages the business of Hapag-Lloyd AG and represents the Company. It manages the Company under its own responsibility for the benefit of the Company, i.e. taking into consideration the interests of shareholders, employees and all other groups associated with the Company (stakeholders), and pursues the goal of sustainable value creation. It also develops the corporate strategy and controls and manages its implementation. The Executive Board ensures that the legal provisions and internal guidelines are complied with and that the Group companies follow them (compliance). It has also implemented an effective internal control and risk management system. It closely collaborates with the other corporate bodies for the benefit of the Company.

The Supervisory Board has issued rules of procedure for the Executive Board. These rules stipulate the division of responsibilities within the Executive Board and the transactions and measures that require a resolution by the entire Executive Board. The rules of procedure also include a list of transactions that may only be performed with the approval of the Supervisory Board.

The Executive Board had 4 members as at the balance sheet date. One member, Mr Rolf Habben Jansen, was appointed Chief Executive Officer. The Chief Executive Officer coordinates the work of the Executive Board members and the provision of information to the Supervisory Board. He also keeps in regular contact with the Chairman of the Supervisory Board. The Executive Board members work together cooperatively and continually update each other about important measures and events in their business areas. In general, the Executive Board passes resolutions during regularly scheduled meetings. Resolutions require a simple majority. If the vote is tied, the Chief Executive Officer has the casting vote.

As at 31 December 2020, the members of the Executive Board were Rolf Habben Jansen (Chief Executive Officer), Mark Frese, Dr Maximilian Rothkopf and Joachim Schlotfeldt.

Members of the Executive Board of Hapag-Lloyd AG (31 December 2020):

Rolf Habben Jansen Born in 1966	**Member of the Executive Board / CEO**
First appointment:	Member of the Executive Board of Hapag-Lloyd AG since 2014 Chief Executive Officer of Hapag-Lloyd AG since 2014
Current appointment:	Until 31 March 2024

Mark Frese Born in 1964	**Member of the Executive Board / CFO**
First appointment:	Member of the Executive Board of Hapag-Lloyd AG since 2019
Current appointment:	Until 30 November 2022

Dr Maximilian Rothkopf Born in 1980	**Member of the Executive Board / COO**
First appointment:	Member of the Executive Board of Hapag-Lloyd AG since 2019
Current appointment:	Until 30 April 2022

Joachim Schlotfeldt Born in 1954	**Member of the Executive Board / CPO**
First appointment:	Member of the Executive Board of Hapag-Lloyd AG since 2018
Current appointment:	Until 31 March 2023

Mr Nicolás Burr was a member of the Executive Board until 29 February 2020. According to a resolution of the Supervisory Board on 13 November 2019, Mr Mark Frese was appointed as an Executive Board member with effect from 25 November 2019 and succeeded Mr Nicolás Burr as CFO.

The Supervisory Board works with the Executive Board to ensure that there is long-term succession planning for the Executive Board. When examining candidates for an Executive Board position, the Supervisory Board believes that the key suitability criteria are the candidates' specialist qualifications for the position in question, leadership qualities, previous performance and knowledge of the Company's business model. The Supervisory Board has adopted a diversity concept for the composition of the Executive Board that takes account of the recommendations of the German Corporate Governance Code 2017 and ensures that diversity is taken into consideration with regard to the composition of the Executive Board.

The diversity concept for the Executive Board comprises the following components:

- The target set by the Supervisory Board for the percentage of women on the Executive Board in accordance with Section 111 (5) of the German Stock Corporation Act (AktG);
- Appointments as a member of the Executive Board should end one year after the member's 65th birthday as a rule. However, this age will increase in line with changes to the regulatory age limit in the statutory retirement pension system, and the Supervisory Board reserves the right to make exceptions in individual cases;
- Executive Board members should have long-standing managerial experience and, if possible, experience from a range of different professions;
- At least two Executive Board members should have international managerial experience;
- The Executive Board as a whole should have long-standing experience in the areas of finance and human resource management.

The Executive Board and the Supervisory Board of Hapag-Lloyd AG work together closely and in confidence for the benefit of the Company. The Executive Board and the Supervisory Board are jointly responsible for ensuring that the Supervisory Board is provided with adequate information. The Executive Board reports to the Supervisory Board pursuant to Section 90 of the German Stock Corporation Act (AktG) and in accordance with the rules of procedure of the Supervisory Board / Executive Board. It informs the Supervisory Board regularly, promptly and comprehensively about all questions relevant to the Company and the Group relating to strategy, planning, business development, the internal control and risk management system, and adherence to compliance guidelines. If the course of business deviates from the set plans and objectives, the Executive Board addresses this and provides reasons.

The Executive Board agrees the strategic orientation of the Company with the Supervisory Board and they regularly discuss the status of the strategy implementation. Furthermore, the Executive Board promptly submits to the Supervisory Board the transactions and measures that require the approval of the Supervisory Board pursuant to the articles of association or the rules of procedure of the Supervisory Board / Executive Board such as the Group's annual budget. In individual cases, the Supervisory Board may also make other transactions and measures subject to its approval.

The Executive Board members must act in the interest of the Company. Members of the Executive Board may not pursue personal interests in their decision-making or use for their own advantage business opportunities that have arisen for the Company.

Executive Board members are subject to a comprehensive non-compete agreement while working for the Company. They may only enter into other commitments, especially positions on supervisory boards at companies that are not associated companies of Hapag-Lloyd AG, with the approval of the Supervisory Board. If they do accept such offices with the approval of the Supervisory Board, the Executive Board member in question performs the role in a personal capacity – adhering to their strict obligation of confidentiality and the strict separation of their activities as a member of the Company's Executive Board. Each Executive Board member is required to immediately disclose any conflict of interest to the Supervisory Board and the Chief Executive Officer and to inform the other Executive Board members as well.

No conflicts of interest arose among members of the Executive Board of Hapag-Lloyd AG in the 2020 financial year.

All transactions between the Company or one of its Group companies on one side and the Executive Board members and persons or undertakings close to them on the other side must adhere to customary industry standards (related party transactions). Related party transactions that require the approval of the Supervisory Board in accordance with Section 111a ff. of the German Stock Corporation Act (AktG) must be disclosed. There were no transactions of this type in the reporting period.

Hapag-Lloyd AG has taken out pecuniary damage liability insurance (D&O insurance) for the members of the Executive Board and the Supervisory Board. For the Executive Board members, an excess of 10% of the damages up to 1.5 times the fixed annual remuneration of the Executive Board member in question has been agreed. Finally, a D&O insurance policy is in place for the members of the Supervisory Board. This covers statutory liability arising from their Supervisory Board activities. In the event of a claim, an excess of 10% of the damages up to 1.5 times the fixed annual remuneration of the Supervisory Board member is provided for.

The Supervisory Board of Hapag-Lloyd AG advises the Executive Board on the management of the Company and monitors its business administration. It appoints the members of the Executive Board and one of its members as the Chief Executive Officer. If necessary, it also removes members from the Executive Board. It determines the remuneration of the Executive Board members. It reviews the annual financial statements and the consolidated financial statements and is responsible for their approval and adoption. It also reviews the Executive Board's proposal on the appropriation of profits as well as the combined management report. The Supervisory Board has issued rules of procedure that govern its work.

The Executive Board requires the approval of the Supervisory Board for decisions of an important and fundamental nature that are specified in a list of business transactions requiring approval. These include, for example:

- The approval of the business plan and annual budget;
- Investments of over EUR 100 million, unless already included in the annual budget;
- Access to assets with a value of more than EUR 75 million, unless already included in the annual budget;
- Legal transactions between the Company or a subsidiary of the Company and an affiliated company within the meaning of Section 15 ff. of the German Stock Corporation Act (AktG), insofar as these are not part of regular business operations or are not conducted at arm's length;
- Borrowing outside of the annual budget with an amount of more than EUR 75 million;
- Acceptance of sureties, guarantees or similar liabilities as well as the provision of collateral, in each case for third-party liabilities outside of regular business operations, if the value in individual cases exceeds EUR 2 million;
- Conclusion, amendment or termination of contracts with businesses within the meaning of Sections 291 ff. of the German Stock Corporation Act (AktG) in which the Company has an investment;
- Related party transactions that require approval within the meaning of Sections 111a ff. of the German Stock Corporation Act (AktG).

The Supervisory Board currently consists of 16 members.

The Supervisory Board is subject to the German Co-Determination Act (MitbestG). Accordingly, the 8 representatives of the shareholders are generally elected by the Annual General Meeting and the 8 representatives of the employees are elected in accordance with the provisions of the German Co-Determination Act (MitbestG). As at the reporting date, 4 employee representatives were court-appointed.

Each member of the Supervisory Board is required to act in the interest of the Company and may not pursue personal interests in their decision-making or use for their own advantage business opportunities that have arisen for the Company. Supervisory Board members must disclose any conflict of interest to the Chairman of the Supervisory Board. This member is excluded from participating in resolutions at Supervisory Board meetings involving the matter where the conflict of interest exists. The Supervisory Board will outline any conflicts of interest that have arisen and how they were dealt with in its report to the Annual General Meeting. If a Supervisory Board member has a conflict of interest which is significant and not just temporary, this should lead to the termination of their position.

Any consulting agreements or other service agreements between a Supervisory Board member and the Company require the approval of the Supervisory Board. There were no such agreements or conflicts of interest among Supervisory Board members of Hapag-Lloyd AG in the 2020 financial year. The Supervisory Board has issued rules of procedure that also govern the formation and responsibilities of the committees. The rules of procedure can be found on the Company's website. Two ordinary Supervisory Board meetings are held in every calendar half-year. In addition, Supervisory Board meetings may be convened as needed and / or resolutions passed by the Supervisory Board outside of meetings. If voting on the Supervisory Board is tied and a second vote results in another tie, the Chairman of the Supervisory Board has the casting vote.

Composition goals and diversity concept for the Supervisory Board

The composition of the Supervisory Board must ensure that the body as a whole has the necessary knowledge, abilities and specialist experience to perform its roles properly. Each member of the Supervisory Board must ensure that they have enough time to perform their Supervisory Board role.

The Supervisory Board has set itself goals for its composition and drawn up a competence profile for the body. Together with the statutory gender quota, these composition goals form the diversity concept, which ensures that the body has a diverse composition. When proposing resolutions to the Annual General Meeting for regular Supervisory Board elections and the election of a new Supervisory Board member, the composition goals and the diversity concept must be taken into consideration:

Goals for the composition of the Supervisory Board
The Supervisory Board has set the following goals for its composition:

- At least 1 seat on the Supervisory Board on the shareholder side for 1 person who does not have any potential conflicts of interest and is independent within the meaning of Section 5.4.2 GCGC 2017;
- The Supervisory Board should not have more than 2 former members of the Executive Board in accordance with Section 5.4.2 GCGC 2017;
- In general, persons who have reached the age of 70 or who have been on the Supervisory Board of the Company for more than 20 years at the time of the election should not be considered for nomination.

Competence profile for the Supervisory Board

The Supervisory Board has drawn up the following competence profile for itself:

- At least 2 Supervisory Board seats for individuals with in-depth knowledge and / or experience of regions outside of Germany in which the Hapag-Lloyd Group conducts a substantial volume of business, due to their background or professional experience with an international relevance;
- At least 1 Supervisory Board seat for an individual who has expert knowledge within the fields of accounting or auditing and is thus regarded as a financial expert in accordance with Section 100 (5) of the German Stock Corporation Act (AktG);
- At least 2 Supervisory Board seats for individuals with in-depth knowledge of and experience in the fields of risk management and controlling;
- At least 2 Supervisory Board seats for individuals with shipping sector knowledge;
- At least 2 Supervisory Board seats for individuals with experience in managing or controlling a major company;
- At least 2 Supervisory Board seats for individuals with particular knowledge in the fields of corporate governance and compliance;
- At least 2 Supervisory Board seats for individuals with particular knowledge of human resources;
- At least 1 Supervisory Board seat for an individual with particular knowledge of information technology or digitalisation.

Diversity concept for the Supervisory Board

The diversity concept for the Supervisory Board comprises the following components:

- Goals for the composition of the Supervisory Board;
- Competence profile for the Supervisory Board;
- The gender quota of 30%, which is already legally required for the composition of the Supervisory Board of Hapag-Lloyd AG in accordance with Section 96 (2) of the German Stock Corporation Act (AktG) and must be complied with accordingly.

As per a self-assessment by the Supervisory Board, it conformed with these goals for its composition on the reporting date of 31 December 2020. In particular, the Supervisory Board fulfilled the goal requiring that at least one representative on the shareholder side be independent on the reporting date. In this regard, the Supervisory Board member Ms Gehrt was classified as independent. The Supervisory Board and its Nomination Committee will ensure that the objective continues to be fulfilled.

Members of the Supervisory Board of Hapag-Lloyd AG:

Michael Behrendt
(Chairman of the Supervisory Board)

Klaus Schroeter
Tariff Coordinator, Federal Department of Transport, Federal Administration ver.di – Vereinte Dienstleistungsgewerkschaft (service workers' union), Berlin
(First Deputy Chairman of the Supervisory Board)

Karl Gernandt
Executive Chairman
Kühne Holding AG, Schindellegi, Switzerland
(Second Deputy Chairman of the Supervisory Board until 10 June 2020)

Oscar Eduardo Hasbún Martínez
Chief Executive Officer
Compañía Sud Americana de Vapores S.A., Santiago de Chile, Chile
(Second Deputy Chairman of the Supervisory Board since 10 June 2020)

Felix Albrecht
Chairman of the Marine Works Council
Hapag-Lloyd AG, Hamburg

Turqi Alnowaiser
Head of International Investments
Public Investment Fund, Riyadh, Kingdom of Saudi Arabia

H. E. Sheikh Ali bin Jassim Al-Thani
Advisor to the CEO
Qatar Investment Authority, Qatar

Jutta Diekamp (until 30 June 2020)
Marine Works Council
Hapag-Lloyd AG, Hamburg

Nicola Gehrt
Director
Head of Group Investor Relations
TUI Group, Hanover

Dr Rainer Klemmt-Nissen (until 5 June 2020)
Former Managing Director, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg

Annabell Kröger
Commercial Clerk
Hapag-Lloyd AG, Hamburg

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

Sabine Nieswand
Chairwoman of the Works Council
Hapag-Lloyd AG, Hamburg

Dr Isabella Niklas (since 5 June 2020)
Spokeswoman of the Management, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg

José Francisco Pérez Mackenna
Chief Executive Officer
Quiñenco S.A., Santiago de Chile, Chile

Maya Schwiegershausen-Güth
Head of Treaty Office of the ITF "flag of convenience" campaign
Federal Department of Maritime Economy, ver.di Bundesverwaltung, Berlin

Svea Stawars (since 31 July 2020)
Commercial Clerk
Hapag-Lloyd AG, Hamburg

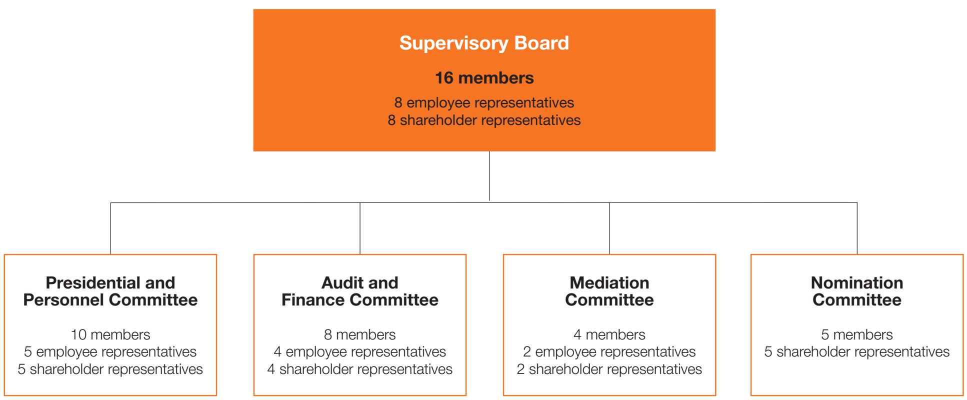
Uwe Zimmermann
Commercial Clerk
Hapag-Lloyd AG, Düsseldorf

Supervisory Board committees

During the past financial year, the Supervisory Board formed the following committees:

In order to efficiently handle its responsibilities, the Supervisory Board has set up a total of 4 committees that prepare the resolutions of the Supervisory Board and the topics to be discussed during board meetings. To the extent this is legally permitted, the Supervisory Board may in certain situations transfer decision-making authority to its committees. The Supervisory Board has established a Presidential and Personnel Committee, an Audit and Financial Committee, a Nomination Committee and a Mediation Committee in accordance with Section 27 (3) of the German Co-Determination Act (MitbestG) as permanent committees.

Supervisory Board and committees of Hapag-Lloyd AG



(1) The **Presidential and Personnel Committee** coordinates the work of the Supervisory Board and its committees. It generally prepares the Supervisory Board meetings and monitors the execution of the resolutions passed by the Supervisory Board. The Presidential and Personnel Committee also prepares the Supervisory Board's decisions on the appointment and dismissal of Executive Board members, on the conclusion, amendment and termination of employment contracts with Executive Board members, and on the Executive Board's remuneration system.

Members:

Michael Behrendt (Chairman), Felix Albrecht (since 16 September 2020), Sheikh Ali bin Jassim Al-Thani, Jutta Diekamp (until 30 June 2020), Karl Gernandt, Dr Rainer Klemmt-Nissen (until 5 June 2020), Arnold Lipinski, Sabine Nieswand, Dr Isabella Niklas (since 10 June 2020), José Francisco Pérez Mackenna, Klaus Schroeter, Uwe Zimmermann

(2) The **Audit and Financial Committee** of the Supervisory Board handles the financial planning and reviews the investment projects of the Hapag-Lloyd Group. It is responsible for performing the preliminary examination of the documents for the annual financial statements and the consolidated financial statements, including the respective management reports and the Executive Board's proposal on the appropriation of profits. It prepares the adoption of the annual financial statements and the approval of the consolidated financial statements by the Supervisory Board, as well as its decision on the Executive Board's proposed resolution on the appropriation of profits. The Audit and Financial Committee also submits a substantiated recommendation to the Supervisory Board for the selection of the external auditors at the Annual General Meeting and handles the awarding of the audit engagement to the external auditors and the fee agreement. It also monitors the external auditors' independence. In addition to the above, it is responsible for monitoring the effectiveness of the internal control system, the risk management system, the compliance and the internal auditing system.

Members:
Karl Gernandt (Chairman since 10 June 2020), Oscar Eduardo Hasbún Martínez (Chairman until 10 June 2020), Turqi Alnowaiser, Dr Rainer Klemmt-Nissen (until 5 June 2020), Annabell Kröger, Arnold Lipinski, Dr Isabella Niklas (since 10 June 2020), Klaus Schroeter, Uwe Zimmermann

(3) The **Nomination Committee** makes proposals to the Supervisory Board regarding suitable candidates to act as shareholder representatives on the Supervisory Board. In turn, the Supervisory Board submits proposals to the Annual General Meeting. In line with the GCGC's recommendation, the Nomination Committee consists solely of shareholder representatives.

Members:
Michael Behrendt (Chairman), Sheikh Ali bin Jassim Al-Thani, Karl Gernandt, Dr Rainer Klemmt-Nissen (until 5 June 2020), Dr Isabella Niklas (since 10 June 2020), José Francisco Pérez Mackenna

(4) There is also a **Mediation Committee**, which was established in accordance with Section 27 (3) of the German Co-Determination Act (MitbestG). This committee submits proposals to the Supervisory Board for the appointment of Executive Board members if the necessary two-thirds majority of votes by Supervisory Board members is not reached in the first round of voting.

Members:
Michael Behrendt (Chairman), Felix Albrecht (since 16 September 2020), Jutta Diekamp (until 30 June 2020), José Francisco Pérez Mackenna, Klaus Schroeter

The Mediation Committee and the Nomination Committee only meet when needed. All other committees meet regularly and also on specific occasions in accordance with their respective responsibilities as per the Supervisory Board's rules of procedure. The activities of the Supervisory Board and its committees in the last financial year are detailed in the Report of the Supervisory Board. It also provides information about the attendance of Supervisory Board members at meetings.

Share transactions and shareholdings of members of the Executive Board and the Supervisory Board

In accordance with the Market Abuse Regulation (MAR) (Article 19 MAR), persons who perform management functions, in other words the members of executive boards and supervisory boards, as well as persons closely related to them (including spouses, registered partners and dependent children) are required to report any transactions of their own involving the shares of Hapag-Lloyd AG or any related financial instruments to Hapag-Lloyd AG, and the German Federal Financial Supervisory Authority (BaFin) if the total amount of the transactions of an executive board member or supervisory board member and persons closely related to them reaches or exceeds EUR 20,000.00 in the calendar year. The transactions reported have been published on the website of Hapag-Lloyd AG at https://www.hapag-lloyd.com/en/ir/corporate-governance/managers-transactions.html

As at the reporting date, the total volume of shares in Hapag-Lloyd AG and related financial instruments held by all members of the Executive Board and Supervisory Board was less than 1% of issued shares.

Executive Board and Supervisory Board remuneration

An important component of responsible corporate governance is a remuneration system structure for the Executive Board and the Supervisory Board that provides incentives and rewards good performance.

The basic features of the remuneration system and the Executive Board and Supervisory Board members' remuneration are outlined in the remuneration report as part of the management report.

Shareholders

The shareholders exercise their rights at the Annual General Meeting. The Annual General Meeting selects the external auditors, elects the shareholder representatives to the Supervisory Board and passes resolutions on the discharge of the members of the Executive Board and the Supervisory Board, the appropriation of profits, capital measures and changes to the articles of association. The shares are registered. Shareholders who are recorded in the share register and have registered in time before the Annual General Meeting are entitled to attend the Annual General Meeting and exercise their voting rights. Shareholders can either exercise their voting right at the Annual General Meeting themselves or have it exercised by a proxy of their choice or by a voting representative of the Company who is required to follow their instructions. Each share grants one vote. Due to the COVID-19 pandemic, the Company's Annual General Meeting in the 2020 financial year was held virtually without the physical presence of the shareholders or their proxies. Properly registered shareholders or their proxies were able to join the virtual Annual General Meeting and exercise their voting right by absentee voting as well as issue their proxy instruction.

As at 31 December 2020, the shareholders of Hapag-Lloyd AG were:

in %	31.12.2020
Kühne Holding AG and Kühne Maritime GmbH	30.0
CSAV Germany Container Holding GmbH	30.0
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	13.9
Qatar Holding Germany GmbH	12.3
Public Investment Fund of the Kingdom of Saudi Arabia	10.2
Free float	3.6
Total	**100.0**

Accounting and auditing

The Executive Board prepares the annual financial statements of Hapag-Lloyd AG in accordance with the German Commercial Code (HGB) and the German Stock Corporation Act (AktG). The consolidated financial statements are prepared in accordance with the principles of the International Financial Reporting Standards (IFRS), as applicable within the European Union, and the German legal provisions applicable in accordance with Section 315e (1) of the German Commercial Code (HGB). The combined management report is prepared in accordance with the provisions of the German Commercial Code (HGB). The annual and consolidated financial statements as well as the combined management report are examined by the external auditors and by the Supervisory Board.

At the proposal of the Supervisory Board, the Annual General Meeting on 5 June 2020 selected KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg (KPMG) as the external auditors of the annual and consolidated financial statements as well as the combined management report of Hapag-Lloyd AG for the 2020 financial year. The Supervisory Board had previously verified the independence of the external auditors. The signatory auditors of the annual and consolidated financial statements of Hapag-Lloyd AG are Niels Madsen (since the 2017 financial year) and Dr Victoria Röhricht (since the 2018 financial year). The audits covered the risk early-warning system in addition to the accounting system.

Risk management and internal control system (ICS)

The Hapag-Lloyd Group's risk management system, including the ICS as it relates to the accounting process, is detailed in the risk report as part of the combined management report.

Information on statutory diversity requirements

As a listed company which is also subject to the German Co-Determination Act (MitbestG), a fixed gender quota applies to the Supervisory Board of Hapag-Lloyd AG. This means that the Supervisory Board must consist of at least 30% women and at least 30% men. As at 31 December 2020, there were 6 women on the Supervisory Board of Hapag-Lloyd AG. This means that 38% of the Supervisory Board members were women as at the reporting date. The statutory requirements have thus been fulfilled.

Hapag-Lloyd will also take the statutory regulations into account for new appointments in the future so that it fulfils the corresponding requirements.

The German Law for the Equal Participation of Women and Men in Leadership Positions in the Private Sector and the Public Sector also requires that targets be set for the percentage of women on the Executive Board and at the two management levels below the Executive Board as well as deadlines for achieving this.

The initial deadline to be set for achieving the target could not be later than 30 June 2017. The Supervisory Board set a target of 0% for the Executive Board for the period until 30 June 2017 and maintained the status quo at the time. No women had been appointed as Executive Board members as at the reporting date of 30 June 2017. For the period until 30 June 2022, the Supervisory Board has decided on a target of 20% for the Executive Board.

For the first two management levels below the Executive Board, the Executive Board at that time set targets of 0% for the first management level and 14% for the second management level, taking succession planning into consideration, and also specified 30 June 2017 as the deadline for reaching these targets. As at the reporting date of 30 June 2017, the percentage of women at the first management level was 0% and at the second management level it was 14%. For the period until 30 June 2022, the Executive Board of Hapag-Lloyd AG has set a target of 5% for the percentage of women at the first management level below the Executive Board and 15% at the second management level.

Offices held by members of the Executive Board in supervisory boards and other comparable supervisory bodies of commercial companies

Rolf Habben Jansen
Stolt-Nielsen Limited
World Shipping Council – Deputy Chairman

Mark Frese
x+bricks S.A. (since 23 November 2020)

Dr Maximilian Rothkopf
The Britannia Steam Ship Insurance Association Ltd.

Joachim Schlotfeldt
HHLA Container Terminal Altenwerder GmbH

Offices held by members of the Supervisory Board in other supervisory boards and other comparable supervisory bodies of commercial companies

H. E. Sheikh Ali bin Jassim Al-Thani
SCI Elysees 26
Libyan Qatari Bank – Deputy Chairman
Qatar Holding LLC
Al Rayan Bank

Turqi Alnowaiser
Lucid Motors
Noon Investment
Sanabil Investments (since 1 July 2020)
Saudi Information Technology Company (SITCO)

Michael Behrendt
Barmenia Versicherungen a.G. – Deputy Chairman
Barmenia Allgemeine Versicherungs-AG – Deputy Chairman
Barmenia Krankenversicherung AG – Deputy Chairman
Barmenia Lebensversicherung a.G. – Deputy Chairman
EXXON Mobil Central Europe Holding GmbH
MAN SE
MAN Energy Solutions SE
MAN Truck & Bus SE
Renk AG (until 6 October 2020)

Nicola Gehrt
TUI Deutschland GmbH

Karl Gernandt
Hochgebirgsklinik Davos AG – President
Kühne + Nagel International AG – Deputy Chairman
Kühne Holding AG – President / Chairman
Kühne + Nagel (AG & Co.) KG – Chairman
Kühne & Nagel A.G, Luxembourg – Chairman
Kühne Holding (Management) AG – Chairman (until 22 May 2020)
Kühne Logistics University – Chairman
Kühne Real Estate AG – Chairman
Signa Prime Selection AG (since 23 September 2020)

Oscar Eduardo Hasbún Martínez
Florida International Terminal LLC
Invexans S.A.
Nexans S.A.
SAAM Logistics
SAAM Ports S.A.
SAAM Puertos S.A.
San Antonio Terminal Internacional S.A.
San Vicente Terminal Internacional S.A.
SM-SAAM S.A. – Chairman
Sociedad Portuaria De Caldera (SPC) S.A.
Sociedad Portuaria Granelera De Caldera (SPGC) S.A.

José Francisco Pérez Mackenna
Banchile Corredores de Seguros Limitada
Banco de Chile
Compañía Cervecerías Unidas S.A.
Compañía Cervecerías Unidas Argentina S.A.
Cervecera CCU Limitada
Central Cervecera de Colombia SAS
Compañía Pisquera de Chile S.A.
Compañía Sud Americana de Vapores S.A. – Chairman
Embotelladoras Chilenas Unidas S.A.
Empresa Nacional de Energía Enex S.A. – Chairman
Enex Corporation Ltd
Enex CL Ltd
Invexans S.A. – Chairman
Invexans Ltd.
Inversiones IRSA Limitada
Inversiones LQ-SM Limitada
Inversiones y Rentas S.A.
LQ Inversiones Financieras S.A.
Nexans S.A.
Sociedad Matríz SAAM S.A.
Tech Pack S.A. – Chairman
Viña San Pedro Tarapacá S.A.
Zona Franca Central Cervecera S.A.S.

Dr Isabella Niklas (since 5 June 2020)
Stock Exchange Council of the Hanseatic Stock Exchange Hamburg
GMH Gebäudemanagement Hamburg GmbH
HADAG Seetouristik und Fährdienst AG
HHLA Hamburger Hafen und Logistik AG
Stromnetz Hamburg GmbH
Wärme Hamburg GmbH
SBH Schulbau Hamburg

Maya Schwiegershausen-Güth
HHLA Hamburger Hafen und Logistik AG

The Executive Board and Supervisory Board members not listed above do not hold any offices on other legally required supervisory boards or comparable supervisory bodies of commercial companies.

OBJECTIVES, VALUES AND STRATEGY

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth measured on the basis of the developments in transport volume, the key performance indicators EBITDA and EBIT as well as the return on invested capital (ROIC).

Values

Hapag-Lloyd is a multicultural company, with over 13,000 employees on 6 continents. To ensure all our employees have a shared understanding of who we are and who we want to be, in the course of the last financial year, Hapag-Lloyd has been working together with its employees, customers and various other interest groups to formulate a number of company values. Specifically, these values are:

- **We Care:** We look after ourselves, our colleagues, our business partners and our environment
- **We Move:** We are open to change and are always looking to deliver improvements, for ourselves and for our customers.
- **We Deliver:** We keep our promises.

Our shared values help to guide and support us in our day-to-day work. They are also designed to motivate and inspire us on our journey to our long-term objective of being number one for quality.

Strategy 2023

The Executive Board of Hapag-Lloyd AG assumes that the container shipping industry will no longer be solely determined by unit costs and economies of scale in the future. Instead, it firmly believes that service quality and reliability will be decisive competitive factors and that customers are willing to pay for quality, service and greater reliability. Especially with regard to reliability (measured using benchmarks including compliance with schedules) there is a need for action by the industry, and therefore also by Hapag-Lloyd.

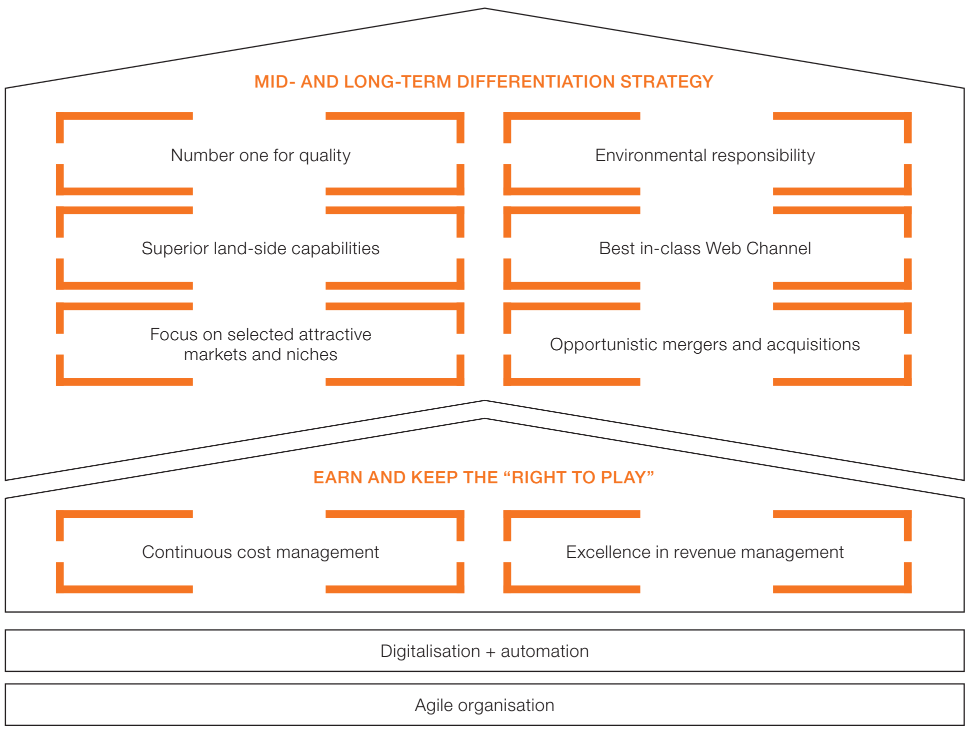
In 2018, Hapag-Lloyd developed and presented its medium-term strategy based on these premises. Successful implementation of the strategy should safeguard the future and provide the foundations for further organic growth.

The 3 core objectives of Strategy 2023 are:

- Become number one for quality
- Remain a global player
- Profitability throughout the entire economic cycle

The most important elements of Strategy 2023 are presented in the following illustration.

Foundations for realignment



Continuous cost and revenue management

In the past, Hapag-Lloyd has successfully launched and implemented a number of projects to ensure that the company cost structure is competitive. Further cost savings of USD 350 to 400 million until the end of 2021 were planned as part of Strategy 2023. Many of these savings were already achieved in the 2019 financial year. Efforts were therefore made to expand the cost-cutting programme for the 2020 financial year. As a result of the collapse in demand associated with the COVID-19 pandemic, which gave rise to an acute need to reduce the cost base quickly and significantly, measures that had already been planned as part of Strategy 2023 were combined with additional, short-term savings. As a result, the Performance Safeguarding Program (PSP) led to a reduction in transport and overhead costs of about USD 500 million in the 2020 financial year. The aim for 2021 is to perpetuate a portion of the savings made under the PSP.

In the area of revenue management, Hapag-Lloyd is working to continually optimise the cargo mix, to increase income from secondary sources, and to increase automation for price quotations, e. g., using the Quick Quotes channel.

Agile organisation

In the view of the Executive Board of Hapag-Lloyd AG, the continued development of Hapag-Lloyd's organisation towards increased agility is a key factor for the success of Strategy 2023. The aim is to make quicker and better commercial decisions with the help of data-based analysis tools. This will enable, among other things, a faster and more flexible response to market changes in supply and demand. Agility also requires the willingness to continuously learn. At the same time, agility means that Hapag-Lloyd must be more flexible in project development and be open to partnerships. A number of measures have been taken with this in mind, including the introduction and continuous application of a 90-day planning framework and the so-called Objective and Key Results Methods (OKR) in the first departments within the organisation.

Digitalisation and automation

New technologies and automation should contribute to a continuous improvement of internal processes and systems, thus minimising time-consuming manual tasks.

Hapag-Lloyd believes that it is well equipped for digitalisation and automation. Our "single operating system" forms the backbone of our operating processes. This also means the Hapag-Lloyd Executive Board believes that Hapag-Lloyd AG is in a good starting position when it comes to implementing and benefiting from new technologies, as we have shown with the introduction and continuous enhancement of our web channel, for example.

Become number one for quality

Hapag-Lloyd is committed to its objective of becoming and remaining the number one for quality in the industry. To achieve this objective, 10 quality pledges will be implemented by the end of 2021. 4 of these pledges were published during the financial year just ended. The 4 pledges cover timely and accurate documentation (quick confirmation of bookings, quick and accurate issue of bills of lading, accurate invoicing) and the pledge that cargo will be transported on the booked voyage in at least 95% of cases. Customers can access information about how the quality pledges are met using the new "Customer Dashboard."

Customer satisfaction is measured by a Net Promoter Score (NPS). The NPS measures customer loyalty, whereby a value above zero means that the majority of customers recommend the company to others. The most recent customer survey conducted in the fourth quarter of 2020 shows a deterioration compared to the previous year. According to the Executive Board of Hapag-Lloyd AG, this deterioration is due to the Corona-related difficult market environment, a container shortage, congestion of port infrastructures and a significant increase in bookings in the fourth quarter with limited capacity at the same time. In 2021, we will have to focus more on the implementation of our quality promises and increase customer satisfaction again. Hapag-Lloyd's fundamental aim is to maintain NPS in the clearly positive range in the long term.

Expanding land-side capabilities

Hapag-Lloyd aims to increase the percentage of land-side container shipments (known as "door-to-door" business) to over 40% by 2023. This cargo type requires additional services and Hapag-Lloyd offers these services to customers, enabling it to generate higher revenue and a higher margin. In the 2020 reporting year, the share of cargo transported with an inland component was approximately 31% (previous year: 32%). The slight decrease in the inland share is due to changes in cargo flows due to the COVID-19 pandemic.

Best-in-class web channel

Hapag-Lloyd was one of the first companies in the industry to offer customers the ability to request pricing quotes, make bookings and monitor shipments online. Over the last financial year, the Quick Quotes online booking tool has been further developed, with new functionality and products being added. These developments include the introduction of new online tools, such as the Navigator and the Online Products Shipping Guarantee, Additional Freetime and Bill of Lading (BL) Draft Approval. These tools are designed to make things easier and more digital for customers. In addition to a high usability and ease of operation, the aim is to increase the share of bookings made over the platform to 15% of Hapag-Lloyd's total transport volume by 2023. In the 2020 financial year, this figure was 11.1% (previous year: 7.9%). This means that more than 1.3 million TEU were booked via Quick Quotes, which is around 40% more than in the previous year (previous year: 1 million. TEU). In the fourth quarter of 2020, the highest share of bookings via Quick Quotes to date was recorded, with 13.8% of cargo.

Environmental responsibility

According to the IMO Greenhouse Study, the commercial shipping industry as a whole is responsible for around 3% of annual greenhouse gas emissions Therefore, Hapag-Lloyd is working with international organisations such as the International Maritime Organization (IMO) to make shipping more environmentally friendly. From 2008 to 2019 Hapag-Lloyd has reduced CO_2 emissions per TEU-km by approximately 50%. We are working on a number of ways to reduce greenhouse gas emissions even further, including testing alternative fuels. In the 2020 financial year, Hapag-Lloyd became the first company in the world to retrofit a large vessel to run on liquefied natural gas (LNG). Tests of the new system are planned for spring 2021. In addition, Hapag-Lloyd has placed an order for the construction of 6 new ultra-large container vessels of 23,500 TEU each at the end of 2020, with delivery expected between April and December 2023. These vessels will be equipped with modern and fuel-efficient high-pressure dual-fuel engines that can run on both liquefied natural gas (LNG) and conventional fuel. LNG offers a number of environmental advantages over conventional oil-based fuels, in particular reducing CO_2 emissions by 15%–25%. A new and comprehensive sustainability strategy is also planned for 2021. This sustainability strategy will develop and add detail to the "Environmental Responsibility" element of the existing Strategy 2023.

In light of the regulations of the International Maritime Organization (IMO) aimed at reducing emissions of sulphur dioxide, which came into force in 2020, Hapag-Lloyd overwhelmingly used low sulphur fuel for its operations during the 2020 financial year. In addition, a limited number of ships were also fitted with exhaust gas cleaning systems (EGCS). From the perspective of Hapag-Lloyd AG's Executive Board, the conversion to the new emission thresholds and the associated switch to low-sulphur fuel went according to plan and the target for 2020 was therefore achieved.

Global player

Hapag-Lloyd is aiming for a global market share (excl. Intra-Asia) of around 10%. As at 31 December 2020, the market share (excl. Intra-Asia) was approximately 10.9% (previous year: 10.4%). Hapag-Lloyd plans to grow with the market and thereby retain its market share. In addition, Hapag-Lloyd wants to increase its presence in attractive growth markets, and in the area of special cargo in particular. This includes the transportation of reefer containers, which Hapag-Lloyd sees today as an area of strength. Here the company also wants to increase its market share in special transports to around 10%. As at 31 December 2020, Hapag-Lloyd's share of the global reefer market was approximately 9.1% (previous year: 8.6%). To ensure that the company achieves its objective in this segment, 12,875 new reefer containers were ordered and received in the reporting year. As a further element of Strategy 2023, Hapag-Lloyd has identified attractive growth markets. These include Africa, India and South East Asia. Additional new services were established in these markets in 2020. In addition, the organisation in Africa was expanded to accommodate the growing business.

Profitability throughout the entire economic cycle

As part of Strategy 2023, Hapag-Lloyd is pursuing profitability throughout the entire economic cycle. This is reflected in a suitable return on invested capital (ROIC), one that at least matches the company's weighted average cost of capital. We are also aiming to strengthen our balance sheet.

Adequate Return on Invested Capital

The return on invested capital (ROIC) is calculated at Group level as an indicator of the performance within a period. The return on invested capital (ROIC) in the 2020 financial year was 10.6%, following 6.1% in the previous year. As a result of this significant improvement, the return on invested capital in 2020 is above the average cost of capital for the first time since the ratio has been reported in 2015. The weighted average cost of capital after income taxes is 6.0% as of the balance sheet date (as per 31 December 2019: 6.8%). The reduction in the weighted average cost of capital is mainly due to a lower risk-free base rate.

Strengthening the statement of financial position

We are continuing to strengthen the balance sheet by increasing equity, paying down debt and increasing the liquidity reserve.

As part of Strategy 2023, Hapag-Lloyd aims to have an equity ratio of over 45%. We plan to reach this target by partly retaining profits generated. As at 31 December 2020, improved results had led the equity ratio to increase to 44.3% (previous year: 40.9%), meaning we are already close to achieving the target ratio.

Reducing debt and achieving optimal gearing are high priorities for Hapag-Lloyd. Since the takeover of UASC in May 2017, dynamic gearing, as measured by the ratio of net debt to EBITDA (in USD) has continuously been reduced, thanks to a combination of debt being paid down and increases in revenue. Accordingly, gearing has improved from 5.7x as at 31 December 2017 to 1.8x as at 31 December 2020 (previous year: 3.0x). Hapag-Lloyd is aiming to bring the ratio of net debt to EBITDA down to under 3.0x, and maintaining it at that level over the long term.

At the same time, the liquidity reserve should be at least 1.1 billion USD. As a precautionary measure for the impact of the COVID-19 pandemic, liquidity was significantly increased in the first half of the year through the expanded use of the receivables securitisation programme, the drawing of credit lines and the refinancing of ships and containers. In addition, the investment budget was continuously reviewed and prioritisation of investments was established. Due to the better than expected business development as at the time of the pandemic outbreak, liquidity was reduced again from the second half of 2020 in favour of further debt reduction. At the end of 2020 liquidity was still above the previous year's level at 1.2 billion euros (previous year: 1.0 billion euros).

The significant improvement in our key balance sheet ratios was recognised by 2 international ratings agencies during the 2020 financial year. On 5 and 14 October 2020, the ratings agencies Standard and Poor's and Moody's upgraded their credit ratings for Hapag-Lloyd to "BB-" (from "B+") and "Ba3" (from "B1") respectively. This is the highest rating obtained by Hapag-Lloyd since it was first rated in 2010.

Strategic objectives for 2021

In the 2021 financial year, our focus will be on:

- Ensuring the safety and health of our employees
- Flexibly adapting to changing market conditions related to the global economic impact of the COVID-19 pandemic
- Continuing a prudent financial policy with a focus on costs and risk-adequate liquidity management
- Stabilising profitability and return on investment
- Further implementation of Strategy 2023
- Publication of the remaining Quality Promises
- Developing and approving the new sustainability strategy
- Test and first operation of a vessel with LNG as fuel

Combined management report

BASIC PRINCIPLES OF THE GROUP

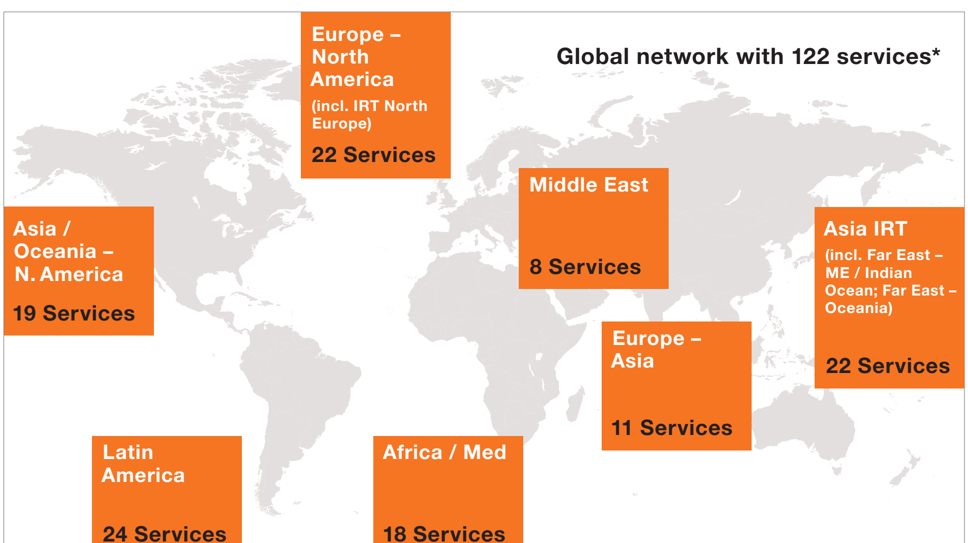
The management report of Hapag-Lloyd AG and the Group management report have been combined in accordance with section 315 sub-section 5 in conjunction with section 298 sub-section 2 of the German Commercial Code (HGB). The disclosures specific to Hapag-Lloy AG are presented in the chapter „Notes on the individual financial statements of Hapag-Lloyd AG (HGB)“.

OPERATING ACTIVITIES

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

Hapag-Lloyd’s fleet comprised 237 container ships as at 31 December 2020 (previous year: 239) with a transport capacity of approximately 1.7 million TEU (previous year: 1.7 million TEU). The Group currently has 395 sales offices in 129 countries (previous year: 392 sales offices in 129 countries) and offers its customers worldwide access to a network of 122 liner services (previous year: 121). In the 2020 financial year, Hapag-Lloyd served approximately 30,400 customers around the world (previous year: approximately 30,600).

Network of Hapag-Lloyd services



Source: Company data; note: *FP1 and FP2 services included twice (Asia–North America / Europe–Asia)

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

The Hapag-Lloyd Group's functional currency is the US dollar. The reporting currency of the individual and consolidated financial statements of Hapag-Lloyd AG is, however, the euro. Assets and liabilities recognised in the consolidated financial statements of Hapag-Lloyd AG are translated into euros as at the reporting date (closing date rate) using the middle rate of that day. The cash flows listed in the consolidated statement of cash flows and the expenses, income and result shown in the consolidated income statement are translated at the average exchange rate for the reporting period. The currency translation differences are recognised directly in the Group's other comprehensive income. If required, hedging transactions are conducted in the Hapag-Lloyd Group to hedge against the USD / EUR exchange rate.

GROUP STRUCTURE AND SHAREHOLDERS

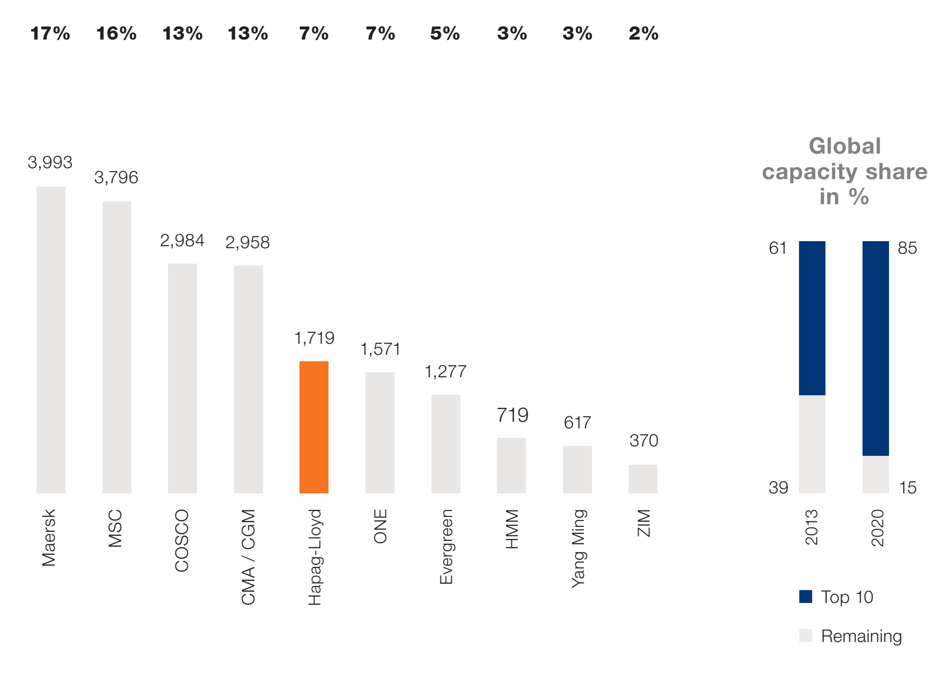
The controlling company of the Hapag-Lloyd Group, Hapag-Lloyd AG, is also the largest single operating company within the Group. In terms of operations, the Group structure of Hapag-Lloyd AG is currently as follows:

The organisational structures of all six regions are identical. The "blueprint organisational structure", used together with a uniform IT system that covers the entire transport chain, allows for standardised exchange of information between head office and the regions.

BUSINESS AND COMPETITIVE ENVIRONMENT

Consolidation of the industry and alliances in container shipping
Between 2014 and 2018 the container shipping industry underwent a further period of strong consolidation. According to data from MDS Transmodal (January 2021), the 10 largest container liner shipping companies provide approximately 85% of the total capacity of the global fleet of container ships. This figure was just 61% in 2013.

Fleet capacity and market share of the top container liner shipping companies in TTEU 2020 vs. 2013



Source: Drewry (Q4 2020), MDS Transmodal (January 2021, October 2013)

Alliances are an essential part of the container shipping industry as they enable better utilisation of ships and provide the opportunity for shipping companies to offer a more extensive service. There are currently 3 global alliances. Hapag-Lloyd (Germany) operates the “THE Alliance” in partnership with ONE (Singapore), Yang Ming (Taiwan), and, since 1 April 2020, Hyundai Merchant Marine (South Korea) (HMM). As at 31 December 2020, the THE Alliance covered all East-West trades with 274 container ships and 30 services (31 December 2019: 251 container ships and 29 services). Due to the decrease in demand as a result of the COVID-19 pandemic, one service operated by the THE Alliance is temporarily suspended at present (31 December 2019: no services suspended; 4 services were suspended at the peak of the crisis as at 30 June 2020).

Measured in terms of transport capacity, the largest alliance is the “2M Alliance”, consisting of the two market leaders – Maersk (Denmark) and MSC (Switzerland). It is followed by the “Ocean Alliance”, consisting of CMA CGM (France), COSCO (China) and Evergreen (Taiwan).

Capacity share of alliances in East–West trades

in %	Far East trade	Transpacific trade	Atlantic trade
2M	38	21	48
Ocean Alliance	36	44	14
THE Alliance	**26**	**28**	**33**
Other	0	7	5

Source: Alphaliner (January 2021)

Hapag-Lloyd’s membership of alliances and various other collaborative projects allows Hapag-Lloyd to optimise fleet deployment and expand the services provided. The Executive Board of Hapag-Lloyd AG views such alliances as an effective way of ensuring that the fleet is used efficiently and keeping the cost per transport unit low, thereby ensuring increased productivity.

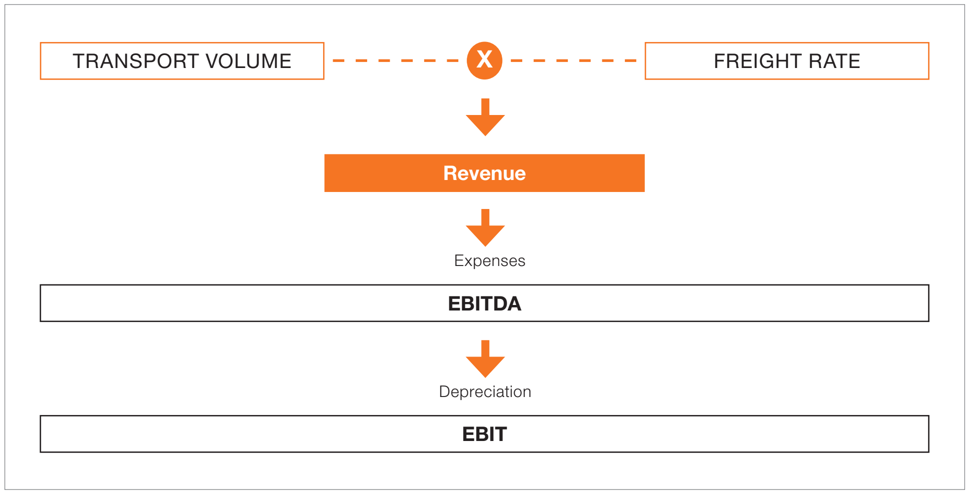
Legal framework

Hapag-Lloyd’s business is subject to multiple regulatory and legal provisions. In order to engage in business operations, it is necessary to have authorisations, licences and certificates. Compliance with the ISM Code (International Safety Management), which regulates the measures required for ensuring safety at sea, and the ISPS Code (International Ship and Port Facility Security) must be given particular emphasis. The latter stipulates what measures are to be taken to prevent hazards on board ships and in ports, thereby contributing to supply chain security. There are also numerous country-specific rules, such as “advance manifest rules”, which stipulate certain disclosure obligations in relation to the ship’s cargo. Adherence to international regulations and specifications, such as embargo and sanction stipulations, is a basic requirement for the provision of service.

CORPORATE MANAGEMENT

Key performance indicators

The Group’s financial key performance indicators for its operating business are EBITDA and EBIT. EBIT is an important indicator for measuring sustainable earnings, while EBITDA is an important indicator for measuring gross cash flows, and is also used as an important key performance indicator for investment and financial decisions.



Earnings before interest, taxes, depreciation and amortisation (EBITDA) are calculated by adding the revenue, the other operating income, the earnings from companies accounted for using the equity method and earnings from investments and securities generated within a certain period less transport expenses and personnel expenses, not including amortisation of intangible assets and depreciation of property, plant and equipment. To calculate earnings before interest and taxes (EBIT), depreciation and amortisation are deducted from EBITDA.

Material influencing factors

The main factors influencing the development of the operating result indicators are transport volume, freight rate, the US dollar exchange rate against the euro and operating costs including bunker price.

The global transport volume is dependent on the prevailing economic developments around the world and therefore also on the various levels of demand for shipping services. Other factors influencing Hapag-Lloyd's transport volume are container ship capacity and the accompanying change in the competitive situation in the trades.

Freight rates can be managed only to a limited degree because they are heavily dependent on market capacity and market demand. The Group follows a yield management approach, according to which individual container shipments are examined using profitability criteria. It attempts to continuously reduce the proportion of less profitable cargo through targeted yield management. The use of a standardised IT system that covers the entire transport chain supports business processes worldwide.

Efficient cost management provides essential control over the EBITDA and EBIT values. The system of cost management is supported by an integrated IT solution which provides essential and up-to-date data required for management, as well as for implementing and maintaining cost reduction measures. The cost base is, however, largely dependent on external influencing factors. Due to the global nature of the Group's business operations, exchange rate fluctuations can have a considerable influence on costs.

Operating costs are also influenced by bunker price changes. The bunker price correlates with the development of crude oil prices and is subject to substantial fluctuations. Depending on the competitive situation, a proportion of the fluctuations can be compensated for via the freight rate in the form of bunker surcharges. As part of preparations for the new exhaust gas standard, which has been applicable worldwide since 1 January 2020 ("IMO 2020"), and the associated sharp increase in bunker prices as a result of the use of low-sulphur bunker, Hapag-Lloyd restructured and updated its bunker surcharges. A new transparent price adjustment formula based on market data was established in 2019 (MFR) and will be applied to contract cargo (i. e. for contracts with a term of more than 3 months). However, the extent to which bunker surcharges can be implemented is heavily dependent on the prevailing market situation.

Part of the Group's likely bunker fuel needs are hedged using options in order to lessen the risk of changes in the bunker price due to rising prices.

PRINCIPLES AND PERFORMANCE INDICATORS

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include EBITDA and EBIT. Transport volume and freight rates are important factors influencing the development of revenue and results. A description and the calculation of the performance indicators can be found in the "Corporate Management" section.

Return on invested capital

Return on invested capital (ROIC) is also used as a performance indicator. ROIC compares net operating profit after tax (NOPAT), defined as EBIT less taxes, with invested capital as at the reporting date. Invested capital is defined as assets excluding cash and cash equivalents less liabilities excluding financial debt and lease liabilities. To facilitate comparison with other international shipping companies, the return on invested capital is calculated and presented exclusively on the basis of the functional currency, the US dollar.

Calculation of return on invested capital on a Group basis

	million EUR		million USD	
	2020	2019	2020	2019
Non-current assets	12,633.0	13,811.8	15,508.3	15,501.0
Inventory	172.3	248.5	211.5	278.9
Accounts receivables	1,362.6	1,239.8	1,672.8	1,391.4
Other assets	335.0	388.8	411.3	436.4
Assets	**14,503.0**	**15,688.8**	**17,803.9**	**17,607.6**
Provisions	827.4	805.2	1,015.7	903.6
Accounts payable	1,748.1	1,779.4	2,146.0	1,997.1
Other liabilities	749.9	598.0	920.5	671.2
Liabilities	**3,325.4**	**3,182.6**	**4,082.3**	**3,571.8**
Invested Capital	**11,177.6**	**12,506.3**	**13,721.6**	**14,035.8**
EBIT	1,315.2	811.4	1,501.0	908.3
Taxes	45.8	42.9	52.3	48.1
Net Operating Profit after Tax (NOPAT)	**1,269.4**	**768.4**	**1,448.7**	**860.2**
Return on Invested Capital (ROIC)			**10.6%**	**6.1%**

Figures are in USD, rounded, aggregated and calculated on an annualised basis. The table outlines selected items from the consolidated statement of financial position and the consolidated income statement in abbreviated form only. Currencies are translated as per the reporting date rates and average rates given in the Notes to the consolidated financial statements in the section “Fundamental accounting principles”.

The return on invested capital (ROIC) in the 2020 financial year was 10.6%, following 6.1% in the previous year. As a result of this significant improvement, the return on capital in 2020 is above the average cost of capital for the first time since the ratio has been reported in 2015. The weighted average cost of capital after income taxes is 6.0% as of the balance sheet day (2019: 6.8%). The reduction in the weighted average cost of capital is mainly due to a lower risk-free base rate.

IMPORTANT NON-FINANCIAL PRINCIPLES

In addition to the financial performance indicators, the optimum utilisation of the available ship and container capacities has a substantial influence on whether Hapag-Lloyd achieves long-term profitable growth.

Sustainable and quality-conscious corporate governance and highly qualified and motivated employees are also important parameters for Hapag-Lloyd’s long-term profitable growth. The following non-financial parameters are important for understanding Hapag-Lloyd as a container liner shipping company. However, they are not used by the Company as performance indicators. As part of Strategy 2023, further non-financial parameters, such as quantifiable quality targets in particular, are gradually being implemented.

Fleet and capacity development
As at 31 December 2020, the Hapag-Lloyd fleet comprised a total of 237 container ships (previous year: 239). All of the ships are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate.

The majority of the ships are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management). The TEU capacity of the entire Hapag-Lloyd fleet as at 31 December 2020 was 1,718,771 TEU, which amounts to a slight increase of 12,115 TEU (0.7%) on the figure for the previous year (1,706,656 TEU). Based on the TEU capacities, around 61% of the fleet was owned by the Group as at 31 December 2020 (previous year: approximately 62%).

As at the reporting date, the average age of the total Hapag-Lloyd fleet was 9.5 years (capacity weighted, previous year: 8.9). This is slightly below the average of the 10 biggest container liner shipping companies, which is 9.6 years (previous year: 9.0 years; source: MDS Transmodal). The average size of ships in the Hapag-Lloyd Group fleet as at 31 December 2020 was approximately 7,252 TEU (previous year: 7,141 TEU). This figure was approximately 15% above the comparable average of the 10 biggest container liner shipping companies worldwide as at 31 December 2020, which was 6,317 TEU (previous year: 6,133 TEU; source: MDS Transmodal).

In order to improve its competitiveness in Europe-Far East trade, on 23 December 2020, Hapag-Lloyd signed a contract with Korea's Daewoo Shipbuilding & Marine Engineering for the construction of 6 large new container ships. The ships will be sized at 23,500 TEU, and will be delivered to Hapag-Lloyd between April and December 2023. The total value of the investment will be approximately USD 1 billion. The relevant funding has already been secured. The purchase price will be paid in a number of instalments until final delivery, with the largest part of the payment due with delivery of the vessel. As part of the Hapag-Lloyd sustainability strategy, the ships will be fitted with modern, high-pressure, dual-fuel engines, which will be highly fuel-efficient. The engines will run on LNG, but will have sufficient tank capacity to run using conventional fuel if required. LNG offers a number of environmental advantages over conventional oil-based fuels, in particular reducing CO_2 emissions by around 20%.

As at the reporting date, Hapag-Lloyd owned or rented 1,634,911 containers (previous year: 1,545,587) with a capacity of 2,703,943 TEU for shipping cargo (previous year: 2,540,199 TEU). Around 55% of containers (capacity-weighted) were owned by the Group as at 31 December 2020 (previous year: around 54%). With a fleet of around 121,000 reefer containers with a capacity of approximately 233,000 TEU (previous year: approximately 107,000 containers; 206,000 TEU), the Executive Board believes Hapag-Lloyd is in a solid competitive position in the attractive refrigerated shipping market segment. To facilitate further growth in the strategically important reefer segment, Hapag-Lloyd ordered 12,875 new reefer containers in 2020. These new containers were all delivered in the same year. Work to install the latest IOT (Internet of Things) monitoring technology across the reefer fleet continued. The resulting customer products are marketed under the name Hapag-Lloyd LIVE and include a real-time GPS location, information on the temperature inside the container and the download of the data for further use.

Structure of Hapag-Lloyd's ship and container fleets

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Number of vessels	237	239	227	219
thereof				
Own vessels[1]	112	112	112	116
Chartered vessels	125	127	115	103
Aggregate capacity of vessels (TTEU)	1,719	1,707	1,643	1,573
Aggregate container capacity (TTEU)	2,704	2,540	2,559	2,349
Number of services	122	121	119	120

[1] Including lease agreements with a purchase option / obligation at the end of the term.

As at 31 December 2020, Hapag-Lloyd had chartered no ships for repositioning empty containers (previous year: 5 ships with a transport capacity of approximately 16,500 TEU). However, in the fourth quarter of 2020, 9 ships with a total capacity of around 30,000 TEU were deployed to transport empty containers in order to counter the tight container availability in Asia as far as possible. The ships are not deployed in a liner service and are therefore not included in the display of the fleet structure.

The efficiency of Hapag-Lloyd's container ship fleet is reflected in the bunker consumption data. While volumes transported fell by 1.6%, there was a disproportionately large reduction in absolute bunker consumption compared to 2019. It fell by 6.1% in the 2020 financial year, to 4,108,666 tonnes. Bunker consumption per volume transported therefore decreased again from 0.36 t / TEU in the previous year to 0.35 t / TEU. Compared with 2009, bunker consumption per TEU has been cut by approximately 42% (2019: approximately 40%). Bunker consumption per slot (as measured by the average annual container storage space) was also reduced again to 2.4 t / slot (prior year period: 2.6 t / slot).

Bunker consumption of the Hapag-Lloyd Group

Tons (t)	2020	2019
MFO (High Sulphur)	247,933	3,658,488
MDO, MFO (Low Sulphur)	3,860,733	718,066
Total bunker consumption	**4,108,666**	**4,376,554**

Efficient transport services

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

Imbalances in the world’s biggest trades

Cargo value in TTEU	2020	2019
Transatlantic trade		
Europe – North America	4,445	4,642
North America – Europe	2,486	2,697
Far East trade		
Asia – Europe	13,758	14,468
Europe – Asia	6,498	6,467
Transpacific trade		
Asia – North America	16,856	17,383
North America – Asia	7,002	6,982

Source: Seabury (November 2020), Figures rounded

The transport capacities must be planned to meet the volumes on the dominant leg. The relevant performance indicator in this regard is the capacity utilisation of the Hapag-Lloyd container vessel fleet on the dominant leg, measured on the basis of total TEU capacity. In the reporting period, capacity utilisation was 95.6% (prior year period: 94.2%).

The return transport of empty containers produces costs. The relevant performance indicator here is the ratio of loaded containers on the dominant leg to the number of loaded containers on the non-dominant leg. The objective is to keep the number of empty container transport operations low or balance the ratio to the greatest possible extent. Furthermore, empty containers should be redeployed to the regions with high demand via the shortest, quickest and cheapest route.

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

	Hapag-Lloyd AG	Industry average
Transpacific	4.3	4.2
Atlantic	6.9	5.6
Europe – Far East	4.9	4.7

[1] Number of full containers on the non-dominant leg per ten full containers on the dominant leg. (The higher the rate, the lower the imbalance in the respective trade.)

Source: Seabury (November 2020); Hapag-Lloyd 2020; figures as per Drewry’s definition of trades

The number of loaded containers transported by Hapag-Lloyd on the non-dominant leg on the key trades is above the market average.

Another important factor in connection with the fleet's capacity utilisation is the turnaround frequency of the containers. Here the average number of deployments per container per year is calculated. The objective is to increase the turnaround frequency in order to boost productivity. In 2020 each container was transported on average 4.5 times (prior year period: 4.7 times). The main reason for the year-on-year reduction was the drop in transport volumes in the second quarter due to the COVID-19 restrictions. Furthermore, the pressure on the terminal and hinterland infrastructures and the resulting delays in the fourth quarter meant that containers were tied up in transports for longer.

Customers and customer orientation

Hapag-Lloyd's aim is to maintain a diversified customer portfolio consisting of direct customers and freight forwarders, with the latter ensuring a permanent regular supply of cargo volumes. Contractual relationships of up to 12 months generally exist with direct customers. Direct customers allow Hapag-Lloyd to plan the required transport capacity better because of the framework agreements concluded with them. Hapag-Lloyd has a balanced customer base, as demonstrated by the fact that its 50 largest customers represent considerably less than 50% of its cargo volume. In total, transports were completed for approximately 30,400 customers in the 2020 financial year (prior year period: approximately 30,600 customers).

A breakdown of the goods shipped according to product category shows a relatively balanced distribution. No individual product category accounted for a share of over 17% during the past financial year (previous year: 16%).

Transport volume by product category in 2020

Product Category	Share 2020 in %	Share 2019 in %
Food products	17	16
Plastic products	14	14
Chemical products	14	13
Paper and wood products	10	9
Mechanical products	9	9
Raw materials	8	8
Textiles	7	8
Automotive parts	5	6
Electronic products	5	5
Furniture	5	5
Other products	6	7
Total	**100**	**100**

This means that the influence of economic cycles in individual sectors on the development of the transport volume is relatively low. Assuming normal economic conditions, this ensures a continuous development of the transported volume.

RESEARCH AND DEVELOPMENT

In line with the new International Maritime Organization (IMO) regulations designed to reduce emissions of sulphur dioxide, which came into force in 2020, Hapag-Lloyd will test the use of liquefied natural gas (LNG) by converting a large container vessel (15,000 TEU "Brussels Express", formerly "Sajir") to run on LNG. The vessel will be equipped with a dual fuel system, i.e. it can use both LNG and/or low sulphur fuel. The conversion of the "Brussels Express" will see Hapag-Lloyd become the first container shipping company in the world to convert a container ship of this size to run on LNG. This is an unprecedented pilot project, and Hapag-Lloyd hopes it will generate insights that will pave the way for further large vessels to be converted to this alternative fuel source in the future. The "Brussels Express", featuring its new LNG propulsion system, will leave the yard mid of March 2021 and will be deployed on the Europe – Far East trade.

The "Brussels Express" is one of 17 ships in the Hapag-Lloyd fleet that were initially designed to be "LNG ready". Its 16 sister ships are also technically suitable for conversion. By converting the "Brussels Express", Hapag-Lloyd is making use of a technical option to reduce the environmental impact associated with large vessels. The use of LNG in the shipping industry has the potential to produce a significant reduction in CO_2 emissions, as well as facilitating major cuts to sulphur oxide, nitrogen oxide and particle matter (PM) emissions. In the medium term, our goal is to operate the vessel CO_2 neutrally with synthetic SNG.

The IT systems are continuously being enhanced, and new opportunities which are arising as a particular result of digitalisation are being identified. For example, the Digital Business and Transformation specialist department was set up in 2017 and works closely with the various regions, the IT department and other departments to develop new, digitally available services and business models. In addition, in order to strengthen IT development capacity, in 2019 we established a new IT development unit in Gdańsk (Poland). The unit is for example currently developing solutions to further automate business processes using robotic process automation and artificial intelligence. The focus of this work is to improve the quality of our service to customers as we continue to pursue our strategic objective of becoming number one for quality.

Beyond this, Hapag-Lloyd does not engage in any significant in-house research and development activities.

EMPLOYEES

The Hapag-Lloyd Group employed 13,117 people as at 31 December 2020 (previous year: 12,996 people). 2,023 people were employed in the marine division as at 31 December 2020 (previous year: 2,072). The number of shore-based employees increased by 176, from 10,691 in the previous year to 10,867 employees. The increase was largely due to the expansion of the Quality Service Centers, particularly in Europe. The average period of employment for shore-based personnel was around 8.5 years (previous year: 8.5 years). Despite the temporary reduction in demand caused by the effects of the COVID-19 pandemic, we were able to retain all our posts without having to introduce measures such as furlough.

Number of employees

	31.12.2020	31.12.2019	31.12.2018	31.12.2017
Marine personnel	2,023	2,072	1,970	2,007
Shore-based personnel	10,867	10,691	10,561	10,304
Apprentices	227	233	234	256
Total	**13,117**	**12,996**	**12,765**	**12,567**

There is a strong focus on vocational training and qualifications for both the shore-based and marine employees. Hapag-Lloyd attaches particular importance to extensive, high-quality training. The proportion of those offered jobs at the end of their training is generally between 80% and 90% (2020: 85%). As at 31 December 2020, Hapag-Lloyd employed a total of 116 apprentices in shore-based positions and 111 at sea (previous year: 132 shore-based and 101 at sea).

SHAREHOLDER STRUCTURE AND DIVIDEND

Shareholder structure of Hapag-Lloyd AG

The shareholder structure of Hapag-Lloyd AG is dominated by its 5 major shareholders, which hold around 96.4% of the Company's share capital between them. These include Kühne Maritime GmbH together with Kühne Holding AG (Kühne), CSAV Germany Container Holding GmbH (CSAV), Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), and Qatar Holding Germany GmbH on behalf of the Qatar Investment Authority (QIA) and Public Investment Fund of the Kingdom of Saudi Arabia (PIF). In addition, CSAV, Kühne Maritime GmbH and HGV have agreed under a shareholders' agreement to exercise their voting rights from the shares in Hapag-Lloyd AG by issuing a common voting proxy, thereby making important decisions together.

In January 2020, CSAV acquired a share package from QIA of 3,890,899 shares (corresponding to approximately 2.2%), followed by a further 1,000 shares in March. Since then, CSAV has held an interest of around 30%. In March, Kühne Maritime GmbH acquired 656,526 shares, which also increased Kühne's interest to around 30%.

The shareholder structure of Hapag-Lloyd AG as at 31 December 2020 is as follows:

in %	31.12.2020
Kühne Holding AG and Kühne Maritime GmbH	30.0
CSAV Germany Container Holding GmbH	30.0
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	13.9
Qatar Holding Germany GmbH	12.3
Public Investment Fund of the Kingdom of Saudi Arabia	10.2
Free float	3.6
Total	**100.0**

Dividend policy and dividend proposal

As far as legally and financially possible, Hapag-Lloyd aims to pay a dividend of at least 30% of its consolidated profit for the year. Hapag-Lloyd AG's retained earnings under German commercial law form the basis for determining the distribution of dividends. Under German law, the Annual General Meeting decides how the retained earnings are to be used. Against the background of the positive business development, the Executive Board of Hapag-Lloyd AG proposes to the Annual General Meeting that a dividend of EUR 3.50 per share be paid for the 2020 financial year (previous year: EUR 1.10 per share). This represents a disbursement ratio in relation to Group profits of 66% (previous year: 52%).

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

The pace at which the global economy grows and, by extension, at which global trade develops is a significant factor that influences demand for container shipping services and thus the development of the container shipping companies' transport volumes.

In spring of 2020, the effects of the COVID-19 pandemic were initially largely restricted to China. Chinese economic output fell sharply by 6.8% in the first quarter of 2020. However, the Chinese office for national statistics reported strong growth in the following quarters. In the fourth quarter, growth was 6.5% higher than in the previous year. Over the year as a whole, the Chinese economy grew by 2.3% in 2020 compared to the previous year. For the rest of the world, the economic effects of the pandemic were significant, particularly in the second quarter of 2020. The stringent containment measures caused economic output in the EU to plummet by 11.4% compared with the first quarter 2020, the sharpest decline since records began in 1995. The USA also recorded a significant decrease in the same period, although it was not as sharp, at around 7.1% (annualised 31.4%). Following a noticeable economic recovery in the third quarter of 2020, rising numbers of infections in Europe and the USA led again to a tightening of restrictions designed to prevent the spread of the virus, with a resulting negative impact on the economy. The statistics agencies in the EU and the USA reported that their economies contracted by 6.4% and 3.5% respectively in 2020 compared with the previous year.

The international movement of goods was affected by the containment measures to an even greater extent. According to the national statistics agencies in the EU and the USA, the import and export of goods plummeted by more than 20% in April and May 2020, although they subsequently recovered slightly. For 2020 as a whole, the decline in the USA and the EU was around 9.2% and 10.8% respectively.

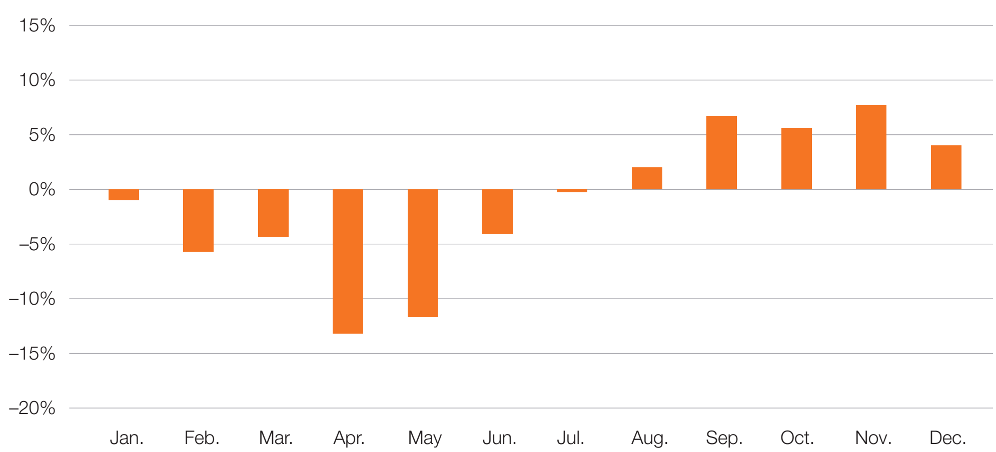
To reduce the economic impact of the COVID-19 pandemic, more than 190 countries as well as national and supranational central banks have adopted fiscal and monetary measures. The US Federal Reserve and the European Central Bank have cut their key interest rates and increased their bond purchasing. Fiscal measures include direct subventions, (interest-free) loans and tax relief for companies and private individuals.

The price of oil proved to be very volatile, particularly in the first half of 2020. While the price of Brent Crude was more than USD 60 per barrel at the start of the year, this plummeted by over 60% to around USD 20 by the end of April 2020, before stabilising at around USD 40. The oil price rose to USD 51.80 at the end of the year (previous year: USD 66.00), buoyed by the prospect of a swift end to the pandemic thanks to the development of vaccines, and a consequent increase in demand for oil.

SECTOR-SPECIFIC CONDITIONS

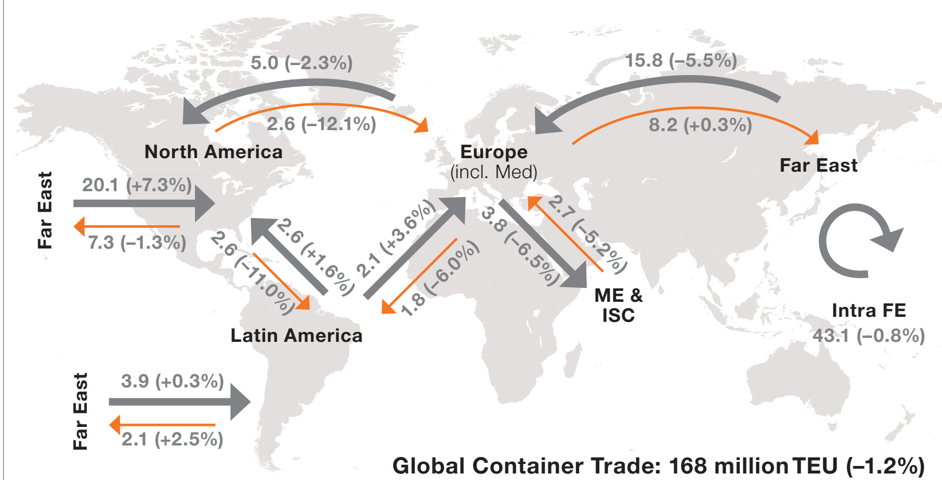
Global container transport volumes varied wildly over the course of the year. As a consequence of the measures introduced worldwide to combat the COVID-19 pandemic, global container shipments contracted sharply in April and May 2020, by 13% and 12% respectively, before demand began to recover gradually over the summer months. From September at the latest, a combination of recovery effects and increased demand for consumer goods began to produce strong growth in container transport volumes, particularly for routes from Asia to North America and Europe. This in turn led to a shortage of containers for export in China, which itself had a negative effect on transport volumes. For the year as a whole, the total volume of worldwide container shipments contracted by 1.2% in 2020 (CTS, February 2021). The sharpest falls in volumes during this period were recorded in the Atlantic, while volumes on the Transpacific trade actually increased compared to 2019.

Monthly growth in global container transport volumes in 2020 compared to the previous year in %



Source: CTS (February 2021)

Transport volume and growth rates for global container traffic per trade (volume 2020 in million TEU; in brackets: 2020 vs. 2019, change in %)



Source: CTS (February 2021)

Volatile demand was also reflected in the number of idle ships. This capacity rose to around 2.7 million TEU at the end of May 2020 (Alphaliner Weekly, June 2020), which corresponded to approximately 12% of the global fleet. Due to the subsequent rise in demand for container transport, suspended services have been progressively reinstated since the summer, with idle ships entering service once again. At the end of the year 2020, the capacity of idle ships was approximately 0.6 million TEU (Alphaliner Weekly, January 2021). This amounted to approximately 2.7% of the global fleet.

Based on figures from MDS Transmodal, a total of 124 container ships, with a transport capacity of approximately 0.8 million TEU, were placed into service in 2020 (prior year period: 126 ships with a transport capacity of approximately 1.0 million TEU). Scrapping of obsolete ships over the same period was approximately 189,000 TEU, which is approximately 3.3% above the value for the previous year (prior-year period: approximately 183,000 TEU). Accordingly, the net growth of the container shipping fleet was approximately 641,000 TEU, taking the total to 23.6 million TEU. In the previous year, growth was 796,000 TEU (MDS Transmodal, January 2021).

Over the course of 2020, orders were placed for the construction of 100 container ships with a transport capacity totalling approximately 990,000 TEU, an increase of around 49% compared with the prior year period (Clarksons Research, January 2021). The capacity of the ships ordered was approximately 2.4 million TEU at the end of 2020 (MDS Transmodal, January 2021). The volume of orders in proportion to the capacity of the global container fleet stood at approximately 10%, and thus remains significantly below both the peak of approximately 61% reached in 2007 and the average over the last 5 years (approximately 14%).

The bunker price proved to be very volatile, particularly in the first half of 2020. Low-sulphur bunker, the fuel predominantly used since the start of 2020, cost around USD 560/t on the year's first day of trading (MFO 0.5%, FOB Rotterdam). The bunker price decreased significantly during the first half of the year, due to the global decline in demand and a simultaneous sharp fall in the price of oil caused by a dispute about production volumes among leading oil-producing countries. As a result, it briefly stood at around USD 135/t at the end of April 2020 (MFO 0.5%, FOB Rotterdam). However, halfway through the year, prices rose steeply again. During the second half of the year the bunker price was relatively stable, and generally remained around USD 300/t until prices rose again slightly at the end of the year. As at the end of December 2020, low-sulphur bunker was trading in Rotterdam at around 367 USD/t (MFO 0.5%, FOB Rotterdam).

Due to the introduction of the new fuel type and differing supply situations at the various ports, there were clear price differences at the start of the year for MFO 0.5% bunker. In Singapore, for example, the price at the start of the year was around USD 700/t, which was more than USD 140/t higher than the price in Rotterdam. During the year, the price difference normalised again and was only around USD 20/t at the end of December 2020.

IMPACT OF THE COVID-19 PANDEMIC ON BUSINESS DEVELOPMENT

Business development in 2020 was significantly influenced by the outbreak of the COVID-19 pandemic. An abrupt and significant reduction in demand in the second quarter of the year was followed by an equally strong recovery in demand during the second half of the year. The resulting economical effects are described in detail in the earnings, financial and net asset position section.

Maintaining business operations at the beginning of the pandemic was made somewhat more difficult as a result of the measures implemented in almost every country in the world to contain the virus, and specifically by restrictions on movement and contact. Hapag-Lloyd reacted to the crisis at an early stage and established a central crisis committee headed by the Executive Board at the beginning of March 2020. The crisis committee assesses the current situation on a regular basis, implementing measures as necessary. To ensure the safety of personnel and stable business operations both on land and on board the ships, emergency plans (business continuity plans) have been drawn up for each department and office. Hapag-Lloyd employees are kept fully informed about the current situation and the protective measures via the intranet.

This enabled the Company to maintain business operations to a very large extent, despite comprehensive protective measures and extensive office closures. At the peak of restrictions, more than 90% of shore-based employees were working from home. This was achieved by the creation of additional IT capacity worldwide. The safety of crews on board ships is also a top priority for the executive management. Hapag-Lloyd has therefore also put in place additional safety measures on board its ships to ensure the safety of its crews as best it can. Shipping operations have largely continued without any significant disruptions. Worldwide travel restrictions and local restrictions are continuing to prevent crew changes, or to make them much more difficult. Hapag-Lloyd is working closely with local authorities and other market participants to improve the situation.

In addition to securing the current operational business, the second focus was to minimise the negative effects of the decline in demand in connection with the COVID-19 pandemic and to ensure the financial solidity of the Company at all times. To safeguard profitability and liquidity, a comprehensive package of measures under the project name Performance Safeguarding Program (PSP) was developed and implemented. Among other initiatives, the PSP includes measures for cost savings, the review of all investments, and measures to increase the liquidity framework.

In cooperation with the other THE Alliance partners, the service network for the major East-West routes has been revised and individual services have been temporarily merged or cancelled. These measures enabled the alliance partners to ensure adequate utilisation of their ships and thus save costs – particularly in the second quarter – despite the double-digit percentage fall in demand. Due to the significant increase in demand in the second half of the year, capacity has progressively increased. At the same time, Hapag-Lloyd has also identified additional cost-cutting measures to save on container handling and transport, equipment (mainly containers), ship systems and overheads. The temporary low price of charter vessels was used to renegotiate charter contracts, adjusting durations and conditions at the same time. The implementation of the capacity-related and cost-cutting measures described above led to savings in the mid three-digit US dollar million range in comparison to the originally planned cost base.

Liquidity was significantly increased through the expanded use of the programme to securitise trade accounts, the drawing of credit lines and the refinancing of ships and containers. In addition, the investment budget was reviewed on an ongoing basis and planned investments prioritised. As the business development turned out to be better than had been predicted when the pandemic broke out, liquidity was slightly reduced from the second half of 2020 onwards in order to reduce liabilities further. Despite this, liquidity still stood at EUR 1.2 billion at the end of 2020, which is above the previous year level of EUR 1.0 billion.

EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

The 2020 financial year was dominated by the outbreak and global spread of the COVID-19 pandemic, the corresponding cost management implemented under the PSP programme, and a comparatively low average bunker price alongside an increase in freight rates during the year.

After falling sharply in the second quarter, transport volumes recovered as the year continued – especially in the fourth quarter – to a greater extent than had been expected initially. However, at –1.6%, transport volumes were still down slightly on the previous year. By contrast, revenue was 1.3% higher than in previous year. A slight rise in freight rates, a moderate decrease in bunker prices and active cost reduction under the PSP programme all had a positive impact on earnings in the financial year.

As a result of the factors mentioned above, Hapag-Lloyd's earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 2,700.4 million in the 2020 financial year were significantly up on the previous year (prior year period: EUR 1,985.8 million). Its earnings before interest and taxes (EBIT) came to EUR 1,315.2 million (prior year period: EUR 811.4 million) following the optimisation of the vessel portfolio in December with a valuation effect of EUR –98.8 million. The Group profit for 2020 improved significantly from EUR 373.4 million in the prior year period to EUR 935.4 million.

At USD 1.14 / EUR, the average USD / EUR exchange rate was weaker than in the prior year period (USD 1.12 / EUR). The development of the USD / EUR exchange rate therefore had a counteractive effect on the positive earnings position.

Consolidated income statement

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Revenue	12,772.4	12,607.9
Transport expenses	9,140.2	9,707.0
Personnel expenses	683.0	682.5
Depreciation, amortisation and impairment	1,385.2	1,174.4
Other operating result	–279.7	–268.8
Operating result	**1,284.4**	**775.2**
Share of profit of equity-accounted investees	32.1	35.5
Result from investments and securities	–1.2	0.7
Earnings before interest and taxes (EBIT)	**1,315.2**	**811.4**
Interest result	–330.5	–396.7
Other financial items	–3.5	1.6
Income taxes	45.8	42.9
Group profit / loss	**935.4**	**373.4**
thereof profit / loss attributable to shareholders of Hapag-Lloyd AG	926.8	362.0
thereof profit / loss attributable to non-controlling interests	8.6	11.4
Basic / diluted earnings per share (in EUR)	5.27	2.06
EBITDA	**2,700.4**	**1,985.8**
EBITDA margin (%)	**21.1**	**15.8**
EBIT	**1,315.2**	**811.4**
EBIT margin (%)	**10.3**	**6.4**

Transport volume per trade

TTEU	1.1.–31.12.2020	1.1.–31.12.2019
Atlantic	1,817	1,960
Transpacific	1,851	1,945
Far East	2,286	2,327
Middle East	1,476	1,391
Intra-Asia	831	900
Latin America	2,889	2,837
EMA (Europe – Mediterranean – Africa)	689	676
Total	**11,838**	**12,037**

The transport volume in the 2020 financial year decreased by 199 TTEU to 11,838 TTEU compared with the prior year period (prior year period: 12,037 TTEU). This equates to a fall of 1.6%. The decline was primarily attributable to the second quarter, when the global effects of the political measures to combat the COVID-19 pandemic were reflected in transport volumes on all trades. The transport volume then continuously improved as 2020 progressed and, at 3.8% in the fourth quarter, was up slightly on the prior year period, as was the case in the first quarter of 2020.

The Far East, Latin America and Middle East trades in particular contributed to the rise in transport volumes in the fourth quarter of 2020. This was due to increased demand for sea freight and container transport, primarily driven by a recovery effect from the previous drop in volumes related to the COVID-19 pandemic.

By contrast, transport volumes on the Intra-Asia trade were significantly down on the previous year's level due to cancelled voyages and network optimisations in the fourth quarter.

The decline in transport volumes on the Atlantic and Transpacific trade were also attributable to the effects of the COVID-19 pandemic, although there were signs of a slow recovery on these trades too in the fourth quarter of 2020. On the EMA (Europe – Mediterranean – Africa) trade, there were no significant changes compared with the previous year.

Freight rates per trade

USD/TEU	1.1.–31.12.2020	1.1.–31.12.2019
Atlantic	1,383	1,389
Transpacific	1,467	1,318
Far East	979	910
Middle East	837	744
Intra-Asia	605	541
Latin America	1,131	1,153
EMA (Europe – Mediterranean – Africa)	1,051	1,046
Total (weighted average)	**1,115**	**1,072**

The average freight rate in the 2020 financial year was USD 1,115 / TEU, which was USD 43 / TEU, or 4.0%, up on the prior year period (USD 1,072 / TEU).

The freight rate increase was primarily due to strong demand as a result of the coronavirus for consumer goods from Asia in the second half of the year and in particular at the end of the year. This unexpectedly strong demand for container transport led to a sharp rise in spot rates for exported goods from Asia and in particular from China.

Revenue per trade

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Atlantic	2,201.6	2,431.9
Transpacific	2,379.9	2,290.8
Far East	1,961.7	1,891.7
Middle East	1,081.6	924.8
Intra-Asia	440.0	435.4
Latin America	2,863.2	2,921.6
EMA (Europe – Mediterranean – Africa)	634.8	631.7
Revenue not assigned to trades	1,209.6	1,080.0
Total	**12,772.4**	**12,607.9**

The Hapag-Lloyd Group's revenue rose by EUR 164.5 million to EUR 12,772.4 million in the 2020 financial year (prior year period: EUR 12,607.9 million), representing an increase of 1.3%.

The main reason for this was the rise in average freight rates of 4.0% compared with the previous year. By contrast, the weakening of the US dollar against the euro counteracted the increase in revenue. Adjusted for exchange rate movements, revenue would have risen by approximately EUR 0.4 billion, or 3.3%. The year-on-year fall in the transport volume of –1.6% also counteracted the increase in revenue.

Operating expenses

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Transport expenses	9,140.2	9,707.0
thereof:		
Bunker	1,407.3	1,625.6
Handling and haulage	4,716.7	4,922.7
Equipment and repositioning [1]	1,134.7	1,205.0
Vessel and voyage (excluding bunker) [1]	1,830.8	1,967.8
Change in transport expenses for pending voyages [2]	50.6	–14.0
Personnel expenses	683.0	682.5
Depreciation, amortisation and impairments	1,385.2	1,174.4
Other operating result	–279.7	–268.8
Total operating expenses	**11,488.0**	**11,832.7**

[1] Including lease expenses for short-term leases
[2] The amounts presented as transport expenses for pending voyages represent the difference between the transport expenses for pending voyages for the current period and the transport expenses for pending voyages for the previous period. The transport expenses for pending voyages recognised in the previous periods are presented in the current period as completed transport expenses.

Transport expenses

In the 2020 financial year, transport expenses fell by EUR 566.8 million to EUR 9,140.2 million (prior year period: EUR 9,707.0 million). This represents a drop of 5.8%. This decline was primarily due to the volume-related decrease in expenses, the lower average bunker consumption price compared with the previous year and active cost management under the PSP programme. In addition, the weaker US dollar compared with the euro led to a reduction in transport expenses. Adjusted for exchange rate movements, transport expenses would have fallen by approximately EUR 0.4 billion, or around 4.0%.

The decline in expenses for fuel of EUR 218.3 million resulted primarily from the decrease in the average bunker consumption price compared with the previous year as well as from the 1.6% fall in the transport volume and the included exchange rate effects (USD/EUR).

Hapag-Lloyd's bunker consumption price of USD 379/t in the 2020 financial year was down USD 37/t (–8.9%) on the figure for the corresponding prior year period of USD 416/t. While the price for low-sulphur fuel remained very high at the start of the reporting period (MFO 0.5%, FOB Rotterdam, around USD 560/t), it decreased significantly during the first half of 2020 due to a global decline in demand and a simultaneous dispute about production volumes among leading oil-producing countries. As a result, it briefly stood at around USD 135/t at the end of April (MFO 0.5%, FOB Rotterdam). However, bunker prices subsequently rose again and remained at a relatively stable level of around USD 300/t from the third quarter of 2020. The price increased again towards the end of the year, with low-sulphur fuel costing approximately USD 367/t at the end of December (MFO 0.5%, FOB Rotterdam). The decrease in the bunker consumption price was partly offset by the required use of the more expensive low-sulphur fuel from 1 January 2020 following the implementation of IMO 2020.

The decrease in container handling expenses of EUR 206.0 million to EUR 4,716.7 million resulted primarily from a volume-related decline, lower hinterland transport expenses and active cost management under the PSP programme.

The fall in container and repositioning expenses of EUR 70.2 million to EUR 1,134.7 million was essentially due to active cost management under the PSP programme, the resulting decline in expenses for loading and unloading empty containers at the terminals and the optimisation of container utilisation on voyages from Europe and to Asia in the fourth quarter of 2020.

The decrease in expenses for vessels and voyages (excluding bunker) of EUR 137.0 million to EUR 1,830.8 million resulted primarily from active cost management under the PSP programme. Suspended services, a reduced number of voyages, network optimisations and a higher percentage of vessels chartered in on a medium-term basis compared with the previous year were the main reasons for the decrease in expenses.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2020 financial year came to 28.4% (prior year period: 23.0%).

Personnel expenses
Personnel expenses rose by EUR 0.5 million (0.1%) to EUR 683.0 million in the 2020 financial year (prior year period: EUR 682.5 million). This was primarily due to an increase in the number of employees compared with the previous year, higher bonuses for the 2020 financial year and special COVID-19 payments to employees. This contrasted with the weaker US dollar compared with the euro, which led to a reduction in personnel expenses. Adjusted for exchange rate movements, personnel expenses would have risen by approximately EUR 14 million.

The Group employed an annual average of 13,085 people (prior year period: 12,905 people). The personnel expenses ratio (measured in terms of revenue) decreased compared to the previous year from 5.4% to 5.3%.

Depreciation, amortisation and impairment
In the 2020 financial year, depreciation and amortisation came to EUR 1,385.2 million (prior year period: EUR 1,174.4 million). The year-on-year increase in depreciation and amortisation resulted essentially from scheduled depreciation associated with the recognition of retrofittings due to IMO 2020 as well as from a rise in the percentage of vessels chartered in on a medium-term basis and the resulting increase in rights of use. The amortisation of rights of use relating to leased assets (essentially vessels, containers, buildings) led to amortisation of EUR 528.1 million (prior year period: EUR 459.2 million). There were also impairments due to the optimisation of the vessel portfolio in the amount of EUR 98.8 million (prio year period: EUR 0.0 million) and the additional depreciation from the abbreviated scheduled depreciation of the UASC and CSAV brands in the amount of EUR 36.8 million (prio year period: EUR 0.0 million).

Other operating result
The other operating result of EUR –279.7 million (prior year period: EUR –268.8 million) comprised the net balance of other operating income and expenses. Other operating expenses came to a total of EUR 348.8 million in 2020 (prior year period: expenses of EUR 350.0 million). This mainly included IT and communication costs (EUR 175.9 million; prior year period: EUR 155.7 million), administrative expenses (EUR 33.8 million; prior year period EUR 41.8 million) and consultancy fees (EUR 32.7 million; prior year period: EUR 35.8 million). The other operating income of EUR 69.1 million (prior year period: EUR 81.2 million) included in the figure resulted primarily from the release of provisions (EUR 13.8 million; prior year period: EUR 11.4 million) and the long term disposal of assets (EUR 13.1 million; prior year period: EUR 20.2 million). A detailed overview of the other operating result can be found in Note (5) Other operating result in the Notes to the consolidated financial statements.

Share of profit of equity-accounted investees
The share of the profit of equity-accounted investees fell by EUR 3.4 million to EUR 32.1 million in the 2020 financial year. The reason for the decrease was a lower pro rata result from the investment in HHLA Container Terminal Altenwerder GmbH compared with the prior year period.

Operating result

In the 2020 financial year, earnings before interest and taxes (EBIT) amounted to EUR 1,315.2 million. They were therefore well above the corresponding figure in the prior year period (EUR 811.4 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 2,700.4 million in the 2020 financial year (prior year period: EUR 1,985.8 million). The annualised return on invested capital (ROIC) for the 2020 financial year amounted to 10.6% (prior year period: 6.1%). Basic earnings per share in the reporting period came to EUR 5.27 per share (prior year period: EUR 2.06 per share).

Key earnings figures

million EUR	2020	2019
Revenue	12,772.4	12,607.9
EBIT	1,315.2	811.4
EBITDA	2,700.4	1,985.8
EBIT margin (%)	10.3	6.4
EBITDA margin (%)	21.1	15.8
Basic Earnings Per Share (in EUR)	5.27	2.06
Return on Invested Capital (ROIC) annualised (%) [1]	10.6	6.1

[1] The calculation of the return on invested capital is based on the functional currency USD.

Interest result

The interest result in the 2020 financial year was EUR –330.5 million (prior year period: EUR –396.7 million). The decrease in interest expenses compared with the previous year was primarily due to the reduction in interest expenses for the early repayment of the bond in February and June 2019 and the partial repayment of the bond in November 2020 in the amount of EUR 22.2 million. In addition, further reductions in interest expenses in relation to bank financing in the amount of EUR 61.0 million which were primarily due to the past repayment of debt helped to improve the other interest result.

By contrast, the profit or loss effect of the embedded derivative in the amount of EUR –3.7 million (prior year period: EUR 23.6 million), which comprises the derecognition of the fair value of EUR –8.6 million associated with the partial repayment of the bond in November (prior year period: EUR –10.0 million from the bond repayments in February and June 2019) and a valuation effect of EUR 4.9 million (prior year period: EUR 33.6 million), reduced the interest result.

Income taxes

The rise in income taxes of EUR 2.9 million to EUR 45.8 million was primarily due to exchange rate-related effects on deferred taxes and to income in 2019 from higher deferred tax assets of loss carry-forwards. The increase was offset by a fall in current income taxes of EUR 6.4 million.

Group profit
Overall, Group profit was significantly up on the previous year at EUR 935.4 million (prior year period: EUR 373.4 million). Group profit consists of the earnings attributable to shareholders of the parent company of EUR 926.8 million (prior year period: EUR 362.0 million) and the earnings attributable to non-controlling interests of EUR 8.6 million (prior year period: EUR 11.4 million).

The total Group net result of EUR 273.5 million (prior year period: EUR 406.5 million) comprises Group profit of EUR 935.4 million and other comprehensive income of EUR –661.9 million (prior year period: EUR 33.1 million). Other comprehensive income includes a result from currency translation of EUR –603.7 million (prior year period: EUR 121.2 million) as well as earnings effects from hedging instruments in cash flow hedges of EUR 5.8 million (prior year period: EUR –13.2 million), from the cost of hedging activities of EUR –27.9 million (prior year period: EUR –14.1 million) and from the remeasurement of defined benefit pension plans of EUR –36.0 million (prior year period: EUR –60.8 million) due to a fall in the market interest rate.

GROUP FINANCIAL POSITION

Principles and objectives of financial management
The Hapag-Lloyd Group's financial management is conducted on a centralised basis by Hapag-Lloyd AG and aims to ensure the permanent solvency of the Company and thus its ability to maintain financial stability at all times. In addition to making sure there is a sufficient supply of liquidity, financial risks are limited by means of the hedging of net positions in foreign currency, the use of derivative financial instruments (currencies, interest and bunkers), the implementation of a cash pooling system and the optimisation of loan conditions.

Maintaining an appropriate minimum liquidity level is a deciding factor. Efficient financial management is primarily based on optimising short and medium-term cash outflows. This is based on budgetary planning for a number of years and a rolling monthly liquidity plan that spans a period of one year. Hapag-Lloyd AG secures its short-term liquidity reserve by means of syndicated credit facilities and bilateral bank credit lines, as well as its portfolio of cash and cash equivalents. Financial management is carried out within the framework of relevant legislation as well as internal principles and regulations.

The Hapag-Lloyd Group is an international company that is active around the world. It is exposed to operational financial transaction risks which result from the business operations of Hapag-Lloyd AG. In particular, these risks include bunker price change risk, currency risk and interest rate risk.

Changes in commodity prices have an impact on the Hapag-Lloyd Group, particularly with regard to the cost of procuring fuel such as bunker oil. Insofar as it is possible, the risk of bunker price changes is passed on to the customer based on contractual agreements. Remaining price risks arising from fuel procurement are partly hedged using derivative hedging transactions.

The transactions of the Group companies are conducted mainly in US dollars. The euro (EUR), Chinese renminbi (CNY), Hongkong dollar (HKD), Canadian dollar (CAD), Singapore dollar (SGD) and Indian rupee (INR) are also significant currencies. Transactional risks also exist from the financial debt denominated in euros (particularly issued bonds).

Derivative hedging transactions are entered into to partially hedge against these euro exchange rate risks. Interest rate risks which arise as a result of liquidity procurement on the international money and capital markets are centrally managed within the scope of interest rate management and can be limited using derivative interest rate hedging instruments on a case-by-case basis.

The use of derivative hedging is strictly transaction-related; derivatives are not used for speculation purposes.

Other disclosures about hedging strategies and risk management, as well as financial transactions and their scope as at the reporting date, can be found in the risk report contained within the combined management report, and in Note (26) Financial instruments in the Notes to the consolidated financial statements.

Issuer ratings

Rating / Outlook	31.12.2020	31.12.2019
Standard & Poor's	BB- / Positive	B+ / Positive
Moody's	Ba3 / Stable	B1 / Stable

The international rating agencies Standard & Poor's and Moody's assess Hapag-Lloyd AG's financial strength at regular intervals. On 5 October 2020, the rating agency Standard & Poor's awarded Hapag-Lloyd AG an issuer rating of BB- with a positive outlook. On 14 October 2020, Moody's increased its issuer rating for Hapag-Lloyd AG to Ba3 with a stable outlook.

Financing

The Group covers its financing requirements with cash inflows from operating activities and by assuming short, medium and long-term financial debt.

The financing mix in terms of borrowing is designed to optimise financing conditions, create a balanced range of maturities and achieve investor diversification.

The focus in the 2020 financial year was on the financing of investments in containers and the implementation and restructuring of financing as part of efforts to optimise the existing capital structure and costs.

Further disclosures about the maturity profile of existing financing arrangements, as well as financial transactions and their scope as at the reporting date, can be found in Note (26) Financial instruments in the Notes to the consolidated financial statements.

Financing and investing activities

The Group executed the following major financing and investing activities in the 2020 reporting year:

Containers

- During the 2020 financial year, Hapag-Lloyd AG ordered new containers with an investment amount of USD 529.0 million (EUR 430.9 million). The containers were delivered to Hapag-Lloyd on a pro rata basis by the end of the reporting year with the rest expected in the first half of 2021.
- To refinance these investments as well as containers already in its portfolio, Hapag-Lloyd entered into several sale and leaseback transactions with a volume of USD 433.7 million (EUR 378.6 million). The newly acquired and used containers were sold to groups of investors on the basis of Japanese operating leases and Chinese leases and then leased back for different terms (of 3 to 12 years) with the option (obligation in the case of the Chinese leases) of repurchasing the containers upon their respective maturity. The lease agreements are essentially a form of borrowing, secured by the assignment of containers as collateral. In addition, there were loan commitments to finance investments in containers available of USD 195.5 million (EUR 159.3 million) as at 31 December 2020.

Vessels

- In June 2020, refinancing was arranged for 7 container vessels owned by the Company as part of a Chinese lease. The container vessels were sold to a Chinese leasing company and then leased back for up to 12 years, with the option of repurchasing upon maturity. The economic substance of these transactions is credit financing secured by the assignment of the vessels as collateral. The refinancing volume associated with these transactions totalled USD 458.2 million (EUR 405.6 million). The outstanding loan liabilities of USD 235.1 million (EUR 208.1 million) associated with the vessels were repaid in full at the time of refinancing.
- In July 2020, refinancing was arranged for 4 container vessels owned by the Company as part of a mortgage with a term of 6 years. The refinancing volume associated with these transactions totalled USD 60.0 million (EUR 51.0 million). The financing previously in place ended as scheduled in July 2020.
- In September 2020, a loan commitment of USD 40.0 million (EUR 32.6 million) was made to Hapag-Lloyd to finance investments in exhaust gas cleaning systems (scrubbers) on its own vessels. The loan commitment has a term until 30 June 2022. Drawdowns under the loan commitment have a term of up to 4 years. As at the reporting date, no drawdowns had been made. 2 container vessels owned by the Company were provided as collateral for the financing.
- In November 2020, refinancing was arranged for 1 container vessel owned by the Company as part of a Chinese lease. The container vessel was sold to a Chinese leasing company and then leased back for up to 12 years, with the obligation to repurchase the vessel upon maturity. The economic substance of this transaction is credit financing secured by the assignment of the vessel as collateral. The refinancing volume associated with this transaction totalled USD 100.0 million (EUR 84.6 million). The loan liability previously associated with the vessel was repaid in full. In addition, the Chinese lease implemented in November includes approval to refinance a second container vessel for up to USD 100.0 million (EUR 81.5 million).

- In November 2020, refinancing was arranged for 1 container vessel owned by the Company as part of a Japanese operating lease. The container vessel was sold to a group of investors and then leased back for up to 7 years and 5 months, with the option of repurchasing the vessel after 6 years and 10 months. The economic substance of this transaction is credit financing secured by the assignment of the vessel as collateral. The refinancing volume associated with these transactions totalled USD 70.0 million (EUR 58.9 million). The loan liability previously associated with the vessel was repaid in full. In addition, the Japanese operating lease implemented in November includes approval to refinance a second container vessel for up to USD 68.0 million (EUR 55.4 million).
- In December 2020, a loan commitment of USD 472.3 million (EUR 384.7 million) in the form of a Chinese lease was made to Hapag-Lloyd to finance investments in 3 new container vessels. The loan commitment covers the prepayments under the manufacturer agreement up until delivery of the container vessels, which is scheduled for 2023. As part of the financing, the container vessels will be sold directly to a Chinese leasing company after they leave the shipyard and then leased back for up to 17 years. There is an obligation to repurchase the vessels upon maturity. The economic substance of these transactions is credit financing secured by the assignment of the vessels as collateral.
- In December 2020, a loan commitment of USD 417.0 million (EUR 339.7 million) in the form of a mortgage was made to Hapag-Lloyd to finance investments in 3 new container vessels. The loan commitment can be utilised when the container vessels leave the shipyard. The mortgage has a term of up to 12 years and has been collateralised by the Korean export credit insurance company K-Sure.

Miscellaneous

- In November 2020, Hapag-Lloyd used its own liquidity to make an early repayment of EUR 150.0 million for its EUR bond originally scheduled to mature in 2024. As a result, EUR 300.0 million of the EUR bond originally scheduled to mature in 2024 was outstanding as at 31 December 2020.

Covenant clauses of a type customary on the market have been arranged for existing financing from bonds or loans. These clauses primarily concern equity and liquidity at the Hapag-Lloyd Group level along with certain loan-to-value ratios for the financing of vessel investments.

Based on current planning, the Executive Board expects that all covenants will unchanged be adhered to in 2021.

Net debt

Financial solidity

million EUR	31.12.2020	31.12.2019
Financial debt and lease liabilities	5,136.2	6,397.2
Cash and cash equivalents	681.3	511.6
Net debt	**4,454.9**	**5,885.6**
Gearing (%)[1]	66.3	88.9
Unused credit lines	**476.5**	**521.3**
Equity ratio (%)	**44.3**	**40.9**

1 Ratio of net debt to equity

The Group's net debt amounted to EUR 4,454.9 million as at 31 December 2020. This was a fall of EUR 1,430.7 million (–24.3%) compared to net debt of EUR 5,885.6 million as at 31 December 2019. The improvement in net debt was primarily due to a positive operating cash flow.

The equity ratio increased by 3.4 percentage points, from 40.9% as at 31 December 2019 to 44.3%. The rise was primarily due to the decrease in financial liabilities for vessel financing. Equity was up by EUR 102.1 million compared with 31 December 2019 and came to EUR 6,722.7 million as at 31 December 2020. A detailed overview of the change in equity can be found in the consolidated statement of changes in equity in the consolidated financial statements.

Liquidity analysis

The Hapag-Lloyd Group's solvency was guaranteed at all times in the last financial year by cash inflows from operating activities, a portfolio of cash and cash equivalents, and bilateral and syndicated loan agreements with banks. The Company had a liquidity reserve (cash, cash equivalents and unused credit facilities) totalling EUR 1,157.8 million (previous year: EUR 1,032.8 million). Cash and cash equivalents were increased due to the uncertainty regarding business developments as a result of COVID-19. Notes regarding restrictions on cash and cash equivalents can be found in Note (16) Cash and cash equivalents in the Notes to the consolidated statement of changes in equity in the financial statement.

Statement of cash flows and capital expenditure

Condensed statement of cash flows

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
EBITDA	**2,700.4**	**1,985.8**
Working capital changes	207.1	121.0
Other effects	–9.6	–78.6
Cash flow from operating activities	2,897.9	2,028.2
Cash flow from investing activities	–477.6	–369.5
Free cash flow	**2,420.3**	**1,658.7**
Cash flow from financing activities	–2,192.1	–1,817.6
Changes in cash and cash equivalents	**228.2**	**–158.9**

The statement of cash flows shows the development of cash and cash equivalents, with a separate presentation of cash inflows and outflows from operating, investing and financing activities.

Cash flow from operating activities

Hapag-Lloyd generated an operating cash flow of EUR 2,897.9 million in the 2020 financial year (prior year period: EUR 2,028.2 million). The increase in the cash flow from operating activities was primarily due to higher earnings in the current financial year and the positive development of working capital compared with the previous year.

Cash flow from investing activities

In the 2020 financial year, the cash outflow from investing activities totalled EUR 477.6 million (prior year period: EUR 369.5 million). This included payments for investments of EUR 534.1 million (prior year period: EUR 426.1 million), primarily in new containers and vessel equipment associated with adherence to the IMO 2020 regulations. These payments included payments in the amount of EUR 48.9 million for containers acquired in the previous year. This was compensated for by cash inflows of EUR 31.0 million (prior year period: EUR 41.6 million), which were primarily due to the sale of containers and dividends received in the amount of EUR 35.9 million (prior year period: EUR 30.2 million).

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 2,192.1 million in the current reporting period (prior year period: EUR 1,817.6 million). The cash outflow essentially resulted from the repayment of financial liabilities for vessel financing in the amount of EUR 1,638.0 million (prior year period: EUR 644.5 million). There were also cash outflows from interest payments in the amount of EUR 245.9 million (prior year period: EUR 324.7 million) as well as interest and redemption payments from lease liabilities as per IFRS 16 in the amount of EUR 584.0 million (prior year period: EUR 529.3 million). In addition, part of the existing corporate bond in the amount of EUR 157.3 million was repaid. The payment of a dividend to shareholders for the 2019 financial year led to an additional cash outflow of EUR 193.3 million (prior year period: EUR 26.4 million). The borrowings from revolving credit lines in the amount of EUR 350.5 million drawn down to secure the liquidity under the PSP programme in the first half of 2020 were repaid in full in the third quarter.

The cash outflows were offset by cash inflows to secure the liquidity under the PSP programme. There was a cash inflow of EUR 869.1 million from the financing of vessels and containers using sale and leaseback transactions.

Developments in cash and cash equivalents

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Cash and cash equivalents at beginning of period	**511.6**	**657.1**
Changes due to exchange rate fluctuations	–58.5	13.4
Net changes	228.2	–158.9
Cash and cash equivalents at end of period	**681.3**	**511.6**

Overall, cash inflow totalled EUR 228.2 million in the 2020 financial year, with the result that, after accounting for exchange rate-related effects in the amount of EUR –58.5 million, cash and cash equivalents of EUR 681.3 million were reported at the end of the reporting period on 31 December 2020 (31 December 2019: EUR 511.6 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item "Cash and cash equivalents". In addition, there are unused credit facilities of EUR 476.5 million (31 December 2019: EUR 521.3 million). The liquidity reserve (cash, cash equivalents and unused credit facilities) therefore totalled EUR 1,157.8 million (31 December 2019: EUR 1,032.8 million).

The detailed statement of cash flows is contained in the consolidated financial statements.

Capital expenditure and off-balance-sheet obligations

Further investments in containers and in retrofitting owned and leased vessels were made in the 2020 financial year. The development of fixed assets is discussed in the "Group net asset position" section. Further details can be found in Note (11) Property, plant and equipment in the notes to the consolidated financial statements.

Information about off-balance-sheet obligations can be found in Note (31) Other financial obligations in the Notes to the consolidated financial statements.

GROUP NET ASSET POSITION

Changes in the asset structure

million EUR	31.12.2020	31.12.2019
Assets		
Non-current assets	12,633.0	13,811.8
of which fixed assets	12,555.6	13,716.1
Current assets	2,551.2	2,388.6
of which cash and cash equivalents	681.3	511.6
Total assets	**15,184.3**	**16,200.4**
Equity and liabilities		
Equity	6,722.7	6,620.6
Borrowed capital	8,461.6	9,579.8
of which non-current liabilities	4,668.7	5,586.2
of which current liabilities	3,792.9	3,993.6
of which financial debt and finance lease liabilities	5,136.2	6,397.2
of which non-current financial debt and finance lease liabilities	4,170.4	5,156.0
of which current financial debt and finance lease liabilities	965.7	1,241.2
Total equity and liabilities	**15,184.3**	**16,200.4**
Net debt	4,454.9	5,885.6
Equity ratio (%)	44.3	40.9

As at 31 December 2020, the Group's statement of financial position total was EUR 15,184.3 million, which is EUR 1,016.1 million lower than the figure at year-end 2019. The change was primarily due to the reduction in fixed assets, the repayment of financial debt and exchange rate effects at the reporting date resulting from the weaker US dollar compared with the euro. The USD / EUR exchange rate was quoted at 1.23 on 31 December 2020 (31 December 2019: 1.12).

Within non-current assets, the carrying amounts of fixed assets decreased by a total of EUR 1,160.4 million to EUR 12,555.6 million (31 December 2019: EUR 13,716.1 million). This decline was largely due to depreciation and amortisation of fixed assets in the amount of EUR 1,286.4 million (prior year period EUR: 1,174.4 million) and impairments of vessels in the amount of EUR 98.8 million (prior year period: EUR 0.0 million). The depreciation and amortisation includes an amount of EUR 528.1 million (prior year period: EUR 459.2 million) for the amortisation of capitalised rights of use relating to lease assets. Exchange rate effects of EUR 1,139.2 million (prior year period: EUR 269.3 million) at the reporting date contributed to the decrease in fixed assets. The newly received rights of use for lease assets had an opposite effect, increasing fixed assets by EUR 892.6 million (prior year period: EUR 608.7 million), in particular for vessel charter agreements that were extended under the PSP programme.

Cash and cash equivalents increased by EUR 169.7 million to EUR 681.3 million compared to the end of 2019 (EUR 511.6 million). In addition to the positive operating cash flow, the main reasons for this were the surplus proceeds from sale and leaseback transactions in the amount of EUR 661.0 million to secure the liquidity under the PSP programme.

On the liabilities side, equity (including non-controlling interests) grew by EUR 102.1 million to a total of EUR 6,722.7 million. This increase was mainly due to the Group profit recognised in retained earnings in the amount of EUR 935.4 million. The dividends paid to shareholders from retained earnings in the amount of EUR 193.3 million (prior year period: EUR 26.4 million) and the negative change in the translation reserve in the amount of EUR 602.5 million (prior year period: EUR 120.8 million) due to the weaker US dollar compared with the euro had the opposite effect. As at 31 December 2020, the equity ratio was 44.3% (31 December 2019: 40.9%).

The Group's borrowed capital has fallen by EUR 1,118.2 million to EUR 8,461.6 million since the 2019 consolidated financial statements were prepared, which was mainly due to redemption payments for financial debt for vessels in the amount of EUR 1,638.0 million (prior year period: EUR 644.5 million) and the early partial repayment of a EUR bond in the amount of EUR 150.0 million (prior year period: EUR 450.0 million). This contrasted with an increase in financial debt in connection with sale and leaseback transactions in the amount of EUR 869.1 million (prior year period EUR 372.8 million). Additional lease liabilities of EUR 847.0 million (prior year period EUR 591.4 million) contrasted with debt repayments of EUR 514.3 million (prior year period EUR 456.7 million). Exchange rate effects on financial debt and leasing liabilities in the amount of EUR –435.1 million also contributed to a reduction in borrowed capital (prior year period: increase of EUR 123.4 million).The borrowings from revolving credit lines drawn down during the year to secure the liquidity under the PSP programme were repaid in full in the third quarter of 2020.

Taking cash and cash equivalents, financial debt and lease liabilities into account, net debt as at 31 December 2020 was EUR 4,454.9 million (31 December 2019: EUR 5,885.6 million).

For further information on significant changes to specific balance sheet items, please refer to Notes (10) to (26) in the Notes to the consolidated statement of financial position.

ACCURACY OF FORECAST

Despite a slight fall in the transport volume resulting from slightly higher freight rates, a moderate decrease in bunker prices and active cost management, the development of earnings in the 2020 financial year was significantly above the Executive Board's expectations. The main reasons for this development are described in detail in the preceding chapters of the economic report. The forecast updated and clearly above the original forecasts on 8 December 2020 was achieved. The following table provides a summary overview of the target achievement of the forecast in the 2020 financial year.

	Actual Value 2019	Forecast as of 20 March 2020	Forecast as of 15 October 2020	Forecast as of 8 December 2020	Actual Value 2020
Transport volume	12.0m TEU	Increasing slightly	Decreasing slightly	Decreasing slightly	11.8m TEU
Average freight rate Hapag-Lloyd	USD 1,072/TEU	Increasing slightly	Increasing slightly	Increasing slightly	USD 1,115/TEU
Average bunker consumption price	416 USD/t	Increasing clearly	Decreasing moderately	Decreasing moderately	USD 379/t
EBITDA	EUR 2.0 bn	EUR 1.7–2.2 bn	EUR 2.4–2.6 bn	EUR 2.6–2.7 bn	EUR 2.7 bn
EBIT	EUR 0.8 bn	EUR 0.5–1.0 bn	EUR 1.1–1.3 bn	EUR 1.25–1.35 bn	EUR 1.3 bn

EXECUTIVE BOARD'S STATEMENT ON OVERALL ECONOMIC PERFORMANCE

For Hapag-Lloyd, the 2020 financial year was dominated by the COVID-19 pandemic and the resulting effects on the operating business. Due to the global spread of the pandemic, the measures to control its impact and the resulting effects on international trade, the global economy recorded negative growth overall in 2020. Although the second quarter in particular was characterised by a sharp decline in the global economy and a significant decrease in transport volumes, demand from the third quarter onwards was stronger than had been expected. In addition to a gradual recovery of the global economy, the transport volume increased, primarily due to a rise in the demand for consumer goods from Asia as a result of the coronavirus. It was ultimately just slightly below that of the previous year, although notably less than the volume expected at the start of the year. The strong demand led to a sharp rise in spot rates for exported goods from Asia and in particular from China in the second half of the year. While operating efforts at the start of the pandemic centred on optimising fleet deployment and safeguarding our customers' smooth supply chains due to the fall in transport volumes, the focus at the end of the year was on allocating our vessel and container portfolio as a result of the strong demand and the presence of recovery effects.

By the end of the year, EBITDA and EBIT were within their forecast ranges, which had last been revised in December. Both of them were also well above the forecast at the start of the year and well above the previous year's figures. The significant improvement in the operating result for 2020 can primarily be attributed to the positive development of freight rates at the end of 2020, the moderate year-on-year decrease in the average bunker consumption price and the successful implementation of the PSP programme to actively reduce costs in the middle of 2020. The increase in freight rate at the end of the year was primarily due to strong demand for consumer goods from Asia as a result of the coronavirus, which prompted a significant rise in spot rates on the Transpacific and Far East trades in particular. In the first weeks of 2021, the good demand situation in these trade lanes coupled with the increased freight rate level continues. Beyond that in 2020 the transport costs were reduced slightly as a result of the implementation of the PSP programme, with cost savings of around USD 500 million, and a lower average bunker consumption price.

While the development of freight rates in 2020 was ultimately in line with expectations at the start of the year, a significant rise in average bunker consumption prices had been forecast at the start of the year due to the IMO 2020 requirements.

OUTLOOK-, RISK- AND OPPORTUNITY REPORT

The outlook, risk and opportunity report explains the expected future development of Hapag-Lloyd's key performance indicators and the framework conditions for business development. Risks and opportunities that could cause a deviation from the forecast are also described.

OUTLOOK

General economic outlook

The general economic conditions which are of importance to container shipping will significantly improve in the course of 2021, according to the International Monetary Fund (IMF). However, rising infection numbers at the start of 2021 and the resulting tightening of restrictions in many countries around the world are likely to cause economic activity to weaken again first before any substantial recovery. This assessment is based in particular on the assumption that effective COVID-19 vaccines can be provided to a large section of the population in industrialised countries and some emerging markets in the summer and that measures to control the pandemic can be gradually eased from the second half of 2021 at the latest. Along with the continuing loose monetary policies of many central banks, additional fiscal policy measures in the world's major economies such as the EU, the USA and Japan are likely to boost the global economy. As a result, the IMF expects the global economy to grow by 5.5% in its base forecast for 2021 (IMF, January 2021), following a contraction in the global economy of 3.5% last year due to the pandemic. The volume of global trade is also likely to increase by 8.1%, having fallen by 9.6% in 2020. The IMF also points out that its forecasts are subject to an unusually high degree of uncertainty.

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

in %	2022e	2021e	2020	2019	2018
Global economic growth	4.2	5.5	–3.5	2.8	3.5
Industrialised countries	3.1	4.3	–4.9	1.6	2.2
Developing and newly industrialised countries	5.0	6.3	–2.4	3.6	4.5
World trade volume (goods and services)	6.3	8.1	–9.6	1.0	3.9

Source: IMF (January 2021)

Sector-specific outlook

Following the first decrease in global container shipments since the start of the 2009 financial crisis, Seabury expects there to be a slight rise in the transport volume of 4.8% to 154.8 million TEU in 2021. This would put the transport volume above the 2019 level again.

Development of container transport volume

	2022e	2021e	2020	2019	2018
million TEU	160.7	154.8	147.8	152.5	150.0
Growth rate (in %)	3.8	4.8	–3.1	1.7	4.1

Source: Seabury (November 2020)

According to Seabury, recovery in demand will be driven by the renewed growth of the global economy and felt on all the major trades.

On the supply side, growth is likely to be somewhat weaker. The tonnage of the commissioned container ships of approximately 2.4 million TEU (MDS Transmodal, January 2021) is equivalent to around 10% of the present global container fleet's capacity (approximately 23.7 million TEU as at December 2020). It therefore remains well below the highest level seen to date, which was around 61% in 2007, and the average over the last 5 years (around 14%). According to Drewry, this low order volume is likely to be reflected in a low increase in net capacity in the next few years. For 2021, Drewry predicts a net increase in capacity of 4.5%, or 1.1 million TEU, to 24.6 million TEU. In the following year, growth of 1.8% is forecasted.

Expected development of global container fleet capacity

million TEU	2022e	2021e	2020	2019	2018
Existing fleet (beginning of the year)	24.6	23.6	23.0	22.1	20.9
Planned deliveries	0.8	1.5	1.1	1.1	1.5
Expected scrappings	0.3	0.2	0.2	0.2	0.1
Postponed deliveries and other changes	0.1	0.2	0.3	0.1	0.2
Net capacity growth	**0.4**	**1.1**	**0.6**	**0.9**	**1.2**
Net capacity growth (in %)	1.8	4.5	2.6	4.0	5.6

Source: Drewry Container Forecaster (Q4 2020, December 2020)

Expected business development of Hapag-Lloyd

Hapag-Lloyd has got 2021 off to a very positive start due to the exceptionally strong demand, which resulted in a significant increase in freight rate levels.

Based on the course of business to date and the expectation that the exceptional situation experienced at this time will normalise over the rest of the year, the Executive Board of Hapag-Lloyd AG expects that the operative performance indicators EBITDA and EBIT for the current 2021 financial year will both be clearly above the prior-year levels and that, unlike in previous years, a large proportion of the 2021 earnings will already be generated in the first one or two quarters of the year. This assessment is based in particular on the assumptions that the transport volume can be increased slightly and the average freight rate clearly compared to the previous year. At the same time, a clear increase in the average bunker consumption price is assumed, which should have a dampening effect on the development of earnings. Our earnings perspective is based on the assumption of an average exchange rate of 1.21 USD/EUR.

In view of the current above-average high volatility of freight rates, operational challenges due to existing infrastructural bottlenecks and the unpredictable further course of the COVID-19 pandemic and its economic effects, the forecast is subject to considerable uncertainty. Accordingly, a more detailed earnings outlook cannot be presented at this time.

The earnings forecast does not take into account impairments on goodwill, other intangible assets and property, plant and equipment in the course of the 2021 financial year, which are currently not expected but cannot be ruled out.

Key benchmark figures for the 2021 Outlook

	Actual 2020	Forecast 2021
Global economic growth (IMF, Jan 2021)	−3.5%	5.5%
Increase in global trade (IMF, Jan 2021)	−9.6%	8.1%
Increase in global container transport volume (Seabury, Nov. 2020)	−3.1%	4.8%
Transport volume, Hapag-Lloyd	11.8 m TEU	Increasing slightly
Average bunker consumption prices, Hapag-Lloyd	USD 379/t	Increasing clearly
Average freight rate, Hapag-Lloyd	USD 1,115/TEU	Increasing clearly
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd	EUR 2.7 billion	Increasing clearly
EBIT (earnings before interest and taxes), Hapag-Lloyd	EUR 1.3 billion	Increasing clearly

The risks and opportunities that could cause business development to deviate from the forecast are described in detail below in the risk and opportunity report. The main risks for the development of the Group's turnover and earnings are, in particular, a slowdown in the growth of the world economy and world trade volume, also due to international crises and geopolitical disputes, a significant and sustained increase in bunker prices and charter rates above the expected development, a significant and sustained increase in the value of the euro against the US dollar and a sustained decline in the average freight rate.

The occurrence of one or more of these risks could have a significant negative impact on the industry and thus also on the business performance of Hapag-Lloyd in financial year 2021, resulting in negative effects on liquidity and also impairments of goodwill and other intangible assets and property, plant and equipment.

RISK AND OPPORTUNITY REPORT

Risk management and the strategic focus on business opportunities contribute to the steady and sustainable enhancement of the Company's value, the attainment of its medium-term financial goals and to safeguarding its long-term existence as a going concern. The risk management system comprises potential risks and opportunities, though it focuses primarily on risks.

OPPORTUNITIES

At Hapag-Lloyd, recognising and exploiting opportunities are integral elements of strategic management. The basis for the identification of opportunities is the systematic observation and analysis of developments on the markets relevant to the Company and general and sector-specific trends from which opportunities can be derived and assessed. This analysis and assessment form the basis for the adoption of measures which are geared towards long-term sustainable growth and are designed to contribute to a sustainable increase in the Company's value. As one of the world's leading container liner shipping companies, Hapag-Lloyd is subject to a wide range of developments in regional and international markets. The general conditions described in this management report and the information regarding market, competition and business developments reveal a diversity of potential opportunities.

By utilising and enhancing its own strengths and competitive advantages, Hapag-Lloyd strives to exploit any potential opportunities that arise to the greatest possible extent.

RISK MANAGEMENT

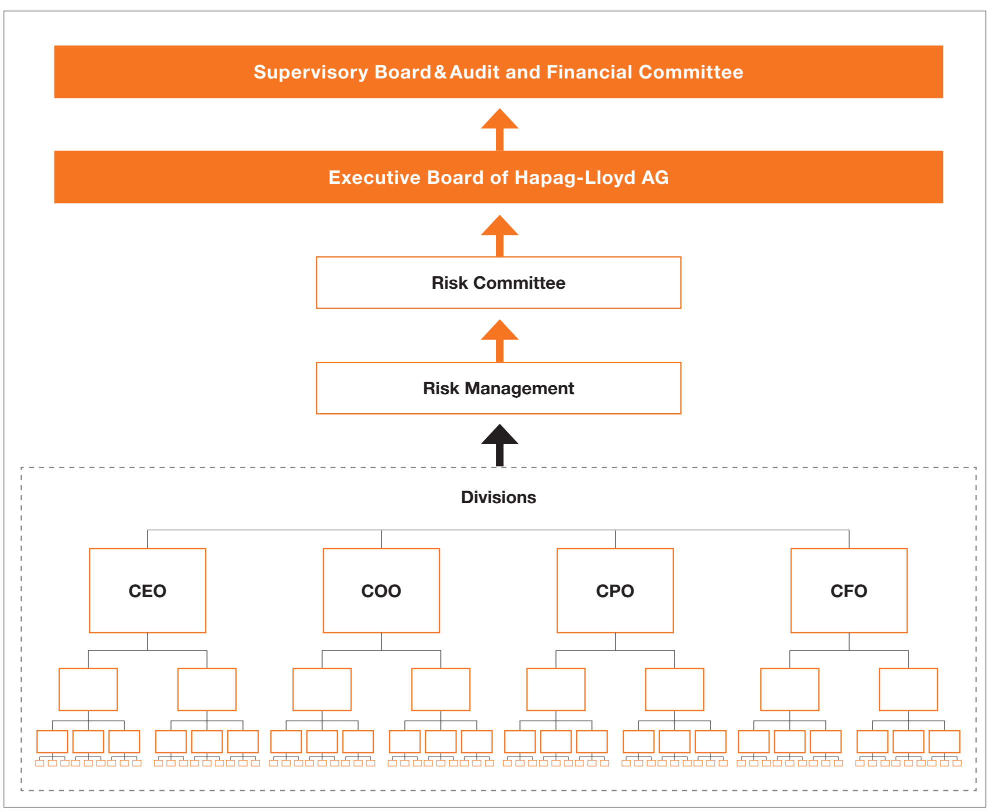
The objective of risk management is to recognise and analyse risks at an early stage and to develop and implement adequate risk responses to lower the risk to an acceptable risk level and therefore secure the achievement of Hapag-Lloyd's business objectives. Thanks to monitoring and control systems installed throughout the Group, business developments and associated risks are regularly recorded, assessed and monitored with regard to their effects on Hapag-Lloyd. Risk management is decentralised in accordance with Hapag-Lloyd's organisational structure. The structure of the iterative risk management process is an adaptation of the internationally recognised risk management standard "COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management – Integrating with Strategy and Performance".

Segregation of duties and the associated role concept have been designed based on the Three Lines Model of the Institute of Internal Auditors. This and other principles, roles and responsibilities, processes and thresholds of risk management are defined in a Group guideline which is valid for the entire Group. Within the context of the decentralised structure of risk management, risk managers are appointed across the Group and are responsible for continuously identifying, assessing, managing and monitoring risks in the various regions and central departments. These risk managers document the risks identified and their assessment, including the risk responses as part of quarterly risk reporting.

The risk assessment by the decentralised roles is carried out based on at least one scenario. Further scenarios can be added as optional to enhance the risk quantification. The quantitative description of the scenarios includes an assessment of the probability of occurrence as well as the potential financial effects. Starting with the initial gross assessment, the net assessment is derived, taking account of the risk responses which have already been implemented and have an impact on the risks. Based on this, the risks are divided into standardised size categories, which are then used to divide the risks internally into risk categories and monitor them. Risk reports are usually submitted on a quarterly basis to the risk management function in the central Accounting department. The unscheduled reporting to the risk management function is mandatory if risks are newly identified or newly assessed, with the result that reporting thresholds are exceeded, or extraordinary events occur which could cause potentially critical damage (ad-hoc reports).

The risk management function monitors the regular reporting by risk managers, enhances the portfolio view and summarises the significant risks for the Risk Committee on a quarterly basis and, if urgent, on an unscheduled basis. The Risk Committee discusses the risks present and subsequently reports on the overall risk situation to the Executive Board. In particular, it reports on the risk status of significant factors, such as the current development of freight rates and transport volumes, on the potential effects of significant fluctuations in these factors and on significant individual risks.

Hapag-Lloyd risk management system



The Corporate Audit department conducts regular checks of the risk management processes and – in particular – the risk early-warning system, focusing on different aspects each time.

In risk management, the methods, systems and controls are adapted according to the type of risk and are regularly checked, enhanced and adapted to the constantly changing business and regulatory conditions. Insurance policies are concluded to cover claims and various other risks that arise in everyday business activity, insofar as these are economically justifiable. The Group also holds a number of insurance policies which are customary in the industry and tailored to the requirements of Hapag-Lloyd. These include third-party liability, property and personal insurance, as well as shipping insurance. The policies are examined regularly and adjusted if required.

Description of the significant characteristics of the accounting ICS / RMS pursuant to Section 315 (4) of the German Commercial Code (HGB)

Concept and objectives

Hapag-Lloyd has established an internal control system (ICS) on the basis of the internationally acknowledged framework “COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework”. The ICS was documented in 2010 and a verification process was established. A central ICS coordination framework exists for the continuous further development and securing of the ICS. A technical platform also exists to monitor processes globally. This ICS includes the accounting-related ICS.

The primary objectives of the accounting-related ICS are to decrease the risk of significant errors in accounting, detect substantially incorrect valuations and ensure compliance with applicable accounting regulations. The principles, processes and measures implemented to this end are regularly checked and enhanced. Irrespective of its form or structure, however, an ICS cannot provide absolute assurance that these objectives will be achieved.

Organisation and significant processes in accounting and consolidation

Hapag-Lloyd AG prepares its annual financial statements in accordance with German accounting standards and its consolidated financial statements in accordance with the requirements of IFRS. An IFRS accounting guideline is used. This is codified in the form of procedures and regulations. Changes to the legal provisions and standards are constantly monitored and the accounting guidelines and procedures are examined promptly for any adjustments that might be required.

The central Accounting department has overall responsibility for the consolidation process, the preparation of the financial statements and the Group and individual reporting. Information is obtained from other departments and processed in the course of preparing the financial statements. This includes information from the central Treasury & Finance department for the reporting of hedge relationships and financial derivatives, and information from the central Controlling department pertaining to Company planning in relation to the impairment tests.

Individual items are accounted for based on the input of external specialists and appraisers, such as actuaries for pension valuation. The process of preparing the financial statements is carried out in accordance with a detailed time schedule (the financial statements calendar), which is agreed with the departments and subsidiaries. The central Accounting department is responsible for ensuring that these time limits are adhered to. Accounting throughout the Group is supported by means of suitable and standard market accounting systems at Hapag-Lloyd AG and its subsidiaries. The subsidiaries send Group reporting packages needed for the preparation of the consolidated financial statements. These packages are compiled to form the consolidated financial statements using the SAP Financial Consolidations (FC) system. The necessary steps to be taken in the consolidation process are performed by the central Accounting department.

General internal control activities

Potential effects on financial reporting are often already taken into consideration in the organisational environment, e.g. significant investments and financing should already be agreed on with the central Accounting department before being approved by the Executive Board, particularly in light of their presentation in the financial statements, and are critically assessed with regard to their impact on the individual and consolidated financial statements. Further risks are also identified and evaluated by having the Head of Accounting preside over the Risk Committee to ensure that significant developments or events within the Group and their potential accounting-related effects can be identified and assessed at an early stage.

Compliance with accounting and valuation regulations is monitored by internal controls. Some of these internal controls are integrated into processes, while others are established independently of them. These internal controls encompass preventive as well as detective activities.

Segregation of duties and a dual control rule have been implemented as fundamental process-integrated controls to ensure proper accounting. For example, entries are authorised by approval and release procedures. The access controls that have been implemented in the IT systems should also ensure that the booking systems can only be accessed by authorised employees. In addition, reports concerning changes and exceptions, for example, are verified as detective control activities for selected areas.

The Corporate Audit department has a fundamental supervisory role to play in the process-independent control measures. The Corporate Audit department reports directly to the CEO of Hapag-Lloyd AG and has a wide range of information, audit and access rights to enable it to fulfil its role as an internal auditor and advisor. The subjects examined by the Corporate Audit department are systematically selected using a risk-based approach to auditing. They regularly include processes and internal controls, which are relevant to accounting. In 2016, the Corporate Audit department was subject to an independent quality assessment examining compliance with the professional regulations issued by the German Institute of Internal Auditors (DIIR).

ICS verification process

Hapag-Lloyd AG has put in place a standard procedure to confirm the establishment of the ICS. The results of this procedure are annually summarised in a report ("ICS verification process"). On this basis, the Executive Board informs the Hapag-Lloyd AG Audit Committee about the ICS.

RISKS AND OPPORTUNITIES

The key risks and opportunities and their potential impact on the earnings, financial and net asset position of Hapag-Lloyd, including their probability of occurrence, are listed at the end of the risk and opportunity report under “Summarised overview of corporate risks and opportunities”. Qualitative descriptions of these and other relevant events that are subject to a high degree of uncertainty and could influence business developments are provided, although the probability of their occurrence and their effects have not been assessed for risk management purposes, unless otherwise stated. Taking the current outlook into consideration, no new significant risks have been identified in comparison with the risk reporting in the previous year.

Economic risks and opportunities

General economic development

Container shipping is heavily dependent on the general prevailing conditions in the world’s economies and is subject to a high level of uncertainty of being affected to an above-average degree by fluctuations in the economic climate and crisis events. The development of freight rates, which has a significant influence on Hapag-Lloyd’s financial and earnings position, is particularly dependent on the transport demand and capacity supply on routes and therefore on economic developments in individual regions.

Developments in the global economy and, by extension, the expected volumes of container transport remain subject to a high degree of uncertainty in 2021. A detailed forecast can be found in the “General economic conditions” chapter as well as in the “Outlook” section.

The pace at which the global economy grows and the resulting increase in global trade is a significant factor that influences demand for container shipping services and thus the development of the container shipping companies’ cargo volumes. Extraordinary events could have a negative impact on growth expectations. The COVID-19 pandemic continues to have a significantly negative global impact on society and the economy at the start of 2021. New waves of infection worldwide continue to hamper economic recovery, despite the cautiously optimistic outlook as a result of successes in vaccine research and progress in vaccination efforts. The resulting uncertainties regarding the progression of the COVID-19 pandemic cannot be estimated conclusively for the remainder of the year.

Seabury believes that the volume of global container shipments will rise by 4.8% in 2021, thereby surpassing its pre-pandemic level. If the economic recovery and, by extension, the demand for container shipping services progresses at a faster rate than forecast in the current year, this would present an opportunity to achieve additional volume growth.

Trade flows and changes in general political conditions

The utilisation of the Group's capacities is influenced by the development of the trade flows between the various geographic regions. In the case of transport between regions comprising net exporters and regions comprising net importers, capacity utilisation in the two directions is divergent. This results in empty legs and associated costs. An increasing imbalance in global trade could further push up the costs associated with empty legs and therefore have a negative impact on the earnings position. In addition, tighter import restrictions and escalating trade disputes could lead to a temporary weakening and relocation of Asian imports and exports.

Hapag-Lloyd is active in many countries around the world. Its commercial activities can be hindered by political tension, wars, terrorism, and economic and social problems. This can result in disruptions to the production and supply chains of its customers or have adverse effects on its own liner services. As a further consequence of such disruption, ports or other major shipping channels (Panama Canal, Suez Canal) might be hindered as a further result. Individual countries could react to financial or economic crises by resorting to protectionist measures, for example by introducing import or foreign exchange restrictions. Other countries could initiate countermeasures, thereby encouraging protectionism around the world. This would have a negative impact on the development of container shipping, resulting in a directly negative effect on Hapag-Lloyd's revenue and earnings.

The increasing industrialisation of the emerging economic regions in Latin America, Asia and Africa, and the rising consumption-related demand in these countries may result in more goods being exchanged between these countries and with industrialised nations. This could offer additional opportunities for growth in container shipping in 2021. Hapag-Lloyd is endeavouring to participate in these growth markets with a suitable service network, which could have a positive impact on the transport volume, beyond the expectation considered in the outlook.

Sector- and company-specific risks and opportunities

Fluctuation in average freight rate and transport volume

In respect of the development of freight rates and transport volumes, there are differences between the various trades in which Hapag-Lloyd is active. Freight rates and transport volumes in container shipping are traditionally subject to sharp seasonal fluctuations. Freight rate developments are largely determined by the transport capacities available and in demand within a trade. Hapag-Lloyd's membership of an alliance is important for it to be able to cover all the key trades and offer a global service network. Hapag-Lloyd's membership of THE alliance puts it in a position to offer its own customers a more comprehensive network of liner services on important trades with regular departure times, which would not be possible with its own fleet. This means the Company is better able to capitalise on opportunities arising from developments in transport volumes and vessel capacities. The development of transport volumes depends heavily on economic activity in the regions linked together by the trades.

In view of the fact that transport capacities are set to increase further in the medium term due to new vessel orders among other things, intensified competition between the shipping companies may again lead to greater price competition in individual trades in 2021, as has been the case in recent years. State aid in the form of lower interest rates on ship financing for customers placing orders at local shipyards as well as the sharp increase in state-supported expansion of ship financing activities may result in too many ships being ordered, causing capacity supply to grow faster than demand, with negative effects on freight rates. In addition, the possible effects of the COVID-19 pandemic mean that there is a high degree of uncertainty regarding economic developments, and therefore the level of demand. If freight rates and transport volumes do not deliver the expected contribution to earnings, this could have a negative effect on Hapag-Lloyd's earnings position.

A possible expansion of the services and collaboration within THE Alliance, for example into hinterland transport, could provide additional growth opportunities and therefore have a positive impact on Hapag-Lloyd's earnings position.

Fluctuation in bunker consumption price

Hapag-Lloyd's business activity exposes it to market price risks arising from the procurement of fuels (bunker fuel) for the container vessel fleet. Bunker fuel expenditure accounts for a substantial proportion of overall operating costs. Fluctuations in bunker consumption prices have a delayed effect on transport expenses, depending on when the bunker fuel was purchased and subsequently consumed. The bunker consumption price is the most important factor influencing fuel costs, which is one of the main cost components for the container shipping industry. In the 2020 financial year, the cost of the vessels' fuel amounted to 11.0% of the Hapag-Lloyd Group's revenue.

Changes in the price of bunker fuel are aligned with the price of crude oil, which has been subject to substantial fluctuations and influenced by a number of economic and geopolitical factors in the past. The high price level at the end of 2019 initially continued at the start of 2020. However, as the pandemic took hold and global demand collapsed, prices began to fall sharply at the end of the first quarter and stabilised at a low level only in the middle of the year. At the beginning of 2021, the increase in bunker prices from the end of 2020 continued. If this trend continues further, it is likely to lead to an increase in fuel costs in 2021. Decreasing bunker prices would have an opposite effect.

In 2019, Hapag-Lloyd replaced the bunker surcharges that were previously part of the average freight rate with the Marine Fuel Recovery (MFR) mechanism. The higher price of low-sulphur fuel (LSFO 0.5% and 0.1% sulphur) will automatically be included in the MFR as soon as Hapag-Lloyd vessels use low-sulphur fuel. In addition to various parameters, the MFR mechanism takes account of price fluctuations with an optimised coverage of upward and downward movements in fuel market prices. To limit the effect that rising bunker consumption prices have on its shipping costs, Hapag-Lloyd is endeavouring to offset a portion of the fluctuations in raw materials prices by means of the MFR mechanism on freight rates. However, the extent to which this can be implemented depends heavily on the prevailing market situation. If the cost increases cannot be passed on to customers, or can only be passed on in part, this will have a negative impact on earnings.

In addition, price risks emanating from fuel procurement are hedged by means of hedging transactions in accordance with the internal strategy. This involves hedging the Company's anticipated bunker requirements. Please refer to Note (26) Financial instruments in the Notes to the consolidated financial statements for information on the scope and type of hedging instruments as at the reporting date. By the end of December 2020, approximately 5% of the planned fuel consumption volumes for the 2021 financial year had been hedged.

Fluctuation in charter rates

Within the framework of a charter contract, a vessel owner puts a vessel at the disposal of a container liner shipping company for a contractually agreed period, with the owner usually also providing the crew, insuring the vessel and taking responsibility for maintenance. As charter rates are subject to severe fluctuations influenced by how market participants anticipate that supply of and demand for vessel capacities will develop in the future – especially for short-term contracts – chartering vessels in periods of increasing demand can be more expensive than operating own vessels.

As a rule, charter rates shadow the trend in freight rates, which are dependent on expectations regarding the future development of the supply of and demand for transport capacities, with a time lag of several months. This time lag in adjusting charter rates is caused by the contractual bond between the vessel's owner and the liner shipping company. This means that in the event of increasing demand, the owner cannot raise their charter rates before the contract expires. If demand is weakening, on the other hand, the shipping company cannot reduce its charter rates before existing contracts expire. In this case, falling freight rates accompanied by fixed charter rates can lead to a decrease in revenue, particularly after a phase of high demand for vessel chartering. As a result, Hapag-Lloyd may be unable to reduce its portfolio of chartered vessels with above-average charter rates in comparison to the market for several months as a response to falling freight rates

It cannot be ruled out that charter rates could rise sharply in the future and that it might not be possible to pass on these cost increases to customers in the form of higher freight rates. The effect of this risk on the earnings position is classified as bearable and the probability of occurrence as medium. The market fluctuations between the supply of and demand for transport services can lead to opportunities as a result of the achievement of cost advantages and increasing freight rates. If there is a large inventory of chartered vessels, there may be cost advantages lasting several months if vessels are chartered at favourable rates and the freight rates increase as a result of higher demand. This could have a positive effect on Hapag-Lloyd's earnings position.

Risks from capacity bottlenecks at ports and in regional logistics chains

Over the past few years, capacities in container shipping have grown more quickly than the number of available berths at the ports. If capacities were increased further, the loss of time at the ports concerned could be even greater. Furthermore, imbalances in trade flows could also result in regional bottlenecks in the availability of vessel and container capacities. This could lead to waiting times at the ports in question and result in a sometimes considerable amount of lost time during loading and unloading of the vessels. It could also lead to higher warehousing costs and thus to a negative impact in the earning's position. Hapag-Lloyd is working continuously on the further development of IT-based forecast models in order to minimise empty legs and reduce the costs incurred because of them. This results in cost advantages if efforts to reduce the empty leg ratio to below the market average prove to be successful, which could have a positive effect on the earnings position.

Labour disputes at the ports could likewise make it difficult to adhere to timetables and possibly result in substantial additional costs, with negative effects on Hapag-Lloyd's earnings. This would make it harder to keep to the timetables and could put pressure on Hapag-Lloyd's earnings and financial position.

Information technology and security

Information and communication technologies are indispensable to Hapag-Lloyd for executing, managing, documenting and developing its business processes globally. The availability of IT systems enables continuous processing of data to ensure efficient management of business processes and costs.

An IT systems failure, for example due to defective hardware and software components or also due to cyberattacks, could hinder business processes and lead to higher costs as a result of business interruptions. To reduce these risks, the IT systems are protected in several ways. Hapag-Lloyd is certified in accordance with ISO 27001 as well as ISO 27701 and has a corresponding information security management system to respond to information security risks. Accounting for these and other risk responses, the negative impact on the financial and earnings position both from a cyberattack as well as from an unplanned, restricted availability of central IT systems is considered bearable and the probability of occurrence of such events is classified as medium.

Risks from the operation of ships

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

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

Risks arising from the loss of the US flag business

Hapag-Lloyd is one of 3 international container liner shipping companies that provide container transport services for the governmental organisations of the USA (US flag business). If Hapag-Lloyd no longer meets the requirements for this, it could have a negative impact on its earnings position. The US flag business is operated through the company Hapag-Lloyd USA LLC.

Financial risks and opportunities

Management of financial risks

Hapag-Lloyd has a worldwide presence through its business activities. Within the scope of its ordinary business activities, Hapag-Lloyd is primarily exposed to currency risks and liquidity risks, which can have a significant impact on its net asset, financial and earnings position. Further information on the Group's financial position and the management of financial risks can be found in the economic report.

US dollar exchange rate fluctuations

In international container shipping, the US dollar is the currency in which the bulk of services are usually invoiced. This applies to freight and charter rates, fuel, and the financing of containers and vessels. The US dollar is the functional currency within the Hapag-Lloyd Group. However, the Group is a business which conducts its operations worldwide and is therefore exposed to the risk of exchange rate fluctuations because various currencies account for its income and expenses. This also applies to financial debt assumed in euros.

The reporting currency for the Hapag-Lloyd Group and the individual financial statements of Hapag-Lloyd AG is the euro. Changes in the USD/EUR exchange rate thus have a considerable impact on the key financial indicators reported in the annual and quarterly financial statements. As a result, the key financial indicators reported in euros can diverge significantly from the key financial indicators for the operating activities reported in US dollars.

The materiality of exchange rate fluctuations is monitored on an ongoing basis. If necessary, the Group hedges a portion of its net cash outflows using a rolling hedge with the aim of limiting currency risks in the consolidated financial statements. Despite this, fluctuations in exchange rates can have an influence on Hapag-Lloyd's earnings position. The effects are classified as bearable and the probability of occurrence as medium.

Liquidity and access to capital markets

The financial management is managed centrally at Hapag-Lloyd and aims to ensure the permanent solvency of the Company and thus its ability to maintain financial stability at all times. The Company secures an adequate liquidity reserve for itself by means of syndicated credit facilities and bilateral bank loans credit facilities, as well as its portfolio of cash and cash equivalents. In addition, lending limits (so-called loan-to-value ratios) are typically agreed in vessel loans, which are reviewed continuously (usually every 6 months) by the lenders. Failure to meet these loan-to-value ratios usually means that adequate replacement collateral has to be procured or a corresponding unscheduled repayment has to be made under the loan. Should this not be possible, the undercutting of the quotas could have a negative impact on the liquidity supply and the financial position of Hapag-Lloyd. As at the reporting date, the used-market prices for vessels provide a sufficient buffer in the loan-to-value ratios of the Company's vessel loans. Covenant clauses of a type customary on the market have been arranged for existing financing. These clauses primarily concern certain equity and liquidity of the Group along with loan-to-value ratios. Compliance with any equity and liquidity indicators is monitored on regular basis. Non-compliance with the clauses could have a negative impact on liquidity supply and Hapag-Lloyd's financial position.

The liquidity reserve amounted to EUR 1,157.8 million as at 31 December 2020 (previous year: EUR 1,032.8 million). Arrangements with the banks to provide lines of credit are based on a rolling liquidity plan.

Any change to Hapag-Lloyd AG's rating or that of the bonds it issues could result in modified conditions for raising new funds and could adversely affect the price and the fungibility of the securities it has already issued. A downgrade of the rating could therefore have negative effects on the financing costs of Hapag-Lloyd, which in turn would adversely affect the Group's earnings position. A rating upgrade would have the opposite effect.

Risks arising from the impairment of goodwill and other intangible assets

As at 31 December 2020, the goodwill recognised in the consolidated statement of financial position amounted to EUR 1,466.8 million (previous year: EUR 1,600.7 million). Other intangible assets totalled a further EUR 1,459.1 million as at the reporting date of 31 December 2020 (previous year: EUR 1,716.9 million). Together, this represented 19.3% of the balance sheet total (previous year: 20.5%). In the event that an impairment test identifies the need to recognise an impairment charge for goodwill or for other intangible assets, this could have a significant negative effect on Hapag-Lloyd's earnings position and equity base. An impairment test as at 31 December 2020 did not identify any need for an impairment charge. As a result, the probability of a potential need for an impairment of goodwill or other intangible assets is classified as remote at the time of reporting.

Risks arising from investments

Hapag-Lloyd has a 25.1% stake in Container Terminal Altenwerder GmbH (CTA). CTA operates Container Terminal Altenwerder in the Port of Hamburg. CTA's earnings position, and therefore its dividend distributions and investment value, are dependent on container throughput at the terminal. This is also dependent on the continuation of the project to dredge and widen the Elbe shipping channel. A decrease in container throughput would have a negative impact on the earnings position of CTA and therefore also on the earnings position of Hapag-Lloyd and could negatively affect CTA's investment carrying amount.

Credit default risks

In order to prevent or reduce bad debt losses, Hapag-Lloyd operates a uniform, centrally controlled receivables management system. Its components include a standardised approval procedure for granting loans, complete with a creditworthiness risk check, securing the customer receivables by means of credit insurance, and a centrally managed monthly reporting system for monitoring the outstanding amounts, including their age structure and the guidelines and rules of receivables management. Please refer to Note (13) Trade accounts receivable and other assets of the consolidated financial statements for information on the scope and type of credit risks as at the balance sheet date.

Bank default risk management covers the Hapag-Lloyd Group's derivative financial instruments and financial investments. The maximum default risk of the derivative financial instruments concluded is restricted to the sum of the positive market values of all of these instruments because the financial damages in the event of their non-fulfilment by the contractual partners would not exceed this amount. No default risks are expected as derivative financial instruments have been concluded with different borrowers of impeccable credit standing. Nonetheless, the counterparty risk is managed by means of internal bank limits and monitored constantly to restrict the risk position by adjusting the limit if necessary.

Interest rate fluctuations

Interest rate fluctuations which arise as a result of raising new funds are reduced with a balanced portfolio of fixed and variable interest rate structures. Interest rate hedges can be implemented further, if necessary. The probability of occurrence classified as low and the negative impact on the financial position as bearable.

Legal risks and opportunities

Legal and regulatory frameworks

As a container shipping company, Hapag-Lloyd is subject to numerous regulations with domestic and international applicability. The alteration or broadening of such regulations and the necessity of obtaining further authorisations can be a burden on the course of business and possibly require a change of procedures.

These regulations include numerous safety, security and customs regulations in the respective countries of origin, transit and destination. The Company could face considerable fines if it infringes applicable regulations.

In connection with this, customs duties could be levied or fines imposed on exporters, importers or the shipping company. Based on current and foreseeable regulatory frameworks, there are no discernible factors that could lead to restrictions affecting the Group's commercial activity.

In the age of big data and digitalisation, data protection and data security are crucial in maintaining confidence between customers and companies. The introduction of the General Data Protection Regulation (GDPR) has bolstered the trend towards more stringent data protection regulations and stricter penalties, particularly in Asia and Latin America. In addition to conventional data protection regulation, various countries and multinational organisations are seeking greater standardisation in the area of IT security and the regulation of data sovereignty.

Furthermore, the increasing digitalisation of business processes is altering Hapag-Lloyd AG's risk exposure, which means that the additional risks relating to data protection law must be continuously assessed and managed. The probability of occurrence of such risks is classified as low and the net impact on Hapag-Lloyd's earnings before interest and taxes (EBIT) as bearable.

Tightening of climate and environmental protection regulations

The International Maritime Organization (IMO) and supranational institutions will continue to promote the tightening of existing regulations and the development of further measures to increase the maritime industry's contribution to climate protection efforts. Potential further requirements that focus in particular on the reduction of greenhouse gases could result in increased costs in the long term and therefore negatively affect the target achievement of Strategy 2023.

Legal disputes as well as tax and customs regulations

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

As at the reporting date, there was also EUR 7.6 million in contingent liabilities from legal disputes (previous year: EUR 9.1 million), whereby the probability of occurrence is classified as low from an overall perspective.

Hapag-Lloyd is also subject to regular tax audits in various countries where the Group conducts large-scale business activities (e. g. Germany, India, USA). These tax audits may lead to the payment of tax arrears. To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions.

As at the reporting date, there was also EUR 45.7 million in contingent liabilities from tax risks (previous year: EUR 48.5 million), whereby the probability of occurrence is classified as medium from an overall perspective.

SUMMARISED OVERVIEW OF CORPORATE RISKS AND OPPORTUNITIES

In the view of Hapag-Lloyd's Executive Board, the key risks relate to a possible decline in transport volume growth, a noticeably negative trend in average freight rates, a potentially sharp rise in charter rates as well as average bunker consumption price and a cyberattack on information technology and security.

In the opinion of Hapag-Lloyd's Executive Board, the key opportunities relate to a noticeably positive trend in average freight rates, a much sharper than expected increase in transport volume and the reduction in charter rates.

These opportunities are regularly analysed and discussed in Hapag-Lloyd's management bodies. The Executive Board informs the Supervisory Board about the potential impact of the aforementioned opportunities on corporate development in its scheduled meetings and in individual discussions.

Risks are assigned to internally defined risk classes according to the net perspective of their financial impact and probability of occurrence, i. e. after including the effect of risk responses. Opportunities are classified on the basis of the same size categories for assessing the Group's risk situation in internal Group risk reports. In order to monitor the risks, the classifications were changed compared to the previous year.

The financial net impact on the Group's targets, mainly EBIT, in the financial year is classified as follows:	Risk impact class	Opportunity impact class	Financial impact ranges
	Bearable	Low	≤ USD 100 million
	Severe	Medium	> USD 100 million ≤ USD 250 million
	Critical	High	> USD 250 million

The net probability of risks and opportunities occurring based on the planning assumptions for the 2021 financial year as at the time of preparation of the management report is classified as follows:	Probability class	Probability ranges
	Remote	< 10%
	Low	≥ 10% ≤ 25%
	Medium	> 25% ≤ 50%
	High	> 50%

In addition, the probability of occurrence regarding the risk and opportunity situation was compared with the previous year's assessment.

The assessment of the risk and opportunity situation compared to the previous year results from the change in the probability of occurrence:	Change class	Change probability of occurrence
	Lower	significant lower
	Equal	unchanged
	Higher	significant higher

Key risks and opportunities

	Risks			Opportunities		
Risks and opportunities	Potential impact	Probability of occurence	Probability of occurence in 2021 in comparison to the previous year	Potential impact	Probability of occurence	Probability of occurence in 2021 in comparison to the previous year
Fluctuation in transport volume	Critical	Medium	Equal	High	Low	Equal
Fluctuation in average freight rate	Critical	Low	Lower	High	Medium	Equal
Bunker consumption price fluctuation	Severe	Medium	Equal	Medium	Low	Lower
Fluctuation in charter rates	Bearable	Medium	Higher	Low	Medium	Higher
Information technology & security – cyberattack	Bearable	Medium	Higher	–	–	–

OVERALL ASSESSMENT OF RISKS AND OPPORTUNITIES

The assessment of Hapag-Lloyd’s overall risk picture is the result of a consolidated analysis of all of the Group’s significant individual risks and opportunities. After the reporting date of 31 December 2020, there are currently no indications of any risks, either alone or in combination with other risks, which endanger the continued existence of Hapag-Lloyd as a going concern. The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the business development of Hapag-Lloyd in the 2021 financial year, which could also lead to impairments on goodwill, other intangible assets and property, plant and equipment. In light of the continuing macroeconomic and geopolitical uncertainties in 2021, the assessment of overall risk remains unchanged from 2020.

The main risk facing Hapag-Lloyd in 2021 continues to be a market environment characterised by a strong level of competition and volatile fuel prices, which could lead to recurring pressure on freight rates and, in turn, to a significant potential impact on the earnings position. The outlook for global economic performance is positive, and this should lead to increasing global trade and therefore to growing demand for container transport services. This outlook for the year is subject to a high degree of uncertainty due to the consequences of the COVID-19 pandemic on a sustainable recovery of economic developments and therefore also on the development of the container transport volume, which still cannot be conclusively assessed.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS OF HAPAG-LLOYD AG (GERMAN COMMERCIAL CODE (HGB))

GENERAL PRINCIPLES / PRELIMINARY REMARKS

The Hapag-Lloyd Group is essentially defined by the activities of the parent company Hapag-Lloyd AG, domiciled in Hamburg. The subsidiaries of Hapag-Lloyd AG act as agencies on behalf and for the account of Hapag-Lloyd AG.

Hapag-Lloyd AG's performance is fundamentally subject to the same risks and opportunities as the Hapag-Lloyd Group. The outlook for the Hapag-Lloyd Group largely reflects the expectations for Hapag-Lloyd AG due to both the interconnectedness of Hapag-Lloyd AG with its subsidiaries and to the significance of Hapag-Lloyd AG within the Group. For this reason, the preceding comments apply to the Hapag-Lloyd Group as well as to Hapag-Lloyd AG.

The factors influencing Hapag-Lloyd AG's earnings before interest and taxes and those of the Group differ mainly as a result of the accounting principles used (IFRS and HGB) and particularly in relation to the different functional currencies (euro and US dollar) in this regard. Accordingly, Hapag-Lloyd AG is subject to exchange rate risks resulting in particular from financial debt denominated in USD, while currency risks arise within the Group from financial debt obtained in EUR.

The annual financial statements of Hapag-Lloyd AG are prepared in accordance with the German Commercial Code (HGB) and in accordance with the supplementary provisions of the German Stock Corporation Act (AktG) and were audited by the external auditors KPMG AG Wirtschaftsprüfungsgesellschaft, Hamburg. They are published in the online version of the German Federal Gazette.

Hapag-Lloyd AG has the following key branch offices active in the areas of sales and operations: Hapag-Lloyd Rotterdam (Rotterdam, Netherlands), Hapag-Lloyd Antwerp (Antwerp, Belgium), Hapag-Lloyd Denmark (Holte, Denmark) and Hapag-Lloyd Poland (Gdańsk, Poland).

As at 31 December 2020, Hapag-Lloyd AG's fleet comprised 228 container ships, 71 of which it owns including leases with purchase option / obligation at end of term (previous year: 231 ships, 71 of which it owned). The number of employees of Hapag-Lloyd AG was 3,672 on the reporting date (previous year: 3,486).

ECONOMIC REPORT

Report on Hapag-Lloyd AG's development in 2020 compared with the forecast

In the 2019 combined management report of the Hapag-Lloyd Group, earnings from operating activities before the effects of foreign currency valuation in the 2020 financial year were forecast to be at the previous year's level for Hapag-Lloyd AG. With earnings from operating activities of EUR 1,189.9 million in 2020, the result was significantly up on the previous year's figure (prior year period; EUR 340.8 million) and thus considerably higher than the Executive Board's original expectations. With transport volumes slightly below the previous year's level, the improvement in earnings was primarily due to a slight rise in freight rates, a moderate fall in bunker prices and active cost management. The main reasons for these developments are described in detail in the economic report of the Group's combined management report and the following earnings, financial and net assets position of Hapag-Lloyd AG.

Earnings, financial and net asset position

The general economic and sector-specific conditions of Hapag-Lloyd AG are essentially the same as those of the Group and are described in the Economic report of the combined management report.

Earnings position

Despite the economic turbulence caused by the COVID-19 pandemic, Hapag-Lloyd AG achieved a transport volume slightly below the previous year's level as well as a slight increase in its freight rate in the 2020 financial year. Active cost management under the PSP programme and a moderate decrease in bunker prices had a positive effect on Hapag-Lloyd AG's earnings. At the same time, the USD/EUR exchange rate of 1.23 as at the reporting date of 31 December 2020 was weaker (previous year: USD 1.12/EUR), which also had a positive effect on earnings. At USD 1.14/EUR, the average USD/EUR exchange rate was 2 cents higher than the USD/EUR exchange rate in the corresponding prior year period (USD 1.12/EUR). These developments increased earnings from operating activities by EUR 857.3 million overall to EUR 1,198.1 million. In total, Hapag-Lloyd AG recorded a net profit of EUR 1,008.6 million in the 2020 financial year (previous year: EUR 222.9 million).

Notes to the income statement

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Revenue	12,588.8	12,525.8
Increase/decrease in capitalised expenses for unfinished voyages	55.9	–44.1
Other own work capitalised	8.9	6.0
Other operating income	1,328.3	628.5
Transport expenses	–10,156.0	–10,565.4
Personnel expenses	–298.1	–286.5
Depreciation, amortisation and impairment	–476.3	–451.8
Other operating expenses	–1,853.5	–1,471.7
Operating result	**1,198.1**	**340.8**
Financial result	–129.1	–77.6
thereof interest result	–136.8	–170.6
Taxes on income	–8.4	–7.4
Result after taxes	**1,060.6**	**255.8**
Other taxes	–52.0	–32.9
Net gain for the year	**1,008.6**	**222.9**
Retained earnings brought forward	238.4	208.8
Balance sheet profit	**1,247.0**	**431.7**
EBIT	**1,150.6**	**397.1**
EBIT margin (%)	**9.1**	**3.2**
EBITDA	**1,626.9**	**848.9**
EBITDA margin (%)	**12.9**	**6.8**

In the 2020 financial year, revenue rose by around 1% to EUR 12,588.8 million (previous year: EUR 12,525.8 million). This was due to a slight increase in the average freight rate alongside a transport volume only slightly below previous year's level. Hapag-Lloyd AG transported a total of 11,729 TTEU in the financial year (previous year: 11,913 TTEU), which was a decrease of 184 TTEU, or 1.5%. The average freight rate for the 2020 financial year stood at USD 1,111/TEU (previous year: USD 1,067/TEU) and therefore rose by USD 44/TEU, or 4.1%. In addition, Hapag-Lloyd AG recorded a fall in income from inland container transport.

Other operating income increased from EUR 628.5 million to EUR 1,328.3 million in the reporting year. The main reason for this was higher exchange rate gains compared to the prior year period of EUR 1,199.4 million (previous year: EUR 495.2 million). These primarily resulted from the measurement of foreign currency items as at the reporting date due to the change in the USD/EUR exchange rate. In addition, income from derivatives increased by EUR 39.4 million.

In the 2020 financial year, transport expenses fell by EUR 409.4 million to EUR 10,156.0 million (previous year: EUR 10,565.4 million), representing a decline of 3.9%. Within transport expenses, expenses for raw materials and supplies decreased by EUR 173.1 million to EUR 1,406.7 million (previous year: EUR 1,579.8 million) in particular as a result of the drop in the average bunker consumption price. The fall in the cost of purchased services of EUR 236.5 million to EUR 8,749.3 million was primarily due to active cost management under the PSP programme.

Personnel expenses rose year-on-year by 4.0% to EUR 298.1 million (previous year: EUR 286.5 million), primarily as a result of growth in the number of employees at Hapag-Lloyd AG and the associated increase in wages and salaries. As at 31 December 2020, a total of 3,672 people (including apprentices) were employed at Hapag-Lloyd (previous year: 3,486). At 2.4%, there was a slight rise in the personnel expenses ratio as a percentage of revenues compared to 2.3% in the 2019 financial year.

Depreciation, amortisation and impairment of EUR 476.3 million was recorded in the 2020 financial year (previous year: EUR 451.8 million). The increase here essentially resulted from higher depreciation due to investments in containers and exhaust gas cleaning systems (scrubber) during the financial year.

The rise in other operating expenses of EUR 381.8 million to EUR 1,853.5 million was mainly caused by significantly higher exchange rate losses, including bank charges, in the amount of EUR 998.0 million (previous year: EUR 628.8 million). These were largely due to the valuation of receivables and bank balances denominated in USD on the reporting date and to lower exchange rate effects of currency forward contracts. Netted, the exchange rate-related other operating income and other operating expenses resulted in an improvement in earnings of EUR 201.4 million (previous year: decrease in earnings of EUR 133.6 million).

Earnings from operating activities in the last financial year were EUR 1,198.1 million (previous year: EUR 340.8 million). Earnings before interest and taxes (EBIT) also include income from profit transfer agreements, income from investments, amortisation of financial assets, expenses from the transfer of losses and other taxes and came to EUR 1,150.6 million as at the reporting date (previous year: EUR 397.1 million). Compared to the Group's EBIT of EUR 1,315.2 million, the German Commercial Code (HGB) earnings are slightly lower. This was primarily caused by the inclusion of subsidiary earnings within the Group and different accounting and valuation methods according to IFRS and HGB. Earnings before interest, taxes, depreciation and amortisation (EBITDA), defined as EBIT excluding depreciation and amortisation, came to EUR 1,626.9 million (previous year: EUR 848.9 million) and were significantly lower than the figure for the Group of EUR 2,700.4 million (previous year: EUR 1,985.8 million). In addition to the reasons detailed above, the recognition of leases in accordance with IFRS 16 has increased this difference between the financial statements of Hapag-Lloyd AG and the Group since the 2019 financial year because lease expenses continue to be fully included in transport expenses in the individual financial statements of Hapag-Lloyd AG.

In the 2020 financial year, the financial result deteriorated by EUR 51.5 million to EUR –129.1 million (previous year: EUR –77.6 million). This was mainly due to impairments on financial assets amounting to EUR 80.2 million (previous year: EUR 4.5 million). In the current financial year, these related to a foreign subsidiary whose positive earnings prospects have fallen permanently due to the removal of market restrictions in Latin America. In the opposite direction, interest expenses for bonds, bank loans and liabilities to affiliated companies has decreased by EUR 40.2 million. The early partial redemption of a EUR bond resulted in one-off effects for redemption charges, the disposal of the associated derivative and premium amounts, which were recognised at a total of EUR 4.6 million in interest expenses and EUR 0.4 million in interest income (previous year: EUR 21.8 million in interest expenses and EUR 6.5 million in interest income).

A net profit of EUR 1,008.6 million was reported for the 2020 financial year (previous year: EUR 222.9 million). Including retained earnings carried forward of EUR 238.4 million after distribution of a dividend of EUR 193.3 million, the Company recorded retained earnings of EUR 1,247.0 million (previous year: EUR 431.7 million).

Financial and net asset position

Changes in the asset structure

million EUR	31.12.2020	31.12.2019
Assets		
Fixed assets	8,006.9	8,152.5
thereof property, plant and equipment	5,233.6	5,232.5
Current assets	2,328.6	1,971.0
thereof cash-in-hand, bank balances and cheques	554.2	347.4
Prepaid expenses	12.3	13.1
Total assets	**10,347.8**	**10,136.6**
Equity and liabilities		
Equity	3,920.7	3,105.4
Provisions	1,052.8	974.4
Financial liabilities	957.0	1,665.6
thereof short-term	125.1	347.3
Sundry liabilities	4,414.7	4,388.5
thereof short-term	2,642.9	2,321.1
Deferred income	2.5	2.7
Total equity and liabilities	**10,347.8**	**10,136.6**
Net financial position (liquid assets – financial debt)	–402.8	–1,318.2
Equity ratio (%)	37.9	30.6

As at 31 December 2020, there is a change in the accounting of transactions carried out by the subsidiaries in their capacity as agents with third parties in the name and for the account of Hapag-Lloyd AG. Up to now, the income and expenses from these transactions were carried in the profit and loss statement of Hapag-Lloyd AG and the corresponding receivables or liabilities have been netted and have been recognised as receivables from or liabilities to affiliated companies in the balance sheet. As at 31 December 2020, trade receivables and trade payables as well as advance payments received for voyages not yet finished from these business transactions were carried as such in the balance sheet of Hapag-Lloyd AG. This results in a change in presentation and an extension of the balance sheet. The profit and loss statement was not affected. There is no correction of the previous year’s figures. For this reason, the year-on-year comparison for the balance sheet items concerned is only possible to a limited extent.

Compared to the previous year, Hapag-Lloyd AG's balance sheet total increased by EUR 211.2 million, from EUR 10,136.6 million to EUR 10,347.8 million as at 31 December 2020. While fixed assets fell by EUR 145.6 million to EUR 8,006.9 million, current assets rose by EUR 357.6 million to EUR 2,328.6 million.

Within fixed assets, intangible fixed assets decreased from EUR 1,045.5 million to EUR 983.7 million, which was essentially due to the amortisation of goodwill in the amount of EUR 72.2 million. Property, plant and equipment increased marginally by EUR 1.1 million to EUR 5,233.6 million. This includes investments of EUR 415.8 million relating primarily to investments in containers of EUR 319.3 million, as well as replacement investments and retrofitting of ocean-going vessels. This effect was offset by depreciation on property, plant and equipment totalling EUR 402.5 million and disposals of containers at their carrying amount of EUR 11.9 million. A decline in financial assets of EUR 85.0 million related to impairments of EUR 80.2 million on the carrying amount of the investment in a subsidiary whose positive earnings prospects have been permanently reduced due to the elimination of market restrictions in Latin America.

The change in current assets resulted primarily from the increase in accounts receivable and other assets of EUR 403.7 million to EUR 1,659.1 million and a rise in cash and cash equivalents of EUR 206.8 million to EUR 554.2 million. In contrast, inventories fell by EUR 252.9 million to EUR 115.2 million. Accounts receivable and other assets included trade receivables of EUR 580.6 million (previous year: EUR 351.1 million) and mainly receivables from affiliated companies of EUR 919.9 million (previous year: EUR 699.3 million). The increase in intercompany receivables was mainly due to the increase in the shareholder loan to the subsidiary Hapag-Lloyd Special Finance relating to the programme to securitise trade accounts receivable and a receivable from the subsidiary UASC Ltd. in connection with repayments of bank loans at this subsidiary. The development of trade receivables and inventories was characterised by the change in the accounting of transactions with third parties by the subsidiaries in their capacity as agents on behalf and for the account of Hapag-Lloyd AG. As a result, as at 31 December 2020, trade receivables increased by EUR 258.8 million, the allowance for doubtful accounts increased by EUR 8.2 million, receivables due from affiliated companies increased by EUR 9.9 million and inventories decreased by EUR 209.5 million due to the reporting of payments received in advance for not yet finished voyages. There was no correction to the previous year's figures.

As at 31 December 2020, Hapag-Lloyd AG had equity totalling EUR 3,920.7 million (previous year: EUR 3,105.4 million). The year-on-year change was due to a significantly increased net profit for the year of EUR 1,008.6 million (previous year: EUR 222.9 million). Taking into account a distribution from the previous year's retained earnings in the amount of EUR 193.3 million and remaining retained earnings carried forward from the previous year of EUR 238.4 million, as at 31 December 2020 there were retained earnings of EUR 1,247.0 million (previous year: EUR 431.7 million). The equity ratio was approximately 38% as at 31 December 2020 (previous year: approximately 31%).

Provisions rose from EUR 974.4 million to EUR 1,052.8 million in the reporting period. This includes increases for provisions for outstanding invoices of EUR 47.0 million, provisions for pensions and similar obligations of EUR 22.3 million and for other taxes of EUR 16.0 million.

Financial liabilities came to EUR 957.0 million at the reporting date (previous year: EUR 1,665.6 million). They comprise a bond issued by Hapag-Lloyd AG and liabilities to banks. The sharp decrease in financial liabilities resulted from scheduled and early debt repayments during the reporting year totalling EUR 1,133.9 million. This included the early partial redemption of a EUR bond issued in 2017 in the amount of EUR 150.0 million. The utilisation of financial liabilities in the amount of EUR 512.2 million had an offsetting effect. More detailed information on individual financing activities is provided under Group financial position. The reporting date valuation effects relating to financial liabilities denominated in US dollars resulted in a EUR 78.3 million decrease in financial liabilities (pervious year: increase of EUR 10.3 million).

Sundry liabilities increased from EUR 4,388.5 million to EUR 4,414.7 million and essentially comprise miscellaneous loans and other financial debt in the amount of EUR 1,821.6 million (previous year: EUR 1,250.1 million), liabilities to affiliated companies in the amount of EUR 1,392.4 million (previous year: EUR 2,385.5 million) and trade accounts payable in the amount of EUR 1,115.3 million (previous year: EUR 644.4 million). The increase in miscellaneous loans and other financial debt resulted primarily from sale and leaseback transactions to refinance containers and vessels at a total amount of EUR 784.2 million. This was counteracted by a decrease in intercompany liabilities, mainly due to the repayment of liabilities to the subsidiary UASC LTD (previous year balance: EUR 671.6 million). Due to the change in the accounting of transactions with third parties by the subsidiaries in their capacity as agents on behalf and for the account of Hapag-Lloyd AG, trade accounts payable increased by EUR 615.8 million as at 31 December 2020. In contrast, liabilities to affiliated companies decreased by EUR 157.4 million.

For further details on the type and maturity structure of the liabilities in particular, we refer to Note (11) Liabilities in the Notes to the annual financial statements of Hapag-Lloyd AG.

Hapag-Lloyd AG manages the Hapag-Lloyd Group's liquidity centrally, based on a Group-wide liquidity concept. This concept requires that a significant portion of the Group's liquidity is concentrated within Hapag-Lloyd AG. An important instrument of this is the cash reserve located at Hapag-Lloyd AG. The amount of Hapag-Lloyd AG's liquidity position therefore reflects the global business activities of Hapag-Lloyd AG and other Group companies.

Hapag-Lloyd AG's solvency was fully guaranteed at all times in the last financial year by cash inflows from operating activities, a portfolio of cash and cash equivalents, and syndicated credit facilities. The Company had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 1,030.7 million as at 31 December 2020 (previous year: EUR 868.7 million). At the reporting date, a sum totalling EUR 7.9 million with a term of up to three months was deposited in pledged accounts (previous year: EUR 10.0 million) and was therefore subject to a limitation on disposal.

Hapag-Lloyd AG is subject to transaction risks resulting in particular from financial debt denominated in US dollar.

To hedge euro exchange rate risks, derivative hedging transactions are concluded, the hedging effect of which is only felt within the Group. Interest rate risks which arise as a result of liquidity procurement on the international money and capital markets are centrally managed within the scope of interest rate management and are partly limited using derivative interest rate hedging instruments.

The use of derivative hedging is strictly transaction-related; derivatives are not used for speculation purposes.

The off-balance-sheet obligations of Hapag-Lloyd AG are presented in Notes (13) Contingencies and (14) Other financial obligations in the Notes to the annual financial statements of Hapag-Lloyd AG.

OUTLOOK, RISK AND OPPORTUNITY REPORT

The outlook for the Hapag-Lloyd Group largely reflects the expectations for Hapag-Lloyd AG due to both the interconnectedness of Hapag-Lloyd AG with its subsidiaries and to the significance of Hapag-Lloyd AG within the Group. For this reason, the comments on the outlook for the Hapag-Lloyd Group presented in the outlook, risk and opportunity report also apply in principle to Hapag-Lloyd AG. The factors influencing Hapag-Lloyd AG's operating result and that of the Group differ mainly as a result of the accounting principles used (IFRS and HGB) and of the different functional currencies (euro and US dollar).

Due to the development of the operating result from operating activities of Hapag-Lloyd AG before the effects of foreign currency valuation as at the 2020 reporting date, earnings from operating activities can be expected to increase significantly on the previous year's level, assuming an unchanged USD / EUR exchange rate at the reporting date of 31 December 2021. This statement is to be considered in connection with the outlook for the Hapag-Lloyd Group for the 2021 financial year.

The performance of Hapag-Lloyd AG largely depends on the Hapag-Lloyd Group's risks and opportunities, which are presented in detail in the outlook, risk and opportunity report in the combined management report. Furthermore, the following deviating or supplementary risks exist:

- From the perspective of the individual financial statements of Hapag-Lloyd AG in accordance with the German Commercial Code (HGB), any strengthening of the US dollar represents a further significant risk, in particular for the measurement effects of financial debt denominated in US dollars on the reporting date. The probability of occurrence is considered to be low and the impact of such risks on Hapag-Lloyd AG's earnings before interest and taxes (EBIT) is classified as bearable. By contrast, any weakening of the US dollar represents an opportunity.
- A sustained loss of customer groups that were acquired through taking over the customer base of CP Ships Limited, CSAV and UASC and a sustained deterioration in the earnings position of the companies held as financial investments could lead, respectively, to an impairment of capitalised goodwill in Hapag-Lloyd AG's statement of financial position and an impairment of the investments' carrying amounts. The negative effects on Hapag-Lloyd AG's earnings position are classified as critical and the probability of occurrence of such risks is classified as remote.

As a rule, Hapag-Lloyd AG participates in the risks and opportunities of its investments and subsidiaries in accordance with its respective stake. The negative impact on Hapag-Lloyd AG's earnings before interest and taxes (EBIT) is classified as bearable and the probability of occurrence is classified as medium. Hapag-Lloyd AG is included in the Group-wide risk management system and the internal control system of the Hapag-Lloyd Group. For more information, please refer to the Section "Description of the significant characteristics of the accounting ICS / RMS pursuant to Section 315 (4) of the German Commercial Code (HGB)" in the combined management report.

REPORT BY THE EXECUTIVE BOARD ON RELATIONSHIPS WITH AFFILIATED COMPANIES

Pursuant to Section 312 of the German Stock Corporation Act (AktG), the Executive Board of Hapag-Lloyd AG prepared a report on relationships with affiliated companies for the period from 1 January to 31 December 2020, which contains the following conclusion: "Our Company received appropriate compensation for each legal transaction listed in the report on relationships with affiliated companies in accordance with the circumstances known to us when the legal transactions were conducted. No actions required by or in the interests of the controlling companies or their affiliated companies subject to a reporting obligation were taken or omitted."

REMUNERATION REPORT

The remuneration report is part of the combined management report of Hapag-Lloyd AG and describes the basic features of the remuneration system for the Executive Board and Supervisory Board members and the amount and structure of individual remuneration. The report adheres to the requirements of the German Corporate Governance Code (GCGC) in the version of 7 February 2017 to which the Company is bound as at the reporting date, complies with the legal provisions of the German Stock Corporation Act (AktG) and the German Commercial Code (HGB) and incorporates the principles of German Accounting Standard 17 (DRS 17).

1. PRINCIPLES AND OBJECTIVES / GENERAL PRINCIPLES

The Supervisory Board regularly reviews the remuneration of the Executive Board and, if necessary, engages the services of external consultants for this purpose. As part of this review, both the remuneration structure and the amount of Executive Board remuneration are assessed, in particular by comparing them with the external market (horizontal benchmarking) and other remuneration within the Company (vertical benchmarking). If the review identifies the need to change the remuneration system, structure or amount, the Supervisory Board's Presidential and Personnel Committee submits appropriate proposals to the Supervisory Board for approval.

The purpose of the remuneration system for the Executive Board is to remunerate the Executive Board members appropriately in accordance with their duties and responsibilities, while directly taking into consideration the performance of each Executive Board member and the success of the Company.

The structure of the remuneration system for the Executive Board of Hapag-Lloyd AG aims to incentivise successful, long-term corporate governance that increases the value of the Company.

Executive Board remuneration initially comprises fixed basic remuneration, which is paid monthly and takes into consideration the duties and activities of the Executive Board members, and performance-related short-term variable remuneration in the form of an annual bonus. The Supervisory Board can also grant additional remuneration in special circumstances, such as for extraordinary activities and workloads during the financial year. In addition, benefits in kind and other fringe benefits are granted to the Executive Board members.

In addition, a long-term remuneration element exists for all Executive Board members (long-term incentive plan – LTIP) which aims to incentivise long-term commitment to the Company. Long-term variable remuneration was adjusted for the 2020 financial year. For further details, see section 2.2 b).

1.1 Changes to the Executive Board

Nicolás Burr stepped down from the Executive Board on 29 February 2020. He was succeeded by Mark Frese as the new Chief Financial Officer (CFO), who was appointed as a new Executive Board member with effect from 25 November 2019.

There were no other changes to the Executive Board in the 2020 financial year.

In the 2019 financial year, Dr Maximilian Rothkopf was appointed as an Executive Board member with effect from 1 May 2019. As the new Chief Operating Officer (COO), Dr Rothkopf succeeded Executive Board member Anthony J. Firmin, who retired on 30 June 2019.

2. MAIN REMUNERATION COMPONENTS

The main remuneration components are broken down as follows:

2.1 Non-performance-related components

a) Fixed annual remuneration

The fixed annual remuneration is a cash remuneration based on the financial year. In particular, it reflects the responsibilities and the position of the respective Executive Board member. This fixed income is set individually and is divided into 12 equal amounts which are paid at the end of each month. If an employment contract starts or ends during a financial year, the fixed remuneration is paid pro rata.

b) Non-cash remuneration and other fringe benefits

Non-cash remuneration and other fringe benefits comprise benefits in kind such as the provision of a company car, use of the company driver service, retirement benefits, funeral allowances and allowances for surviving dependants, and insurance cover such as accident insurance. Non-cash remuneration due is detailed in this remuneration report with the amounts stipulated by tax legislation.

The Company reimbursed Mr Burr and Mr Frese for living costs at an appropriate amount. In the previous year, it also covered the school costs of Mr Burr's children and the cost of one flight per year to Chile for Mr Burr and his family. Furthermore, the Company covered the language tuition costs of Mr Burr and his wife until 2019. Insofar as Mr Burr was required to pay income tax on these benefits, Hapag-Lloyd AG paid the applicable income tax. This increased the benefits accordingly.

2.2 Performance-related components

a) Short-term variable remuneration

The short-term variable remuneration is granted in the form of an annual bonus which is paid after approval of the consolidated financial statements which have been audited and certified by the external auditors.

The variable bonus of the ordinary Executive Board members is generally 0.05% of the Group's earnings before interest and taxes (EBIT). This is capped at EUR 600,000 (gross) per year. An exemption from this is the variable bonus of Mr Frese, which is 0.055% of the Group's earnings before interest and taxes (EBIT), capped at EUR 660,000 (gross) per year. The variable bonus of the CEO is 0.075% of the Groups's earnings before interest and taxes (EBIT). This is capped at EUR 900,000 (gross) per year.

Mr Schlotfeldt was granted a guaranteed bonus of EUR 25,000 (gross) for every full calendar month in which he worked for the Company as an Executive Board member in the period from 1 April 2018 to 31 March 2019. It was paid irrespective of the operating result achieved. Similar to this agreement, Dr Rothkopf has been granted a guaranteed bonus of EUR 25,000 (gross), as has Mr Frese in the amount of EUR 27,500 (gross), for every full calendar month in which they work for the Company as Executive Board members in the first year of their contract. If the Group's operating result leads to a higher bonus based on the calculation method outlined above, the higher amount is paid in each case.

b) Long-term variable remuneration

With effect from 1 January 2020, the long-term variable remuneration of the Executive Board members was modified. However, with regard to the long-term variable remuneration granted until the 2019 financial year (inclusive), the existing conditions continue to apply unchanged. In light of this, the long-term variable remuneration granted as and from the 2020 financial year (2020 long-term incentive plan – 2020 LTIP) is presented first below. The long-term variable remuneration granted until the 2019 financial year (2015 long-term incentive – 2015 LTIP) is outlined subsequently.

Under the 2020 LTIP, a specified euro amount is granted to the Executive Board members per calendar year ("allocation amount"). The allocation amount granted is divided equally into a retention component and a performance component. As a rule, the vesting period will be 3 years. The payment amount for the retention component after 3 years is calculated by multiplying half of the allocation amount by the respective target achievement. As a rule, the target achievement for the retention component is calculated using the 3-year average of the Group's EBITDA in the vesting period (for the 2020 tranche: 2020 to 2022) compared to the Group's EBITDA in the reference period (for the 2020 tranche: 2017 to 2019). The target achievement for the retention component is capped at 150% and has a minimum value of 0%. The target achievement for the performance component is calculated in the same way as outlined above and adjusted upwards or downwards based on the 3-year average of the ROIC in the vesting period using a defined matrix. The target achievement for the performance component is likewise capped at 150% and has a minimum value of 0%. The payment amount for the performance component after 3 years is calculated by multiplying half of the allocation amount by the target achievement as outlined above. As an additional condition for payment of the performance component, the total of the annual earnings after taxes in the consolidated financial statements of Hapag-Lloyd that relate to the vesting period must be greater than 0 (zero). The payment amount calculated on this basis falls due on 30 April of the year following the end of the vesting period and is payable as a gross amount.

If an Executive Board member steps down from their position without good cause or if their employment contract is extraordinarily terminated by Hapag-Lloyd for cause pursuant to Section 626 of the German Civil Code (BGB) ("bad leaver"), the performance component and the retention component are forfeited in full. If the employment contract of an Executive Board member has only been in place for a period of 12 months or less, the performance component and the retention component are likewise forfeited in full.

If the employment contract of an Executive Board member expires, the employment contract of an Executive Board member ends by mutual consent, the employment contract is extraordinarily terminated with effect by an Executive Board member for cause pursuant to Section 626 of the German Civil Code (BGB), an Executive Board member retires or the employment contract ends due to the disability or death of an Executive Board member, the vesting period ceases with the end of the employment contract. The retention and performance components granted up until this time are non-forfeitable when the vesting period ends.

If the vesting period ends during the year, the following rule applies when calculating the relevant EBITDA and ROIC indicators in the year in which the employment contract ends. If the employment contract ends in the first half of the calendar year, the relevant EBITDA and ROIC indicators for the previous year should be used as a basis when calculating the payment amount. If the employment contract ends in the second half of the calendar year, the relevant EBITDA and ROIC indicators for the full calendar year in which the employment contract ends are used as a basis when calculating the payment amount. The amount is paid at the latest on 30 April of the year following the end of the vesting period.

If an employment contract starts or ends during a financial year, the allocation amount is reduced on a pro rata basis for the respective year. Exceptions to this can be made on an individual basis.

Under the 2015 LTIP applicable until the 2019 financial year, a specified euro amount was likewise granted to the Executive Board members per calendar year. This allocation amount was converted into virtual shares in the Company on a specific date. The relevant share price for the conversion at the time of allocation was the average share price over the last 60 trading days before the virtual shares were granted, which happens on the first trading day of the calendar year. The virtual shares were divided equally into performance share units and retention share units. They are subject to a four-year vesting period, during which the corresponding values are unavailable as a basic principle.

The retention share units automatically become non-forfeitable when the vesting period expires (non-forfeitable retention share units). They then depend entirely on the Executive Board member's length of service.

The number of performance share units relevant for the payment depends on the performance of the Hapag-Lloyd share compared with a specific, industry-based reference index – the DAXglobal Shipping index – over the performance period. The number of performance share units can be a maximum of 1.5 and a minimum of 0, depending on the performance of the Hapag-Lloyd share relative to the chosen index as measured by a performance factor. If the performance factor is 0, all of the performance share units are forfeited.

If capital measures which affect the value of real shares are carried out during the term of the (expiring) 2015 LTIP, the conditions of the plan state that the Executive Board members must be treated like owners of real shares as a basic principle. In the event of an ordinary capital increase, the stake in the Company held by owners of real shares is diluted. However, they are granted subscription rights to new shares in return. Under the conditions of the plan, the Executive Board members are not automatically granted a subscription right in the event of an ordinary capital increase. To compensate them for being treated differently to owners of real shares, for all 2015 LTIP tranches belonging to Executive Board members which are in existence when a capital increase is carried out, the number of shares is adjusted by a value equal to the subscription rights that an owner of real shares with the same number of shares is entitled to. The additional virtual shares here are valued at the arithmetical share price on the day before trading of the subscription rights commences (ex-subscription rights). The rule must be applied separately to all 2015 LTIP tranches in existence at the time of the capital measure. The additional virtual shares are based directly on the existing virtual shares of the respective 2015 LTIP tranches. As a result, the additional virtual shares are given the same parameters as were defined in the conditions of the plan and at the time the respective tranche was granted. The additional virtual shares are consequently a component of the respective tranche.

When the performance period expires, the number of non-forfeitable virtual shares is converted into a euro amount by multiplying the non-forfeitable virtual shares by the relevant share price. This share price is equal to the average share price over the last 60 trading days before the performance period ends.

The amount calculated in this way is paid to the respective Executive Board member as a gross amount up to a specific limit on 31 March of the year following the end of the performance period. This upper limit is EUR 750,000 (gross) for ordinary Executive Board members and EUR 1,050,000 (gross) for the CEO.

If an Executive Board member steps down from their position before the performance period ends without good cause or if their employment contract is extraordinarily terminated by Hapag-Lloyd for cause pursuant to Section 626 of the German Civil Code (BGB) (“bad leaver”), all entitlements under the 2015 LTIP are forfeited.

If the employment contract of an Executive Board member expires, the participant retires or the employment contract ends due to the invalidity of the participant, their entitlements under the 2015 LTIP for the tranches which have not yet been paid remain. As a basic principle, the allocation amount for the financial year in which the participant resigns is granted on a pro rata basis. For resignations in the aforementioned cases, the performance period ends when the employment contract ends, and payment is made at the latest at the end of the third calendar month following the end of the performance period.

If an employment contract begins during a financial year under the 2015 LTIP, as a basic principle the long-term variable remuneration component is granted on the basis of the pro rata allocation amount for the corresponding financial year. Exceptions to this can be made on an individual basis.

The Company granted Mr Burr long-term variable remuneration for the 2020 financial year based on the 2015 LTIP. For the 2020 tranche, Mr Burr was granted 7,230 virtual shares at the start of the financial year at a price of EUR 69.17 per share for a total value of EUR 500,000. In accordance with the conditions outlined above, these shares that were granted in the financial year in which he departed were vested on a pro rata basis, which resulted in a payment amount of EUR 101,754 from the 2020 tranche.

Share-based remuneration under the 2015 long-term incentive plan (2015 LTIP)

Allotment for 2019 financial year (2019 tranche)

	Number of shares on allotment [1]	Fair value on allotment EUR	Total value on allotment (allotment amount) in EUR
Rolf Habben Jansen (Chairman of the Executive Board)	23,522	29.76	700,000
Nicolás Burr (Member of the Executive Board until 29 February 2020)	16,802	29.76	500,000
Anthony J. Firmin (Member of the Executive Board until 30 June 2019)	16,802	29.76	500,000
Mark Frese (Member of the Executive Board since 25 November 2019)	1,682	29.76	50,000
Dr Maximilian Rothkopf (Member of the Executive Board since 1 May 2019)	11,190	29.76	333,333
Joachim Schlotfeldt	16,802	29.76	500,000
Total	**86,800**		**2,583,333**

1 The number of shares allotted is commercially rounded to the nearest whole number in accordance with the terms and conditions of the 2015 LTIP.

Expense recognised for share-based remuneration under the 2015 long-term incentive plan (2015 LTIP)

	LTIP 2015 (tranches 2017–2019)[1]	
	Total personnel expense recognised	
EUR	2020	2019
Rolf Habben Jansen (Chairman of the Executive Board)	796,254	1,133,994
Nicolás Burr (Member of the Executive Board until 29 February 2020)	294,037	1,522,606
Anthony J. Firmin (Member of the Executive Board until 30 June 2019)	0	674,104
Mark Frese (Member of the Executive Board since 25 November 2019)	44,646	4,834
Dr Maximilian Rothkopf (Member of the Executive Board since 1 May 2019)	254,235	165,116
Joachim Schlotfeldt	163,849	672,190
Total	**1,553,021**	**4,172,844**

1 For Mr Burr, the table also includes the 2020 tranche.

c) Possible additional remuneration in cash (discretionary bonus)
The Executive Board contracts also stipulate that the Supervisory Board may grant additional remuneration in special circumstances or for extraordinary activities.

2.3 Company pension

For every full calendar year, the Executive Board members receive an annual lump sum equal to 20% of their fixed annual remuneration for the purpose of a pension in the form of a defined contribution payment pursuant to Section 1 (2) (1) of the German Company Pensions Act (BetrAVG). The payment is financed by annual contributions from the Company to an assistance fund and is made until the Executive Board members have reached the age of 67 or until their employment contracts end. If an employment contract starts or ends during a financial year, the amount is paid pro rata.

An exception to this is the company pension of Joachim Schlotfeldt, who is due a company pension payment of EUR 69,000 per year as a result of his long-standing service prior to his appointment as an Executive Board member. This amount will be paid when his statutory retirement commences. This will be further supplemented by the annual conversion of 20% of fixed annual remuneration into pension entitlements. Mr Schlotfeldt's entitlements under this company pension will be transferred to his surviving dependants to a limited extent after he is deceased.

2.4 Regulations in the event that Executive Board activities end

a) Severance payment cap in the event that Executive Board activities end prematurely

In accordance with the German Corporate Governance Code (GCGC), the employment contracts of the Executive Board members provide for a general cap on any severance payments. Accordingly, payments to an Executive Board member whose Executive Board activities end prematurely will not exceed two annual remunerations and must not remunerate more than the remaining term of the employment contract. In the event that an Executive Board member's contract is terminated for cause pursuant to Section 626 BGB ("bad leaver"), the employment contracts do not provide for any severance payment or remuneration under the long-term incentive plan (LTIPs).

When calculating the severance payment cap, the remuneration in the last full financial year is used as a basis (including short-term variable remuneration and fringe benefits); if the Executive Board member has been in office for two full financial years when the contract ends prematurely, the average remuneration for the last two financial years is used as a basis. The LTIPs are not taken into consideration when calculating the severance payment.

b) Post-contractual non-compete restrictions

No post-contractual non-compete restrictions have been agreed with the Executive Board members.

c) Change-of-control clause

The employment contracts of the Executive Board members do not contain any change-of-control clauses.

The 2015 LTIP stipulates that the 2015 LTIP ceases in the event of a change of control as defined in the German Securities Acquisition and Takeover Act (WpÜG). The virtual shares granted until then become non-forfeitable when the change of control occurs and, pursuant to the conditions of the LTIP, are converted into a euro amount that is to be paid to the respective Executive Board member in the short term. If this amount falls below the relevant allocation amount for the Executive Board member, the Executive Board member receives a payment equal to the allocation amount instead. The conditions of the 2020 LTIP contain similar rules.

2.5 Remuneration of the Executive Board in the 2020 financial year

a) Total remuneration of active Executive Board members pursuant to the German Commercial Code (HGB) and German Accounting Standard 17 (DRS 17)

The total remuneration granted to active Executive Board members in the financial year was EUR 8.4 million (2019: EUR 7.4 million). This included share-based payments in the previous year with a fair value of EUR 2.6 million on the date when the remuneration was granted. The active Executive Board members were granted 86,800 virtual shares in the 2019 financial year for the last time. An exception to this applied to Mr Burr, who was granted virtual shares (7,230 shares) in 2020 for the last time.

b) Individual remuneration of active Executive Board members pursuant to the German Commercial Code (HGB) and German Accounting Standard 17 (DRS 17)

Remuneration of the Executive Board

	Fixed remuneration		Variable remuneration		Total remuneration
			Components with short-term incentive effect	Components with long-term incentive effect	
EUR	Fixed salary	Fringe benefits	Bonuses	LTIP 2020, tranche 2020/LTIP 2015, tranche 2019	
Rolf Habben Jansen (Chairman of the Executive Board)					
2020	**750,000**	**172,078**	**900,000**	**700,000**	**2,522,078**
2019	750,000	172,078	608,534	700,000	2,230,612
Nicolás Burr (Member of the Executive Board until 29 February 2020)					
2020	**75,000**	**44,813**	**74,917**	**500,000[1]**	**694,730**
2019	450,000	307,063[2]	405,689	500,000	1,662,752
Mark Frese (Member of the Executive Board since 25 November 2019)					
2020	**600,000**	**189,587**	**660,000**	**500,000**	**1,949,587**
2019	60,000	14,404	37,188	50,000	161,592
Dr Maximilian Rothkopf (Member of the Executive Board since 1 May 2019)					
2020	**450,000**	**106,369**	**600,000**	**500,000**	**1,656,369**
2019	300,000	72,816	270,459	333,000	976,275
Joachim Schlotfeldt					
2020	**450,000**	**12,842**	**600,000**	**500,000**	**1,562,842**
2019	450,000	12,842	405,689	500,000	1,368,531
Total 2020	**2,325,000**	**525,689**	**2,834,917**	**2,700,000**	**8,385,606**
Total 2019	2,010,000	579,203	1,727,559	2,083,000	6,399,762[3]

1 Mr Burr's long-term variable remuneration for the 2020 financial year was granted based on the 2015 LTIP (instead of the 2020 LTIP).

2 Adjusted as the amount of the fringe benefits actually granted was subsequently substantiated due to the resignation from the Executive Board in 2020.

3 In the previous year, the Executive Board's total emoluments included the emoluments of Anthony J. Firmin, who stepped down from the Executive Board on 30 June 2019. As a result, the sum total of the Executive Board's emoluments for 2019 in this table is different to the figure for the Executive Board's emoluments in 2019 in section 2.5(a) of this remuneration report which includes Anthony J. Firmin's emoluments.

In the past financial year, no member of the Executive Board received payments or corresponding commitments from a third party with regard to their activities as an Executive Board member. In addition, there were no advance payments or loans to members of the Executive Board as at 31 December 2020 or 31 December 2019.

With regard to pension commitments, the following obligations exist:

Pension plans (pension plans and death grants) pursuant to IFRS and HGB

EUR	Present value (IFRS)	Service cost (IFRS)	Present value (HGB)	Personnel expenses (HGB)
Rolf Habben Jansen (Chairman of the Executive Board)				
2020	**7,597**	**1,269**	**7,150**	**414**
2019	6,920	1,347	6,467	387
Nicolás Burr (Member of the Executive Board until 29 February 2020)				
2020	**0**	**18**	**0**	**–2,734**
2019	3,082	636	2,734	352
Mark Frese (Member of the Executive Board since 25 November 2019)				
2020	**2,428**	**3,160**	**2,340**	**1,801**
2019	522	0	501	501
Dr Maximilian Rothkopf (Member of the Executive Board since 1 May 2019)				
2020	**1,317**	**859**	**1,159**	**601**
2019	567	0	501	501
Joachim Schlotfeldt [1]				
2020	**2,558,995**	**214,939**	**1,875,502**	**–99,455**
2019	2,466,003	230,121	1,807,284	157,473
Total 2020	**2,570,337**	**220,245**	**1,886,151**	**–99,373**
Total 2019 [2]	2,477,094	232,104	1,817,487	159,214

1 The figures disclosed include amounts resulting from commitments prior to appointment to the Executive Board (cf. the explanations in section 2.3).

2 The 2019 total s included the pension plan of Anthony J. Firmin who left the Executive Board on 30 June 30 2019. Consequently, the 2019 total s in this table differ from the totals in the same table in the 2019 Remuneration Report.

c) Disclosure of remuneration pursuant to the German Corporate Governance Code (GCGC)

The German Corporate Governance Code (GCGC) for listed companies in the version of 7 February 2017 to which the Company is still bound also recommends disclosure of Executive Board remuneration in a table detailing the amounts granted and amounts paid.

Amounts granted for the financial year

Remuneration granted	Rolf Habben Jansen (Chairman of the Executive Board)			
EUR	2019	2020	2020 (min.)	2020 (max.)
Fixed salary	750,000	750,000	750,000	750,000
Fringe benefits	172,078	172,078	172,078	172,078
Total	**922,078**	**922,078**	**922,078**	**922,078**
One-year variable remuneration	608,534	900,000	0	900,000
Multiple-year variable remuneration	700,000	700,000	0	1,050,000
LTIP 2015, tranche 2019 (term: 2019–2022)	700,000	0	0	0
LTIP 2020, tranche 2020 (term: 2020–2022)	0	700,000	0	1,050,000
Total	**1,308,534**	**1,600,000**	**0**	**1,950,000**
Service cost	1,347	1,269	1,269	1,269
Total remuneration	**2,231,959**	**2,523,347**	**923,347**	**2,873,347**

Remuneration granted	Dr Maximilian Rothkopf (Member of the Executive Board since 1.5.2019)			
EUR	2019	2020	2020 (min.)	2020 (max.)
Fixed salary	300,000	450,000	450,000	450,000
Fringe benefits	72,816	106,369	106,369	106,369
Total	**372,816**	**556,369**	**556,369**	**556,369**
One-year variable remuneration	270,459	600,000	100,000	600,000
Multiple-year variable remuneration	333,000	500,000	0	750,000
LTIP 2015, tranche 2019 (term: 2019–2022)	333,000	0	0	0
LTIP 2020, tranche 2020 (term: 2020–2022)	0	500,000	0	750,000
Total	**603,459**	**1,100,000**	**100,000**	**1,350,000**
Service cost	0	859	859	859
Total remuneration	**976,275**	**1,657,228**	**657,228**	**1,907,228**

[1] Adjusted as the amount of the fringe benefits actually granted was subsequently substantiated due to the resignation from the Executive Board in 2020.
[2] Mr Burr's long-term variable remuneration for the 2020 financial year was granted based on the 2015 LTIP (instead of the 2020 LTIP).

Nicolás Burr (Member of the Executive Board until 29.2.2020)				Mark Frese (Member of the Executive Board since 25.11.2019)			
2019	2020	2020 (min.)	2020 (max.)	2019	2020	2020 (min.)	2020 (max.)
450,000	75,000	75,000	75,000	60,000	600,000	600,000	600,000
307,063[1]	44,813	44,813	44,813	14,404	189,587	189,587	189,587
757,063	**119,813**	**119,813**	**119,813**	**74,404**	**789,587**	**789,587**	**789,587**
405,689	74,917	0	100,000	37,188	660,000	302,500	660,000
500,000	500,000	0	750,000	50,000	500,000	0	750,000
500,000	0	0	0	50,000	0	0	0
0	500,000[2]	0	750,000	0	500,000	0	750,000
905,689	**574,917**	**0**	**850,000**	**87,188**	**1,160,000**	**302,500**	**1,410,000**
636	18	18	18	0	3,160	3,160	3,160
1,663,388	**694,748**	**119,831**	**969,831**	**161,592**	**1,952,747**	**1,095,247**	**2,202,747**

Joachim Schlotfeldt			
2019	2020	2020 (min.)	2020 (max.)
450,000	450,000	450,000	450,000
12,842	12,842	12,842	12,842
462,842	**462,842**	**462,842**	**462,842**
405,689	600,000	0	600,000
500,000	500,000	0	750,000
500,000	0	0	0
0	500,000	0	750,000
905,689	**1,100,000**	**0**	**1,350,000**
230,121	214,939	214,939	214,939
1,598,652	**1,777,781**	**677,781**	**2,027,781**

Amounts paid for the financial year

Remuneration disbursed	**Rolf Habben Jansen** (Chairman of the Executive Board)		**Nicolás Burr** (Member of the Executive Board until 29.2.2020)	
	2020	2019	2020	2019
Fixed salary	750,000	750,000	75,000	450,000
Fringe benefits	172,078	172,078	44,813	307,063 [1]
Total	**922,078**	**922,078**	**119,813**	**757,063**
One-year variable remuneration	900,000	608,534	74,917	405,689
Multiple-year variable remuneration	1,050,000	1,050,000	3,101,754	750,000
LTIP 2015, tranche 2015 (term: 2015–2018)	0	1,050,000	0	750,000
LTIP 2015, tranche 2016 (term: 2016–2019)	1,050,000	0	750,000	0
LTIP 2015, tranche 2017 (term: 2017–2020)	0	0	750,000	0
LTIP 2015, tranche 2018 (term: 2018–2021)	0	0	750,000	0
LTIP 2015, tranche 2019 (term: 2019–2022)	0	0	750,000	0
LTIP 2020, tranche 2020 (term: 2020–2022)	0	0	101,754 [2]	0
Other	0	0	0	0
Total	**1,950,000**	**1,658,534**	**3,176,671**	**1,155,689**
Service cost	1,269	1,347	18	636
Total remuneration	**2,873,347**	**2,581,959**	**3,296,502**	**1,913,388**

[1] Adjusted as the amount of the fringe benefits actually granted was subsequently substantiated due to the resignation from the Executive Board in 2020.

[2] Mr Burr's long-term variable remuneration for the 2020 financial year was granted and paid based on the 2015 LTIP (instead of the 2020 LTIP).

Mark Frese (Member of the Executive Board since 25.11.2019)		Dr Maximilian Rothkopf (Member of the Executive Board since 1.5.2019)		Joachim Schlotfeldt	
2020	2019	2020	2019	2020	2019
600,000	60,000	450,000	300,000	450,000	450,000
189,587	14,404	106,369	72,816	12,842	12,842
789,587	**74,404**	**556,369**	**372,816**	**462,842**	**462,842**
660,000	37,188	600,000	270,459	600,000	405,689
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
660,000	**37,188**	**600,000**	**270,459**	**600,000**	**405,689**
3,160	0	859	0	214,939	230,121
1,452,747	**111,592**	**1,157,228**	**643,275**	**1,277,781**	**1,098,652**

d) Former Executive Board members, including those who resigned in the financial year

The total remuneration for former members of the Executive Board and their surviving dependants amounted to EUR 1.0 million in the 2020 financial year (previous year: EUR 0.9 million). Provisions created for current pensions and entitlements to pensions for former Executive Board members and their surviving dependants totalled EUR 31.8 million under IFRS in the 2020 financial year (previous year: EUR 30.4 million) and EUR 23.9 million under HGB (previous year: EUR 22.8 million).

3. REMUNERATION OF THE SUPERVISORY BOARD

Remuneration of the Supervisory Board is regulated in Section 12 of the Company's articles of association. The remuneration system reflects the responsibilities and activities of the Supervisory Board members. In addition to a reimbursement of their expenses and the VAT payable on their remuneration and expenses, the members of the Supervisory Board receive fixed annual remuneration. There is no variable remuneration component.

The fixed annual remuneration of the Supervisory Board is EUR 180,000 for the Chairperson, EUR 90,000 for deputies and EUR 60,000 for other members. The Chairperson of the Audit and Financial Committee receives additional remuneration of EUR 40,000, and the other committee members each receive EUR 20,000 for every full financial year of their membership. The Chairperson of the Presidential and Personnel Committee receives additional remuneration of EUR 30,000, and the other committee members each receive EUR 15,000. If Supervisory Board members receive remuneration for activities on the Supervisory Board of a subsidiary of Hapag-Lloyd AG, this remuneration is offset against the aforementioned remuneration.

The members of the Supervisory Board also receive an attendance fee of EUR 1,500 for every meeting of the Supervisory Board and its committees that they attend.

For Supervisory Board members who are only on the Supervisory Board for part of the financial year, remuneration is granted pro rata, rounded to full months. This also applies to increases in remuneration for the Chairperson of the Supervisory Board and their deputies as well as to increases in remuneration for membership and chairmanship of a Supervisory Board committee.

The following table shows the amounts due to the individual members of the Supervisory Board:

	Fixed remuneration		Remuneration for committee service		Meeting allowance		Total	
EUR	2020	2019	2020	2019	2020	2019	2020	2019
Felix Albrecht	60,000	46,667	5,000	0	6,000	3,900	71,000	50,567
Turqi Alnowaiser	60,000	55,000	20,000	15,000	10,500	6,000	90,500	76,000
Sheik Ali Al-Thani	60,000	55,000	15,000	12,500	6,000	5,400	81,000	72,900
Michael Behrendt	180,000	165,000	30,000	25,000	6,000	5,400	216,000	195,400
Jutta Diekamp	30,000	55,000	7,500	12,500	3,000	5,400	40,500	72,900
Nicola Gehrt	60,000	55,000	0	0	6,000	3,900	66,000	58,900
Karl Gernandt	75,000	82,500	46,666	27,500	12,000	8,700	133,666	118,700
Oscar Hasbún	77,500	55,000	30,000	30,000	12,000	7,500	119,500	92,500
Dr Rainer Klemmt-Nissen	30,000	55,000	17,500	27,500	6,000	9,000	53,500	91,500
Joachim Kramer	0	8,333	0	0	0	0	0	8,333
Annabell Kröger	60,000	55,000	20,000	15,000	12,000	7,500	92,000	77,500
Arnold Lipinski	60,000	55,000	35,000	27,500	12,000	9,000	107,000	91,500
Sabine Nieswand	60,000	55,000	15,000	12,500	6,000	5,400	81,000	72,900
Dr Isabella Niklas	35,000	0	20,417	0	6,000	0	61,417	0
Francisco Pérez	60,000	55,000	15,000	12,500	6,000	5,400	81,000	72,900
Klaus Schroeter	90,000	82,500	35,000	27,500	12,000	9,000	137,000	119,000
Maya Schwiegershausen-Güth	60,000	55,000	0	0	6,000	3,900	66,000	58,900
Svea Stawars	30,000	0	0	0	3,000	0	33,000	0
Uwe Zimmermann	60,000	55,000	35,000	27,500	12,000	9,000	107,000	91,500
Total	**1,147,500**	**1,045,000**	**347,083**	**272,500**	**142,500**	**104,400**	**1,637,083**	**1,421,900**

The Supervisory Board remuneration and attendance fees have been included in the overview based on the expense incurred in the respective financial year. For the Supervisory Board members who resigned or were appointed, the amounts have been calculated pro rata. The Supervisory Board members did not receive any ancillary remuneration in the aforementioned period.

The Chairperson of the Supervisory Board is provided with an office and assistant and a driver service so that they can perform their duties. If the Chairperson of the Supervisory Board attends certain appointments and performs certain representative duties on behalf of Hapag-Lloyd AG to promote the business of the Company and foster a positive public image of the Company and does so for no fee, they may use the Company's internal resources to prepare for and perform these activities for no fee. They are reimbursed for expenses incurred in connection with these activities at an appropriate amount.

There were no advance payments or loans to members of the Supervisory Board as at 31 December 2020 or 31 December 2019. Furthermore, the Supervisory Board members did not receive any remuneration in 2020 or the comparative period for their own services provided, in particular consultation and mediation services.

OTHER DISCLOSURES

DISCLOSURES AND NOTES RELEVANT TO THE TAKEOVER

REPORT PURSUANT TO SECTION 315A (1) OF THE GERMAN COMMERCIAL CODE (HGB) AND SECTION 289A (1) OF THE GERMAN COMMERCIAL CODE (HGB)

1. Composition of subscribed capital

The Company's subscribed capital totalled EUR 175,760,293.00 as at the reporting date. It is divided into 175,760,293 no-par registered shares, with each individual share representing EUR 1.00 of the share capital. The shares are ordinary shares, without exception. Different share classes are not issued and are not provided for in the articles of association. Each share is eligible for voting rights and dividends from the time that it is created. Each share grants one vote at the Annual General Meeting (Section 15 (1) of the articles of association).

2. Restrictions which affect voting rights or the transfer of shares

On 16 April 2014, CSAV Germany Container Holding GmbH, Hamburg ("CG Hold Co"), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg ("HGV"), and Kühne Maritime GmbH, Hamburg ("Kühne") (CG Hold Co, HGV and Kühne also jointly referred to as the "Anchor Shareholders") entered into a shareholders' agreement which was newly formulated in the course of the business combination with United Arab Shipping Company Ltd. ("New Shareholders' Agreement"). CG Hold Co, HGV and Kühne agreed under the New Shareholders' Agreement to uniformly exercise their voting rights as and from the day following the 2017 Annual General Meeting by issuing a common voting proxy and giving binding instructions to the agent. To ensure uniform voting, the Anchor Shareholders intend to pass a resolution on how the pooled votes shall be cast prior to Annual General Meetings. If the Anchor Shareholders are unable to pass a unanimous resolution on their voting for any agenda item, the decision will be transferred to the decision-makers of the Anchor Shareholders' ultimate shareholders. If the ultimate shareholders cannot pass a unanimous decision either, the Anchor Shareholders should cast the votes (a) against the measure with regard to resolutions requiring a 75% majority of the votes cast or of the subscribed capital present at the time of adoption of the resolution pursuant to mandatory law or the articles of association or (b) each at their own discretion regarding the respective shares of each of the Anchor Shareholders on resolution proposals which, pursuant to mandatory law or the articles of association, require a simple majority.

By coordinating their voting rights, the Anchor Shareholders will be in a position to exert a significant influence on the Annual General Meeting and, consequently, on matters decided by the Annual General Meeting, including the appointment of the Company's Supervisory Board, the distribution of dividends or proposed capital increases.

Although the New Shareholders' Agreement shall have a fixed term until 30 November 2024, the Anchor Shareholders are free to dispose of their shares. The parties of the New Shareholders' Agreement have granted each other a right of first refusal in the event that one party would like to sell shares representing a certain portion of voting rights (over-the-counter).

3. Shareholdings that exceed 10% of the voting rights

At the time of preparation of the financial statements, the Company had received the following information about shareholdings subject to mandatory disclosure pursuant to Section 160 (1) (8) of the German Stock Corporation Act (AktG). The following voting right notifications from 2015 do not take account of the total number of voting rights at the end of the reporting period:

CSAV Germany Container Holding GmbH, Hamburg, Germany, notified us on 5 November 2015 pursuant to Section 21 (1a) of the German Securities Trading Act (WpHG) that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 31.35% of the voting rights (corresponding to 37,032,743 voting rights) are held directly by the Company. 40.21% of the voting rights (corresponding to 47,491,548 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through Kühne Maritime GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH.

Compañía Sud Americana de Vapores S.A., Santiago, Chile, notified us on 5 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 40.21% of the voting rights (corresponding to 47,491,548 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through Kühne Maritime GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH. In accordance with Section 22 (1) (1) (1) WpHG, 31.35% of the voting rights (corresponding to 37,032,743 voting rights) are attributable to the Company through CSAV Germany Container Holding GmbH, of which 3% or more are assigned in each case.

The Luksburg Stiftung, Vaduz, Liechtenstein, notified us on 5 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 40.21% of the voting rights (corresponding to 47,491,548 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through Kühne Maritime GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH. In accordance with Section 22 (1) (1) (1) WpHG, 31.35% of the voting rights (corresponding to 37,032,743 voting rights) are attributable to the Company through CSAV Germany Container Holding GmbH, Compañía Sud Americana de Vapores S.A., Quiñenco S.A., Andsberg Inversiones Limitada, Ruana Copper A.G. Agencia Chile and Inversiones Orengo S.A., of which 3% or more are assigned in each case.

Inversiones Orengo S.A., Santiago, Chile, notified us on 5 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 40.21% of the voting rights (corresponding to 47,491,548 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through Kühne Maritime GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH. In accordance with Section 22 (1) (1) (1) WpHG, 31.35% of the voting rights (corresponding to 37,032,743 voting rights) are attributable to the Company through CSAV Germany Container Holding GmbH, Compañía Sud Americana de Vapores S.A. and Quiñenco S.A., of which 3% or more are assigned in each case.

Ruana Copper A.G. Agencia Chile, Santiago, Chile, notified us on 5 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 40.21% of the voting rights (corresponding to 47,491,548 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through Kühne Maritime GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH. In accordance with Section 22 (1) (1) (1) WpHG, 31.35% of the voting rights (corresponding to 37,032,743 voting rights) are attributable to the Company through CSAV Germany Container Holding GmbH, Compañía Sud Americana de Vapores S.A. and Quiñenco S.A., of which 3% or more are assigned in each case.

Quiñenco S.A., Santiago, Chile, notified us on 5 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 40.21% of the voting rights (corresponding to 47,491,548 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through Kühne Maritime GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH. In accordance with Section 22 (1) (1) (1) WpHG, 31.35% of the voting rights (corresponding to 37,032,743 voting rights) are attributable to the Company through CSAV Germany Container Holding GmbH and Compañía Sud Americana de Vapores S.A., of which 3% or more are assigned in each case.

Andsberg Inversiones Limitada, Santiago, Chile, notified us on 5 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 40.21% of the voting rights (corresponding to 47,491,548 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through Kühne Maritime GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH. In accordance with Section 22 (1) (1) (1) WpHG, 31.35% of the voting rights (corresponding to 37,032,743 voting rights) are attributable to the Company through CSAV Germany Container Holding GmbH, Compañía Sud Americana de Vapores S.A. and Quiñenco S.A., of which 3% or more are assigned in each case.

Kühne Maritime GmbH, Hamburg, Germany, notified us on 6 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 19.58% of the voting rights (corresponding to 23,128,073 voting rights) are held directly by the Company. 51.98% of the voting rights (corresponding to 61,396,218 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through CSAV Germany Container Holding GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH.

Mr Klaus-Michael Kühne, Switzerland, notified us on 6 November 2015 pursuant to Section 21 (1a) WpHG that his share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 72.20% (corresponding to 85,274,291 voting rights). 51.98% of the voting rights (corresponding to 61,396,218 voting rights) are attributable to Mr Kühne pursuant to Section 22 (2) WpHG through CSAV Germany Container Holding GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH. 20.22% of the voting rights (corresponding to 23,878,073 voting rights) are attributable to him pursuant to Section 22 (1) (1) (1) WpHG through Kühne Holding AG and Kühne Maritime GmbH, of which 3% or more are assigned in each case.

Kühne Holding AG, Schindellegi, Switzerland, notified us on 6 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 72.20% (corresponding to 85,274,291 voting rights). 51.98% of the voting rights (corresponding to 61,396,218 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through CSAV Germany Container Holding GmbH and HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH. 19.58% of the voting rights (corresponding to 23,128,073 voting rights) are attributable to the Company through Kühne Maritime GmbH pursuant to Section 22 (1) (1) (1) WpHG, of which 3% or more are assigned.

HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH, Hamburg, Germany, notified us on 6 November 2015 pursuant to Section 21 (1a) of the German Securities Trading Act (WpHG) that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 20.63% of the voting rights (corresponding to 24,363,475 voting rights) are held directly by the Company. 50.94% of the voting rights (corresponding to 60,160,816 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through CSAV Germany Container Holding GmbH and Kühne Maritime GmbH.

The Free and Hanseatic City of Hamburg, Germany, notified us on 6 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 71.56% (corresponding to 84,524,291 voting rights). 50.94% of the voting rights (corresponding to 60,160,816 voting rights) are attributable to the Company pursuant to Section 22 (2) WpHG through Kühne Maritime GmbH and CSAV Germany Container Holding GmbH. 20.63% of the voting rights (corresponding to 24,363,475 voting rights) are attributable to the Company through HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH pursuant to Section 22 (1) (1) (1) WpHG, of which 3% or more are assigned.

The Public Investment Fund of the Kingdom of Saudi Arabia, Riyadh, Saudi Arabia, notified us on 24 May 2017 pursuant to Section 21 (1) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany as at 24 May 2017 was 10.14% (corresponding to 16,637,197 voting rights).

The State of Qatar, acting through the Qatar Investment Authority, Doha, Qatar, notified us on 24 May 2017 pursuant to Section 21 (1) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany as at 24 May 2017 was 14.43% (corresponding to 23,663,648 voting rights). All of the aforementioned voting rights are attributable to the State of Qatar, acting through the Qatar Investment Authority, Doha, Qatar, pursuant to Section 22 (1) of the German Securities Trading Act (WpHG). The companies through which the voting rights are held are (starting with the top subsidiary): Qatar Holding LLC, Doha, Qatar, Qatar Holding Luxembourg II S.à.r.l., Luxembourg, Qatar Holding Netherlands B.V., Amsterdam, Netherlands, Qatar Holding Germany GmbH, Frankfurt am Main, Germany.

4. Holders of shares with special rights
There are no shares with special rights that confer powers of control.

5. Type of voting right control for employee investments
The Company is not aware of any employees who hold an interest in its capital and do not exercise their control over voting rights directly.

6. Rules on appointing and discharging members of the Executive Board and on amending the articles of association
The guidelines on the appointment and discharge of members of the Executive Board are based on Sections 84 and 85 of the German Stock Corporation Act (AktG) and on Section 31 of the German Co-Determination Act (MitbestG) in conjunction with Section 7 (1) of the articles of association. Pursuant to Section 7 (1) of the articles of association, the Executive Board shall comprise no fewer than two members. The Supervisory Board determines the number of members of the Executive Board; taking into account the minimum number of members, it may appoint one member of the Executive Board as the Chairperson and may appoint deputy members of the Executive Board.

The articles of association can only be amended by a resolution of the Annual General Meeting in accordance with Section 179 of the German Stock Corporation Act (AktG). The resolution of the Annual General Meeting requires a majority of at least three quarters of the share capital represented when the resolution is being adopted; Sections 179 ff. of the German Stock Corporation Act (AktG) are applicable. In accordance with Section 20 of the articles of association, the Supervisory Board is authorised to make amendments to the articles of association which only affect the wording. The Supervisory Board is also entitled to amend the wording of the articles of association after a share capital increase from the Authorised Capital 2017 and after the authorisation period expires, in accordance with the amount of the capital increase.

7. Powers of the Executive Board, in particular regarding the option of issuing or buying back shares
In accordance with Section 5 (3) of the articles of association, the Executive Board, subject to the approval of the Supervisory Board, is authorised to increase the Company's share capital by up to EUR 11,282,647.00, fully or in partial amounts, on one or more occasion up to 30 April 2022 by issuing up to 11,282,647 new no-par registered shares against cash contributions and/or contributions in kind (Authorised Capital 2017). As a general rule, subscription rights must be granted to the shareholders. The new shares can also be taken up by one or more banks, with the obligation to offer them to the shareholders for subscription.

Under certain circumstances and subject to the approval of the Supervisory Board, the Executive Board is authorised to exclude the subscription rights of the shareholders in order to exclude fractional amounts from the subscription right.

Section 71 of the German Stock Corporation Act (AktG) includes rules regarding the acquisition of own shares. Furthermore, there is no authorisation of the Executive Board granted by the Annual General Meeting to buy back own shares.

8. Significant agreements of the Company which are subject to the condition of a change of control following a takeover bid, and the resulting effects

The following significant agreements which are subject to the condition of a change of control are in place at the Company:

a) As part of the bond issued by the Company with a value totalling EUR 300 million, the Company is obliged to offer to buy back the bonds from the bondholders at an amount equal to 101% of the respective nominal value plus interest accrued if, among other reasons, a third party who is not an Anchor Shareholder, IDUNA Vereinigte Lebensversicherung auf Gegenseitigkeit für Handwerk, Handel und Gewerbe, HSH Nordbank AG, HanseMerkur Krankenversicherung AG, HanseMerkur Lebensversicherung AG, M.M.Warburg & CO Gruppe (GmbH & Co) KGaA (jointly also referred to as the "Key Shareholders"), Qatar Holding LLC, the Public Investment Fund of the Kingdom of Saudi Arabia or TUI AG, directly or indirectly acquires more than 50% of the voting rights of the Company's shares
b) As part of various ship, container and other bank financing arrangements with outstanding repayment amounts and the fixed financing commitments regarding the newbuilds with a value totalling approximately EUR 4,217 million (approximately USD 5,177 million), the respective lenders have an extraordinary right of termination in the event of a qualified change of control at the Company. If the outstanding amounts after the termination cannot be settled or refinanced, the creditors will have, among other options, recourse to the financed assets if necessary.
c) As part of syndicated credit facilities not utilised as at the reporting date with a value totalling around EUR 477 million (around USD 585 million), the respective lenders are entitled to terminate the loan commitment and / or seek repayment of the amounts already utilised in the event of a qualified change of control at the Company. If the outstanding amounts after the termination cannot be settled or refinanced, the creditors will have recourse to the collateralised assets to a certain extent.

The qualified change of control mentioned in b) and c) occurs if:

- the voting percentage jointly held in the Company by the Key Shareholders[1] and other shareholders who have entered into a voting agreement or a comparable agreement with a Key Shareholder[2] ("Other shareholders with a voting agreement") (i) falls to 25% or less, or (ii) falls below the percentage held by a third-party shareholder or by persons or groups acting together with this third-party shareholder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act (WpÜG); or
- the voting percentage jointly held by the Key Shareholders[3] falls below the voting percentage held by another shareholder with a voting agreement; or
- one of the Anchor Shareholders (including all of its affiliated companies) individually (directly or indirectly) holds 50% or more of the voting rights in the Company.

[1] For some of the financing, the voting percentage of TUI AG was added here.
[2] For some of the financing, reference was made to TUI AG in addition to the Key Shareholders.
[3] For some of the financing, the voting percentage of TUI AG was added here.

9. Company compensation agreements with Executive Board members or employees in the event of a takeover bid

Company compensation agreements which are entered into with the members of the Executive Board or employees in the event of a takeover bid are not in place.

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 315D IN CONJUNCTION WITH SECTION 289F (1) OF THE GERMAN COMMERCIAL CODE (HGB) AND DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The declaration on corporate governance in accordance with Section 289f of the German Commercial Code (HGB) and the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) have been published and made permanently available in the “Corporate Governance” section under “Investor Relations” on the Company’s website, https://www.hapag-lloyd.com/en/home.html, at https://www.hapag-lloyd.com/en/ir/corporate-governance/compliance-statement.html, and are not part of the management report.

NON-FINANCIAL GROUP DECLARATION AS PER GERMAN CSR GUIDELINE IMPLEMENTATION ACT (CSR-RICHTLINIE-UMSETZUNGSGESETZ)

In addition to the non-financial principles already outlined, sustainable economic, ecological and social action is regarded as a basic commercial principle for Hapag-Lloyd.

The separate non-financial Group report as per Section 315b (3) of the German Commercial Code (HGB) is contained in the sustainability report, which can be retrieved from Hapag-Lloyd AG’s website via the following link: https://www.hapag-lloyd.com/en/about-us/sustainability/sustainability-report.html, and is not part of the management report.

Hamburg, 2 March 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

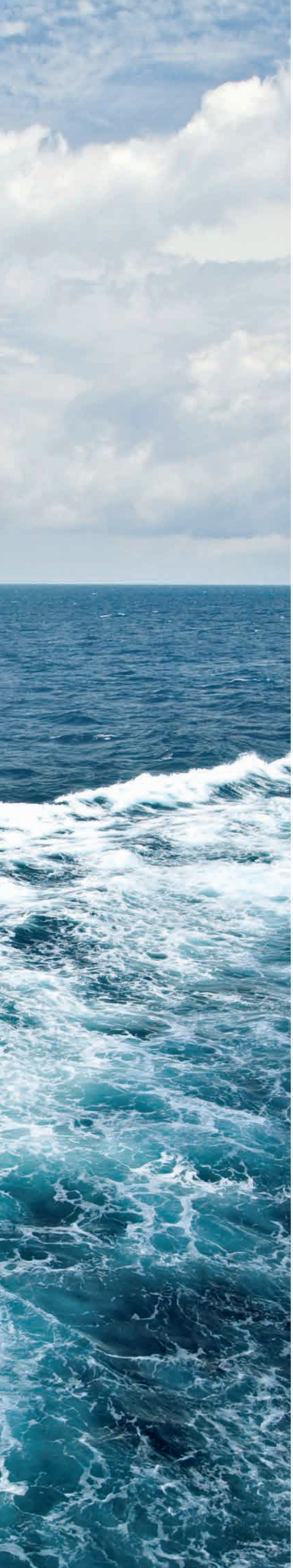
Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

Consolidated financial statements



CONSOLIDATED INCOME STATEMENT

of Hapag-Lloyd AG for the period 1 January to 31 December 2020

million EUR	Notes	1.1.–31.12.2020	1.1.–31.12.2019
Revenue	(1)	12,772.4	12,607.9
Transport expenses	(2)	9,140.2	9,707.0
Personnel expenses	(3)	683.0	682.5
Depreciation, amortisation and impairment	(4)	1,385.2	1,174.4
Other operating result	(5)	–279.7	–268.8
Operating result		**1,284.4**	**775.2**
Share of profit of equity-accounted investees	(13)	32.1	35.5
Result from investments and securities		–1.2	0.7
Earnings before interest and taxes (EBIT)		**1,315.2**	**811.4**
Interest income and similar income	(6)	17.0	12.2
Interest expenses and similar expenses	(6)	347.5	408.9
Other financial items	(7)	–3.5	1.6
Earnings before taxes		**981.3**	**416.3**
Income taxes	(8)	45.8	42.9
Group profit/loss		**935.4**	**373.4**
thereof attributable to shareholders of Hapag-Lloyd AG		926.8	362.0
thereof attributable to non-controlling interests	(20)	8.6	11.4
Basic/diluted earnings per share (in EUR)	**(9)**	**5.27**	**2.06**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hapag-Lloyd AG for the period 1 January to 31 December 2020

million EUR	Notes	1.1.–31.12.2020	1.1.–31.12.2019
Group profit/loss		**935.4**	**373.4**
Items that will not be reclassified to profit and loss:			
Remeasurements from defined benefit plans after tax	(19)	–36.0	–60.8
Remeasurements from defined benefit plans before tax		–36.8	–63.0
Tax effect		0.8	2.2
Currency translation differences (no tax effect)	(19)	–603.7	121.2
Items that may be reclassified to profit and loss:			
Cash flow hedges (no tax effect)	(19)	5.8	–13.2
Effective share of the changes in fair value		50.3	–31.7
Reclassification to profit or loss		–45.7	18.5
Currency translation differences on cash flow hedges		1.2	–
Cost of hedging (no tax effect) [1]	(19)	–27.9	–14.1
Changes in fair value		–40.1	–40.9
Reclassification to profit or loss		11.8	27.0
Currency translation differences on cost of hedging		0.3	–0.2
Other comprehensive income		**–661.9**	**33.1**
Total comprehensive income		**273.5**	**406.5**
thereof attributable to shareholders of Hapag-Lloyd AG		266.2	394.8
thereof attributable to non-controlling interests	(20)	7.4	11.7

[1] In the reporting year, the costs of hedging were recalssified from the items that are not recalssified to profit or loss to the items that are reclassified to profit or loss. The previous year´s figures were adjusted accordingly.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 31 December 2020

ASSETS

million EUR	Notes	31.12.2020	31.12.2019
Goodwill	(10)	1,466.8	1,600.7
Other intangible assets	(10)	1,459.1	1,716.9
Property, plant and equipment	(11)	9,300.6	10,064.9
Investments in equity-accounted investees	(12)	329.2	333.6
Other assets	(13)	22.4	23.7
Derivative financial instruments	(14)	21.6	27.6
Receivables from income taxes	(8)	4.7	4.7
Deferred tax assets	(8)	28.7	39.7
Non-current assets		**12,633.0**	**13,811.8**
Inventories	(15)	172.3	248.5
Trade accounts receivable	(13)	1,362.6	1,239.8
Other assets	(13)	296.0	346.9
Derivative financial instruments	(14)	14.4	14.5
Income tax receivables	(8)	24.6	27.4
Cash and cash equivalents	(16)	681.3	511.6
Current assets		**2,551.2**	**2,388.6**
Total assets		**15,184.3**	**16,200.4**

EQUITY AND LIABILITIES

million EUR	Notes	31.12.2020	31.12.2019
Subscribed capital	(17)	175.8	175.8
Capital reserves	(17)	2,637.4	2,637.4
Earned consolidated equitty	(18)	4,159.9	3,430.8
Cumulative other equity	(19)	–265.8	362.6
Equity attributable to shareholders of Hapag-Lloyd AG		**6,707.2**	**6,606.6**
Non-controlling interests	(20)	15.5	14.0
Equity		**6,722.7**	**6,620.6**
Provisions for pensions and similar obligations	(21)	374.7	327.6
Other provisions	(22)	73.1	65.7
Financial debt	(23)	3,229.9	4,445.1
Lease liabilities	(23)	940.5	710.9
Other liabilities	(24)	5.0	5.3
Derivative financial instruments	(25)	35.5	22.8
Deferred tax liabilities	(8)	10.1	8.7
Non-current liabilities		**4,668.7**	**5,586.2**
Provisions for pensions and similar obligations	(21)	10.5	12.6
Other provisions	(22)	369.2	399.3
Income tax liabilities	(8)	39.1	50.0
Financial debt	(23)	505.9	758.7
Lease liabilities	(23)	459.8	482.4
Trade accounts payable	(24)	1,748.1	1,779.4
Contract liabilities	(24)	545.7	372.9
Other liabilities	(24)	114.6	126.6
Derivative financial instruments	(25)	–	11.6
Current liabilities		**3,792.9**	**3,993.6**
Total equity and liabilities		**15,184.3**	**16,200.4**

CONSOLIDATED STATEMENT OF CASH FLOWS

of Hapag-Lloyd AG for the period 1 January to 31 December 2020

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Group profit/loss	935.4	373.4
Income tax expenses (+)/income (–)	45.8	42.9
Other finacial Items	3.5	–1.6
Interest result	330.5	396.7
Depreciation, amortisation and impairment (+)/write-backs (–)	1,385.2	1,174.4
Impairment (+)/write-backs (–) of financial assets	0.1	–
Profit (–)/loss (+) from disposals of non-current assets	–12.2	–18.5
Income (–)/expenses (+) from equity accounted investees and dividends from other investments	–32.2	–35.7
Other non-cash expenses (+)/income (–)	39.5	–0.8
Increase (–)/decrease (+) in inventories	59.1	–5.6
Increase (–)/decrease (+) in receivables and other assets	–225.4	–54.0
Increase (+)/decrease (–) in provisions	17.9	69.8
Increase (+)/decrease (–) in liabilities (excl. financial debt)	355.5	110.8
Payments received from (+)/made for (–) income taxes	–21.9	–29.4
Payments received for interest	17.1	5.8
Cash inflow (+)/outflow (–) from operating activities	**2,897.9**	**2,028.2**
Payments received from disposals of property, plant and equipment and intangible assets	31.0	41.6
Payments received from dividends	35.9	30.2
Payments made for investments in property, plant and equipment and intangible assets	–534.1	–426.1
Payments made for investment in financial assets	–	–10.6
Payments made for the issuing of loans	–10.4	–4.7
Cash inflow (+)/outflow (–) from investing activities	**–477.6**	**–369.5**

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Payments made for dividends	–203.5	–39.5
Payments received from raising financial debt	1,593.8	924.3
Payments made for the redemption of financial debt	–2,742.3	–1,733.2
Payments made for the redemption of lease liabilities	–514.3	–456.7
Payments made for leasehold improvements	–26.3	–18.1
Payments made for interest and fees	–315.6	–397.3
Payments received (+) and made (–) from hedges for financial debt	16.1	–103.7
Change in restricted cash	–	6.6
Cash inflow (+) / outflow (–) from financing activities	**–2,192.1**	**–1,817.6**
Net change in cash and cash equivalents	**228.2**	**–158.9**
Cash and cash equivalents at beginning of period	**511.6**	**657.1**
Change in cash and cash equivalents due to exchange rate fluctuations	–58.5	13.4
Net change in cash and cash equivalents	228.2	–158.9
Cash and cash equivalents at end of period	**681.3**	**511.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Hapag-Lloyd AG for the period 1 January to 31 December 2020

	Equity attributable	
million EUR	Subscribed capital	Capital reserves
As at 1.1.2019	**175.8**	**2,637.4**
Effect from the first-time application of IFRS 16	–	–
Adjusted as at 1.1.2019	**175.8**	**2,637.4**
Total comprehensive income (adjusted)	**–**	**–**
thereof		
Group profit/loss	–	–
Other comprehensive income	–	–
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	**–**	**–**
Transactions with shareholders	**–**	**–**
thereof		
Distribution to shareholder	–	–
Distribution to non-controlling interests	–	–
As at 31.12.2019	**175.8**	**2,637.4**
As at 1.1.2020	**175.8**	**2,637.4**
Total comprehensive income	**–**	**–**
thereof		
Group profit/loss	–	–
Other comprehensive income	–	–
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	**–**	**–**
Transactions with shareholders	**–**	**–**
thereof		
Distribution to shareholder	–	–
Distribution to non-controlling interests	–	–
Reclassification from reserve for Remeasurements from defined benefit pension plans	**–**	**–**
Deconsolidation	**–**	**–**
As at 31.12.2020	**175.8**	**2,637.4**

to shareholders of Hapag-Lloyd AG									
Retained earnings	Remeasurements from defined benefit pension plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put options on non-controlling interests	Cumulative other equity	Total	Non-con-trolling interests	Total equity
3,117.4	–112.6	–0.8	–7.7	439.7	–0.5	318.1	6,248.7	10.6	6,259.3
–17.4	–	–	–	–	–	–	–17.4	–	–17.4
3,100.0	–112.6	–0.8	–7.7	439.7	–0.5	318.1	6,231.3	10.6	6,241.9
362.0	–60.8	–13.2	–14.1	120.8	–	32.8	394.8	11.7	406.5
362.0	–	–	–	–	–	–	362.0	11.4	373.4
–	–60.8	–13.2	–14.1	120.8	–	32.8	32.8	0.4	33.1
–	–	–	11.7	–	–	11.7	11.7	–	11.7
–31.2	–	–	–	–	–	–	–31.2	–8.3	–39.5
–26.4	–	–	–	–	–	–	–26.4	–	–26.4
–4.8	–	–	–	–	–	–	–4.8	–8.3	–13.2
3,430.8	–173.3	–14.0	–10.2	560.5	–0.5	362.6	6,606.6	14.0	6,620.6
3,430.8	–173.3	–14.0	–10.2	560.5	–0.5	362.6	6,606.6	14.0	6,620.6
926.8	–36.0	5.8	–27.9	–602.5	–	–660.6	266.2	7.4	273.5
926.8	–	–	–	–	–	–	926.8	8.6	935.4
–	–36.0	5.8	–27.9	–602.5	–	–660.6	–660.6	–1.3	–661.9
–	–	–4.2	36.2	–	–	32.0	32.0	–	32.0
–197.6	–	–	–	–	–	–	–197.6	–5.9	–203.5
–193.3	–	–	–	–	–	–	–193.3	–	–193.3
–4.2	–	–	–	–	–	–	–4.2	–5.9	–10.1
–0.7	0.7	–	–	–	–	0.7	–	–	–
0.5	–	–	–	–0.5	–	–0.5	–	–	–
4,159.9	–208.6	–12.4	–1.9	–42.4	–0.4	–265.8	6,707.2	15.5	6,722.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

Hapag-Lloyd is an international group whose primary purpose is to provide ocean container liner shipping activities, logistical services and all other associated business operations and services.

Hapag-Lloyd Aktiengesellschaft (Hapag-Lloyd AG), domiciled in Hamburg at Ballindamm 25, Germany, is the parent company of the Hapag-Lloyd Group and a listed company in accordance with German law. The Company is registered in commercial register B of the district court in Hamburg under the registration number HRB 97937. The Company's shares are traded on the Frankfurt and Hamburg Stock Exchanges.

The declaration of conformity with the German Corporate Governance Code (GCGC) required under Section 161 of the German Stock Corporation Act (AktG) has been issued by the Executive Board and Supervisory Board, and has been made permanently available on the Company's website (www.hapag-lloyd.com).

The consolidated financial statements are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated. In individual cases, rounding differences may occur in the tables and charts of these interim consolidated financial statements for computational reasons.

These consolidated financial statements encompass the financial year from 1 January to 31 December 2020 and were approved by the Executive Board of Hapag-Lloyd AG for passing on to the Supervisory Board on 2 March 2021. The Supervisory Board will review and approve the consolidated financial statements on 17 March 2021.

Accounting principles

The consolidated financial statements of Hapag-Lloyd AG were prepared in accordance with the International Financial Reporting Standards (IFRS) laid out by the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee (IFRIC), as they are to be applied in the European Union (EU). In addition, the German commercial law provisions that must be observed pursuant to Section 315e (1) of the German Commercial Code (HGB) in the version applicable in the financial year have also been taken into consideration. The consolidated financial statements are published in the online version of the German Federal Gazette.

New accounting standards

The following changes to existing standards published by the IASB, which have already been endorsed, had to be applied for the first time in the 2020 financial year:

- Amendments to IFRS 3: Definition of a Business,
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform,
- Amendments to IAS 1 and IAS 8: Definition of "Material"
- Conceptual framework: Amendments to references to the conceptual framework in IFRS.

The amendment to IFRS 16 regarding COVID-19 related rent concessions had to be applied for the first time following its endorsement on 9 October 2020.

The standards which are to be applied for the first time in the 2020 financial year have no significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

Standards that were not yet mandatory in the financial year

The following amended standards and interpretations that were adopted by the IASB at the time these consolidated financial statements were prepared were not yet mandatory in the 2020 financial year.

Standard / Interpretation		Mandatory application as per	Adopted by EU Commission
IFRS 9 IAS 39 IFRS 7 IFRS 4 IFRS 16	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2	1.1.2021	yes
IFRS 1 IFRS 9 IFRS 16 IAS 41	Annual Improvements to IFRS Standards 2018–2020	1.1.2022	no
IFRS 3	Amendments to IFRS 3: Reference to the Conceptual Framework	1.1.2022	no
IAS 16	Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	1.1.2022	no
IAS 37	Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	1.1.2022	no
IFRS 17	Insurance Contracts and Amendments to IFRS 17	1.1.2023	no
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1.1.2023	no
IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	open	no

These regulations will not be mandatory until the 2021 financial year or later. The Hapag-Lloyd Group has decided against early adoption of these standards. Only those provisions which are relevant to the Hapag-Lloyd Group are explained below. Unless stated otherwise, the effects of these provisions are currently being reviewed.

EU endorsement has been given

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2

The amendments expand on the requirements for the first phase of the project, and apply whenever one interest rate benchmark is replaced by another. In terms of the way financial instruments are represented, the following aspects are particularly significant. Firstly, where contractual cash flows change for reasons connected solely with IBOR reform, the amended IFRS 9 means there is no requirement to adjust or derecognise the carrying amount of financial instruments. Instead, the effective interest rate should be adjusted accordingly under certain conditions. As far as hedge accounting is concerned, the company may exceptionally adjust the formal designation as recorded at the beginning of the hedging relationship at the point of the transition to the new interest rate benchmark in order to reflect the change in the alternative interest rate benchmark. Consequently, from the point of transition to the new benchmark interest rate, the accrued amount of the cash flow hedge reserves should be calculated using estimated future cash flows, which should themselves be based on the new benchmark interest rate. Companies remain under an obligation to disclose information regarding new risks arising from the reform and, in addition, to publish details of how they are handling the transition to the alternative benchmark interest rate. Alongside the amendments to IFRS 9, IAS 39 and IFRS 7, minor changes have also been made to IFRS 4 and IFRS 16. As at 31 December 2020, Hapag-Lloyd Group held variable-interest loans on the basis of the USD LIBOR. These loans are affected by the IBOR reform. The USD LIBOR will be replaced by the alternative interest rate benchmark known as the SOFR by the end of 2021 at the latest. This is not expected to have any significant effect on the Group net result.

Hapag-Lloyd also holds cash flow hedges based on USD LIBOR, which are intended to hedge against interest rate-related risks. The benchmark interest rate for the hedging instrument will also be replaced by the SOFR. As soon as the benchmark interest rate is replaced, the amendments to IFRS 9 regarding accounting for hedged items and hedging instruments will be applied. Although there is some uncertainty as to when and how the change of benchmark interest rate will take place in relation to contracts for variable financing and hedging instruments, Hapag-Lloyd assumes that the contractual amendments for the hedged item and the designated hedging instrument will take place at the same time, thus ensuring that there are no inconsistencies between the hedged item and the hedging instrument. This would prevent any ineffectiveness from arising from existing hedging relationships.

EU endorsement still pending

Annual improvements to the IFRS Standards 2018–2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

The amendments to standards published under the Annual Improvements process in 2020 contain the following improvements to standards: IFRS 9 has been amended to clarify which fees should be taken into account in the context of the 10% test for derecognition of financial liabilities. In IFRS 16, the explanatory Example 13, which relates to payments by the lessor to a lessee to reimburse expenditure on tenant fixtures, has been amended. In IFRS 1, the regulation according to which subsidiaries that adopt IFRS for the first time later than their parent companies have the option of measuring assets and liabilities at the carrying amounts set out in the parent company's consolidated financial statements (with no adjustments for consolidation procedures or effects associated with the merger) has been expanded (except in the case of investment entities). This regulation now covers the subsidiary's accumulated currency translations. The amendment also applies to associated companies and joint ventures making use of the relevant provision of IFRS 1. In IAS 41, the provision regarding the exclusion of cash flows for tax associated with the measurement of biological assets at fair value according to IAS 41 has been removed. This brings the requirements of IAS 41 into line with the provisions of IFRS 13 and a previous amendment to IAS 41 dating from 2008. According to these provisions, there is no requirement to apply a pre-tax interest rate for discounting when determining fair value.

Amendments to IFRS 3: Reference to the Conceptual Framework

Minor changes have been made to IFRS 3 to update references to the revised IFRS conceptual framework and in order to expand on the provision in IFRS 3 that an acquirer must apply the provisions of IAS 37 or IFRIC 21 and not the conceptual framework when identifying assumed liabilities that fall within the scope of IAS 37 or IFRIC 21. Without this new provision, a company involved in a merger would have recognised some liabilities that must not be accounted for according to IAS 37 and/or IFRIC 21. These liabilities would then have had to be derecognised in profit and loss immediately following the acquisition. An explicit prohibition against the recognition of acquired contingent assets has also been added to IFRS 3.

Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling Contracts

The amendment to IAS 37 makes clear that all costs directly attributable to the contract count towards the costs associated with executing the contract. Such costs include additional costs incurred as a result of the execution of the contract (known as "incremental costs", encompassing e. g. direct wage and material costs) and other expenditure directly attributable to the performance of the contract. The amendment also includes a clarification according to which any priority impairment extends to the assets deployed in order to fulfil the contract (as opposed to assets associated with the contract in the previous version). Hapag-Lloyd does not expect that the adoption of these amendments for the first time will lead to a significant cumulative effect on equity, as the Group's existing accounting practices are already in line with the amended version of IAS 37.

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current

The amendments to IAS 1 relate to an adjustment of the criteria for classification of liabilities as current or non-current. They clarify that the classification of liabilities as current should be based on the right of an entity at the end of the reporting period to defer settlement of the liability by at least 12 months; if the entity has such rights, the liability is to be classified as non-current. The right to defer settlement of the liability must be substantial. If the entity is required to fulfil certain conditions for the exercise of such a right, these must be fulfilled at the end of the reporting period; otherwise, the liability must be classified as current. In addition, it is clarified that it is irrelevant for the classification of a liability whether the management intends or expects the liability to be settled within 12 months of the end of the reporting period. Only the rights in place at the end of the reporting period to defer settlement of the liability by at least 12 months should affect the classification of a liability. This also applies in case of settlement during the value adjustment period. The effects of these amendments on the Hapag-Lloyd Group are currently being reviewed.

Consolidation principles and methods

All significant subsidiaries, joint ventures and associated companies are included in the consolidated financial statements.

Subsidiaries

Subsidiaries are all companies that are subject to direct or indirect control by Hapag-Lloyd AG. Control exists if Hapag-Lloyd AG has the power to make decisions due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can influence these returns through its power to make decisions. Significant subsidiaries are fully consolidated from the time at which control over the significant subsidiary is acquired. If the control agreement comes to an end, the companies in question leave the group of consolidated companies.

A subsidiary is consolidated for the first time using the acquisition method. To begin with, a complete fair value measurement of all the subsidiary's identifiable assets, liabilities and contingent liabilities at the time of acquisition is performed. The consideration measured at fair value for the acquisition of the investment share is offset against the equity relating to the share acquired. Any positive difference is recognised as goodwill and is recorded as an asset. Any negative difference is recognised directly through profit or loss at the time when it occurs and is reported in other operating result. The option to capitalise the proportionate goodwill on non-controlling interests is not applied. Transaction costs incurred in connection with a business combination are recognised as expenses.

Any resulting goodwill is examined for impairment at least once a year at the end of the planning process or, if there are any indications of a possible impairment in value in the subsequent periods, is examined for its recoverable amount and, in the event of impairment, is written down to the lower recoverable amount (impairment test). Any impairments of this kind are recognised separately in the consolidated income statement as impairment of goodwill.

The individual financial statements of Hapag-Lloyd AG and its subsidiaries form the basis for the consolidated financial statements, which are prepared using the standard Group accounting and measurement principles.

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

Minority interests in the equity of a subsidiary are recognised as non-controlling interests within Group equity. The share of Group profit which is attributable to non-controlling interests is reported separately as such in the consolidated income statement and the consolidated statement of comprehensive income. Transactions whereby the Hapag-Lloyd Group acquires additional shares in or sells shares in an existing subsidiary without prompting a change of control are recognised as equity transactions between shareholders. The difference between the consideration received or transferred and the shares sold or received is recognised in Group's equity.

Joint arrangements
Joint arrangements are contractual arrangements based on which two or more parties establish a commercial activity that they jointly control. Joint control exists if the two parties must work together to manage the relevant activities, and decisions must be made unanimously. If the Hapag-Lloyd Group jointly controls a company together with other parties, an assessment is made as to whether this is a joint operation or a joint venture. A joint operation exists if the jointly controlling parties have direct rights to assets and direct obligations for liabilities. In a joint venture, the jointly controlling parties only have rights to the equity. Interests in joint ventures are disclosed in the consolidated financial statements using the equity method.

The joint arrangements within the Hapag-Lloyd Group are currently joint ventures only.

Associated companies and joint ventures
Companies in which the Hapag-Lloyd Group is able to exert a significant influence over the business and financial policy (associated companies) or which are jointly controlled with other parties (joint ventures) are included in the consolidated financial statements from their acquisition date using the equity method. As a rule, it is assumed that Hapag-Lloyd exerts significant influence if Hapag-Lloyd AG directly or indirectly holds between 20% and 50% of the voting rights. The acquisition date constitutes the point in time from which it becomes possible to exert significant influence or exercise joint control.

A positive difference between the cost of acquisition of the acquired shares and the proportionate fair value of the acquired assets, liabilities and contingent liabilities at the time of acquisition is included as goodwill in the carrying amount of the associated company or joint venture.

The Hapag-Lloyd Group’s share of the result for the period or other income from associated companies or joint ventures is reported in the consolidated income statement or in the Group’s other comprehensive income. The cumulative changes since the acquisition date increase or decrease the carrying amount of the associated company or joint venture. Proportional losses that exceed the investment carrying amount of the associated company or joint venture in the Group are not recognised unless further instruments are issued to the company.

If the carrying amount exceeds the recoverable amount of an investment in an associated company or joint venture, the carrying amount of the investment is written down to the recoverable amount. Impairments of the carrying amount are recognised in the share of the profit of equity-accounted investees in the consolidated income statement.

Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 131 (previous year: 141) companies are included in the consolidated financial statements for the 2020 financial year:

	Fully consolidated		Equity method		
	domestic	foreign	domestic	foreign	Total
31.12.2019	4	131	1	5	141
Additions	1	4	0	0	5
Disposal	0	14	0	1	15
31.12.2020	**5**	**121**	**1**	**4**	**131**

Of the companies that were included in the consolidated financial statements as part of the integration of the UASC Group in 2017, 3 were merged and 2 were liquidated. One company consolidated using the equity method and 9 fully-consolidated companies were deconsolidated due to their immateriality to the Group's net asset, financial and earnings position. These deconsolidations have not had any significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group. The group of consolidated companies expanded as a result of the founding of 4 new companies and the inclusion of a further company that had not previously been consolidated on the grounds of immateriality.

The following companies are fully consolidated as Hapag-Lloyd AG has majority voting rights and therefore exerts full control over them.

Company	Registered office	Shareholding in %
Aratrans Transport and Logistics Service LLC	Dubai	49,0
Hapag-Lloyd (Egypt) Shipping S.A.E.	Alexandria	49,0
Hapag-Lloyd (Jordan) Private Limited Company	Amman	50,0
Hapag-Lloyd (Thailand) Ltd.	Bangkok	49,9
Hapag-Lloyd Bahrain Co. WLL	Manama	49,0
Hapag-Lloyd Ecuador S.A.	Guayaquil	45,0
Hapag-Lloyd Middle East Shipping LLC	Dubai	49,0
Hapag-Lloyd Qatar WLL	Doha	49,0
Hapag-Lloyd Shipping Company – State of Kuwait K.S.C.C.	Safat	49,0
Middle East Container Repair Company LLC	Dubai	49,0
United Arab Shipping Agencies Co. LLC (UAE)	Dubai	49,0

Although Hapag-Lloyd AG only holds 48.95% of the voting shares in the fully consolidated CSAV Austral SpA, Valparaíso, it accounts for the majority of the members of the decision-making body. Hapag-Lloyd AG also holds 100% of the shares entitled to dividend payments. As such, beneficial ownership is exclusively held by Hapag-Lloyd AG.

Details of non-controlling interests can be found in Note (20).

In the reporting year, 9 fully consolidated companies and one equity-accounted investee had a financial year that differed from that of the Group. The values carried forward as at 31 December are used for purposes relating to inclusion in the consolidated financial statements. All other companies have financial years that correspond with Hapag-Lloyd AG.

A list of the subsidiaries and associated companies in the Hapag-Lloyd Group is provided in Note (38).

Currency translation

The annual financial statements are prepared in the functional currency of the respective company. The respective functional currency of a company corresponds to the currency of the primary economic environment in which the company operates. The functional currency of Hapag-Lloyd AG and the majority of its subsidiaries is the US dollar. Its reporting currency, however, is the euro.

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

Transactions in foreign currency are recorded at the applicable exchange rate as at the date of the transaction. As at the reporting date, monetary items are translated at the closing rate at year-end, while non-monetary items are translated at the historical rate. Any differences arising during translation are recognised through profit or loss. Exceptions to this rule are changes in the value of derivative financial instruments that are designated as qualified cash flow hedges. These are recognised in other comprehensive income.

Exchange rate-related gains and losses associated with operating business are reported in other operating result, while exchange rate-related gains and losses associated with income taxes are reported in the income taxes item. Exchange rate-related gains and losses resulting from accounting for financial debt are shown in other financial items.

Exchange rates of significant currencies:

	Closing rate		Average rate	
per EUR	**31.12.2020**	31.12.2019	**2020**	2019
US dollar	1.22760	1.12230	1.14130	1.11950
Chinese renminbi	8.00992	7.82964	7.87475	7.73267
Hong Kong dollar	9.51697	8.73901	8.85215	8.77147
Canadian dollar	1.56359	1.46174	1.53061	1.48537
Singapore dollar	1.62215	1.51011	1.57443	1.52702
Indian rupee	89.70073	80.10977	84.58490	78.83536

Accounting and measurement

The annual financial statements of the subsidiaries included in the Group are prepared in accordance with consistent accounting and measurement principles.

Goodwill

Goodwill is not amortised, but is tested for impairment once a year. For detailed information about the impairment test, see the section “Impairment testing”.

Other intangible assets

Acquired intangible assets such as advantageous contracts, trademark rights and / or customer base are capitalised at their fair value as at the acquisition date. Other intangible assets are recognised at cost.

If intangible assets can be used for a limited period only, they are amortised on a straight-line basis over their expected useful lives. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment on an annual basis, as is the case with goodwill. In addition, impairment tests are conducted if there are any indications of a potential loss in value of the assets.

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

The anticipated useful lives of the intangible assets are as follows:

	Useful life in years
Customer base	20–25
Hapag-Lloyd brand	unlimited
Computer software	3–8

Intangible assets with indefinite useful lives are reviewed each period to determine whether the assessment of an indefinite useful life can be maintained. Any changes in the expected useful life are recognised prospectively as changes in estimates.

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

For intangible assets with finite useful lives, their useful life is reviewed at least at the end of every financial year.

As part of the review of the expected useful lives of assets, the expected useful life of the UASC brand was reduced by 2 years in the first half of 2020. As a result of this change, the brand was amortised in full in the second quarter of 2020. This led amortisation to increase by EUR 11.9 million over the financial year. Amortisation will be reduced by EUR 8.4 million in 2021 and EUR 3.5 million in 2022.

The review of the “CSAV” brand indicated that the remaining useful life of 15 years estimated as at 31 December 2019 was not consistent with the circumstances of its actual operational use. This estimate was corrected as at the reporting date of 31 December 2020, which resulted in a higher amortisation of EUR 24.9 million. Thus, as at 31 December 2020, both brands have been fully amortised.

For internally generated intangible assets, the expenditure for the development phase is capitalised where the necessary preconditions are met. Research and development expenses include expenses associated with the development of company-specific customised software with the goal of enhanced productivity and greater efficiency in business processes. Internally generated intangible assets are reported at the costs arising during the development phase, from the time of determination of technological and financial feasibility up to completion. The development phase will be considered to have been completed once the IT department formally documents that the capitalised asset is ready for use and can be used as intended by the management. The capitalised production costs are calculated on the basis of direct costs and overheads, as well as directly attributable production costs.

Property, plant and equipment
Property, plant and equipment are measured at depreciated cost of acquisition or production. The cost of acquisition comprises all costs incurred to purchase an asset and prepare it for its intended use. The cost of production is determined on the basis of direct costs and appropriate allocations of overheads.

Borrowing costs as defined by IAS 23 which are directly associated with the acquisition, construction or production of qualifying assets are included in the cost of acquisition or production until the asset in question is put into operation.

Subsequent expenditure is capitalised as subsequent cost of acquisition or production where there is a physical addition and it is probable that the future economic benefit associated with this expenditure will accrue to the Hapag-Lloyd Group.

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

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

Dry dock work carried out to obtain an operating licence (vessel classification costs) is depreciated as a separate component over a period of 5 years. The same applies to the installation of exhaust gas cleaning systems (scrubbers) in vessels. These must be considered as a separate component and have a useful economic life of 7 years. Furthermore, the level of depreciation is determined by the residual values expected at the end of the useful economic life of an asset. The residual value of container vessels is based on their scrap value. For containers, the residual value is based on a fixed portion of the acquisition and production costs, which are usually in line with the original purchase price of each container. Useful economic lives and assumed residual values are both reviewed on an annual basis during the preparation of the financial statements.

Impairment tests are conducted if there are any indications of a potential loss in value of the assets. For detailed information about the impairment test, see the following section “Impairment testing”.

In principle, rights of use as defined in IFRS 16 are measured individually upon recognition and, in the relevant asset categories, in the amount of the respective lease liability, less the value of any lease incentives received and with the addition of any initial direct costs. The right of use is amortised over the term of the lease and, in case of impairment, is reduced in accordance with this impairment. Please see the “New accounting standards” section for detailed information on the recognition of rights of use.

Impairment testing

Intangible assets with finite useful lives and property, plant and equipment are tested regularly for impairment if there are any indications of a possible need for impairment. Intangible assets with indefinite useful lives are tested for impairment if circumstances require, but at least annually at the end of the financial year. The recoverable amount of the examined asset is compared with its carrying amount. If an asset's carrying amount exceeds its recoverable amount, an impairment is recognised.

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

Container shipping in its entirety is defined as a cash-generating unit in the Group, as it is not possible to allocate the operating cash flows to individual assets due to the complexity of the transport business (see comments in the "Segment reporting" section).

To optimise the vessel portfolio, there are plans to replace 5 of the container vessels in the fleet, and to sell these vessels in the near future. The recoverable amount for each of these vessels was calculated at the end of the financial year on the basis of the fair value less costs of disposal. These vessels were each tested individually for impairment as at 31 December 2020. As the recoverable amounts were lower than the carrying amounts, impairments were recognised. For details of how the fair value was determined and the amount of the impairments, please refer to Note (11) Property, plant and equipment.

Goodwill is tested for impairment at least once a year. Impairment testing is also conducted if events or circumstances occur that indicate that it may no longer be possible to recover the carrying amount. Goodwill is tested for impairment at the level of the cash-generating unit "container shipping".

An impairment loss is recognised if the recoverable amount is lower than the cash-generating unit's carrying amount. If a need for impairment has been ascertained, the goodwill is impaired first. Any need for impairment over and above this is spread in proportion to the carrying amount over the remaining non-current assets.

If, at some later date, following an impairment recognised in previous years, a higher recoverable amount is applicable for the asset or for the cash-generating unit, a reversal of the impairment to no higher than the amortised cost is carried out. Reversals of impairment of goodwill are not permitted.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the cash-generating unit or the individual asset. If one of these amounts is greater than the carrying amount, it is not necessary to calculate both values.

The fair value is the price that independent market participants would pay at the reporting date under normal market conditions if the asset or cash-generating unit were sold. The value in use is determined by discounting the cash flows anticipated from future operational use.

Leases

A lease is a contract under which the right of use of an asset (the leased asset) is transferred for an agreed period of time in return for payment of a charge. The definition of a lease under IFRS 16 is applied by Hapag-Lloyd to agreements which were concluded or changed on or after 1 January 2019.

Lessee

In accordance with the single accounting model of IFRS 16, at the beginning of each lease, Hapag-Lloyd recognises a right-of-use asset and a lease liability in its statement of financial position unless (in each case an option), either (1), the lease term is for 12 months or less, or (2), the subject of the lease is a low-value asset.

Leased items within the Hapag-Lloyd Group can be divided into asset classes as follows:

(1) rented container vessels
(2) rented containers
(3) rented office buildings, office space and parking spaces
(4) rented vehicles
(5) other rented business equipment

As with the Group's own assets, rights of use for the above asset classes are recognised in the statement of financial position under property, plant and equipment.

If the above-mentioned practical expedients provided in IFRS 16 are not applied, the rights of use are measured at the cost of acquisition based on the amount of the lease liability at the beginning of the lease. These costs increase by the amounts of any lease payments made before or when the leased assets are provided, as well as by any initial direct costs incurred. They are reduced by any lease incentives received. The subsequent measurement occurs at cost of acquisition less cumulative depreciation, amortisation, impairment, and certain remeasurements of the lease liability due to modifications.

The lease liability is measured at the beginning at the fair value of the future lease payments. The lease payments are discounted using the interest rate implicitly specified in the leases or, in most cases, the incremental interest rate.

Depending on the asset class, term and securitisation, Hapag-Lloyd applies a discount rate to a portfolio of similarly structured leases. The discount rate corresponds to the incremental borrowing rate applicable to the five defined asset classes. In addition to the rented container vessels, which are essentially combined according to a similar remaining term, this assumption affects the container leases which are combined according to container type and remaining term and the rented office buildings, office space and parking spaces as well as the leased vehicles.

Hapag-Lloyd takes account of unilateral and bilateral rights of prolongation or termination in accordance with IFRS 16. In the case of unilateral rights of prolongation or termination which may exist for Hapag-Lloyd, particularly for container vessel agreements and rented office buildings, office space and parking spaces, the probability of exercising the existing option is assessed while taking account of economic factors and on an individual basis in order to determine the term of the agreement.

Bilateral rights of termination essentially exist for a large number of container leases. These rights of termination can be exercised by both parties on a flexible and independent basis. When determining the term of these container leases for accounting purposes, Hapag-Lloyd must assess in accordance with IFRS 16.B34 whether significant penalties may be incurred when containers are returned or if these container leases are terminated. Hapag-Lloyd also assesses possible economic disadvantages in this regard. If Hapag-Lloyd also believes from an economic perspective that termination of these agreements will not result in any significant disadvantages, the term of the agreement is determined while taking account of the termination notice period in the respective agreement and a possible transition period in accordance with IFRS 16. If Hapag-Lloyd believes that there are significant disadvantages, this is taken into account when assessing the term of the agreement and the term extended until such time as the disadvantages have been resolved. This assessment will affect the amount of the lease liabilities and the right of use assets significantly.

A portion of the container rental agreements is recognized on the basis of a portfolio approach. This is because the individual leases in the portfolio have similar characteristics.

For lease agreements which include a lease, Hapag-Lloyd separates a lease component and non-lease component and allocates the contractual consideration of each lease and non-lease component based on their relative stand-alone price. Hapag-Lloyd does not make use of the practical expedient that removes the obligation to separate the lease and non-lease component.

The provisions of IFRS 16 are not applied for leases of intangible assets.

Lessor

Hapag-Lloyd only operates as a lessor to a very limited extent. In such cases, these leases are classified as finance leases or operating leases.

As a lessor for an operating lease, Hapag-Lloyd reports the leased asset as an asset carried at amortised cost under property, plant and equipment. The lease payments received in the period are shown under other operating result.

Sale and leaseback transactions

Hapag-Lloyd transfers assets such as container vessels and containers to other companies and subsequently leases these assets back from the other company in question (these are known as sale and leaseback transactions). These sale and leaseback transactions are used within the Hapag-Lloyd Group for (re-) financing of new and used container vessels and containers. Since, under the contractual bases for these transactions, Hapag-Lloyd has the right (and, in some cases, the obligation) to buy back the sold assets, the requirements of IFRS 15 regarding accounting for sales of transferred assets are regularly not fulfilled. Accordingly, Hapag-Lloyd continues to recognise the transferred assets in its consolidated statement of financial position and a financial liability in the amount of the revenue resulting from the transfer in accordance with IFRS 9.

Financial instruments

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

IFRS 9 classifies financial instruments in terms of the measurement categories “measured at amortised cost” (AC), “measured at fair value through other comprehensive income” (FVOCI) and “measured at fair value through profit or loss” (FVTPL).

A debt instrument is measured at amortised cost if the following two conditions are fulfilled:

- It is held as part of a business model, the purpose of which is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are exclusively repayments and interest payments on the outstanding capital amount (cash flow criterion).

A debt instrument will be measured at fair value through other comprehensive income if the following two conditions are fulfilled:

- It is held as part of a mixed business model in which both contractual cash flows are collected and the financial assets are sold.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are exclusively repayments and interest payments on the outstanding capital amount (cash flow criterion).

If the above-mentioned criteria for classification at amortised cost or fair value through other comprehensive income are not met, the debt instruments are measured at fair value through profit or loss.

Regardless of the classification criteria described above for debt instruments in categories AC or FVOCI, a company may irrevocably categorise its financial assets upon initial recognition as “measured at fair value through profit and loss” if this will avoid or significantly reduce an accounting mismatch (fair value option).

Equity instruments are always classified and measured at fair value through profit or loss. However, for primary equity instruments not held for trading, there is an irrevocable option upon initial recognition to recognise the fair value changes in other comprehensive income (OCI option).

In the Hapag-Lloyd Group, in view of its business model and the cash flow criterion, financial assets are classified as “measured at amortised cost” and “measured at fair value through profit or loss”. Neither the fair value option nor the OCI option is made use of.

Primary financial liabilities are measured either at amortised cost or at fair value through profit or loss. They will be measured at fair value through profit or loss if they are held for trading or, upon initial recognition, they have been designated – subject to certain preconditions – as “at fair value through profit or loss” (FV option). In the Hapag-Lloyd Group, primary financial liabilities only exist in the category “financial liabilities measured at amortised cost”.

Derivative financial instruments that are not part of an effective hedging relationship in accordance with IFRS 9 (Hedge Accounting) and which are “held for trading” must be allocated to the category “measured at fair value through profit or loss”.

Non-derivative host contracts which are not financial assets within the scope of IFRS 9 are analysed in terms of whether embedded derivatives exist. Embedded derivatives are to be recognised separately from the host contract as an independent financial instrument if, among other features, the two components have different economic characteristics which are not closely linked to each other. In case of an obligation to separate them, embedded derivatives are to be measured at fair value through profit or loss.

In the 2020 financial year, as in the previous financial year, there were no reclassifications within the individual measurement categories.

Primary financial assets

Primary financial assets are reported at fair value upon initial recognition. In case of primary financial assets which are not allocated to the "fair value through profit or loss" category, transaction costs directly attributable to the purchase are also included in the initial measurement. Trade accounts receivable without a significant financing component are measured at their transaction price upon initial recognition. They are initially recognised when the unconditional right to payment arises, starting from the handover of the goods to the transport agent.

Trade accounts receivable, most other financial receivables and cash and cash equivalents are subsequently measured at amortised cost using the effective interest method.

Expected credit losses on financial assets measured at amortised cost are recognised as loss allowances. For trade accounts receivable without a significant financing component, loss allowances are always measured in the amount of the life-time expected credit losses.

To measure the expected credit losses from trade accounts receivable that are not credit-impaired, they are grouped according to the common credit risk characteristics of "geographic region" and "customer rating" using provision matrices. The probabilities of default used are forward-looking and are verified using historical credit losses. Trade accounts receivable are assumed to be credit-impaired if it is unlikely that the customer will fulfil its obligations or if trade accounts receivable are more than 90 days overdue. To measure the expected credit losses from these receivables, maturity structures, credit standing, geographic region and historical defaults are considered, while taking into account predicted future economic conditions.

A financial asset is deemed to be in default if it has not been possible to collect the contractual payments and it is assumed that they cannot be recovered.

Some other financial receivables of Hapag-Lloyd are recognised at fair value through profit or loss. These are securities and investments. The measurement gains and losses on such financial instruments are recognised in the consolidated income statement under results from investments and securities.

Primary financial assets are derecognised if the contractual rights in relation to the cash flows from the financial asset expire or if the rights to receive the cash flows are transferred by means of a transaction through which all of the key risks and opportunities associated with ownership of the financial asset are likewise transferred. If all the key risks and opportunities associated with ownership of a financial asset are neither transferred nor retained and if control over the transferred asset is not retained, the asset will likewise be derecognised. In addition, financial assets which are deemed to be in default will be derecognised if all of the collection measures have proved unsuccessful.

Transactions in which reported assets are transferred but all of the risks and opportunities, or all of the key risks and opportunities, resulting from the transferred assets are retained will not result in any derecognition of the transferred assets.

Cash and cash equivalents

Cash and cash equivalents encompass cash in hand, bank balances, cheques and other financial investments that are readily convertible to known cash amounts and are only subject to insignificant changes in value. Cash and cash equivalents are recognised at cost.

Fully utilised overdraft facilities are not netted, but are shown as liabilities to banks under current financial debt.

Due to the short-term nature of bank balances and other cash investments and the strong credit standing of the banks involved, the expected credit losses on bank balances and other cash investments are low (low credit risk at the end of the reporting period) and are not recognised.

Primary financial liabilities

The initial recognition of a primary financial liability is carried out at fair value, taking account of directly allocable transaction costs. In subsequent measurements, primary financial liabilities are measured at amortised cost using the effective interest method.

Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired. If a review of changes in contractual conditions using quantitative and qualitative criteria leads to the assessment that both contracts are substantially the same, the old liability will continue to exist subject to the new conditions, by adjusting the carrying amount in profit or loss. The new carrying amount of the liability is calculated on the basis of the present value of the modified cash flows, which are discounted using the original effective interest rate.

Derivative financial instruments and hedge accounting

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

Derivative financial instruments are classified either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions. Hedging relationships in accordance with IFRS 9 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review.

Upon conclusion of the transaction in accordance with IFRS 9, the hedging relationships between the hedging instrument and the hedged item and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the beginning of the hedging relationship and on a continual basis as to the extent to which the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the hedged items.

The effective portion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in the reserve for cash flow hedges in other comprehensive income. The ineffective portion of such changes in fair value is recognised immediately in profit or loss. The non-designated portion of the derivative is recognised in a separate reserve for hedging costs under other comprehensive income. In the Hapag-Lloyd Group, the changes in the time values of commodity options and the changes in the value of the forward component of currency forward contracts are excluded from the hedging relationship.

If the hedged transaction later leads to the recognition of a non-financial item, the accumulated amount recognised under equity is reclassified from the separate equity component and is recognised with the initial costs or other carrying amount for the hedged asset or hedged liability as a basis adjustment.

For all other cash flow hedges, however, the accumulated amount recognised under equity for the period or periods where the hedged cash flows affect profit and loss (P&L) is reclassified as reclassification amounts in profit and loss.

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

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting, including embedded derivatives which must be separated, are recognised directly through profit or loss in the consolidated income statement.

Inventories

Inventories consist primarily of raw materials, consumables and supplies, and particularly of fuel supplies. They are recognised at their acquisition or production cost, or the lower net realisable value as at the reporting date, which is itself determined on the basis of the sales market. The Hapag-Lloyd Group applies the floating average method to measure acquisition and production costs.

A devaluation on inventories is recorded at the reporting date if the market price is below the carrying amount.

Pensions and similar obligations

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

Differences between the assumptions made and the actual developments, as well as changes in the actuarial assumptions for the valuation of defined benefit pension plans and similar obligations, lead to actuarial gains and losses. As with the difference between calculated interest income and the actual return on plan assets, these are reported in full in other comprehensive income, i.e. not in the consolidated income statement.

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

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

A negative net pension obligation resulting from advance payments for future contributions is included as an asset only insofar as it leads to a reimbursement from the plan or a reduction in future contributions.

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

Other provisions

Provisions are recognised for all legal or constructive obligations resulting from a past event and impending losses from pending transactions insofar as their utilisation is probable and their amount and date can be reliably determined. Provisions are recorded at the best commercial estimate of their repayable amount and take account of cost and price increases. The present value is assessed for provisions with terms exceeding 1 year. Over the course of time, the provisions are adjusted on the basis of new knowledge gained.

Releases of provisions are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant releases of provisions, which are recorded under other operating result.

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

A provision is recognised for transports not yet completed at the end of the reporting period which are associated with onerous contracts. The amount to be provisioned is calculated taking into consideration the variable costs allocable to the transports as well as the pro rata fixed costs. Before a provision is recognised, an impairment loss will be recognised for the assets associated with the contract.

Provisions for guarantee, warranty and liability risks are created on the basis of existing or estimated future damages. Provisions for restructuring measures are created if a detailed formal restructuring plan was prepared and a justified expectation existed among the affected parties.

Contract liabilities

A contract liability reflects the performance obligation still required as at the end of the reporting period in connection with unfinished voyages. The performance obligation is determined based on the unconditional right to payment of the transport price and will be recognised starting from the handover of the goods to the transport agent, in line with the related trade account receivable.

The contract liability will subsequently be released pro rata in accordance with performance progress, against revenue.

Put options on non-controlling interests

Put options written involving a commitment to buy non-controlling interests when exercised are recognised as a financial liability in the amount of the present value of the exercise price pursuant to IAS 32. This entails application of the anticipated acquisition method which is founded on the assumption that acquisition of the non-controlling interests has already occurred: a financial obligation to acquire own equity instruments is carried as a liability. The non-controlling interests are derecognised in equity and the difference between the non-controlling interests and the likely purchase price is recognised in the remaining equity. Subsequent changes in the value of the financial liability are recognised through profit or loss in the interest result.

The anticipated acquisition of non-controlling interests was disclosed separately in the statement of changes in equity.

Share-based payments

The share-based payment plans used by the Group are payment plans which are settled in cash. The debt incurred by the Group as a result is recognised in expenses at fair value at the time when the service is rendered by the eligible party (pro rata allocation). Until the end of the performance period, the fair value of the debt is remeasured at every reporting date. Any changes in the fair value are recognised in profit or loss. Long-term variable remuneration was last provided in the 2019 financial year, in the form of share-based payment. The long-term remuneration plans adopted from the 2020 financial year onwards constitute “other benefits due to employees” as defined in IAS 19. In relation to these remuneration plans, the Group recognises liabilities and expenses on the basis of a formula that takes fulfillment of certain KPIs into account. The liability accounted for as at the relevant reporting date includes benefits previously vested.

Realisation of income and expenses

Realisation of revenue

In the Hapag-Lloyd Group, revenue is mainly generated in connection with transport services within the scope of revenue resulting from contracts with customers. Under IFRS 15, there is one performance obligation per shipment, which is rendered on a period-related basis, i. e. for the duration of transport. Combining several shipments on a single voyage produces essentially the same results with regard to the amount of revenue recognised and when it is recognised as are produced when the revenue is recognised on the basis of a single shipment. Revenue is recognised in accordance with the input-oriented method for measurement of performance progress.

Other realisation of income and expenses

Operating expenses are recognised in profit or loss when the service has been utilised or at the time of its occurrence.

Please refer to Note (26) Financial instruments for details of the recording of gains and losses from derivative financial instruments used.

Dividends from non-equity-accounted investees are recorded when the legal claim to them has arisen.

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

Earnings per share

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year. In both the 2020 financial year and the previous year, basic earnings per share were the same as diluted earnings per share.

Taxes

As a liner shipping company, Hapag-Lloyd AG, the largest company in the Hapag-Lloyd Group, has opted for taxation in accordance with tonnage. Tax liability for tonnage taxation is not calculated using the actual profits, but rather depends on the net tonnage and the operating days of the Company's fleet. All profits in direct connection with the operating of merchant vessels in international trade are essentially subject to tonnage tax. Income from capital and equity investments is taxed according to the normal rules. The same applies to vessels that do not meet the requirements of tonnage taxation. Current income taxes for the reporting period and for previous periods are measured as the amount at which their payment to or rebate from the tax authority is anticipated. They are calculated on the basis of the company's tax rates as at the reporting date, but do not include interest payments, refunds of interest or penalties for late tax payments. In the event that the amounts recognised in the tax returns are unlikely to be realised (e.g. for uncertain tax positions), tax liabilities are recorded. The relevant amount is calculated on the basis of the best available estimate of the expected tax payment (i.e. the expected value and/or the most likely value for the uncertain tax position). Tax demands arising from uncertain tax positions are recorded in the statement of financial position when it is overwhelmingly likely (and thus sufficiently certain) that they can be realised. The exception to this rule is where there are tax losses carried forward, in which case no current tax liabilities or tax demands are recorded in the statement of financial position for these uncertain tax positions. Instead, the deferred tax assets for the still unused tax losses carried forward are adjusted accordingly. Income tax liabilities are netted against the corresponding tax rebate claims if they apply in the same fiscal territory and are of the same type and maturity.

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

Expected tax savings from temporary differences or from the use of tax loss carry-forwards are capitalised if they are estimated to be recoverable in the future. In their valuation, time limitations on the loss carry-forwards are taken into account accordingly. In order to evaluate whether deferred tax assets from tax loss carry-forwards can be used, i.e. recovered, the tax-related budget of the Group is consulted. The tax-related budget is based on the medium-term budget for 2021 to 2025, which has been extended to ten years for tax purposes.

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

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

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

Fair value

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

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

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

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

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

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

More details regarding the relevant fair values can be found in Note (26) Financial instruments.

Government assistance

Hapag-Lloyd receives various performance-related grants (i. e. grants linked to expenses or income) from government. The grants received are systematically deducted from the subsidised expenditure in the consolidated income statement, provided that there is an appropriate level of certainty that the conditions attached to these grants are met, and that the grants will indeed be paid. If there are no related future expenses, such as with immediate assistance, that can be periodically offset with grant earnings, or if expenses / losses have already been incurred, the grants are recognised immediately as income and / or recorded for the period in which the relevant claim occurs. Further information on the nature of this assistance may be found in Note (27) Government assistance.

Significant assumptions and estimates

The preparation of consolidated financial statements in accordance with IFRS requires estimates and assumptions in order to determine the assets, liabilities and provisions shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the reporting date, and the recognised income and expenses for the reporting period. Estimates and assumptions are continuously re-evaluated and are based on historical experience and expectations regarding future events which seem reasonable in the given circumstances.

This specifically applies to the following cases:

- Review of useful lives and residual values for intangible assets and property, plant and equipment
- Determination of the term of leases with extension and termination options and mutual cancellation right
- Measurement of the expected credit losses on receivables and other financial assets
- Recognition of deferred tax assets on loss carry-forwards
- Specification of parameters for measuring pension provisions
- Recognition and measurement of other provisions
- Determination of the demurrage and detention to be recognised
- Determination of the non-manifested discounts recognised during the year
- Classification of present liabilities as contingent liability

Review of useful lives and residual values for intangible assets and property, plant and equipment

Useful lives and residual values for intangible assets and property, plant and equipment are estimated on the basis of past experience. The management regularly reviews the estimates for individual assets or groups of assets with similar characteristics based on changes in the quality of maintenance programmes, amended environmental requirements and technical developments. In the case of significant changes it adjusts the useful lives and residual values.

The estimation of residual values of container vessels is affected by uncertainties and fluctuations due to the long useful life of vessels, the uncertainties regarding future economic developments and the future price of steel, which is a significant parameter for determining the residual values of container vessels. As a rule, the residual value of a container vessel or a class of container vessels is determined by its scrap value. The scrap value is calculated on the basis of a container vessel's empty weight and the average price of steel. Adjustments are made to the residual value of a container vessel based on its longevity if it is expected that (long-term) market fluctuations will exist until the end of the vessel's useful operating life.

Details of estimated useful lives and changes made to these estimates in the course of the financial year can be found in the "Accounting and measurement" section. The carrying amounts of intangible assets and property, plant and equipment are shown in Notes (10) Intangible assets and (11) Property, plant and equipment.

Determination of the term of leases with extension and termination options and mutual cancellation right

Within the scope of the exercise of extension and termination options for leases, discretionary decisions are made on the probability of the exercise of existing options. Hapag-Lloyd also assesses current market conditions and possible economic disadvantages in this regard. If, from an economic perspective, termination of agreements that include a mutual right of termination will not result in any significant disadvantages, the term of the agreement is determined after taking into account the termination notice period in the respective agreement and a possible transition period. If Hapag-Lloyd believes that there are significant disadvantages, this is taken into account when assessing the term of the agreement and the term extended until such time as the disadvantages have been resolved.

For container rental agreements constructed in a similar way, the terms of the agreements and, in principle, any fixed payments on the basis of a portfolio approach to be treated as lease payments, are determined and applied uniformly to all lease payments in the portfolio.

For further information, please see the “Accounting and measurement” section as well as Note (30) Leases.

Measurement of the expected credit losses on receivables and other financial assets

The measurement of expected credit losses on receivables and other financial assets includes assessments and evaluations of individual receivables and groups of receivables which are based on the credit standing of the relevant customer, geographic region, analysis of ageing structures and historical defaults as well as future economic conditions. In case of adjustments to receivables balances, a determination of whether credit losses or transaction price changes are applicable will be made based on the relevant facts and circumstances.

See also the details in the “Accounting and measurement” section, as well as Note (13) Trade accounts receivable and other assets.

Recognition of deferred tax assets on loss carry-forwards

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (8) Income tax expenses.

Specification of parameters for measuring pension provisions

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated future increases in salaries and pensions and mortality tables. These assumptions may diverge from the actual figures due to changes in external factors such as economic conditions or the market situation as well as mortality rates.

The Heubeck RT 2018 G mortality tables are used for measurement of the pension obligations.

For more detailed information, please see Note (21) Provisions for pensions and similar obligations.

Recognition and measurement of other provisions

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must sometimes make assumptions on the basis of past experience regarding the likelihood of the realisation of the obligation or future developments, e. g. the costs to be estimated for the measurement of obligations. These may be subject to estimation uncertainties, particularly in the case of non-current provisions.

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

For detailed explanations, see Note (22) Other provisions.

Determination of the demurrage and detention to be recognised

As a rule, demurrage and detention for containers are recognised once the contractually stipulated free times for a container are exceeded. Determination of the demurrage and detention to be recognised requires estimates concerning the expected amount of the receivable as well as the question of whether it is highly probable that the revenue recognised will not be subject to any significant correction in future. These estimates are based on past experience.

Determination of the non-manifested discounts recognised during the year

Non-manifested discounts are estimated monthly based on individually specified discount conditions and deducted from the transaction price, thereby reducing revenue. In the subsequent year, the amount of the discounts is calculated based on actual circumstances and is paid accordingly. This payment may be paid during the current financial year on a quarterly or semi-annual basis. Further explanations of non-manifested discounts are given in Note (1) Revenue.

Classification of present liabilities as contingent liability

Present liabilities based on past events will not be recognised if fulfilment of the relevant obligation is not probable. The management will assess whether the fulfilment of an obligation is probable or not based on judgements made by lawyers and tax advisers.

For detailed information on the contingent liabilities resulting from tax risks which are not classified as probable, please see Note (29) Legal disputes.

Risks and uncertainties

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

Measures taken in connection with the COVID-19 pandemic

Business development in the 2020 financial year was significantly influenced by the global outbreak of the COVID-19 pandemic. In the first half of the 2020 financial year, a comprehensive package of measures was developed as part of a project entitled the Performance Safeguarding Program (PSP). This project aims to maintain profitability and liquidity. The package includes cost-saving measures and steps to increase the liquidity framework.

Detailed descriptions of the way measures taken under the PSP were implemented, as well as the current effects of the COVID-19 pandemic on business activity, are set out in the combined management report. Potential risks for Hapag-Lloyd Group arising from the COVID-19 pandemic are discussed in the risk report.

SEGMENT REPORTING

The Hapag-Lloyd Group is managed by the Executive Board as a single, global business unit with one sphere of activity. The primary performance indicators are freight rates and transport volume by geographic region, as well as EBIT and EBITDA at the Group level.

The allocation of resources (use of vessels and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all of the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world throughout its entire liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities, EBIT and EBITDA, as the key performance indicators, can be allocated to different trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container liner shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

Transport volume per trade

TTEU	1.1.–31.12.2020	1.1.–31.12.2019
Atlantic	1,817	1,960
Transpacific	1,851	1,945
Far East	2,286	2,327
Middle East	1,476	1,391
Intra-Asia	831	900
Latin America	2,889	2,837
EMA (Europe – Mediterranean – Africa)	689	676
Total	**11,838**	**12,037**

Freight rates per trade

USD/TEU	1.1.–31.12.2020	1.1.–31.12.2019
Atlantic	1,383	1,389
Transpacific	1,467	1,318
Far East	979	910
Middle East	837	744
Intra-Asia	605	541
Latin America	1,131	1,153
EMA (Europe – Mediterranean – Africa)	1,051	1,046
Total (weighted average)	**1,115**	**1,072**

Revenue per trade

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Atlantic	2,201.6	2,431.9
Transpacific	2,379.9	2,290.8
Far East	1,961.7	1,891.7
Middle East	1,081.6	924.8
Intra-Asia	440.0	435.4
Latin America	2,863.2	2,921.6
EMA (Europe – Mediterranean – Africa)	634.8	631.7
Revenue not assigned to trades	1,209.6	1,080.0
Total	**12,772.4**	**12,607.9**

The item for revenue not assigned to trades mainly comprises income from demurrage and detention for containers, as well as compensation payments for shipping space. At the same time, revenue for pending voyages already generated is recognised under revenue not assigned to trades.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were calculated on the basis of earnings before interest and taxes (EBIT) as presented in the following table. Earnings before taxes (EBT) and the share of profits of the segment's equity-accounted investees corresponded to those of the Group (see Note (12)).

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**2,700.4**	**1,985.8**
Depreciation and amortisation	–1,385.2	–1,174.4
EBIT	**1,315.2**	**811.4**
Earnings before taxes (EBT)	**981.3**	**416.3**
Share of profit of equity-accounted investees	**32.1**	**35.5**

Non-current assets

million EUR	31.12.2020	31.12.2019
Goodwill	1,466.8	1,600.7
Other intangible assets	1,459.1	1,716.9
Property, plant and equipment	9,300.6	10,064.9
Investments in equity-accounted investees	329.2	333.6
Total	**12,555.6**	**13,716.1**
thereof domestic	10,046.6	10,765.9
thereof foreign	2,509.0	2,950.2
Total	**12,555.6**	**13,716.1**

When assessing the cash-generating unit (CGU), non-current assets cannot be broken down by region due to their shared use. As a result, these have primarily been assigned to the parent company in Germany. The non-current assets held abroad are attributable to the United Arab Emirates with an amount of EUR 2,364.0 million (previous year: EUR 2,777.6 million).

There was no dependency on individual customers in the 2020 financial year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

Revenue streams

The Hapag-Lloyd Group's services comprise the shipping of containers by sea as well as associated hinterland transport for customers, thus providing transport services from door to door. As a result, the Hapag-Lloyd Group primarily generates revenue from sea freight, inland container transport and terminal handling charges.

Revenue is broken down by trade in the Hapag-Lloyd Group. This breakdown can be found in the "Segment reporting" section.

The Hapag-Lloyd Group's revenue rose by EUR 164.5 million to EUR 12,772.4 million in the 2020 financial year (prior year period: EUR 12,607.9 million), representing an increase of 1.3%.

This was primarily due to a increase in average freight rates of 4.0% compared with the previous year. Adjusted for exchange rate movements, revenue would have risen by approximately EUR 0.4 billion, or 3.3%. However, a 1.6% decrease in the average transport volume compared with the previous year softened the impact of the increased freight rate on overall revenue.

Contract balances

Contract liabilities essentially comprise the remaining performance obligation as at the reporting date in connection with shipments on voyages not yet completed. The revenue recorded in the reporting period and included in the balance of contract liabilities at the start of the 2020 financial year came to EUR 372.9 million (previous year: EUR 260.3 million).

Hapag-Lloyd also has contracts with customers with terms of more than 1 year in accordance with IFRS 15. However, if one considers the recognition of the associated revenue over the course of time, it can be seen that the terms of the contracts have no effect on the time-related recognition of revenue within 1 year. The reason for this is that the maximum duration of a ship voyage is less than 1 year. This means that the recognition of revenue for an individual shipment will not exceed a period of 1 year. With regard to the recognition of income, the Hapag-Lloyd Group therefore only has contracts with a short-term perspective of less than 1 year. On this basis, in accordance with IFRS 15.121 (a) in conjunction with IFRS 15.122, no further information is provided on transaction costs attributable to remaining performance obligations.

Performance obligations and methods for recognising revenue
The Hapag-Lloyd Group measures revenue based on the consideration specified in a contract with a customer. The revenue is recognised by the Hapag-Lloyd Group when the transport service is rendered. The performance obligation is fulfilled and the revenue is recognised in the period when the transport service is rendered by the Hapag-Lloyd Group, i. e. they are period-based.

The recognition of revenue is determined by performance progress. To determine the performance progress in connection with shipments on voyages not yet completed as at the reporting date, Hapag-Lloyd uses the input-based method while taking account of the expenses incurred up until the reporting date. Due to the transport-related expenses allocated over the itinerary, the procedure is considered reliable and suitable. The percentage of completion / transport progress is therefore determined on the basis of the ratio of expenses incurred to expected total expenses.

Payment terms at Hapag-Lloyd vary at the local level. The payment term predominantly used by the Group constitutes payment within 30 days of receipt of the outgoing invoice.

Transaction price and transaction price components
With regard to the rendering of transport services in accordance with a customer's shipment contract, Hapag-Lloyd has a performance obligation as per IFRS 15.22 (a), as the commitment made to the customer only comprises a distinguishable service. This is the commitment to transport goods from a specific origin to an agreed destination. A fixed transaction price is agreed for the transport service as part of a contract. The transaction price also includes variable components such as demurrage and detention for containers. These are recorded based on past experience as soon as the lease period of a container exceeds the agreed period in the contract.

Other transaction price components in the Hapag-Lloyd Group include discounts of any kind, e. g. cash payment discounts, volume discounts or special discounts. This pertains to both manifested and non-manifested discounts. The latter are deducted from the transaction price on a monthly basis, thereby reducing revenue, and are based on set discount conditions, which make sure that the variable consideration is limited. They therefore lead to a reduction in the transaction price. Since the discount is granted afterwards by means of a payment to the customer, a trade account payable (refund liability) is recognised on a monthly basis for the expected utilisation. For manifested discounts, on the other hand, the discount is granted earlier, when the receivables are booked. As a result, the revenue recognised has already been reduced by the amount of the discounts.

(2) Transport expenses

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Transport expenses for finished voyages	9,089.6	9,721.1
Bunker	1,407.3	1,625.6
Handling and haulage	4,716.7	4,922.7
Equipment and repositioning [1]	1,134.7	1,205.0
Vessel and voyage (excluding bunker) [1]	1,830.8	1,967.8
Change in transport expenses for pending voyages [2]	50.6	–14.0
Total	**9,140.2**	**9,707.0**

1 Including lease expenses for short-term leases.
2 The amounts presented as transport expenses for pending voyages represent the difference between the transport expenses for pending voyages for the current period and the transport expenses for pending voyages for the previous period. The transport expenses for pending voyages recognised in the previous period are presented in the current financial year as incurred transport expenses.

In the 2020 financial year, transport expenses fell by EUR 566.9 million to EUR 9,140.2 million (prior year period: EUR 9,707.0 million). This represents a drop of 5.8%. This decline was primarily due to the volume-related decrease in expenses, the lower average bunker consumption price compared with the previous year and active cost management under the PSP programme. In addition, the weaker US dollar against the euro led to a reduction in transport expenses. Adjusted for exchange rate movements, transport expenses would have fallen by approximately EUR 0.4 billion, or around 4.0%.

The decline in expenses for fuel of EUR 218.3 million resulted primarily from the decrease in the average bunker consumption price compared with the previous year as well as from the 1.6% fall in the transport volumes and the included exchange rate effects (USD/EUR).

Hapag-Lloyd's bunker consumption price of 379 USD/t in the 2020 financial year was down 37 USD/t (–8.9%) on the figure for the corresponding prior year period, which was 416 USD/t. While prices for low-sulphur bunker fuel at the beginning of the reporting period remained at a very high level (MFO 0.5%, FOB Rotterdam, 560 USD/t approx.), they fell during the first half of 2020 as a result of a worldwide drop in demand and a simultaneous dispute among major oil-producing countries on the issue of supply levels. At the end of April, prices were briefly recorded at approximately 135 USD/t (MFO 0.5%, FOB Rotterdam). However, bunker prices subsequently rose again and remained at a relatively stable level of around 300 USD/t from the third quarter of 2020. The price increased slightly towards the end of the year, with low-sulphur fuel costing approximately 367 USD/t at the end of December (MFO 0.5%, FOB Rotterdam). The decrease in the bunker consumption price was partly offset by the requirement to use the more expensive low-sulphur fuel from 1 January 2020 following the implementation of IMO 2020.

The decrease in container handling expenses of EUR 206.0 million to EUR 4,716.7 million resulted primarily from a volume-related decline, lower hinterland transport expenses, and active cost management as part of the PSP programme.

The fall in container and repositioning expenses of EUR 70.2 million to EUR 1,134.7 million was essentially due to active cost management under the PSP programme and the resulting decline in expenses associated with loading and unloading empty containers at the terminals. Efforts to optimise container utilisation on voyages from Europe to Asia in the fourth quarter of 2020 also played a significant role.

The decrease in expenses for vessels and voyages (excluding bunker) of EUR 137.0 million to EUR 1,830.8 million resulted primarily from active cost management under the PSP programme. Suspended services, a reduced number of voyages, network optimisations and a higher percentage of vessels chartered in on a medium-term basis compared with the prior year period were the main reasons for the decrease in expenses.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2020 financial year came to 28.4% (prior year period: 23.0%).

(3) Personnel expenses

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Wages and salaries	563.4	562.8
Social security costs, pension costs and other benefits	119.5	119.7
Total	**683.0**	**682.5**

Personnel expenses rose by EUR 0.5 million (0.1%) to EUR 683.0 million in the 2020 financial year (prior year period: EUR 682.5 million). This was primarily due to an increase in the number of employees compared with the previous year, higher bonuses for the 2020 financial year and special COVID-19 payments to employees. On the other hand, the weaker US dollar against the euro led to a reduction in personnel expenses. Adjusted for exchange rate movements, the increase in personnel expenses would have amounted to approximately EUR 14 million.

Pension costs include, among other things, expenses for defined benefit and defined contribution pension obligations. A detailed presentation of pension commitments is provided in Note (21) Provisions for pensions and similar obligations. Personnel expenses were reduced by government assistance in the form of grants amounting to EUR 11.9 million (previous year EUR 10.4 million), which were recognised in profit and loss. For further details, please refer to Note (27) Government assistance.

The average number of employees was as follows:

	1.1.–31.12.2020	1.1.–31.12.2019
Marine personnel	2,007	2,026
Shore-based personnel	10,857	10,655
Apprentices	221	225
Total	**13,085**	**12,905**

(4) Depreciation, amortisation and impairment

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Scheduled amortisation/depreciation	1,286.3	1,174.4
Amortisation of intangible assets	131.7	99.6
Depreciation of property, plant and equipment	1,154.7	1,074.7
Impairment	98.8	–
Impairment of property, plant and equipment	98.8	–
Total	**1,385.2**	**1,174.4**

The amortisation of intangible assets largely concerned brands and the customer base. For further details regarding the increase in amortisation concerning brands, please refer to the "Accounting and measurement" section.

The scheduled depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers. The year-on-year increase in depreciation and amortisation resulted essentially from depreciation associated with the recognition of vessel retrofittings due to IMO 2020, as well as from a rise in the percentage of vessels chartered in on a medium-term basis and the resulting increase in rights of use. The scheduled amortisation of rights of use relating to leased assets (essentially vessels, containers, buildings) led to amortisation of EUR 528.1 million (prior year period: EUR 459.2 million). A break-down of depreciation and amortisation can be found in the Notes to the respective balance sheet item.

Impairment on property, plant and equipment amounting to EUR 98.8 million resulted from the impairment of 5 vessels. For details of impairment testing and how impairment losses are measured, please refer to the "Accounting and measurement" section and Note (11) Property, plant and equipment.

(5) Other operating result

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Other operating income	**69.1**	**81.2**
Income from the reversal of provisions	13.8	11.4
Gains and losses from disposal of assets	13.1	20.2
Income from own cost capitalized	9.7	6.8
Miscellaneous operating income	32.5	42.8
Other operating expenses	**348.8**	**350.0**
IT & Communication expenses	175.9	155.7
Office & Administration expenses	33.8	41.8
Charges, fees, consultancy and other professional services	32.7	35.8
Training and other personnel expenses	20.1	26.9
Exchange rate gains/losses	15.4	10.2
Other taxes	12.6	12.5
Car and Travel expenses	6.4	19.4
Bank charges	5.9	8.3
Miscellaneous operating expenses	46.0	39.4
Total	**–279.7**	**–268.8**

Miscellaneous operating income comprises items that cannot be allocated to any of the items mentioned above. This includes, among other things, income from cost transfers for services provided.

Net exchange rate gains and losses are shown under other operating expenses and can be primarily attributed to exchange rate variations affecting assets and liabilities (excluding financial debt).

Miscellaneous operating expenses comprise items that cannot be allocated to any of the items mentioned above.

(6) Interest result

The interest result was as follows:

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Interest income	**17.0**	**8.5**
Other interest and similar income	17.0	8.5
Interest expenses	**343.8**	**428.9**
Net interest expenses from the valuation of pensions and similar obligations	3.7	5.4
Interest expenses for lease liabilities	69.6	72.6
Other interest and similar expenses	270.5	350.9
Effects from the result of embedded derivatives	**–3.7**	**23.6**
Total	**–330.5**	**–396.7**

Other interest and similar income relates in particular to income from the completion of financing arrangements for 2 vessels and income from interest on bank balances. Other interest and similar expenses mainly comprise interest for bonds and loans as well as interest from other financial debt. The decrease in interest expenses compared with the previous year was primarily due to the reduction in interest expenses for the early repayment of the bond in February and June 2019 and the partial repayment of the bond in November 2020 in the amount of EUR 22.2 million. In addition, further reductions in interest expenses in relation to bank financing in the amount of EUR 61.0 million which were primarily due to the past repayment of debt helped to improve the other interest result.

By contrast, the profit or loss effect of the embedded derivative in the amount of EUR –3.7 million (prior year period: EUR +23.6 million), which comprises the derecognition of the fair value of EUR –8.6 million associated with the partial repayment of the bond in November (prior year period: EUR –10.0 million from the bond repayments in February and June 2019) and a valuation effect of EUR 4.9 million (prior year period: EUR 33.6 million), reduced the interest result.

For information on the interest expenses in relation to lease liabilities, please refer to Note (30) Leases.

(7) Other financial items

Other financial items of EUR –3.5 million essentially comprise realised and unrealised exchange rate effects from the foreign currency translation of financial debt including the associated hedging effects.

(8) Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income taxes. As in the previous year, corporate entities based in Germany are subject to a corporate income tax rate of 15.0% and a solidarity surcharge of 5.5% of the corporate income tax owed. Additionally, these companies are subject to trade earnings tax, which for the years 2020 and 2019 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. The combined income tax rate for domestic companies is therefore 32.3%. Furthermore, comparable actual income taxes are disclosed for foreign subsidiaries. In the Group, the tax rates ranged from 6.0% to 39.0% in 2020 (previous year: between 6.0% and 39.0%).

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

Income taxes were as follows:

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Actual income taxes	34.0	40.4
thereof domestic	4.5	5.9
thereof foreign	29.5	34.5
Deferred tax income/expenses	11.8	2.5
thereof from temporary differences	2.9	2.0
thereof from loss carry-forwards	8.9	0.5
Total	**45.8**	**42.9**

The increase in income taxes by EUR 2.9 million from EUR 42.9 million in the previous year to EUR 45.8 million is primarily due to exchange rate-related effects on deferred taxes as well as income from higher deferred tax assets from loss carryforwards arising in 2019. The increase was offset by a decrease in current income taxes of EUR 6.4 million.

Domestic income taxes include tax expenses amounting to EUR 4.5 million, which are attributable to the tonnage taxation (prior year period: EUR 4.3 million). In addition, the reported domestic tax expense is reduced by EUR 1.8 million (prior year period: EUR –0.3 million) exchange rate effect resulting from the translation of tax assets and liabilities from the functional currency US dollar to the reporting currency Euro.

Prior-period tax expenses in the amount of EUR 1.5 million are included in the actual income taxes (prior year period: income of EUR 5.6 million).

As Hapag-Lloyd AG has opted for tonnage taxation, temporary measurement differences do not affect taxation, with the result that no deferred taxes are calculated. For domestic income which is not subject to tonnage taxation, a combined income tax rate of 32.3% was used both in 2020 and 2019 to calculate the deferred taxes.

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates applied for foreign-based companies in 2020 ranged from 8.3% to 34.0% (previous year: between 8.3% and 34.9%).

The following table shows a reconciliation statement from the expected to the reported income tax expense. To calculate the expected tax expense, the Group profit is first divided between the result that falls under tonnage taxation and the result that is subject to regular taxation. The result that is subject to regular taxation is multiplied by the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

Reconciliation statement

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Earnings before taxes	981.3	416.3
thereof under tonnage tax	723.5	176.8
thereof under regular income tax	257.8	239.5
Expected income tax expense (+) / income (–) (tax rate 32.3%)	**83.2**	**77.3**
Difference between the actual tax rates and the expected tax rates	–43.5	–24.9
Changes in tax rate or tax law	–	0.2
Effects of income not subject to income tax	–1.2	–0.4
Non-deductible expenses and trade tax additions and reductions	10.4	4.1
Effects from reassessments	–1.9	–4.5
Effective tax expenses and income relating to other periods	1.5	–5.6
Tax effect from equity-acounted investees	–10.5	–11.4
Exchange rate differences	0.4	0.6
Other differences	2.9	3.3
Income tax expense under regular income tax	**41.3**	**38.7**
Income tax expense under tonnage tax base	4.5	4.2
Reported income tax expenses (+) / income (–)	**45.8**	**42.9**

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

Effects from reassessments include income of EUR 1.0 million (prior year period: EUR 4.3 million) from changes in unrecognised corporate income tax loss carry-forwards both at home and abroad. A further EUR 0.8 million (prior year period: EUR 0.8 million) relates to the reduction of actual income taxes due to the use of tax losses previously not recognised.

The other differences include EUR 2.8 million in foreign withholding taxes for dividends, which are non-deductible (prior year period: EUR 3.2 million).

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

	31.12.2020		31.12.2019	
million EUR	Asset	Liabillity	Asset	Liabillity
Recognition and measurement differences for property, plant and equipment and other non-current assets	1.0	11.9	1.3	7.0
Recognition differences for receivables and other assets	2.0	0.6	2.6	0.6
Measurement of pension provisions	7.2	0.4	6.4	0.7
Recognition and measurement differences for other provisions	4.2	–	4.5	–
Other transactions	9.1	1.1	7.6	2.1
Capitalised tax savings from recoverable loss carry-forwards	9.1	–	19.0	–
thereof utilised by tonnage tax base	2.7	–	2.7	–
Netting of deferred tax assets and liabilities	–3.9	–3.9	–1.7	–1.7
Balance sheet recognition	**28.7**	**10.1**	**39.7**	**8.7**

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

million EUR	As per 1.1.2019	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2019
Recognition and measurement differences for property, plant and equipment and other non-current assets	–1.9	–3.7	–	–0.1	–5.7
Recognition differences for receivables and other assets	1.4	0.6	–	–	2.0
Measurement of pension provisions	4.4	–1.0	2.2	0.1	5.7
thereof recognised directly in equity	4.4	–	2.2	–	6.6
Recognition and measurement differences for other provisions	4.3	0.2	–	–	4.5
Other transactions	3.4	1.9	–	0.2	5.5
Capitalised tax savings from recoverable loss carry-frowards	19.1	–0.5	–	0.4	19.0
Balance sheet recognition	**30.7**	**–2.5**	**2.2**	**0.6**	**31.0**

million EUR	As per 1.1.2020	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	**As per 31.12.2020**
Recognition and measurement differences for property, plant and equipment and other non-current assets	–5.7	–6.1	–	0.8	–11.0
Recognition differences for receivables and other assets	2.0	–0.3	–	–0.2	1.5
Measurement of pension provisions	5.7	0.3	0.8	–	6.8
thereof recognised directly in equity	6.6	–	0.8	–0.2	7.2
Recognition and measurement differences for other provisions	4.5	0.1	–	–0.4	4.2
Other transactions	5.5	3.1	–	–0.6	8.0
Capitalised tax savings from recoverable loss carry-frowards	19.0	–8.9	–	–1.0	9.1
Balance sheet recognition	**31.0**	**–11.8**	**0.8**	**–1.4**	**18.6**

Deferred tax liabilities of EUR 0.3 million (previous year: EUR 0.3 million) were recognised for temporary differences between the net assets and the carrying amount of subsidiaries for tax purposes, whereby the reversal of the temporary differences is likely in the foreseeable future.

No deferred tax liabilities were recognised for the remaining taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 53.3 million (previous year: EUR 64.8 million), as Hapag-Lloyd is able to steer how the temporary differences are reversed over time and no reversal of the temporary differences is likely in the near future.

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

Deferred tax assets are recognised for temporary differences and tax loss carry-forwards if their realisation seems certain in the near future. The loss carry-forwards not recognised relate primarily to foreign subsidiaries that are not covered by tonnage taxation. The amounts of unutilised tax losses and the capacity to carry forward the tax losses for which no deferred tax assets were recognised are as follows:

million EUR	31.12.2020	31.12.2019
Loss carry-forwards for which deferred tax assets were recognised	**29.6**	**67.6**
Loss carry-forwards for which no deferred tax assets were recognised	**1,171.0**	**1,282.6**
thereof loss carry-forwards forfeitable in more than 5 years	1.0	1.0
Non-forfeitable loss carry-forwards	1,170.0	1,281.6
Total of unutilised loss carry-forwards	**1,200.6**	**1,350.2**

(9) Earnings per share

	1.1.–31.12.2020	1.1.–31.12.2019
Profit/loss attributable to shareholders in million EUR	926.8	362.0
Weighted average number of shares	175.8	175.8
Basic earnings per share in EUR	**5.27**	**2.06**

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year.

There were no dilutive effects in the 2020 financial year or in the previous year.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(10) Intangible assets

million EUR	Goodwill	Customer base	Brand	Software	Payments on account and assets under construction	Total
Historical cost						
As at 1.1.2019	1,568.8	1,803.9	301.6	128.4	3.8	3,806.5
Additions	–	–	–	0.4	6.8	7.2
Disposals	–	–	–	0.1	–	0.1
Exchange rate differences	31.9	36.6	6.1	2.6	0.1	77.3
As at 31.12.2019	**1,600.7**	**1,840.6**	**307.7**	**131.3**	**10.6**	**3,891.0**
Accumulated amortisation						
As at 1.1.2019	–	325.7	20.5	118.3	–	464.5
Additions	–	82.8	10.4	6.5	–	99.6
Exchange rate differences	–	6.4	0.4	2.5	–	9.3
As at 31.12.2019	**–**	**415.0**	**31.3**	**127.2**	**–**	573.4
Carrying amounts 31.12.2019	**1,600.7**	**1,425.6**	**276.4**	**4.2**	**10.6**	**3,317.6**
Historical cost						
As at 1.1.2020	1,600.7	1,840.6	307.7	131.3	10.6	3,891.0
Additions[1]	3.4	–	–	3.8	9.0	16.2
Disposals	–	–	77.7	13.2	–	90.9
Transfers	–	–	–	1.0	–1.0	–
Exchange rate differences	–137.3	–157.9	–20.9	–8.9	–1.5	–326.5
As at 31.12.2020	**1,466.8**	**1,682.7**	**209.1**	**114.0**	**17.2**	**3,489.8**
Accumulated amortisation						
As at 1.1.2020	–	415.0	31.3	127.2	–	573.4
Additions	–	81.2	46.9	3.5	–	131.7
Disposals	–	–	77.7	13.2	–	90.9
Exchange rate differences	–	–41.3	–0.5	–8.5	–	–50.3
As at 31.12.2020	**–**	**454.9**	**–**	**109.1**	**–**	**563.9**
Carrying amounts 31.12.2020	**1,466.8**	**1,227.8**	**209.1**	**5.0**	**17.2**	**2,925.9**

[1] The addition to goodwill results from changes in the group of consolidated companies.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,466.8 million (previous year: EUR 1,600.7 million) and the Hapag-Lloyd brand in the amount of EUR 209.1 million (previous year: EUR 228.7 million).

At the end of the 2020 financial year, an impairment test of goodwill and intangible assets that are not subject to amortisation was carried out for the entire cash-generating unit “container shipping”. The recoverable amount was calculated based on the fair value less costs of disposal. Measurement was based on level 1 inputs (unadjusted use of the quoted share price of Hapag-Lloyd AG and of a bond price) and on level 2 inputs (use of observable market price quotations that are not level 1 to measure the remaining financial debt). With regard to the fundamental measurement assumptions, please refer to the section “Accounting and measurement principles”. As a whole, the fair value of the cash-generating unit “container shipping” should be assigned to level 2, as this level corresponds to the lowest input factor that is significant for overall measurement.

As at the reporting date, the fair value less costs of disposal was higher than the carrying amounts of the cash-generating unit “container shipping”, with the result that it was not necessary to recognise an impairment.

The brands “UASC” and “CSAV” were completely amortised in the financial year, and derecognised as at 31 December 2020. For further details, please see the “Accounting and measurement” section.

Research and development expenses in the financial year totalled EUR 39.7 million (prior year period: EUR 25.5 million). Investments in internally generated intangible assets requiring capitalisation in 2020 amounted to EUR 9.6 million (previous year: EUR 6.8 million). These are presented under software and as payments on account and assets under construction.

(11) Property, plant and equipment

million EUR	Vessels	Containers, chassis	Property, buildings and other equipment	Payments on account and assets under construction	Total
Historical cost					
As at 1.1.2019	9,323.5	2,620.5	232.0	6.4	12,182.3
First-time application of IFRS 16[1]	374.3	394.7	89.2	–	858.2
Adjusted as at 1.1.2019	9,697.8	3,015.1	321.2	6.4	13,040.5
Additions	461.7	439.6	36.5	62.3	1,000.0
Disposals	6.0	100.4	5.7	–	112.1
Transfers	3.6	–	–1.7	–3.6	–1.8
Exchange rate differences	195.7	60.4	5.0	–0.1	261.1
As at 31.12.2019	**10,352.8**	**3,414.7**	**355.2**	**65.0**	**14,187.7**
Accumulated depreciation					
As at 1.1.2019	2,182.1	785.6	94.9	–	3,062.6
Additions	649.0	387.4	38.3	–	1,074.7
Disposals	6.0	65.2	2.8	–	73.9
Transfers	–	–	–0.6	–	–0.6
Exchange rate differences	42.7	15.2	2.1	–	60.0
As at 31.12.2019	**2,867.9**	**1,123.0**	**132.0**	**–**	**4,122.9**
Carrying amounts 31.12.2019	**7,484.9**	**2,291.7**	**223.3**	**65.0**	**10,064.9**
Historical cost					
As at 1.1.2020	10,352.8	3,414.7	355.2	65.0	14,187.7
Additions[2]	653.3	625.7	54.3	58.9	1,392.2
Disposals	211.6	100.2	9.2	–	321.1
Transfers	44.4	–	–0.3	–44.5	–0.3
Exchange rate differences	–921.6	–329.8	–20.1	–6.6	–1,278.2
As at 31.12.2020	**9,917.2**	**3,610.4**	**379.9**	**72.9**	**13,980.4**
Accumulated depreciation					
As at 1.1.2020	2,867.9	1,123.0	132.0	–	4,122.9
Additions	726.2	385.3	43.2	–	1,154.7
Impairments	98.8	–	–	–	98.8
Disposals	210.9	67.6	2.5	–	281.0
Transfers	–	–	–0.3	–	–0.3
Exchange rate differences	–289.0	–118.7	–7.6	–	–415.3
As at 31.12.2020	**3,193.0**	**1,322.0**	**164.8**	**–**	**4,679.9**
Carrying amounts 31.12.2020	**6,724.2**	**2,288.3**	**215.1**	**72.9**	**9,300.6**

1 As a result of the first-time application of IFRS 16 in the 2019 financial year, acquisition and production costs are shown net (taking account of accumulated depreciation).
2 Additions amounting to EUR 4.3 million relate to changes in the group of consolidated companies.

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 5,667.5 million as at the reporting date (previous year: EUR 7,620.0 million). Restrictions of ownership exist in the form of mortgages for container vessels and in the form of collateral for financed vessels and containers transferred by way of security.

Changes in the rights of use for each asset class in the financial year are presented in Note (30) Leases.

As described in the “Accounting and measurement” section under “Impairment testing”, impairments were recognised for 5 container vessels as at the end of the financial year. These vessels were tested individually for impairment, and their recoverable amounts were estimated by an independent expert on the basis of the fair values less costs of disposal as at 31 December 2020. In its entirety, the fair value measurement was categorised as Level 3 of the fair value hierarchy, and was calculated by the expert taking into account current sales transaction data for the most comparable vessels, as well as ongoing sales negotiations and asking prices for such vessels and the market reactions to these prices. The measurement assumes that the vessels are for sale on the basis of immediate, charter-free delivery in return for a cash payment, and that they are sold under normal trading terms as part of a transaction between a willing seller and a willing buyer. The valuation is based on the additional assumptions that the vessels have been fully maintained, are free of recommendations, and that they are undamaged, fully-equipped and in working order. As the recoverable amounts determined in this way (totaling EUR 28.5 million), were below the carrying amounts, impairments of EUR 98.8 million were recognised as an expense in the item “Depreciation, amortisation and impairment”.

(12) Equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2020.

		Proportion of ownership in the group (in %)	
Name of the company	Registered office	**2020**	2019
Joint venture			
Consorcio Naviero Peruano S.A.[1]	San Isidro	47.93	47.93
Texas Stevedoring Services LLC[3]	Wilmington	50.00	50.00
Associated companies			
Hapag-Lloyd Lanka (Pvt) Ltd[1]	Colombo	40.00	40.00
HHLA Container Terminal Altenwerder GmbH[2]	Hamburg	25.10	25.10
Djibouti Container Services FZCO[1]	Djibouti	19.06	19.06

1 Ship agents and local liner shipping companies
2 Container terminals
3 Service company at the container terminal

The Hapag-Lloyd Group exerts significant control over Djibouti Container Services FZCO, Djibouti, as its share of voting rights in the group is 21.25%.

Proportionate cumulative losses for equity-accounted joint ventures of EUR 1.8 million (prior year period: EUR –0.5 million) were not taken into consideration in the financial year. No impairment losses are included in the proportionate equity result.

HHLA Container Terminal Altenwerder GmbH provides terminal services for the Hapag-Lloyd Group. Financial information for this significant equity-accounted investee reported in the statement of financial position (100% values and therefore not adjusted to the percentage held) is contained in the following table:

	HHLA Container Terminal Altenwerder GmbH	
million EUR	2020	2019
Statement of comprehensive income		
Revenues	284.4	300.5
Annual result	75.5	99.3
Dividend payments to Hapag-Lloyd Group	–35.2	–28.6
Balance sheet		
Current assets	100.6	97.3
Non-current assets	83.9	75.2
Current liabilities	38.5	34.0
Non-current liabilities	65.6	58.1
Net assets	**80.4**	**80.4**
Group share in net assets	20.2	20.2
Goodwill	276.8	276.8
Pro-rata share of current financial year's profit	30.7	34.0
Profit related to other period	–1.2	–
Carrying amount of the participation at the end of the financial year	**326.5**	**331.0**

The recognised share of equity-accounted investees developed as follows:

	HHLA Container Terminal Altenwerder GmbH		Non-material associated companies		Joint Venture	
million EUR	2020	2019	2020	2019	2020	2019
Participation 1.1.	**331.0**	**325.6**	**2.1**	**2.0**	**0.6**	**0.5**
Pro-rata share of earnings after taxes	30.7	34.0	1.2	1.3	0.2	0.1
Dividend payments	–35.2	–28.6	–1.3	–1.3	–	–
Exchange rate differences	–	–	–	0.1	–0.1	–
Participation 31.12.	**326.5**	**331.0**	**2.0**	**2.1**	**0.7**	**0.6**

(13) Trade accounts receivable and other assets

	31.12.2020		31.12.2019	
million EUR	Total	Remaining term more than a year	Total	Remaining term more than a year
Financial assets				
Trade accounts receivable	1,362.6	–	1,239.8	–
from third parties	1,362.6	–	1,239.8	–
Other assets	217.5	14.6	257.2	12.5
Investments and securities	7.7	7.7	8.5	8.5
Receivables relating to offset or advanced payments	108.3	–	146.8	–
Receivables from loans and other financial receivables	14.9	4.1	5.1	2.7
Receivables from insurance compensation	52.3	–	53.8	–
Receivables from deposits and prepayments	11.2	2.6	15.5	1.0
Other assets	23.2	0.2	27.5	0.3
Total	**1,580.1**	**14.6**	**1,497.0**	**12.5**
Non-financial assets				
Other assets	100.9	7.8	113.4	11.2
Claims arising from the refund of other taxes	62.9	0.7	61.1	0.7
Commitment fees for loans	9.1	6.0	7.8	3.4
Prepaid expenses	21.6	0.1	27.4	0.3
Other assets	7.3	0.9	17.1	6.8
Total	**100.9**	**7.8**	**113.4**	**11.2**

As at 31 December 2020, in relation to vessel financing there were assignments on earnings of a type customary on the market for trade accounts receivable resulting from revenue.

In addition to this, trade accounts receivable were pledged as part of the programme to securitise receivables. These kinds of receivables are not derecognised by the Group, but are held according to the business model in order to collect contractual cash flows (held to collect).

Credit risks

The gross carrying amounts of trade accounts receivable and other financial assets that fall within the scope of impairments under IFRS 9 amounted to EUR 1,600.0 million as of 31 December 2020 (previous year:EUR 1,517.4) and are mostly exposed to a low to medium credit risk. As of the reporting date, gross carrying amounts of EUR 108.6 million (previous year: EUR 123.4 million) were credit-impaired or exposed to high credit risk. EUR 251.5 million. (previous year: EUR 282.4 million) were collateral backed.

Along with the risk categorisation presented above, the following table provides information about the age structure of trade accounts receivable and other financial assets that fall within the scope of impairments under IFRS 9:

million EUR	31.12.2020	31.12.2019
Trade account receivables and other financial assets		
Not overdue	1,408.8	1,288.0
Overdue up to 30 days	120.6	142.5
Overdue between 31 and 90 days	30.9	38.6
Overdue for more than 90 days	39.7	48.3
Gross carrying amount	**1,600.0**	**1,517.4**
Loss allowance	–27.6	–28.9
Carrying amount	**1,572.4**	**1,488.4**

Loss allowances

The loss allowances on trade accounts receivable and on other financial assets that fall within the scope of impairments under IFRS 9 developed as follows:

million EUR	2020	2019
Loss allowances on trade account receivables and other financial assets		
Loss allowances as of 1.1.	**28.9**	**31.6**
Utilisation	8.0	7.4
Impairment losses	9.2	4.0
Change of translation reserve	–2.5	0.7
Loss allowances as of 31.12.	**27.6**	**28.9**

Loss allowances as of 31 December 2020 are EUR 27.6 million, of which EUR 22.5 million are attributable to credit-impaired receivables (previous year: EUR 27.0 million).

(14) Derivative financial instruments

	31.12.2020		31.12.2019	
million EUR	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Receivables from derivative financial instruments	36.0	21.6	42.1	27.6
thereof derivatives in hedge accounting [1]	14.5	–	14.8	0.3
thereof derivatives not included in hedge accounting	21.6	21.6	27.3	27.3

[1] The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for cost of hedging are also included.

Derivative financial instruments are shown at fair value (market value). They serve to hedge both the future operating business and the currency risks and interest rate risks in the area of financing. This item also contains embedded derivatives in the form of buy-back options for issued bonds. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (see Note (26)).

(15) Inventories

The inventories were as follows:

million EUR	31.12.2020	31.12.2019
Raw materials and supplies	172.3	247.2
Prepayments	–	1.3
Total	**172.3**	**248.5**

Raw materials, consumables and supplies primarily comprised fuel inventories, which fell from EUR 233.0 million in the previous year to EUR 160.9 million.

Expenses of EUR 1,606.2 million for fuels were recognised in the reporting period (previous year: EUR 1,625.6 million). Impairments for fuel inventories in the amount of EUR 0.4 million were also recognised as expenses in the financial year (previous year: EUR 0.5 million). No write-backs were recognised.

(16) Cash and cash equivalents

million EUR	31.12.2020	31.12.2019
Cash at bank	675.7	490.6
Cash in hand and cheques	5.6	21.0
Total	**681.3**	**511.6**

As at 31 December 2020, a sum totalling EUR 7.9 million with a term of up to 3 months was deposited in pledged accounts (previous year: EUR 10.0 million) and was therefore subject to a limitation on disposal.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 5.5 million (previous year: EUR 2.3 million) at individual subsidiaries. These funds are not readily available to Hapag-Lloyd AG or its other subsidiaries for general use.

(17) Subscribed capital and capital reserves

As at 31 December 2020, Hapag-Lloyd AG's subscribed capital was divided into 175.8 million no-par registered shares with equal rights, as in the previous year. As in the previous year, each individual share represents EUR 1.00 of the share capital.

Authorised capital

The Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 23.0 million in the period to 30 April 2022 by issuing up to 23 million new no-par registered shares in exchange for cash and / or non-cash contributions (Authorised Share Capital 2017). As a general rule, subscription rights must be granted to the shareholders. The new shares can also be taken up by one or more banks, with the obligation to offer them to the shareholders for subscription. Under certain circumstances and subject to the approval of the Supervisory Board, the Executive Board is authorised to exclude the subscription rights of the shareholders in order to exclude fractional amounts from the subscription right.

Even after partial utilisation in previous years, the Authorised Share Capital still amounted to EUR 11.3 million as at reporting date of 31 December 2020.

(18) Retained earnings

Retained earnings essentially comprise earnings from the financial year and previous years as well as reclassifications from the capital reserves. In the previous financial years, a total of EUR 1,682.3 million was withdrawn from the capital reserves in the individual financial statements under German commercial law and reclassified accordingly in the consolidated financial statements as retained earnings.

Dividend distribution 2020

On 10 June 2020, a dividend of EUR 1.10 per dividend-eligible individual share was paid out to the shareholders of Hapag-Lloyd AG, amounting to a total payment of EUR 193.3 million.

Use of retained earnings

In accordance with the German Stock Corporation Act (AktG), the Annual General Meeting passes resolutions regarding use of the retained earnings reported in the annual financial statements prepared according to the German Commercial Code. Taking into account retained earnings of EUR 238.4 million carried forward from 2019, the annual financial statements of Hapag-Lloyd AG reported retained earnings of EUR 1,247.0 million. A proposal will be made at the Annual General Meeting that the retained earnings be used to pay a dividend of EUR 3,50 per dividend-eligible share, and that the retained earnings of EUR 631.8 million remaining after the distribution totalling EUR 615.2 million be carried forward to the subsequent year.

(19) Cumulative other equity

Cumulative other equity comprises the reserve for remeasurements from defined benefit pension plans, the reserve for cash flow hedges, the translation reserve and the reserve for put options on non-controlling interests.

The reserve for remeasurements from defined benefit pension plans (31 December 2020: EUR –208.6 million; 31 December 2019: EUR –173.3 million) contains gains and losses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the measurement of pension obligations and the associated fund assets. The effect of remeasuring pension obligations and the associated plan assets recognised in other comprehensive income in the 2020 financial year resulted in an increase of EUR 36.0 million in the negative reserve (prior year period: EUR 60.8 million).

The reserve for cash flow hedges contains changes in the intrinsic value of commodity options, changes in the cash component of currency forward contracts and changes in the market value of interest rate and commodity swaps that are recognised in other comprehensive income and amounted to EUR –12.4 million as at 31 December 2020 (31 December 2019: EUR –14.0 million). In the 2020 financial year, the resulting gains and losses totalling EUR 50.3 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR –31.7 million), while gains and losses of EUR –45.7 million (prior year period: EUR 18.5 million) were reclassified and recognised through profit or loss.

The reserve for costs of hedging contains changes in the fair value of commodity options and in the forward component of currency forward contracts that are recognised in other comprehensive income and amounted to EUR –1.9 million as at 31 December 2020 (31 December 2019: EUR –10.2 million). In the 2020 financial year, the resulting gains and losses totalling EUR –40.1 million were recognised in other comprehensive income (previous year: EUR –40.9 million), while gains and losses of EUR 11.8 million (previous year: EUR 27.0 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR –42.4 million (31 December 2019: EUR 560.5 million) includes differences from currency translation. The differences from currency translation of EUR –603.7 million recognised in other comprehensive income in the 2020 financial year (previous year: EUR 121.2 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. Currency translation differences are recognised in the statement of comprehensive income under the items that are not reclassified and recognised through profit or loss, because the currency translation effects of subsidiaries with the same functional currency as the parent company cannot be recycled.

(20) Non-controlling interests

The non-controlling interests within the Hapag-Lloyd Group are not material from a quantitative or qualitative perspective. There were no material changes in non-controlling interests in the 2020 financial year.

(21) Provisions for pensions and similar obligations

Defined benefit pension plans

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

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

Furthermore, there are individually agreed pension commitments with entitlements to pension, survivorship annuity and disability benefits, the amount of which is specified in the corresponding agreements. A small number of people also have the option of forgoing their bonuses in favour of a company pension.

Pension commitments are provided to former Executive Board members based on a separate defined benefit plan. These also include entitlements to pension, survivorship annuity and disability benefits, the amount of which is based on an individually specified percentage of the pensionable emoluments. In some cases, they are also secured by plan assets in the form of reinsurance policies. Active Executive Board members do not receive any commitments for a company pension, with one exception. For one Executive Board member, there is a commitment for pension, survivorship annuity and disability benefits, the amount of which is determined by a fixed amount. Retirement benefits are paid out in the form of monthly pension payments.

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

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

Financing status of the pension plans

million EUR	31.12.2020	31.12.2019
Domestic defined benefit obligations		
Net present value of defined benefit obligations	306.1	273.9
Less fair value of plan assets	10.0	10.2
Deficit (net liabilities)	**296.1**	**263.7**
Foreign defined benefit obligations		
Net present value of defined benefit obligations	217.7	208.0
Less fair value of plan assets	128.6	131.5
Deficit (net liabilities)	**89.1**	**76.5**
Total	**385.2**	**340.2**

Composition and management of plan assets

The Group's plan assets are as follows:

million EUR	31.12.2020	31.12.2019
Equity instruments		
with quoted market price in an active market	36.5	37.7
without quoted market price in an active market	1.3	1.7
Government bonds		
with quoted market price in an active market	30.4	38.4
Corporate bonds		
with quoted market price in an active market	20.9	17.3
Other debt instruments		
(other) asset-backed securities		
with quoted market price in an active market	5.3	5.0
Derivatives		
with quoted market price in an active market	8.7	6.2
without quoted market price in an active market	5.9	5.1
Pension plan reinsurance	10.0	10.2
Real estate	2.1	9.3
Cash and cash equivalents	0.7	1.2
Other	16.8	9.7
Fair value of plan assets	**138.6**	**141.7**

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

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

When plan assets are invested in these countries, legally independent financial service providers are called in to provide advice and support. They make a capital investment proposal to the respective committee, complete with risk and success scenarios. The committee is then responsible for taking the investment decision in close consultation with Hapag-Lloyd AG; their decisions tally with their respective investment strategy. The investment strategy first and foremost focuses on reducing the interest rate risk and on safeguarding liquidity and optimising returns. To this end, the anticipated pension payments, which will be incurred in a specific time frame, are aligned with the maturity of the capital investments. In the case of maturities from 8 to 12 years, low-risk investment forms are chosen, e. g. fixed-interest or index-linked government and corporate bonds. For any other obligations falling due, investments are made in forms with a higher risk, but which have a greater expected return.

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

The financing conditions in the United Kingdom are set by the regulatory body for pensions together with the corresponding laws and regulations. Accordingly, a valuation is carried out in line with local regulations every 3 years, which usually leads to a greater obligation compared to measurement pursuant to IAS 19. Based on the most recent technical valuation, the defined benefit plan in the United Kingdom has a financing deficit. The Company and trustees have agreed on a plan to reduce the deficit, which includes additional annual payments for a limited period.

Development of the present value of defined benefit obligations

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

million EUR	2020	2019
Net present value of defined benefit obligations as at 1.1.	**481.9**	**399.8**
Current service cost	12.8	10.9
Interest expenses	6.3	9.0
Remeasurements:		
Gains (–)/losses (+) from changes in demographic assumptions	–0.1	0.6
Gains (–)/losses (+) from changes in financial assumptions	45.3	75.8
Gains (–)/losses (+) from changes due to experience	–1.7	–3.5
Past service cost	0.6	–0.3
Plan reductions	–	–1.9
Plan settlements	–	–2.1
Contributions by plan participants	0.5	0.3
Benefits paid	–12.5	–12.5
Exchange rate differences	–8.4	5.7
Disposals from change in the group of consolidated companies	–1.0	–
Net present value of defined benefit obligations as at 31.12.	**523.8**	**481.9**

The weighted average maturity of defined benefit obligations was 20.1 years as at 31 December 2020 (previous year: 20.7 years).

Development of the fair value of the plan assets

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

million EUR	2020	2019
Fair value of plan assets as at 1.1.	**141.7**	**126.3**
Interest income	2.6	3.7
Return and losses on plan assets (excluding interest income)	4.4	10.6
Employer contributions	2.8	2.9
Contributions by plan participants	0.1	0.1
Plan settlements	–	–1.1
Benefits paid	–6.3	–5.2
Exchange rate differences	–5.6	4.4
Disposals from change in the group of consolidated companies	–1.1	–
Fair value of plan assets as at 31.12.	**138.6**	**141.7**

Net pension expenses

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

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Current service cost	12.8	10.9
Interest expenses	6.3	9.0
Interest income	–2.6	–3.7
Past service cost	0.6	–0.3
Plan settlements / plan reductions	–	–4.0
Net pension expenses	**17.1**	**12.0**

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

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Personnel expenses	13.4	6.7
Interest expenses (+) / interest income (–)	3.7	5.4
Total	**17.1**	**12.0**

Actuarial assumptions

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

The 2018 G mortality tables devised by Heubeck served as the demographic basis for calculating the domestic pension provisions. The following significant financial and actuarial assumptions were also used:

percentage points	2020	2019
Discount factors	0.50	0.90
Expected rate of pension increases	1.80	1.80

Demographic assumptions based on locally generally applicable guidance tables were used to measure the significant foreign pension provisions. The following financial and actuarial assumptions were also used:

percentage points	2020	2019
Discount factors for pension obligations		
United Kingdom	1.45	2.05
Netherlands	0.50	0.90
Mexiko	7.21	7.48
Expected rate of pension increases		
United Kingdom	2.76	2.13
Netherlands	2.00	2.00
Mexiko	3.50	3.50

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

Remeasurements

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR 36.8 million before tax as at 31 December 2020 for the 2020 financial year (previous year: EUR –63.1 million) and can be broken down as follows:

million EUR	31.12.2020	31.12.2019
Actuarial gains (+)/losses (–) from		
Changes in demographic assumptions	0.1	–0.6
Changes in financial assumptions	–45.3	–75.8
Changes from experience	1.7	3.5
Return on plan assets (excluding interest income)	4.4	10.6
Exchange rate differences	2.3	–0.7
Remeasurements	**–36.8**	**–63.1**

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR –208.6 million as at 31 December 2020 (previous year: EUR –173.4 million).

Future contribution and pension payments

For 2021, the Group plans to make payments to its pension fund totalling EUR 2.1 million (previous year: EUR 2.0 million). Payments for unfunded pension plans, including employee termination costs, are anticipated in the amount of EUR 6.2 million in 2021 (previous year: EUR 5.5 million).

Sensitivity analyses

An increase or decrease in the significant actuarial assumptions would have the following effects on the present value of pension provisions as at 31 December 2020:

million EUR	Δ Present value 31.12.2020	Δ Present value 31.12.2019
Discount factor 0.8% points higher	–77.8	–69.4
Discount factor 0.8% points lower	99.7	88.4
Expected rate of pension increase 0.2% higher	13.6	11.2
Expected rate of pension increase 0.2% lower	–13.0	–10.8
Life expectancy 1 year longer	21.2	18.4

The sensitivity calculations are based on the average maturity of pension provisions determined as at 31 December 2020. In order to present the effects on the present value of pension provisions as at 31 December 2020 separately, the calculations for the key actuarial parameters were performed individually. Correlations between the effects and valuation assumptions were not considered either. Given that sensitivity analyses are based on the average duration of the anticipated pension provisions and, as a result, the expected payout date is not considered, they only provide approximate information and indications of trends.

Defined contribution pension plans

At Hapag-Lloyd, the expenses for defined contribution pension plans relate predominantly to the contributions to the statutory retirement pension system. In the period from 1 January to 31 December 2020, expenses incurred in connection with defined contribution pension plans totalled EUR 33.2 million (previous year: EUR 27.8 million).

Hapag-Lloyd has two defined contribution pension plans operated by multiple employers. Specifically, these plans are a healthcare plan for the USA and the Merchant Navy Officer's Pension Fund (MNOPF), which is registered in the United Kingdom and was set up for officers of the British Merchant Navy around the world.

As the joint plans do not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, these plans have been recognised as contribution plans since then.

The two pension plans operated by multiple employers are not significant for the Hapag-Lloyd Group in either quantitative or qualitative terms.

(22) Other provisions

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

million EUR	As per 1.1.2019	Reclassi-fication	Utilisa-tion	Release	Addition	Exchange rate differ-ences	As per 31.12.2019
Risks from pending transactions and lawsuits	156.1	–30.7	120.5	–	164.5	2.4	171.8
Personnel costs	111.9	–	81.1	3.9	101.2	1.4	129.5
Guarantee, warranty and liability risks	69.9	–	40.2	2.9	59.0	1.4	87.1
Restructuring	16.1	–	5.6	2.0	9.5	0.3	18.3
Insurance premiums	13.4	–	3.3	–	2.3	0.3	12.7
Provisions for other taxes	9.3	–	0.6	–	1.4	0.2	10.3
Other provisions	42.4	–	7.6	13.1	13.3	0.3	35.3
Other provisions	**419.1**	**–30.7**	**258.9**	**22.0**	**351.2**	**6.3**	**464.9**

million EUR	**As per 1.1.2020**	Reclassi-fication	Utilisa-tion	Release	Addition	Exchange rate differ-ences	**As per 31.12.2020**
Risks from pending transactions and lawsuits	171.8	–	161.6	0.1	139.2	–13.2	136.2
Personnel costs	129.5	–	81.6	9.0	100.8	–8.6	131.1
Guarantee, warranty and liability risks	87.1	–	16.5	1.7	33.1	–8.5	93.5
Restructuring	18.3	–	8.6	3.2	4.7	–1.0	10.1
Insurance premiums	12.7	–	4.4	3.4	3.0	–0.7	7.1
Provisions for other taxes	10.3	–	4.0	–	4.4	–1.3	9.4
Other provisions	35.3	–	10.8	8.8	40.9	–1.6	54.9
Other provisions	**464.9**	**–**	**287.5**	**26.3**	**326.1**	**–35.0**	**442.2**

The risks from pending transactions and legal disputes primarily relate to existing performance obligations in connection with transport orders for unfinished voyages.

Provisions for personnel costs comprise provisions for bonuses not yet paid, leave not yet taken, severance compensation, anniversary payments and share-based payment agreements which are part of the Executive Board's variable remuneration. Details of the long-term incentive plans are outlined in Note (32). Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Group.

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo. Other assets were capitalised for associated, virtually secure recourse claims against insurance agencies with an amount of EUR 41.5 million.

Miscellaneous provisions comprise items that cannot be allocated to any of the items already mentioned and include in particular provisions for country-specific risks and archiving provisions.

The maturities of the other provisions are as follows:

	31.12.2020				31.12.2019			
	Remaining terms				Remaining terms			
million EUR	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Risks from pending transactions and lawsuits	136.2	135.2	1.1	–	171.8	170.4	1.5	–
Personnel costs	131.1	103.5	15.6	12.0	129.5	97.0	21.4	11.1
Guarantee, warranty and liability risks	93.5	56.2	35.1	2.1	87.1	68.5	14.3	4.3
Restructuring	10.1	10.1	–	–	18.3	18.3	–	–
Insurance premiums	7.1	7.1	–	–	12.7	12.7	–	–
Provisions for other taxes	9.4	9.4	–	–	10.3	10.3	–	–
Other provisions	54.9	47.7	0.2	6.9	35.3	22.2	4.8	8.3
Other provisions	**442.2**	**369.2**	**52.0**	**21.0**	**464.9**	**399.3**	**42.0**	**23.7**

(23) Financial debt and lease liabilities

	31.12.2020				31.12.2019			
	Remaining terms				Remaining terms			
million EUR	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Financial debt	3,735.9	505.9	2,052.3	1,177.7	5,203.8	758.7	3,089.0	1,356.1
Liabilities to banks[1]	2,533.5	377.5	1,401.8	754.1	4,292.9	678.5	2,433.3	1,181.1
Bonds	306.0	6.8	299.2	–	458.3	10.2	448.1	–
Other financial debt	896.4	121.6	351.3	423.5	452.6	70.1	207.6	175.0
Lease liabilities	1,400.3	459.8	789.6	150.9	1,193.4	482.4	604.3	106.6
Total	**5,136.2**	**965.7**	**2,841.9**	**1,328.5**	**6,397.2**	**1,241.2**	**3,693.3**	**1,462.7**

[1] This includes liabilities which result from sale and leaseback transactions that are accounted for as loan financing in accordance with IFRS 16 in conjunction with IFRS 15, insofar as the liabilities are to banks or special purpose entities, which are established and financed by banks.

Financial debt by currency exposure

million EUR	31.12.2020	31.12.2019
Denoted in USD (excl. transaction costs)	4,698.1	5,472.9
Denoted in EUR (excl. transaction costs)	409.4	736.1
Denoted in SAR (excl. transaction costs)	–	152.0
Denoted in other currencies (excl. transaction costs)	56.0	56.6
Interest liabilities	17.7	32.5
Transaction costs	–45.1	–52.9
Total	**5,136.2**	**6,397.2**

Financial debt includes liabilities to banks, bonds and other financial debt. Leasing liabilities include liabilities in the form of leases.

Liabilities to banks and other financial debt

Liabilities to banks mainly comprise loans to finance the existing fleet of vessels and containers.

Significant elements of the liabilities to banks are collateralised with vessel mortgages. Additional collateral exists in the form of land charges in connection with the Ballindamm property and securitised trade accounts receivable amounting to EUR 479.9 million (previous year: EUR 456.4 million).

In the 2020 financial year, Hapag-Lloyd conducted 7 container sale and leaseback transactions (previous year: 7) to refinance investments in reefer and standard containers. These transactions comprised 6 Japanese operating leases (JOLs), (previous year: 7), and 1 Chinese lease (previous year: 0). The lease agreements associated with the JOL transactions include substantial purchase options that entitle Hapag-Lloyd to repurchase the containers after 7 or 8 years. The Chinese lease transaction includes a requirement for Hapag-Lloyd to repurchase the containers after 12 years. As a result, the transactions are recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume amounts to a total of EUR 293.8 million (previous year: EUR 290.9 million). The liabilities arising from the JOL transactions are included in liabilities to banks, as these liabilities are to special purpose entities, which are established and financed externally by banks. The liability arising from the Chinese lease transaction is included under “other financial debt”, since this liability is to a special purpose entity set up and financed by a leasing company without any direct involvement on the part of any banks.

In addition, Hapag-Lloyd also undertook 6 container sale and leaseback transactions (previous year: 0) in order to refinance used standard containers (referred to as Japanese operating leases, or JOLs). The lease agreements include substantial purchase options that entitle Hapag-Lloyd to repurchase the containers after 3 years. As a result, the transactions are likewise recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume has a total amount of EUR 84.8 million. The liabilities are assigned to the category “other financial debt”, as the liabilities are to special purpose entities which are financed exclusively through equity without the involvement of banks.

In addition, sale and leaseback transactions were carried out in order to refinance 9 container vessels (previous year: 2 container vessels). These 9 transactions included 8 Chinese leases and 1 Japanese operating lease (JOL). The previous financing was repaid early (outstanding loan amount on the repayment date: EUR 296.7 million (previous year: EUR 115.3 million). The lease agreements include substantial purchase options that grant an entitlement to repurchase the container vessels. In one case, Hapag-Lloyd is under an obligation to re-acquire the vessel concerned. As a result, the transactions are likewise recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The refinancing volumes associated with these transactions total EUR 549.2 million (previous year: EUR 168.8 million). The liabilities arising from the Chinese lease transactions are assigned to the category "other financial debt", as the liabilities are to special purpose entities which are established and financed by a leasing company without the direct involvement of banks. The liability arising from the JOL transaction is included in liabilities to banks, as these liabilities are to special purpose entities, which are established and financed externally by banks.

Overall, transactions of this kind resulted in liabilities to banks totalling EUR 1,427.0 million as at the reporting date (previous year: EUR 1,293.7 million) and other financial debt totalling EUR 804.6 million (previous year: EUR 443.3 million). Interest totalling EUR 85.0 million was recognised in interest expenses in the 2020 financial year (previous year: EUR 75.6 million).

The expansion of the ABS programme, which was completed at the beginning of the year as part of the PSP programme, was reclaimed in full over the course of the reporting year. Following renewed payments into the ABS programme, the combined carrying amount for liabilities to banks as at 31 December 2020 was EUR 81.5 million (31 December 2019: EUR 108.8 million).

Bonds

On 16 November 2020, it was decided to make a partial repayment of EUR 150.0 million against the EUR 450.0 million bond. As at 30 November 2020, the euro bond, which has a coupon rate of 5.125% and matures in 2024, was partially repaid at the agreed repayment rate of 102.563%.

The previous year, a repayment of a bond worth EUR 450.0 million, which was due to mature in 2022 and had a coupon rate of 6.75%, was made at a repayment rate of 103.375%.

Lease liability

Details of lease liabilities within Hapag-Lloyd Group are given in Section (30) Leases.

Credit facilities

The credit lines which were utilised at the beginning of the year under the PSP programme were repaid in full at the end of the third quarter of 2020. The Hapag-Lloyd Group had total unused credit lines of EUR 476.5 million as at 31 December 2020 (31 December 2019: EUR 521.3 million).

Reconciliation of the changes in debt with the cash flow from financing activities

	Financial debt				Liabilities (+)/assets (–) from derivative financial instruments in hedge accounting		
million EUR	Liabilities to banks	Bonds	Other finacial liabilities	Lease liabilities	Forward exchange contracts	Interest rate swaps	Total
As at 1 January 2019	**4,483.5**	**923.7**	**511.7**	**99.0**	**62.4**	**8.0**	**6,088.3**
First-time application of IFRS 16	–	–	–	947.6	–	–	947.6
Adjusted as at 1 January 2019	4,483.5	923.7	511.7	1,046.6	62.4	8.0	7,035.9
Changes of liabilities from financing cash flows							
Payments received from raising financial debt	924.3	–	–	–	–	–	924.3
Payments made for redemption of financial debt	–1,206.3	–456.8	–70.2	–	–	–	–1,733.2
Payments made for redemption of lease liabilities	–	–	–	–456.7	–	–	–456.7
Payments received (+)/made (–) from hedges for finacial debt	–	–	–	–	–98.4	–5.3	–103.7
Payments made for interest and fees	–234.5	–62.3	–27.7	–72.6	–	–	–397.1
Total changes of liabilities from financing cash flows	**–516.5**	**–519.1**	**–97.9**	**–529.3**	**–98.4**	**–5.3**	**–1,766.5**
Effect of changes in exchange rates	85.6	7.3	10.5	20.0	1.4	0.1	124.9
Changes in fair value	–	–	–	–	45.7	19.7	65.4
Other changes	240.3	46.4	28.2	656.1	–	–	971.0
As at 31 December 2019	**4,292.9**	**458.3**	**452.5**	**1,193.4**	**11.1**	**22.5**	**6,430.7**

million EUR	Financial debt: Liabilities to banks	Financial debt: Bonds	Financial debt: Other finacial liabilities	Lease liabilities	Liabilities (+)/assets (–) from derivate financial instruments in hedge accounting: Foward exchange contracts	Liabilities (+)/assets (–) from derivate financial instruments in hedge accounting: Inetrest rate swaps	Total
As at 1 January 2020	**4,292.9**	**458.3**	**452.5**	**1,193.4**	**11.1**	**22.5**	**6,430.8**
Changes of liabilities from financing cash flows							
Payments received from raising financial debt	979.9	–	614.0	–	–	–	1,593.8
Payments made for redemption of financial debt	–2,492.6	–157.5	–92.2	–	–	–	–2,742.3
Payments made for redemption of lease liabilities	–	–	–	–514.3	–	–	–514.3
Payments received (+)/made (–) from hedges for finacial debt	–	–	–	–	27.4	–11.3	16.1
Payments made for interest and fees	–182.9	–29.8	–33.3	–69.6	–	–	–315.6
Total changes of liabilities from financing cash flows	**–1,695.6**	**–187.3**	**488.4**	**–583.9**	**27.4**	**–11.3**	**–1,962.3**
Effect of changes in exchange rates	–244.3	6.9	–75.3	–129.4	0.2	–3.0	–444.9
Changes in fair value	–	–	–	–	–43.4	27.2	–16.2
Other changes [1]	180.5	28.1	30.7	920.2	–	–	1,159.5
As at 31 December 2020	**2,533.5**	**306.0**	**896.4**	**1,400.3**	**–4.7**	**35.4**	**5,166.9**

[1] The other changes to lease liability can be attributed primarily to current income from IFRS 16 amounting to EUR 847.0 million as well as changes in the group of consolidated companies.

(24) Trade accounts payable, contract liabilities and other liabilities

	31.12.2020				31.12.2019			
	Remaining terms				Remaining terms			
million EUR	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Financial liabilities								
Trade accounts payable	1,748.1	1,748.1	–	–	1,779.4	1,779.4	–	–
thereof to third parties	1,748.1	1,748.1	–	–	1,779.4	1,779.4	–	–
Other liabilities	93.1	91.3	1.6	0.2	105.6	103.8	1.7	0.2
Other liabilities to employees	3.3	3.2	–	0.2	9.0	8.8	–	0.2
Liabilities from offsetting or overpayment	28.5	28.5	–	–	26.4	26.4	–	–
Put option	1.6	–	1.6	–	1.6	–	1.6	–
Other liabilities	59.6	59.6	–	–	68.6	68.6	–	–
Total	**1,841.2**	**1,839.4**	**1.6**	**0.2**	**1,885.0**	**1,883.2**	**1.7**	**0.2**
Non-financial liabilities								
Contract liabilities	545.7	545.7	–	–	372.9	372.9	–	–
Other liabilities	26.4	23.3	3.1	0.1	26.4	22.9	3.4	0.1
Other liabilities as part of social security	11.4	10.1	1.2	0.1	13.7	12.0	1.7	0.1
Other liabilities from other taxes	11.8	10.6	1.2	–	9.0	9.0	–	–
Prepaid income	2.9	2.2	0.7	–	3.5	1.8	1.7	–
Other liabilities	0.3	0.3	–	–	0.1	0.1	–	–
Total	**572.1**	**569.0**	**3.1**	**0.1**	**399.2**	**395.7**	**3.4**	**0.1**

(25) Derivate financial instruments

million EUR	31.12.2020 Total	31.12.2020 Remaining term more than 1 year	31.12.2019 Total	31.12.2019 Remaining term more than 1 year
Liabilities from derivative financial instruments	35.5	35.5	34.4	22.8
thereof derivatives in hedge accounting[1]	22.7	22.7	26.4	14.9
thereof derivatives not included in hedge accounting	12.8	12.8	8.0	8.0

[1] The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for costs of hedging, are also included.

Liabilities from derivative financial instruments are solely the result of interest rate swaps. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (see Note (26)).

(26) Financial instruments

Financial risks and risk management

Risk management principles

The Hapag-Lloyd Group's global business activity exposes it to market risks. The market risks include, in particular, currency risk, fuel price risk and interest rate risk. The objective of financial risk management is to reduce market risks. For this purpose, selected derivative financial instruments are deployed at Hapag-Lloyd AG; these are used solely as an economic hedging measure and not for trading or other speculative purposes.

In addition to market risks, the Hapag-Lloyd Group is subject to liquidity risks and default risks, which reflect the risk of the Group itself, or one of its contractual partners, being unable to meet its contractually agreed payment obligations.

The basic features of financial risk management have been established and described in a financial management guideline approved by the Executive Board. The guideline stipulates areas of responsibility, describes the framework for action and the reporting function, and establishes the strict separation of trading and handling with binding force.

The derivative financial instruments used to limit market risks are acquired only through financial institutions with first-rate creditworthiness. The hedging strategy is approved by the Executive Board of Hapag-Lloyd AG. Implementation, reporting and ongoing financial risk management are the responsibility of the Treasury department. The derivative financial instruments employed to reduce market risks are consistent with the payment dates and the relevant risks of the hedged items. Accordingly, the financial instruments designated as cash flow hedges serve to hedge the cash flows, and, as a result, increase financial security. Accounting for the hedging relationships leads to a reduction in the volatility reported in the consolidated income statement, as the effect of the hedged item on profit or loss is matched by the corresponding opposite change in the fair value of the hedging instrument in the same reporting periods in the same line items of the income statement.

Market risk

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

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

In order to portray the market risks, IFRS 7 demands sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on profit or loss for the period and equity. The hypothetical changes in these risk variables relate to the respective portfolio of primary and derivative financial instruments on the reporting date.

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

Currency risk

Currency risks are hedged as far as they exert a significant influence on the Hapag-Lloyd Group's cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates in order to protect against future disadvantageous fluctuations of the currency exchange rate.

The Hapag-Lloyd Group's functional currency is the US dollar. Currency risks mainly result from incoming or outgoing payments in currencies other than the US dollar and from financial debt taken on in euros. Apart from the euro, the Chinese renminbi (CNY), Hong Kong dollar (HKD), Canadian dollar (CAD), Singapore dollar (SGD) and Indian rupee (INR) are also significant currencies for the Group.

If necessary, currency hedges are conducted, while taking account of internal guidelines. The Group hedges a portion of its operating cost exposure denominated in CAD by using currency forward contracts on a 13-week basis with the aim of limiting currency risks. The hedging quota for costs denominated in CAD is up to 80%.

The repayment of euro-denominated financial debt is hedged up to as much as 100%. The risks are hedged by making use of derivative financial instruments in the form of currency forward contracts and instruments that have a natural hedging effect (e. g. euro money market investments). As a rule, forward contracts used to hedge euro-denominated debt generally mature within less than 1 year.

In addition, pension obligations denominated in euros are hedged in full. Currency forward contracts and euro-denominated money market deposits are also used for hedging purposes in the same way as euro-denominated financial debt.

Hapag-Lloyd only designates the spot price element of the currency forward contracts. The change in the forward component is recorded in the reserve for hedging costs within equity.

An economic relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged items as a result of a change in a common risk factor, and not when it simply results from a purely statistical correlation.

Ineffectiveness in hedging relationships can arise in particular for the following reasons:

- Timing differences between the hedged items and the hedging instrument.
- Designation of currency forward contracts which already have a market value (off-market derivatives).

The following sensitivity analysis contains the Hapag-Lloyd Group's currency risks in relation to primary and derivative financial instruments. It reflects the risk that arises in the event that the US dollar as the functional currency appreciates or depreciates by 10% against the major Group currencies (EUR, CNY, HKD) at the reporting date. The analysis is depicted on the basis of a posted foreign currency exposure of USD –514.8 million.

	31.12.2020		31.12.2019	
million USD	Effect on earnings	Reserve for cost of hedging (equity)	Effect on earnings	Reserve for cost of hedging (equity)
USD/EUR				
+10%	10.7	–	22.3	0.1
–10%	–10.7	–	–22.3	–0.1
USD/CNY				
+10%	–8.8	–	n/a	n/a
–10%	8.8	–	n/a	n/a
USD/HKD				
+10%	–5.2	–	n/a	n/a
–10%	5.2	–	n/a	n/a

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

Fuel price risk

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

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

Hapag-Lloyd only designates the intrinsic value of the option. The change in the fair value is recorded in the reserve for hedging costs within equity.

An economic relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged items as a result of a change in a common risk factor, and not when it simply results from a purely statistical correlation. Due to the IMO 2020 regulation, since 1 January 2020 the Hapag-Lloyd Group has been using mainly low-sulphur fuel (VLSFO 0.5%). In light of the fact that, until the beginning of 2020, liquidity and the level of price transparency on the financial market for derivative financial instruments in respect of the underlying VLSFO 0.5% were both inadequate, fuel price hedging was initially implemented by using gas oil options 0.1% (marine gas oil) as a proxy for VLSFO 0.5%. Since April 2020, only commodity options and swaps on the underlying VLSFO 0.5% have been concluded.

Ineffectiveness in hedging relationships can arise in particular for the following reasons:

- Differences in payment dates between the hedged items and the hedging instrument.
- Change in the correlation between quoted bunker prices worldwide.

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

	31.12.2020		31.12.2019	
million EUR	10%	–10%	10%	–10%
Reserve for cash flow hedges	3.8	–3.7	–	–
Reserve for cost of hedging	1.5	–0.2	36.6	–12.0

Interest rate risk

The Hapag-Lloyd Group is exposed to interest rate risks affecting cash flow, particularly from financial debt based on variable interest rates. In order to minimise the interest rate risk, the Group strives to achieve a balanced combination of assets and liabilities with variable and fixed interest rates. Interest rate swaps are also used to hedge against the interest rate risk. In addition, non-cash interest rate risks relating to the measurement of separately recognised embedded derivatives exist in the form of early buy-back options for issued bonds. Effects from the market valuation of these financial instruments are also reflected in the interest result. In order to reduce interest rate risk, Hapag-Lloyd designates interest swaps as hedges of the variable element of interest rate payments of hedged items. Some interest swaps hedge a proportion of the total nominal volumes. In this way, certain hedged items are not designated in full, but only certain risk components are hedged.

The variations in the cash flows of the hedging transactions are primarily affected by changes in the variable interest rate.

An economic relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged items as a result of a change in a common risk factor, and not when it simply results from a purely statistical correlation. As a rule, the nominal volume, benchmark interest rate and interest rate fixing dates of the hedged items and the hedging instrument are matched.

Ineffectiveness in hedging relationships can arise in particular for the following reasons:

- Differences in payment dates between the hedged items and the hedging instrument.
- Designation of interest rate swaps which already have a market value (off-market derivatives).

In order to present the interest rate risks pursuant to IFRS 7, a sensitivity analysis was performed and used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2020 was increased or decreased by +/–100 basis points. Taking into account the low interest rate level, hypothetical, negative changes in interest rates were only made up to a maximum of 0. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 1,854.9 million that existed at the reporting date (previous year: EUR 3,042.2 million), the fair value of interest rate swaps of EUR –35.4 million (previous year: EUR –22.5 million) and the market value of embedded derivatives totalling EUR 21.6 million (previous year: EUR 27.3 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

million EUR	31.12.2020		31.12.2019	
Change in variable interest rate	+100 base points	–100 base points	+100 base points	–100 base points
Reserve for cash flow hedges	23.1	–24.3	12.5	–13.0
Earnings before taxes	–19.3	3.8	–39.5	40.2

As part of the IBOR reform, the existing reference interest rates (interbank offered rates – IBOR) are to be replaced by alternative risk-free interest rates by the end of 2021. To ensure that hedging relationships can still be recognised in financial statements, Hapag-Lloyd has adopted the resulting changes to IFRS 9, IAS 39 and IFRS 7 since 1 January 2020. In the Hapag-Lloyd Group, only the hedging relationships for interest rate risks are directly affected by these amendments. The reference interest rate that the hedged variable cash flows are based on is the USD LIBOR. As at 31 December 2020, the nominal volume of the financial instruments in a hedging relationship for hedging interest rate risks was USD 1,014.6 million.

The Hapag-Lloyd Group is currently examining the effects of the alternative reference interest rates on existing IBOR-based agreements and preparing relevant IT systems, where possible, so that they can reproduce the financing agreements and the hedging instruments based on the new reference interest rates. There is a high level of uncertainty in the market about how the alternative reference interest rates are calculated, when they will be ready and therefore also about how they will affect existing and new financing agreements and hedging instruments in particular. However, Hapag-Lloyd assumes that the replacement of the reference interest rates in the hedged item and hedging instrument and the associated contractual changes will occur at the same time. As a result, there will be no incongruence between the hedged item and the hedging instrument, thereby ensuring that the existing hedging relationships remain effective. With regard to further developments relating to alternative reference interest rates, Hapag-Lloyd is in regular contact with its international bank partners.

Credit risk

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

Generally, a risk of this kind is minimised by the creditworthiness requirements which the respective contracting partners are required to fulfil. With regard to its operating activities, the Group has an established credit and receivables management system at area, regional and head office level which is based on internal guidelines. Payment periods for customers are determined and continuously monitored within the framework of a credit check. This process takes account of both internal data based on empirical values and external information on the respective customer's creditworthiness and rating. In addition, collective factors such as country risks are taken into account. In reaction to the COVID-19 pandemic, receivable balances and credit risk have been subjected to increased monitoring by means of even more frequent reporting between regions and head office. There are also credit insurance arrangements and bank guarantees in place at the reporting date which provide protection against credit risk.

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

Analyses of the maturity structure of trade accounts receivable and other assets and information on the impairment allowances recorded against these financial assets is provided in Note (13) and in the description of accounting and measurement methods for primary financial instruments.

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

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

For the derivative financial instruments with positive fair values totalling EUR 14.5 million (previous year: EUR 14.8 million) and negative fair values totalling EUR –35.5 million (previous year: EUR –34.4 million), there is the potential to offset financial assets and financial liabilities in the amount of EUR 3.0 million (previous year: EUR –5.3 million), taking into account the German Master Agreement for Financial Derivatives and the ISDA Framework Agreement. The market values of embedded derivatives linked to the buy-back option of issued bonds totalling EUR 21.6 million (previous year: EUR 27.3 million) were not taken into account here.

Liquidity risk

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

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

The bonds issued entail certain limitations with regard to possible payments to the shareholders and subordinated creditors. In addition, there are termination clauses which are customary in the market relating to much of the financial debt in the event that more than 50% of the Company's shares are acquired by a third party.

Further explanatory notes regarding the management of liquidity risks are included in the risk and opportunity report of the combined management report.

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

Cash flows of financial instruments (31.12.2019)

	Cash inflows and outflows				
million EUR	2020	2021	2022 – 2024	from 2025	Total
Primary financial liabilities					
Liabilities to banks	–839.9	–736.8	–2,202.6	–1,159.3	–4,938.6
Bonds	–23.1	–23.1	–519.2	–	–565.3
Lease liabilities	–522.3	–290.1	–357.4	–108.2	–1,278.0
Other financial liabilities	–91.8	–96.1	–169.6	–192.4	–549.8
Trade accounts payable	–1,779.4	–	–	–	–1,779.4
Other liabilities	–103.8	–	–	–0.2	–104.0
Liabilities from put options	–	–	–2.5	–	–2.5
Total primary financial liabilities	**–3,360.3**	**–1,146.1**	**–3,251.3**	**–1,460.0**	**–9,217.6**
Total derivative financial liabilities	**–18.3**	**–7.2**	**–9.8**	**–**	**–35.3**

Cash flows of financial instruments (31.12.2020)

	Cash inflows and outflows				
million EUR	2021	2022	2023 – 2025	from 2026	Total
Primary financial liabilities					
Liabilities to banks	–463.0	–585.3	–1,092.5	–696.1	–2,836.9
Bonds	–15.4	–15.4	–330.8	–	–361.5
Lease liabilities	–514.3	–366.3	–511.8	–164.5	–1,557.0
Other financial liabilities	–152.3	–115.7	–331.0	–477.4	–1,076.3
Trade accounts payable	–1,748.1	–	–	–	–1,748.1
Other liabilities	–91.3	–	–	–0.2	–91.4
Liabilities from put options	–	–	–3.1	–	–3.1
Total primary financial liabilities	**–2,984.4**	**–1,082.7**	**–2,269.1**	**–1,338.1**	**–7,674.4**
Total derivative financial liabilities	**–14.6**	**–12.8**	**–9.5**	**–**	**–36.9**

In principle, it is not expected that the cash outflows in the maturity analysis will occur at points in time that differ significantly or in amounts that differ significantly.

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2020 were included. Amounts in foreign currencies were translated at the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the reporting date were used for the following periods as well.

The cash outflows from the put options resulted from the undiscounted expected strike price of the put option.

The cash outflows from derivative financial instruments include the estimated net payments of the interest rate swaps used, on the basis of the yield curve applicable on the reporting date.

The cash outflows associated with the liability contained in other financial debt to reflect a contingent consideration payable for a business combination result from the undiscounted expected payments which are dependent on the development of the volumes of the agency acquired.

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

Currency risks are currently hedged by means of currency forward contracts. Commodity options and swaps are used as hedges for fuel price risks. Interest rate swaps are used to hedge interest rate risks.

Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

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

	31.12.2020		31.12.2019	
million EUR	Positive market values	Negative market values	Positive market values	Negative market values
Hedging instruments acc. to IFRS 9 (Hedge accounting)				
Commodity options	9.0	–	13.5	–
Currency forward contracts	5.4	–	1.0	–11.6
Interest rate swaps	–	–22.7	0.3	–14.9
Hedges[1]	**14.5**	**–22.7**	**14.8**	**–26.4**
Derivative financial instruments (FVTPL)				
Interest rate swaps	–	–12.8	–	–8.0
Embedded derivatives	21.6	–	27.3	–
Other derivative financial instruments	**21.6**	**–12.8**	**27.3**	**–8.0**
Total	**36.0**	**–35.5**	**42.1**	**–34.4**

[1] The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for cost of hedging are also included.

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

The market values of commodity options are calculated using the modified Turnbull & Wakeman model and are based on current commodity prices and commodity price volatility, as well as forward prices. Currency forward contracts are measured on the basis of their market-traded forward price as at the reporting date. The fair value of the commodity and interest rate swaps is calculated at the present value of the anticipated future cash flows. Estimates of future commodity price payments are based on forward prices associated with the underlying quoted commodity prices. The estimates of future cash flows from variable interest payments are based on quoted swap rates and interbank interest rates. The estimate of the fair value is adjusted by the credit risk of the Group and the counterparty.

An analysis of the host contracts conducted on the bonds issued by Hapag-Lloyd resulted in the identification of embedded derivatives in the form of early buy-back options. These are presented at their fair values as separate derivatives independently of the host contract. The market value of the embedded derivatives is calculated using the Hull-White model in combination with a trinomial decision tree based on current market values.

Hedging relationships in accordance with IFRS 9 in the reporting period wholly consist of cash flow hedges.

The following table shows the nominal values and the average prices or spot rates of the hedging instruments by risk category:

	31.12.2020			31.12.2019		
	Remaining terms			Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
Currency risk						
Hedged nominal in million EUR	377.7	–	377.7	649.1	–	649.1
Hedged nominal in million CAD	57.5	–	57.5	52.5	–	52.5
Average hedged rate USD / EUR	1.21	–	1.21	1.16	–	1.16
Average hedged rate USD / CAD	0.77	–	0.77	0.76	–	0.76
Fuel price risk						
Hedged nominal in million USD	72.4	–	72.4	539.9	–	539.9
Average hedged price in USD	361.61	–	361.61	647.94	–	647.94
Interest rate risk						
Hedged nominal in million USD	–	1,014.6	1,014.6	–	561.3	561.3
Average fixed interest rate	–	1.52%	1.52%	–	2.77%	2.77%

The hedging instruments designated for use in hedging relationships have the following effect on the consolidated statement of financial position:

	31.12.2019				
Hedge of cash flows	Nominal amount	Carrying amount asset in million EUR [1]	Carryig amount liability in million EUR [1]	Line item in the statement of financial position	Change in fair value used as measurment of the ineffective-ness in the reporting period in million EUR
Currency risk					
Currency forward contracts (USD/EUR)	EUR 649.1 million	0.5	11.6	Derivative financial instruments	–1.4
Currency forward contracts (USD/CAD)	CAD 52.5 million	0.5	–	Derivative financial instruments	0.5
Fuel price risk					
Commodity options	833,250 mt	13.5	–	Derivative financial instruments	–
Interest rate risk					
Interest rate swaps	USD 561.3 million	0.3	14.9	Derivative financial instruments	–14.6

	31.12.2020				
Hedge of cash flows	Nominal amount	Carrying amount asset in million EUR [1]	Carryig amount liability in million EUR [1]	Line item in the statement of financial position	Change in fair value used as measurment of the ineffective-ness in the reporting period in million EUR
Currency risk					
Currency forward contracts (USD/EUR)	EUR 377.7 million	4.7	–	Derivative financial instruments	5.1
Currency forward contracts (USD/CAD)	CAD 57.5 million	0.7	–	Derivative financial instruments	0.7
Fuel price risk					
Commodity options	75,000 mt	0.2	–	Derivative financial instruments	–
Commodity swaps	125,000 mt	8.8	–	Derivative financial instruments	8.8
Interest rate risk					
Interest rate swaps	USD 1,014.6 million	–	22.7	Derivative financial instruments	–22.6

[1] The changes in market value of the non-designated time values and forward components which are recognised in the reserve for costs of hedging are also included.

The hedged items designated to hedging relationships have the following effect on the consolidated statement of financial position:

Hedge of cash flows million EUR	31.12.2019 Change in value used as measurement of the ineffectiveness	Reserve for cash flow hedges
Currency risk		
Repayment of financial debt in EUR	1.4	–
Operational costs in CAD	–0.5	0.2
Fuel price risk		
Bunker purchases	–	–
Interest rate risk		
Interest payments of variable rate loans	14.6	–14.1

Hedge of cash flows million EUR	**31.12.2020** Change in value used as measure-ment of the in-effectiveness	Reserve for cash flow hedges
Currency risk		
Repayment of financial debt in EUR	–5.0	–
Repayment of pension obligations in EUR	–0.1	–
Operational costs in CAD	–0.7	0.2
Fuel price risk		
Bunker purchases	–8.8	8.8
Interest rate risk		
Interest payments of variable rate loans	22.6	–21.4

The hedging relationships described above have the following effect on the Group's income statement or other comprehensive income:

Hedge of cash flows million EUR	31.12.2019 Hedging gains or losses recognised in other compre-hensive income	Ineffectiveness recognised in the income statement	Line item in the income statement	Amount reclassified from the other comprehensive income into profit or loss	Line item in the income statement
Currency risk					
Repayment of financial debt in EUR	–17.3	–	–	17.3	Other financial items
Operational costs in CAD	1.5	–	–	–0.9	Transport expenses / other operat-ing result
Fuel price risk					
Bunker purchases	–	–	–	–	–
Interest rate risk					
Interest payments of variable rate loans	–15.8	2.2	Interest expenses	2.1	Interest expenses

Hedge of cash flows million EUR	31.12.2020 Hedging gains or losses recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Line item in the income statement	Amount reclassified from the other comprehensive income into profit or loss	Line item in the income statement
Currency risk					
Repayment of financial debt in EUR	53.7	–	–	–53.7	Other financial items
Repayment of pension obligations in EUR	0.1	–	–	–0.1	Other financial items
Operational costs in CAD	0.6	–	–	–0.6	Transport expenses/other operating result
Fuel price risk					
Bunker purchases	13.7	–	–	–	–
Interest rate risk					
Interest payments of variable rate loans	–17.9	–	–	8.8	Interest expenses

The following table shows a reconciliation of the equity reserves which result from accounting for hedging relationships:

Cash flow hedges million EUR	2020 Reserve for cash flow hedges	2020 Reserve for cost of hedging	2019 Reserve for cash flow hedges	2019 Reserve for cost of hedging
Balance at 1.1.	**–14.0**	**–10.2**	**–0.8**	**–7.7**
Change in fair value:	50.3	–40.1	–31.7	–40.9
Currency risk [1]	54.5	–10.5	–15.9	–28.6
Fuel price risk [2]	13.7	–29.6	–	–12.3
Interest rate risk	–17.9	–	–15.8	–
Reclassification into profit or loss:	–45.7	11.8	18.5	27.0
Currency risk [1]	–54.5	11.8	16.4	27.0
Interest rate risk	8.8	–	2.1	–
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	–4.2	36.2	–	11.7
Fuel price risk [2]	–4.2	36.2	–	11.7
Currency translation differences:	1.2	0.3	–	–0.2
Fuel price risk [2]	–0.7	0.3	–	–0.2
Interest rate risk	1.9	–	–	–
Balance at 31.12.	**–12.4**	**–1.9**	**–14.0**	**–10.2**

[1] The currency risk shown in the reserve for cost of hedging includes only amounts in connection with forward components in currency forward contracts which are used to hedge against primarily time-period related hedged items.
[2] The fuel price risks shown in the reserve for cost of hedging includes only amounts in connection with the time values of commodity options to hedge against transaction related hedged items.

Financial instruments – additional disclosures, carrying amounts and fair values
The fair value of a financial instrument is the price that would be received for an asset or that would be paid for the transfer of a liability on the relevant day in the course of a normal transaction between market participants.

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

The carrying amounts of cash and cash equivalents, trade accounts receivable, trade accounts payable and significant portions of other assets and other liabilities are a suitable approximation of the fair values.

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

The securities in the “fair value through profit or loss” category which are included in other assets are measured at their quoted market price. The financial instruments in the “fair value through profit or loss” category also contain investments not listed on a stock exchange for which there are no market prices listed on an active market. As there is insufficient information available to determine the fair values of these investments, they are measured at cost of acquisition as the best possible estimate of their fair values. A disposal of the investments is not planned at present.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2019

million EUR	Classification category according to IFRS 9	Carrying amount 31.12.2019 Total	Amount recognised in the balance sheet under IFRS 9: Amortised acquisition cost	Amount recognised in the balance sheet under IFRS 9: Fair value with no effect on profit or loss	Amount recognised in the balance sheet under IFRS 9: Fair value through profit and loss	Amount recognised in the balance sheet under IFRS 16	Amount recognised in the balance sheet under IFRS 15	Fair value of financial instruments
Assets								
Other assets	AC	248.7	248.7	–	–	–	–	248.7
	n/a[3]	113.4	–	–	–	–	–	–
	FVTPL	8.5	–	–	8.5	–	–	8.5
Derivative financial instruments								
Derivatives (FVTPL)	FVTPL	27.3	–	–	27.3	–	–	27.3
Hedges (Hedge accounting)[1]	n/a[3]	14.8	–	14.8	–	–	–	14.8
Trade accounts receivable	AC	1,239.8	1,239.8	–	–	–	–	1,239.8
Cash and cash equivalents	AC	511.6	511.6	–	–	–	–	511.6
Liabilities								
Financial debt	FLAC	5,203.2	5,203.2	–	–	–	–	5,277.2
	FVTPL	0.6	–	–	0.6	–	–	0.6
Lease liabilities	n/a[3]	1,193.4	–	–	–	1,193.4	–	–
Other liabilities	FLAC	104.0	104.0	–	–	–	–	104.0
	n/a[3]	26.4	–	–	–	–	–	–
Liabilities from put options[2]	FLAC	1.6	1.6	–	–	–	–	1.8
Derivative financial liabilities								
Derivatives (FVTPL)	FVTPL	8.0	–	–	8.0	–	–	8.0
Hedges (Hedge accounting)[1]	n/a[3]	26.4	–	26.4	–	–	–	26.4
Trade accounts payable	FLAC	1,779.4	1,779.4	–	–	–	–	1,779.4
Contract liabilities	n/a[3]	372.9	–	–	–	–	372.9	–
Thereof aggregated according to IFRS 9 classification category								
Financial Assets measured at Amortized Cost (AC)		2,000.0	2,000.0	–	–	–	–	–
Financial Assets and Liabilities measured at Fair Value through Profit and Loss (FVTPL)		44.4	–	–	44.4	–	–	–
Financial Liabilities measured at Amortized Cost (FLAC)		7,088.3	7,088.3	–	–	–	–	–

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for costs of hedging, are also included.
2 Part of other liabilities.
3 n/a means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2020

million EUR	Classi-fication category according to IFRS 9	Carrying amount 31.12.2020 Total	Amount recognised in the balance sheet under IFRS 9: Amortised acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss	Amount recognised in the balance sheet under IFRS 16	Amount recognised in the balance sheet under IFRS 15	Fair value of financial instruments
Assets								
Other assets	AC	209.8	209.8	–	–	–	–	209.8
	n/a[3]	100.9	–	–	–	–	–	–
	FVTPL	7.7	–	–	7.7	–	–	7.7
Derivative financial instruments								
Derivatives (FVTPL)	FVTPL	21.6	–	–	21.6	–	–	21.6
Hedges (Hedge accounting)[1]	n/a[3]	14.5	–	14.5	–	–	–	14.5
Trade accounts receivable	AC	1,362.6	1,362.6	–	–	–	–	1,362.6
Cash and cash equivalents	AC	681.3	681.3	–	–	–	–	681.3
Liabilities								
Financial debt	FLAC	3,734.9	3,734.9	–	–	–	–	3,838.3
	FVTPL	1.0	–	–	1.0	–	–	1.0
Lease liabilities	n/a[3]	1,400.3	–	–	–	1,400.3	–	–
Other liabilities	FLAC	91.4	91.4	–	–	–	–	91.4
	n/a[3]	26.4	–	–	–	–	–	–
Liabilities from put options[2]	FLAC	1.6	1.6	–	–	–	–	2.4
Derivative financial liabilities								
Derivatives (FVTPL)	FVTPL	12.8	–	–	12.8	–	–	12.8
Hedges (Hedge accounting)[1]	n/a[3]	22.7	–	22.7	–	–	–	22.7
Trade accounts payable	FLAC	1,748.1	1,748.1	–	–	–	–	1,748.1
Contract liabilities	n/a[3]	545.7	–	–	–	–	545.7	–
Thereof aggregated according to IFRS 9 classification category								
Financial Assets measured at Amortized Cost (AC)		2,253.7	2,253.7	–	–	–	–	–
Financial Assets and Liabilities measured at Fair Value through Profit and Loss (FVTPL)		43.1	–	–	43.1	–	–	–
Financial Liabilities measured at Amortized Cost (FLAC)		5,576.1	5,576.1	–	–	–	–	–

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for costs of hedging, are also included.
2 Part of other liabilities.
3 n/a means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

The fair values are allocated to different levels of the fair value hierarchy based on the input factors used in the valuation methods. An explanation of the individual levels from 1 to 3 of the fair value hierarchy can be found in the chapter "Accounting and measurement principles" in the Notes to the consolidated financial statements. There were no transfers between levels 1 to 3 in the previous financial year.

The following table shows the classification of the financial instruments measured at fair value in the 3 levels of the fair value hierarchy. In addition to the fair value of the financial instruments that are recognised at fair value under IFRS 9, the table also includes financial instruments that are recognised at amortised cost and whose fair value differs from this.

million EUR	Classification category according to IFRS 9	31.12.2019 Level 1	Level 2	Level 3	Total
Assets					
Securities / investments	FVTPL	1.9	–	6.6	8.5
Derivative financial instruments (Hedge accounting)	n/a[2]	–	14.8	–	14.8
Derivative financial instruments (Trading)	FVTPL	–	27.3	–	27.3
Liabilities					
Derivative financial instruments (Hedge accounting)	n/a[2]	–	26.4	–	26.4
Derivative financial instruments (Trading)	FVTPL	–	8.0	–	8.0
Financial debt	FVTPL	–	–	0.6	0.6
Financial debt	FLAC	472.8	4,804.4	–	5,277.2
Liabilities from put options[1]	FLAC	–	–	1.8	1.8

million EUR	Classification category according to IFRS 9	31.12.2020 Level 1	Level 2	Level 3	Total
Assets					
Securities / investments	FVTPL	1.7	–	6.0	7.7
Derivative financial instruments (Hedge accounting)	n/a[2]	–	14.5	–	14.5
Derivative financial instruments (Trading)	FVTPL	–	21.6	–	21.6
Liabilities					
Derivative financial instruments (Hedge accounting)	n/a[2]	–	22.7	–	22.7
Derivative financial instruments (Trading)	FVTPL	–	12.8	–	12.8
Financial debt	FVTPL	–	–	1.0	1.0
Financial debt	FLAC	308.0	3,530.3	–	3,838.3
Liabilities from put options[1]	FLAC	–	–	2.4	2.4

[1] Part of other liabilities
[2] n/a means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

Net earnings

The net earnings of the financial instruments by classification category pursuant to IFRS 9 are as follows:

	31.12.2020			31.12.2019		
million EUR	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
Financial assets measured at amortised cost	3.3	30.1	33.4	5.1	–18.2	–13.1
Financial liabilities measured at amortised cost	–235.2	–79.0	–314.2	–312.7	16.5	–296.2
Financial assets and liabilities measured at fair value through profit or loss	–13.0	–4.1	–17.2	17.4	0.2	17.7
Total	**–244.9**	**–53.0**	**–298.0**	**–290.2**	**–1.5**	**–291.7**

In addition to interest expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of financial assets and liabilities as well as the realised and unrealised result from derivative financial instruments that are not part of an effective hedging relationship as set out in IFRS 9.

Capital management

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth, measured on the basis of the developments in transport volume, the key performance indicators EBITDA and EBIT as well as the return on invested capital (ROIC) as an indicator of the performance within a period. The aim is to generate a return on invested capital at least equal to the weighted average cost of capital (WACC) of the Group across one economic cycle in the medium term. To facilitate comparison with other international shipping companies, the return on invested capital is calculated and presented exclusively on the basis of the functional currency, the US dollar.

The Hapag-Lloyd Group strives to achieve an adequate financial profile in order to guarantee the continuation of the Company and its financial flexibility and independence. The goal of its capital management is to safeguard the capital base over the long term. It intends to achieve this with a healthy balance of financing requirements for the desired profitable growth.

Covenant clauses of a type customary on the market have been arranged for existing financing. These clauses primarily concern certain equity and liquidity indicators of the Group along with loan-to-value ratios. As at 31 December 2020, these covenants were fulfilled for the existing financing. Based on current planning, the Executive Board expects that these covenants will also be adhered to during the subsequent period.

OTHER NOTES

(27) Government assistance
The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 9.6 million in 2020 (prior year period: EUR 9.7 million) according to the guideline for lowering indirect labour costs in the German marine industry. Overall, the Group received assistance and subsidies of EUR 11.9 million in the reporting year (prior year period: EUR 10.4 million), which was recognised through profit and loss as a deduction from personnel expenses.

In addition, Hapag-Lloyd USA, a wholly owned subsidiary of HLAG, receives government funding as part of the Maritime Security Program (MSP). Government grants in the 2020 financial year totalled EUR 22.2 million (prior year period: EUR 25.0 million). These grants have been recognised through profit and loss as a deduction from transport expenses.

The Hapag Lloyd AG received subsidies totalling EUR 2.1 million (prior year period: EUR 0.0 million) in the context of the COVID-19 pandemic. Hapag Lloyd Singapore, a wholly-owned subsidiary of Hapag Lloyd AG, received subsidies totalling EUR 1.8 million with a view to protecting jobs from the effects of the COVID-19 pandemic (prior year period: EUR 0.0 million). These subsidies have been recognised through profit and loss under other operating result.

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

As at 31 December 2020, there were no sureties or guarantees requiring disclosure.

(29) Legal disputes
Hapag-Lloyd AG and several of its foreign subsidiaries are involved in legal proceedings. These encompass a range of topics, such as disputes with foreign tax authorities, claims asserted by departed employees and disputes arising from contractual relationships with customers, former agents and suppliers.

Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2020. Such payment obligations will not have any significant influence on the Group’s net asset, financial and earnings position. As at the reporting date, there was EUR 7.6 million in contingent liabilities from legal disputes not classified as probable (previous year: EUR 9.1 million).

Hapag-Lloyd is subject to regular tax audits in various countries where the Group conducts large-scale business activities (e. g. Germany, India, USA). These tax audits may lead to the payment of tax arrears. In addition, Hapag-Lloyd regularly analyses and assesses potential tax risks within the Group (e. g. in the area of transfer pricing). To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions. As at the reporting date, there was also EUR 45.7 million in contingent liabilities from tax risks not classified as probable (previous year: EUR 48.5 million).

(30) Leases

Lessee

As a lessee, Hapag-Lloyd rents container vessels, containers, office buildings, office space and parking spaces as well as other business equipment.

Charter agreements for container vessels are nearly always structured as time charter contracts, i. e. in addition to the capital costs, the charterer bears all of the vessel operating costs, which are reimbursed as part of the charter rate. Non-lease components which are included in the price structure of the charter rates are not part of the lease liability. These costs are recognised in the (consolidated) income statement based on the time at which they are incurred. A portion of the charter agreements includes renewal options. These options allow Hapag-Lloyd to react flexibly to changes on the market and to secure the use of the container vessels. Exercising these options to extend would give rise to potential lease payments amounting to EUR 0.5 billion (prior year period: EUR 0.5 billion). The potential lease payments have not previously been included as part of the lease liability.

The structure of the container lease contracts varies. Many of the contracts contain mutual rights of termination. These rights of termination allow Hapag-Lloyd to react quickly and flexibly to changes on the market. If these rights of termination are not exercised, this could give rise to potential lease payments amounting to EUR 0.1 billion per year (prior year period: EUR 0.1 billion). The potential lease payments have not yet been recognised as part of the lease liability.

The market conditions as of the reporting date, which were influenced in particular by the COVID-19 pandemic, were taken into account by reassessing and extending the terms of both the charter contracts for container ships and the container rental contracts with a mutual right of termination and short-term residual terms.

The structure of lease contracts for office buildings, office space and parking space also varies. Many of the lease contracts contain unilateral rights of termination.

For further details of the way leases are recognised within the Hapag-Lloyd Group in accordance with IFRS 16, please refer to the “Accounting and measurement” section.

The lease contracts for the aforementioned asset classes have terms ranging from 1 year (e. g. vessels) to 26 years (e. g. buildings).

Hapag-Lloyd has leases in place for rented container vessels, rented office buildings, office space and parking spaces, rented vehicles and other business equipment, with terms of less than 12 months. No rights of use and no lease liabilities are recognised in the consolidated statement of financial position for these short-term leases. In addition, the Company has leases for other business equipment for which the underlying asset is of low value. No rights of use and no lease liabilities are recognised in the consolidated statement of financial position for these low-value leases either.

Hapag-Lloyd excludes IT contracts and contracts for intangible assets from the scope of application of IFRS 16.

The table below shows the development of rights of use for each asset class in the 2020 financial year:

million EUR	Chartered Vessels	Rented containers	Rented office buildings, grounds and parking slots	Rented Vehicles	Rented fixtures, fittings, tools and other office equipment	Total
Adjusted carrying amount right of use as at 1.1.2019	**458.3**	**482.7**	**85.0**	**4.1**	**0.1**	**1,030.2**
Depreciation in prior year period	–241.5	–192.6	–22.9	–2.1	–	–459.2
Additions right of use in prior year period	429.3	159.5	22.0	1.9	–	612.8
Disposals right of use in prior year period	–	–13.9	–0.8	–	–	–14.8
Transfers	–81.2	–3.0	–0.8	–0.4	–	–85.4
Exchange rate differences	8.8	9.9	1.7	0.1	–	20.5
Carrying amounts right of use as at 31.12.2019	**573.8**	**442.5**	**84.3**	**3.7**	**–**	**1,104.3**
Carrying amounts right of use as at 1.1.2020	**573.8**	**442.5**	**84.3**	**3.7**	**–**	**1,104.3**
Depreciation in reporting period	–315.5	–184.0	–25.9	–2.7	–	–528.1
Additions right of use in reporting period [1]	558.9	305.1	27.7	4.4	–	896.2
Disposals right of use in reporting period	–	–19.2	–3.5	–	–	–22.7
Transfers	17.8	–3.1	–0.0	–	–	14.6
Exchange rate differences	–67.6	–45.1	–7.0	–0.3	–	–120.0
Carrying amounts right of use as at 31.12.2020	**767.4**	**496.2**	**75.5**	**5.1**	**–**	**1,344.2**

[1] Additions amounting to EUR 3.5 million relate to changes in the group of consolidated companies.

The rights of use for the asset classes listed are reported under the item “property, plant and equipment”.

The remaining terms of the lease liabilities as at 31 December 2020 are presented in the table on financial debt in Note (23) Financial debt and lease liabilities.

The following table shows the effects of IFRS 16 Leases on the consolidated income statement in the 2020 financial year:

million EUR	**1.1.–31.12.2020**	1.1.–31.12.2019
Transport expenses	9,140.2	9,707.0
Expenses from short term leases	244.3	297.0
Expenses from leases of low value assets	0.2	0.2
Depreciation, amortisation and impairment	1,385.2	1,174.4
Depreciation of right of use	528.1	459.2
Interest expenses and similar expenses	69.6	72.6

Total cash outflows for leases came to EUR 1.0 billion in the 2020 financial year (prior year period: EUR 0.9 billion).

As at 31 December 2020, future commitments under short-term leases totalled EUR 73.7 million (prior year period: EUR 98.6 million).

For disclosures on future cash outflows from leases which Hapag-Lloyd has already entered into but which have not commenced yet, please refer to Note (31) Other financial obligations.

For details of the sale and leaseback transactions carried out in the 2020 financial year, please refer to Note (23) Financial debt and lease liabilities.

Lessor

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. In the 2020 financial year, an insignificant number of chartered container vessels were let short-term as part of operating lease contracts.

(31) Other financial obligations

The Hapag-Lloyd Group's other financial obligations as at 31 December 2020 essentially comprised purchase obligations (nominal values)

- for investments in six large container vessels amounting to EUR 811.1 million,
- for investments in exhaust gas cleaning systems (EGCS) on container vessels amounting to EUR 4.2 million,
- for investments in containers amounting to EUR 165.9 million,
- for investments in conversion to the use of liquid gas on container vessels amounting to EUR 3.5 million,
- for investments in equipment for ballast water treatment on container vessels amounting to EUR 1.5 million,
- for investments in the use of low sulphur fuel on container vessels amounting to EUR 0.1 million,
- for further investments on container vessels totalling EUR 6.4 million.

The future cash outflow from leases which Hapag-Lloyd has already entered into but which have not commenced yet, amounting to EUR 139.2 million at the reporting date.

The Hapag-Lloyd Group's other financial obligations as at 31 December 2019 were composed primarily of purchase obligations for investments in containers amounting to EUR 34.0 million as well as investments in exhaust gas cleaning systems (EGCS) on container vessels with an amount of EUR 33.3 million.

(32) Share-based payment

Executive Board members

The long-term variable remuneration paid to Executive Board members was changed with effect from 1 January 2020 as part of the Long-Term Incentive Plan 2020 (LITP 2020). The amended long-term variable remuneration is recognised in accordance with the provisions of IAS 19. For a full description of the amended long-term variable remuneration paid to Executive Board members, please refer to Section 2.2 of the remuneration report, which is itself an integral part of the combined management report.

Despite these changes, the existing conditions continue to apply unaltered to long-term variable remuneration granted up to the 2019 financial year. With this in mind, the long-term variable remuneration granted up to the 2019 financial year under the Long-Term Incentive Plan 2015 (LTIP 2015), which is recognised according to IFRS 2, is described below.

As part of the Company's IPO, long-term variable remuneration was introduced for Executive Board members in the form of virtual shares. Under the LITP 2015, a specified euro amount (allocation amount), which was contractually agreed on an individual basis, was allocated to each Executive Board member at the start of every calendar year. This amount reflected performance in the current financial year and the following three financial years (performance period).

This allocation amount was converted into virtual shares in the Company based on the average price of the Hapag-Lloyd AG share over the 60 trading days preceding the day on which the shares were granted. For the second tranche after the IPO, which was granted on 4 January 2016, there was a different calculation for the share price conversion. This share price was based on the average of the 60 trading days that followed the 30th trading day after the IPO.

The virtual shares are divided equally into performance share units and retention share units.

Entitlements under the long-term incentive plan take effect on a pro rata basis when the performance period ends. The retention share units automatically become non-forfeitable when the performance period expires. They therefore depend entirely on the Executive Board member's length of service.

The number of performance share units relevant for the payment is dependent on a performance factor. This factor is calculated by comparing the performance of the Hapag-Lloyd share (total shareholder return – TSR) with a specific, industry-based reference index – the DAXglobal Shipping index – over the 4-year performance period. The number of performance share units can be a maximum of 1.5 times and a minimum of 0, as measured by a performance factor, when the performance period ends. If the performance factor is 0, all of the performance share units are forfeited.

When the performance period ends and the performance share units have been calculated, payments under the LTIP 2015 are automatically made. The number of non-forfeitable virtual shares is converted into a euro amount by multiplying the non-forfeitable virtual retention and performance shares by the relevant share price. This share price is equal to the average share price over the last 60 trading days before the performance period ends.

The amount calculated in this way is paid to the respective Executive Board member as a gross amount up to a specific, individually agreed limit on 31 March of the year following the end of the performance period.

In the event that an Executive Board member's activities cease, the performance period and the employment contract will end simultaneously, insofar as the employment contract is not terminated for cause attributable to the Executive Board member or by the Executive Board member without cause. In the latter case, all entitlements under the LTIP 2015 are forfeited.

If capital measures which affect the value of real shares are carried out during the term of the 2015 LTIP, the conditions of the plan state that the Executive Board members must be treated in the same way as owners of real shares as a basic principle. In the event of an ordinary capital increase, the stake in the Company held by owners of real shares is diluted. However, they are granted subscription rights to new shares in return. Under the conditions of the plan, the Executive Board members are not automatically granted a subscription right in the event of an ordinary capital increase. To compensate them for being treated differently to owners of real shares, for all 2015 LTIP tranches belonging to Executive Board members which are in existence when a capital increase is carried out, the number of shares is adjusted by a value equal to the subscription rights that an owner of real shares with the same number of shares is entitled to. The additional virtual shares here are valued at the arithmetical share price on the day before trading of the subscription rights commences (ex-subscription rights). The rule must be applied separately to all 2015 LTIP tranches in existence at the time of the capital measure. The additional virtual shares are based directly on the existing virtual shares of the respective 2015 LTIP tranches. As a result, the additional virtual shares are given the same parameters as were defined in the conditions of the plan and at the time the respective tranche was granted. The additional virtual shares are consequently a component of the respective tranche.

The measurement of the virtual shares at the time they are granted is based on the allocation amount. A single Executive Board member was granted virtual shares under the LTIP 2015 for the last time in the 2020 financial year (7,230 shares, with a fair value amounting to EUR 0.5 million). In the 2019 financial year, the Executive Board members were granted a total of 86,800 virtual shares under the LTIP 2015, with a fair value amounting to EUR 2.6 million. As at 31 December 2020, there were 153,503 virtual shares (previous year: 312,988 shares) with a fair value of EUR 9.8 million (previous year: EUR 21.6 million).

In the reporting period, EUR 1.6 million (previous year: EUR 4.2 million) was recognised for share-based payments to Executive Board members through profit or loss. The provision for share-based payments to Executive Board members amounted to EUR 3.8 million as at 31 December 2020 (previous year: EUR 6.4 million).

Upper management levels

The long-term variable remuneration paid to upper management levels was also changed with effect from 1 January 2020 as part of the Long-Term Incentive Plan 2020 (LITP 2020). The significant provisions regarding the amendments to long-term variable remuneration for upper-level managers are in line with the provisions governing the long-term variable remuneration paid to Executive Board members. The amended long-term variable remuneration paid to staff at upper management levels is recognised in accordance with the provisions of IAS 19.

However, the existing conditions continue to apply unchanged to the long-term variable remuneration granted up to the 2019 financial year. With this in mind, the long-term variable remuneration granted up to the 2019 financial year under the Long-Term Incentive Plan (LTIP), which is recognised according to IFRS 2, is described below.

Until the 2019 financial year, the members of upper management levels used to receive long-term variable remuneration based on virtual shares. Under this long-term incentive plan, a specified euro amount (grant amount), which was contractually agreed on an individual basis, was granted to each plan participant on 1 January of every calendar year.

This grant amount was converted into virtual shares in the Company based on the average price of the Hapag-Lloyd AG share over the 60 trading days preceding the day on which the shares are granted. As a basic principle, the virtual shares are subject to a 3-year vesting period which begins on 1 January of the calendar year in which the virtual shares are granted and ends on 31 December of the third subsequent year (vesting period).

When the vesting period expires, the virtual shares automatically become non-forfeitable and the LTIP becomes due for payment. The number of non-forfeitable virtual shares is converted into a euro amount by multiplying them by the relevant share price. This share price is equal to the average share price over the last 60 trading days before the vesting period ends.

The amount calculated in this way is paid to the respective plan participant as a gross amount on 31 March of the year following the end of the vesting period. The maximum payment amount is equal to 1.5 times the grant amount.

In the event of an early departure, the vesting period is curtailed to the end of the employment relationship and the virtual shares granted up until this time become non-forfeitable when the curtailed vesting period ends. If the curtailed vesting period ends during the year, the virtual shares granted in the year in which it ends are deemed to be non-forfeitable on a pro rata temporis basis, and the payment amount is reduced accordingly on a pro rata temporis basis. If the employment relationship ends due to extraordinary termination by the Company, all virtual shares for which the vesting period has not yet expired are forfeited.

If capital measures which affect the value of real shares are carried out during the term of the LTIP, the conditions of the plan state that the plan participants must be treated like owners of real shares as a basic principle. In addition, the same regulations as detailed above in the section on the LTIP 2015 of the Executive Board members are applicable in this regard.

The measurement of the virtual shares at the time they are granted is based on the grant amount. During the 2019 financial year, 149,653 virtual shares were granted in total, with a fair value of EUR 4.5 million. These were the last virtual shares to be granted under the previous system. As at 31 December 2020, there were 237,880 individual virtual shares (previous year: 275,016 shares) with a fair value of EUR 15.3 million (previous year: EUR 19.0 million).

In the reporting period, EUR 0.0 million (previous year: EUR 9.0 million) was recognised for share-based payments to upper management level through profit or loss. The provision for share-based payments to upper management levels amounted to EUR 11.2 million as at 31 December 2020 (previous year: EUR 12.6 million).

(33) Utilisation of Section 264 (3) of the German Commercial Code (HGB) and of S479A of the Companies Act 2006

The following corporate entities, which are affiliated consolidated companies of Hapag-Lloyd AG and for which the consolidated financial statements of Hapag-Lloyd AG are the exempting consolidated financial statements, utilise the exempting option provided by Section 264 (3) of the German Commercial Code (HGB):

- Hapag-Lloyd Grundstücksholding GmbH, Hamburg
- Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Hamburg-Amerika Linie GmbH, Hamburg

Hapag-Lloyd (UK) Ltd. (registered number: 00309325) has claimed exemption from the requirement to audit under S479A of the Companies Act 2006. As an affiliated fully consolidated company of Hapag-Lloyd AG, it is included in the consolidated financial statements of Hapag-Lloyd AG.

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

In the 2020 financial year, the following fees were paid to the auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network, in accordance with Section 314 of the German Commercial Code (HGB) and Institute of Public Auditors in Germany (IDW) RS HFA 36:

	1.1.–31.12.2020		1.1.–31.12.2019	
million EUR	Total	Domestic	Total	Domestic
Fees for annual audit	3.2	2.0	3.5	2.1
Fees for other assurance services	0.2	0.1	0.0	0.0
Fees for tax consultancy	0.0	–	0.0	–
Fees for other services	0.1	0.0	0.0	0.0
Total	**3.5**	**2.1**	**3.5**	**2.1**

The fee for audit services rendered by KPMG AG Wirtschaftsprüfungsgesellschaft related primarily to the audit of the consolidated financial statements and the annual financial statements of Hapag-Lloyd AG including legal contractual amendments and audits of the financial statements of subsidiaries. Activities integral to the audit were also performed in relation to audit reviews of interim financial statements.

Other attestation services relate primarily to services provided in connection with audit reviews of parts of the internal audit system, Comfort letter issuance activities, agreed investigatory activity relating to financial covenants, and EMIR audits in accordance with Section 32 of the German Securities Trading Act (WpHG).

Other services relate to support services for safeguarding quality.

(35) Related party disclosures

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

In the 2020 financial year, CSAV Germany Container Holding GmbH (CSAV) increased its stake in Hapag-Lloyd from 27.8% to 30.0%, while Kühne Maritime GmbH, together with Kühne Holding AG (Kühne), increased its stake from 29.6% to 30.0%. The share of Qatar Holding Germany GmbH decreased from 14.5% to 12.3%. Apart from that, Hapag-Lloyd's shareholder structure remained virtually unchanged. As at 31 December 2020, CSAV, HGV and Klaus-Michael Kühne (including companies attributable to him, in particular through Kühne Maritime) therefore together held around 74% of the share capital of Hapag-Lloyd.

In the following disclosures on transactions with shareholders, the relationships with Kühne and CSAV and their respective related parties are outlined. During the reporting period, Hapag-Lloyd mainly conducted legal transactions within the scope of its ordinary activities with Kühne and CSAV and their respective related parties. These comprise terminal and transport services in particular. Performance and consideration have been agreed on the basis of normal market conditions.

With regard to HGV and its shareholder, the Free and Hanseatic City of Hamburg, as well as its Group companies, the Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. This relates mainly to port and terminal services as well as inland transport services.

Voting rights

in %	2020	2019
Kühne Holding AG / Kühne Maritime GmbH	30.0	29.6
CSAV Germany Container Holding GmbH	30.0	27.8
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	13.9	13.9
Qatar Holding Germany GmbH	12.3	14.5
Public Investment Fund of the Kingdom of Saudi Arabia	10.2	10.2
Free float	3.6	4.0
Total	**100.0**	**100.0**

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

	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
million EUR	1.1.–31.12. 2020	1.1.–31.12. 2019	1.1.–31.12. 2020	1.1.–31.12. 2019
Shareholders	608.1	537.5	90.7	93.6
Affiliated non-consolidated companies	–	–	0.1	–
Associated companies and Joint Ventures	9.4	8.3	236.4	260.2
Total	**617.5**	**545.8**	**327.2**	**353.8**

	Receivables		Liabilities	
million EUR	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Shareholders	47.8	45.0	5.2	9.4
Affiliated non-consolidated companies	0.2	–	0.6	0.2
Associated companies and Joint Ventures	–	–	26.3	30.6
Total	**48.0**	**45.0**	**32.2**	**40.2**

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 617.5 million; previous year: EUR 545.8 million).

Of the expenses shown above, EUR 326.7 million result from (transport-related) operating services (previous year: EUR 353.0 million) and EUR 0.5 million are from other services (previous year: EUR 0.8 million).

Remuneration of key management personnel

The remuneration of key management personnel in the Group to be disclosed under IAS 24 encompasses the remuneration paid to the current members of the Executive Board and Supervisory Board of Hapag-Lloyd AG. The basic features of the remuneration system and the amount of remuneration for the Executive Board and Supervisory Board are presented and explained in more detail in the remuneration report. The remuneration report is part of the combined management report.

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

	Executive Board		Supervisory Board	
million EUR	**2020**	2019	**2020**	2019
Short-term benefits	5.7	4.8	2.3	2.0
Other long-term employee benefits	1.1	–	–	–
Post-employment benefits	0.2	0.3	–	–
Share based benefits	1.6	4.2	–	–
Total	**8.6**	**9.3**	**2.3**	**2.0**

In the 2020 financial year, the employee representatives on the Supervisory Board received EUR 0.6 million (previous year: EUR 0.6 million) as part of their employment contracts, in addition to their Supervisory Board emoluments. These are included in the remuneration for members of the Supervisory Board pursuant to IAS 24.

Additional disclosures concerning total remuneration pursuant to Section 315e of the German Commercial Code (HGB)

	Executive Board		Supervisory Board	
million EUR	**2020**	2019	**2020**	2019
Active board members	8.4	7.4	1.6	1.4
Former board members	1.0	0.9	–	–
Total	**9.4**	**8.3**	**1.6**	**1.4**

Over the previous year, the active Executive Board members were granted share-based payments with a fair value of EUR 2.6 million at the time they were granted. The active Executive Board members were granted 86,800 virtual shares in the 2019 financial year for the last time. An exception to this applied to one Executive Board member, who was granted virtual shares (7,230 shares) in 2020 for the last time.

A total of EUR 31.8 million was allocated to pension provisions for former Executive Board members as at 31 December 2019 (previous year: EUR 30.4 million).

As in the previous year, no loans or advance payments were granted to members of the Executive Board and Supervisory Board in the year under review.

(36) Declaration of conformity with the German Corporate Governance Code (GCGC) pursuant to Section 161 of the German Stock Corporation Act (AktG)

The declaration required under Section 161 of the German Stock Corporation Act (AktG) was issued by the Executive Board and Supervisory Board in March 2020 and has been made permanently available to shareholders on the Company's website www.hapag-lloyd.com in the "Investor Relations" section under "Corporate Governance" at https://www.hapag-lloyd.com/en/ir/corporate-governance/compliance-statement.html

(37) Significant transactions after the balance sheet date

There were no transactions after the reporting date which had a material effect on the net asset, financial and earnings position of the Hapag-Lloyd Group.

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

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
Affiliated consolidated companies			
Head office			
Hamburg-Amerika Linie GmbH	Hamburg	EUR	100.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	EUR	94.90
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
North Europe			
CMR Container Maintenance Repair Hamburg GmbH	Hamburg	EUR	100.00
Hapag-Lloyd (Austria) GmbH	Vienna	EUR	100.00
Hapag-Lloyd (France) S.A.S.	Asnières-sur-Seine	EUR	100.00
Hapag-Lloyd (Ireland) Ltd.	Dublin	EUR	100.00
Hapag-Lloyd (Schweiz) AG	Basel	CHF	100.00
Hapag-Lloyd (Sweden) AB	Gothenburg	SEK	100.00
Hapag-Lloyd (UK) Ltd.	Barking	GBP	100.00
Hapag-Lloyd Polska Sp.z.o.o.	Gdansk	PLN	100.00
Hapag-Lloyd Special Finance DAC	Dublin	USD	100.00
Oy Hapag-Lloyd Finland AB	Helsinki	EUR	100.00
UASAC (RUS) LLC	St. Petersburg	RUB	100.00
South Europe			
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	TRY	65.00
Hapag-Lloyd (Egypt) Shipping S.A.E.	Alexandria	EGP	49.00[4]
Hapag-Lloyd (Italy) S.R.L.	Assago	EUR	100.00
Hapag-Lloyd Portugal LDA	Lisboa	EUR	100.00
Hapag-Lloyd Spain S.L.	Barcelona	EUR	90.00
Norasia Container Lines Ltd.	Valletta	USD	100.00
United Arab Shipping Agency Company (Denizcilik Nakliyat) A.S.	Istanbul	TRY	100.00
Asia			
CSAV Group (China) Shipping Co. Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Australia) Pty. Ltd.	Pyrmont	AUD	100.00
Hapag-Lloyd Business Services (Suzhou) Co. Ltd.	Suzhou	CNV	100.00
Hapag-Lloyd Business Services (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd (Cambodia) Co., Ltd.	Phnom Penh	KHR	100.00
Hapag-Lloyd (China) Ltd.	Hong Kong	HKD	100.00
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Japan) K.K.	Tokyo	JPY	100.00
Hapag-Lloyd (Korea) Ltd.	Seoul	KRW	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Hapag-Lloyd (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd (New Zealand) Ltd.	Auckland	NZD	100.00
Hapag-Lloyd Pte.Ltd.	Singapore	USD	100.00
Hapag-Lloyd (Taiwan) Ltd.	Taipei	TWD	100.00
Hapag-Lloyd (Thailand) Ltd.	Bangkok	THB	49.90
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00
UASC (Thailand) Ltd.	Bangkok	THB	74.97
United Arab Shipping Agency Co. (Asia) Pte Ltd.	Singapore	USD	100.00
United Arab Shipping Co. (Asia) Pte. Ltd.	Singapore	SGD	100.00
Middle East			
Aratrans Transport and Logistics Service LLC	Dubai	AED	49.00 [1]
Hapag-Lloyd Africa (PTY) Ltd.	Durban	ZAR	100.00
Hapag-Lloyd Bahrain Co. WLL	Manama	BHD	49.00
Hapag-Lloyd Business Services LLP	Mumbai	INR	100.00
Hapag-Lloyd (Ghana) Ltd.	Tema	GHS	65.00
Hapag-Lloyd Global Services Pvt. Ltd.	Thane	INR	100.00
Hapag-Lloyd India Private Ltd.	Mumbai	INR	100.00
Hapag- Lloyd (Jordan) Private Limited Company (formerly United Arab Shipping Agencies Company Private Shareholding Company)	Amman	JOD	50.00
Hapag-Lloyd Kenya Ltd	Nairobi	KES	100.00
Hapag-Lloyd Middle East Shipping LLC	Dubai	AED	49.00 [1]
Hapag-Lloyd Nigeria Shipping Limited	Lagos	NGN	100.00
Hapag-Lloyd Pakistan (Pvt.) Ltd.	Karachi	PKR	100.00
Hapag-Lloyd Qatar WLL	Doha	QAR	49.00
Hapag-Lloyd Quality Service Center Mauritius	Ebène	MUR	100.00
Hapag-Lloyd Saudi Arabia Ltd.	Jeddah	SAR	60.00
Hapag-Lloyd Shipping Company – State of Kuwait (K.S.C.C.)	Kuwait City	KWD	49.00 [1]
Middle East Container Repair Company LLC	Dubai	AED	49.00 [2]
United Arab Shipping Agencies Co. LLC	Dubai	USD	49.00 [1]
United Arab Shipping Company Ltd.	Dubai	USD	100.00
United Arab Shipping Company for Maritime Services LLC	Baghdad	IQD	100.00
United Arab Shipping Company Services DMCCO	Dubai	AED	100.00
North America			
Florida Vessel Management LLC	Wilmington	USD	75.00
Hapag-Lloyd (America) LLC	Wilmington	USD	100.00
Hapag-Lloyd (Canada) Inc.	Montreal	CAD	100.00
Hapag-Lloyd USA LLC	Wilmington	USD	100.00
Latin America			
Agencias Grupo CSAV Mexico S.A. de C.V.	Mexico City	MXN	100.00
Andes Operador Multimodal Ltda.	São Paulo	BRL	100.00
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	UYU	100.00
CSAV Austral SpA	Santiago de Chile	USD	49.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
CSAV Ships S.A.	Panama City	USD	100.00
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	ARS	100.00
Hapag-Lloyd Bolivia S.R.L.	Santa Cruz de la Sierra	BOB	100.00
Hapag-Lloyd Chile SpA	Valparaíso	USD	100.00
Hapag-Lloyd Colombia Ltda.	Bogotá	COP	100.00
Hapag-Lloyd Costa Rica S.A.	San José	CRC	100.00
Hapag-Lloyd Ecuador S.A.	Guayaquil	USD	45.00
Hapag-Lloyd Guatemala, S.A.	Guatemala City	GTQ	100.00
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	MXN	100.00
Hapag-Lloyd (Peru) S.A.C.	Lima	USD	60.00
Hapag-Lloyd Quality Service Center Bogotá S.A.S.	Bogotá	COP	100.00
Hapag-Lloyd Uruguay S.A.	Montevideo	UYU	100.00
Hapag-Lloyd Venezuela C.A.	Caracas	VEF	100.00
Libra Serviços de Navegação Limitada	São Paulo	BRL	100.00
Norasia Alya S.A.	Panama City	USD	100.00
Rahue Investment Co. S.A.	Panama City	USD	100.00
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	MXN	100.00
Other			
Afif Ltd.	Majuro	USD	100.00
Ain Esnan Ltd.	Valletta	EUR	100.00
Al Dahna Ltd.	Valletta	EUR	100.00
Al Dhail Ltd.	Majuro	USD	100.00
Al Jasrah Ltd.	Majuro	USD	100.00
Al Jmeliyah Ltd.	Majuro	USD	100.00
Al Jowf Ltd.	Valletta	USD	100.00
Al Madinah Ltd.	George Town	USD	100.00
Al Mashrab Ltd.	Majuro	USD	100.00
Al Murabba Ltd.	Majuro	USD	100.00
Al Mutanabbi Ltd.	George Town	USD	100.00
Al Nasriyah Ltd.	Majuro	USD	100.00
Al Nefud Ltd.	Valletta	EUR	100.00
Al Oyun Ltd.	George Town	USD	100.00
Al Qibla Ltd.	Valletta	USD	100.00
Al Riffa Ltd.	Valletta	EUR	100.00
Al Wakrah Ltd.	George Town	USD	100.00
Al Zubara Ltd.	Valletta	EUR	100.00
Barzan Ltd.	Valletta	EUR	100.00
Busaiteen	George Town	USD	100.00
CSBC Hull 900 Ltd.	Douglas	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
Dhat Al Salasil Ltd.	George Town	USD	100.00
Hira Ltd.	George Town	USD	100.00
Hull 1975 Co. Ltd.	Majuro	USD	100.00
Hull 1976 Co. Ltd.	Majuro	USD	100.00
Jebel Ali Ltd.	Valletta	EUR	100.00
Linah Ltd.	Majuro	USD	100.00
Manamah Ltd.	George Town	USD	100.00
Sajid Ltd.	Majuro	USD	100.00
Salahuddin Ltd.	Majuro	USD	100.00
Ship Management (No. 1) Ltd.	Dubai	USD	99.80
Ship Management (No. 2) Ltd.	Dubai	USD	99.80
Tihama Ltd.	Valletta	EUR	100.00
UASC Ships (No. 1) Ltd.	Dubai	USD	100.00
UASC Ships (No. 4) Ltd.	Dubai	USD	100.00
UASC Ships (No. 5) Ltd.	Dubai	USD	100.00
UASC Ships (No. 7) Ltd.	Dubai	USD	100.00
UASC Ships (No. 8) Ltd.	Dubai	USD	100.00
Umm Qarn Ltd.	Majuro	USD	100.00
Umm Salal Ltd.	Valletta	EUR	100.00
Joint Venture			
Consorcio Naviero Peruano S.A.	Lima	USD	47.93[5]
Texas Stevedoring Services LLC	Wilmington	USD	50.00
Associated companies			
Djibouti Container Services FZCO	Djibouti	DJF	19.06[3]
Hapag-Lloyd Lanka (Private) Ltd.	Colombo	LKR	40.00
HHLA Container Terminal Altenwerder GmbH	Hamburg	EUR	25.10
Affiliated non-consolidated companies			
Al Muraykh Ltd.	Valletta	EUR	100.00
Alula Ltd.	Valletta	EUR	100.00
Ash-Shahaniyah Ltd.	George Town	USD	100.00
Brunswick Investment Co. Inc.	Nassau	USD	100.00
Chacabuco Shipping Ltd.	Majuro	USD	100.00
CSBC Hull 898 Ltd.	Douglas	USD	100.00
Hamburg-Amerikanische-Packetfahrt-Gesellschaft mbH	Hamburg	EUR	100.00
Hapag-Lloyd Container (No. 3) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Ships (No. 2) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Ships Ltd.	Barking	EUR	100.00
Hull 1794 Co. Ltd.	Majuro	USD	100.00
Hull 2082 Co. Ltd.	Majuro	USD	100.00
Malleco Shipping Co. S.A.	Panama City	USD	100.00
Maule Shipping Co. S.A.	Panama City	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Norddeutscher Lloyd GmbH	Bremen	EUR	100.00
Onayzah Ltd.	Valletta	EUR	100.00
Palena Shipping Ltd.	Majuro	USD	100.00
Qurtuba Ltd.	George Town	USD	100.00
Servicios de Procesamiento Naviero S.R.L. i.L.	Montevideo	USD	100.00
Tayma Ltd.	Valletta	EUR	100.00
UASAC Uruguay (S.A.)	Montevideo	UYU	94.00
United Arab Shipping Agency Co. (Egypt) S.A.E	Alexandria	EGP	49.00 [1]
United Arab Shipping Agency Company (Hong Kong) Ltd.	Hong Kong	HKD	100.00
UASC Holding (Thailand) Ltd.	Bangkok	THB	49.95
United Arab Shipping Agency Company (Thailand) Ltd.	Bangkok	THB	49.00
United Arab Shipping Agency Company (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00

1 A further 51.00 % is held by a trustee on behalf of the Hapag-Lloyd Group.
2 A further 5.64 % is held by a trustee on behalf of the Hapag-Lloyd Group.
3 A further 2.19 % is held by a trustee on behalf of the Hapag-Lloyd Group.
4 A further 16.00 % is held by a trustee on behalf of the Hapag-Lloyd Group.
5 A further 2.07 % is held by a trustee on behalf of the Hapag-Lloyd Group.

Hamburg, 2 March 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

RESPONSIBILITY STATEMENT PURSUANT TO SECTION 297 (2) AND SECTION 315 (1) OF THE GERMAN COMMERCIAL CODE (HGB)

We confirm that, to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements of Hapag-Lloyd AG give a true and fair view of the net asset, financial and earnings position of the Group and that the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 2 March 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

INDEPENDENT AUDITOR'S REPORT

To Hapag-Lloyd Aktiengesellschaft, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of Hapag-Lloyd Aktiengesellschaft, Hamburg, and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of Hapag-Lloyd Aktiengesellschaft and the Group (combined management report) for the financial year from 1 January to 31 December 2020.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the “Other Information” section of our auditor's report.

In our opinion, based on the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying combined management report provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the “Other Information” section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions
We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as “EU Audit Regulation”) and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Accounting for unfinished voyages

For further information on the accounting policies applied, please refer to the disclosures in the notes to the consolidated financial statements under “Fundamental accounting principles – Realisation of income and expenses” and “Notes to the consolidated income statement – (1) Revenue”.

The financial statement risk
Revenue for unfinished voyages is recorded by Hapag-Lloyd by reference to the voyage progress as at the reporting date. In determining voyage progress, the ratio of expenses incurred up to the reporting date to the expected total expenses per voyage is relevant. Determining the transport costs incurred in connection with the unfinished voyages as at the reporting date and the margins underlying revenue recognition is a highly complex process.

There is the risk for the financial statements that revenue for unfinished voyages is not accurately recognised in respect to the cut-off reporting date.

Our audit approach

We assessed the design, implementation and effectiveness of the controls to ensure accurate recognition cut-off of revenue as at the reporting date. We assessed the accounting policies applied by Hapag-Lloyd for revenue recognition in terms of their compliance with the requirements of IFRS 15. In addition, we assessed whether the policies defined by Hapag-Lloyd for recognition cut-off are appropriately structured to ensure the recognition of revenue is on an accrual basis. We assessed the reliability of the analyses from the accounting system on an accrual basis by examining representative samples of the underlying documents and the actual voyage data. We assessed the method of calculating the margins for revenue recognition and the required cut-off procedures at the reporting date and inspected the model for computational accuracy.

Our observations

Hapag-Lloyd’s approach with respect to revenue recognition cut-off is appropriate.

Completeness, accuracy and measurement of the right-of-use assets and lease liabilities according to “IFRS 16 Leases” in relation to ships and containers

With respect to the accounting methods used, please refer to the information in the notes to the consolidated financial statements in the following sections: “Significant accounting policies – Leasing”, “Significant assumptions and estimates – Determining the term of leases with extension and termination options as well as the mutual right to terminate” and “Explanatory notes on the consolidated statement of financial position – (30) Leasing”.

The financial statement risk

Right-of-use assets of EUR 1,344 million and lease liabilities of EUR 1,400 million were recognised in the consolidated financial statements of Hapag-Lloyd AG as at 31 December 2020. Right-of-use assets and lease liabilities account in each case for 9% of total assets and, thus, have a material effect on the Group’s financial position and financial performance.

Due to the high volume of leases and the resulting transactions, the Company set up group-wide processes and controls for the full and appropriate recognition of leases. The determination of the lease term, the amount of the lease payments and the incremental borrowing rate used as the discount rate may require judgement and be based on estimates.

There is the risk for the consolidated financial statements that the lease liabilities and right-of-use assets are not recorded in full in the consolidated statement of financial position. In addition, there is the risk that lease liabilities and right-of-use assets are not recognised and measured correctly.

Our audit approach

First, we gained an understanding of the process used to recognise and measure leases. We assessed the appropriateness, setup and effectiveness of the controls established by Hapag-Lloyd to ensure the full and correct determination of the data to measure and determine the carrying amounts of the lease liabilities and right-of-use assets. Where IT processing systems were used to calculate and collect relevant data, we tested – with the involvement of our IT specialists – the effectiveness of the rules and procedures that relate to the relevant IT applications and support the effectiveness of application controls.

As part of our test of detail involving leases, we used contract documents, in some cases based on representative samples and in others on the basis of risk-oriented elements, to check whether the relevant data was correctly and fully determined. To the extent that accounting judgements were made for determining the lease term, we examined whether – in light of the prevailing market conditions and risks in the industry – the underlying assumptions are comprehensible and consistent with other assumptions made in the financial statements as at the reporting date.

With the involvement of our valuation experts, we compared the assumptions and data underlying the incremental borrowing rates with our own assumptions and publicly available information. We also assessed the calculation model for the interest rate in terms of appropriateness.

Our observations

Hapag-Lloyd has established appropriate procedures to recognise leases for the purposes of IFRS 16. The assumptions and data used to measure the lease liabilities and right-of-use assets are overall appropriate.

Other information

The Executive Board and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following parts of the combined management report, whose content was not audited:

- the separate combined non-financial report of the Company and the Group referred to in the combined management report, but which will probably not be provided to us until after the date of this audit opinion and
- the combined corporate governance statement for the Company and the Group referred to in the combined management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the information in the combined management report audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Executive Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Executive Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. The Executive Board is also responsible for such arrangements and measures (systems) as considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient and appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and for the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Executive Board in the combined management report. On the basis of sufficient and appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Assurance Report in accordance with Section 317 (3b) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

We have performed an assurance engagement in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the electronic reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, "hapaglloydag–2020–12–31.zip" (SHA 256-Hashwert: 326d88d947307a-8a79e737729815c273080f50ecc 3fb319bed 4f03d9cf16e756) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2020, contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above.

We conducted our assessment of the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's Executive Board is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Executive Board is responsible for the internal controls it considers necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Company's Executive Board is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether tagging the ESEF documents with Inline XBRL technology (iXBRL) provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 5 June 2020. We were engaged by the Chairperson of the Audit and Finance Committee of the Supervisory Board on 11 September 2020. We have been the group auditor of Hapag-Lloyd Aktiengesellschaft, Hamburg, without interruption since the financial year 2015.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Victoria Röhricht.

Hamburg, 5 March 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

Madsen	Dr. Röhricht
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR

12 MAY 2021
Publication of quarterly financial report Q1 2021

28 MAY 2021
Annual general meeting

12 AUGUST 2021
Publication of quarterly financial report H1 2021

12 NOVEMBER 2021
Publication of quarterly financial report 9M 2021

IMPRINT

Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg

Investor Relations
Phone: +49 40 3001 – 2896
Email: ir@hlag.com

Corporate Communications
Phone: +49 40 3001 – 2529
Email: presse@hlag.com

Consulting, concept and layout
Hapag-Lloyd Corporate Communications
Silvester Group, Hamburg
www.silvestergroup.com

www.hapag-lloyd.com