Annual Report 2021

SUMMARY OF KEY FIGURES

		1.1.– 31.12.2021	1.1.– 31.12.2020	Change absolute
Key operating figures				
Total vessels[1]		253	237	16
Aggregate capacity of vessels[1]	TTEU	1,769	1,719	50
Aggregate capacity of containers[1]	TTEU	3,058	2,704	354
Freight rate (average)	USD/TEU	2,003	1,115	889
Transport volume	TTEU	11,872	11,838	34
Revenue	million EUR	22,274	12,772	9,501
EBITDA	million EUR	10,853	2,700	8,152
EBIT	million EUR	9,390	1,315	8,075
Group profit/loss	million EUR	9,085	935	8,150
Earnings per share	EUR	51.63	5.27	46.36
Cash flow from operating activities	million EUR	10,410	2,898	7,512
Key return figures				
EBITDA margin (EBITDA/revenue)	%	48.7	21.1	27.6 ppt
EBIT margin (EBIT/revenue)	%	42.2	10.3	31.9 ppt
ROIC (Return on Invested Capital)[2]	%	70.0	10.6	59.4 ppt
Key balance sheet figures[1]				
Balance sheet total	million EUR	26,715	15,184	11,530
Equity	million EUR	16,162	6,723	9,439
Equity ratio (equity/balance sheet total)	%	60.5	44.3	16.2 ppt
Borrowed capital	million EUR	10,552	8,462	2,091
Key financial figures[1]				
Financial debt and and lease liabilities	million EUR	5,497	5,136	361
Cash and cash equivalents	million EUR	7,723	681	7,042

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 10 March 2022.

MAIN DEVELOPMENTS IN THE 2021 FINANCIAL YEAR

- The 2021 financial year was dominated by significantly increased freight rates as well as operational challenges.
- The high global demand for consumer goods, combined with regional COVID-19 restrictions, led to a sustained disruption of global supply chains, which was noticeably reflected in extended turnaround times for ships and containers.
- As a result, the transport volume of 11,872 TTEU in the 2021 financial year was only slightly above the previous year's level (11,838 TTEU) despite high demand.
- At the same time, the tight transport situation led to a significant increase in freight rates.
- Hapag-Lloyd's average freight rate rose by 79.7% to USD 2,003/TEU in 2021 (previous year: USD 1,115/TEU).
- Consequently, revenue increased by 74.4% to EUR 22.3 billion in the financial year 2021 (prior year period: EUR 12.8 billion).
- Transport costs rose by 12.9% to EUR 10.3 billion (previous year: EUR 9.1 billion) due to supply chain disruptions and higher bunker prices.
- Due to the sharp rise in sales revenue, EBITDA, at EUR 10.9 billion, was significantly higher than the previous year's figure of EUR 2.7 billion. The EBITDA margin improved by 27.6 percentage points to 48.7% (previous year: 21.1%).
- EBIT also increased strongly to EUR 9.4 billion (same period last year: EUR 1.3 billion).
- The clearly improved operating result led to a jump in earnings per share to EUR 51.63 (previous year: EUR 5.27).
- Net debt was completely reduced in the 2021 business year. As at the balance sheet date 31 December 2021, Hapag-Lloyd had net liquidity of EUR 2.2 billion (previous year: net debt of EUR 4.5 billion).
- The liquidity reserve, consisting of cash and cash equivalents and unused credit lines, rose to EUR 8.0 billion (previous year: EUR 1.0 billion).
- Due to the strong increase in earnings and the very good balance sheet ratios, the Executive Board proposes to the Annual General Meeting to increase the dividend for the 2021 financial year to EUR 35.00 per share (previous year: EUR 3.50 per share).
- The Executive Board of Hapag-Lloyd AG expects earnings momentum to remain on a very high level in the first half of 2022, followed by a beginning normalization of earnings in the second half due to an anticipated recovery of supply chains. Group EBITDA is expected to be in the range of USD 12 to 14 billion or EUR 10.7 to 12.4 billion (prior year: EUR 10.9 billion) and EBIT in the range of USD 10 to 12 billion or EUR 8.9 to 10.7 billion (prior year: EUR 9.4 billion), respectively.
- In view of the ongoing COVID-19 pandemic and the current situation in Ukraine, the forecast is subject to considerable uncertainty.

Contents

You can find our online report here:
https://hlag-2021.corporate-report.net/en

01 INTERVIEW

„PREPARE FOR TOMORROW“

SHARPENING OUR STRATEGY 2023

CEO
Rolf Habben Jansen

Heiko Hoffmann, Head of Investor Relations, speaks with the Chief Executive Officer of Hapag-Lloyd AG about business developments in 2021.

Heiko Hoffmann: Mr. Habben Jansen, how do you view the recently concluded 2021 financial year?
Rolf Habben Jansen: The course of the year was particularly shaped by the strong demand for goods exported from the Asian region. Therefore, we saw much higher spot rates in the market and achieved a strong result compared to the previous year. In this respect, it was a very successful year for us and especially for our shareholders. However, we have simultaneously seen a significant increase in transport expenses as a result of severe bottlenecks in the global supply chains. These bottlenecks are posing a huge challenge to all market players and, regrettably, they have also made life difficult for many of our customers.

What measures were you able to take to counteract these bottlenecks?
We put measures in place at the beginning of the coronavirus pandemic, and we have stuck to them. For example, we have shifted capacity to high-demand trade lanes, further optimised our network of services, and diverted ships to avoid congested ports. We have purchased used tonnage, chartered in additional vessels, and deployed extra loaders. In addition, we have invested in new vessels, with the result that there are now 22 units with a combined capacity of around 400,000 TEU in our orderbook. We also purchased or leased around 300,000 TEU of new container capacity in the past financial year and stepped up our efforts to repair and maintain older containers. On top of that, we have bolstered our human and IT resources, pushed ahead with our digitalisation efforts, and developed new products for our customers, such as Quick Quotes Spot, which gives them more planning security. We were able to significantly increase the number of bookings made via our web channel compared to the previous year, with the result being that one out of every four containers was booked online. But the biggest contribution has definitely come from our 14,100 employees worldwide. None of this would have been possible without them, and they have given their all to keep the supply chains of our customers intact.

To what extent has the unusual market environment impacted your strategy?
We have used the market environment as an opportunity to refine our Strategy 2023. The fact is that, even though we have made good progress since launching our Strategy in 2018 and achieved our financial targets even earlier than expected, we would like to be well prepared for when the markets get back to normal again. What's more, we need to continue to get better when it comes to quality, as a lot of our customers haven't received the level of service that they are accustomed

Rolf Habben Jansen

to and rightly expect from us owing to last year's bottlenecks in the supply chains. On top of that, sustainability issues are becoming more and more important, and the shipping industry needs to play its part in efforts to achieve the targets of the Paris agreement on climate change as quickly as possible. This will also be a key building block of our expanded sustainability strategy, which we presented last November. As a result, we have geared our Strategy 2023 even more strongly towards quality and sustainability.

Which specific measures will this entail?
Over the next two years, we will be reducing our internal complexities under the motto "Prepare for Tomorrow" and thereby enhancing the customer experience, such as by streamlining our network, optimising our fleet and consolidating our transhipments in selected hubs. Second, we will continue to rigorously pursue our ambition to be the "number one for quality" by becoming even more digital and continuing to grow in attractive niche markets and regions, as we would like to maintain our global market share – excluding intra-Asia – of 10%. Third, we will be investing even more in our team, sustainable assets and our long-term competitiveness while also more actively exploring inorganic growth options. What's more, we have made "sustainability" the fourth core focus of our Strategy 2023 and set concrete goals for ourselves. Specifically, we aim to reduce the CO_2e intensity of our entire fleet by 30% by 2030 and to become carbon-neutral by 2045.

How is this business development reflected in the results?
And will there be a dividend again this year?
In 2021, we achieved an extraordinarily strong Group net result of more than €9 billion, which was almost ten times as much as in the prior year. At the same time, we made substantial investments in our vessel and container fleets in addition to significantly expanding our market position in Africa with the successful acquisition of the shipping company NileDutch. We significantly increased the return on invested capital and thereby more than earned our capital costs once

Heiko Hoffmann

again. With a free cash flow of more than €9 billion and equity of €16 billion, we enjoy a very solid financial and asset position. What's more, our improved earning power and the continuous optimisation of our balance sheet structure were also positively recognised by Standard & Poor's and Moody's with rating upgrades. We are therefore looking forward to a very positive business performance, from which our shareholders should also benefit. For this reason, our Executive Board and our Supervisory Board will jointly propose to the Annual General Meeting that a dividend of €35 per share be paid out.

What developments do you expect to see in the current financial year?
We expect demand and spot rates to remain at a high level in the first half of the year. Unfortunately, the bottlenecks in the global supply chains won't ease overnight, but we remain optimistic and expect the market situation to gradually improve over the rest of the year. What's more, the anticipated growth in the global economy and trade volume is likely to be reflected in rising demand for container transports. At the same time, since global capacity growth in terms of container ships is expected to remain at roughly the same level as the previous year. In the medium term, we expect a balanced relationship between supply and demand overall.

However, seeing that there might be more variants of the virus and that the pandemic situation might go on for more time as well as the current developments in Ukraine, our forecasts remain subject to uncertainties. We will continue to do everything in our power to react flexibly while keeping the interests of our shareholders, customers and employees firmly in mind. At the same time, I would like to thank everyone very sincerely for their confidence in and close collaboration with us in this extraordinary business year.

Mr. Habben Jansen, thank you very much for the interview.

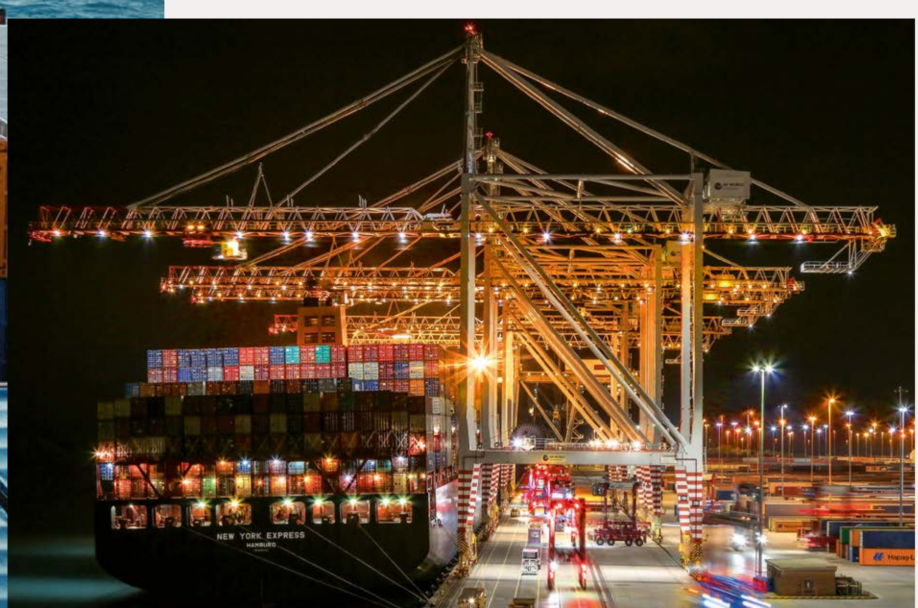
02 OPERATIONS

OUR ACTIONS

MARKET ENVIRONMENT

STRONG DEMAND FOR CONTAINER TRANSPORTS

The coronavirus pandemic caused demand for export goods from the Asian region to reach exceptionally high levels in the 2021 financial year. The associated sharp increase in container transports placed further pressure on global supply chains. Restrictions in ports and hinterland transport as a result of the pandemic led to significant bottlenecks in available transport capacities. Container vessels were backed up off many coasts, in some cases with waiting times running into weeks, which had a substantial impact on liner shipping companies' adherence to schedules and service quality. In order to address these challenges, we adjusted networks and routes and increased investments in personnel, IT capacity, digital solutions for our customers, and the continued expansion of our fleet.

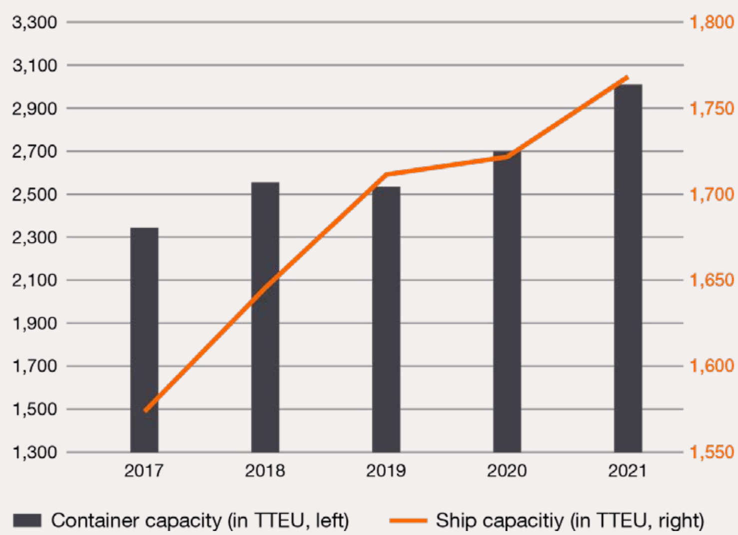


FLEET

INVESTMENTS TO EXPAND AND MODERNISE OUR FLEET

With 253 modern container vessels and a transport capacity of 1.8 million TEU, as well as containers with a capacity of 3.1 million TEU, we are there for our customers worldwide. We continued to invest in our fleet in the reporting year and ordered six more modern dual-fuel large container vessels, each with a capacity of 23,500+ TEU. We will take delivery of a total of twelve of these highly efficient vessels in 2023 and 2024, contributing to the modernisation of our fleet. Concurrently, we have ordered ten more 13,000 TEU vessels to grow our order book to a capacity of over 400 TTEU. We also continued to build up our container capacity and purchased or leased approximately 300 TTEU of additional capacity in the 2021 financial year to meet our customers' demand. We also invested in attractive niche markets such as refrigerated and special containers.

Development of the container and ship fleet



TEAM

OUTSTANDING COMMITMENT FROM OUR EMPLOYEES WORLDWIDE

The pandemic again placed enormous demands on the private and professional lives of our 14,100 employees in 2021. While some of them worked more from home, others were separated from their homes and families for longer periods of time due to increased difficulties regarding crew changes; in both cases this entailed additional hardship. Whether on land or at sea, our colleagues have always worked to keep our customers' supply chains as intact as possible.

At the same time and in the spirit of its corporate value "we care", Hapag-Lloyd left no stone unturned to support them – for example by changing crews and offering vaccinations under difficult conditions. Despite all the challenges created by the pandemic, we had an exceptionally good year – not just thanks to the continued strong demand for our services, but in particular thanks to the outstanding commitment from all our employees worldwide.

03
STRATEGY

OUR COURSE AHEAD

OUR STRATEGY 2023 TARGETS REMAIN VALID, BUT WE WILL FOCUS EVEN MORE ON QUALITY AND SUSTAINABILITY

PROFITABILITY

We reached our financial and profitability targets earlier than expected, but we need to be vigilant when the market environment normalizes.

GLOBAL PLAYER

We are a global player, but high industry profits enable smaller competitors to catch up. We therefore want to strengthen our presence in a variety of growth markets.

NUMBER ONE FOR QUALITY

We made good progress to improve quality and to deliver higher service levels but the pandemic has set back our achievements. We need to address these challenges.

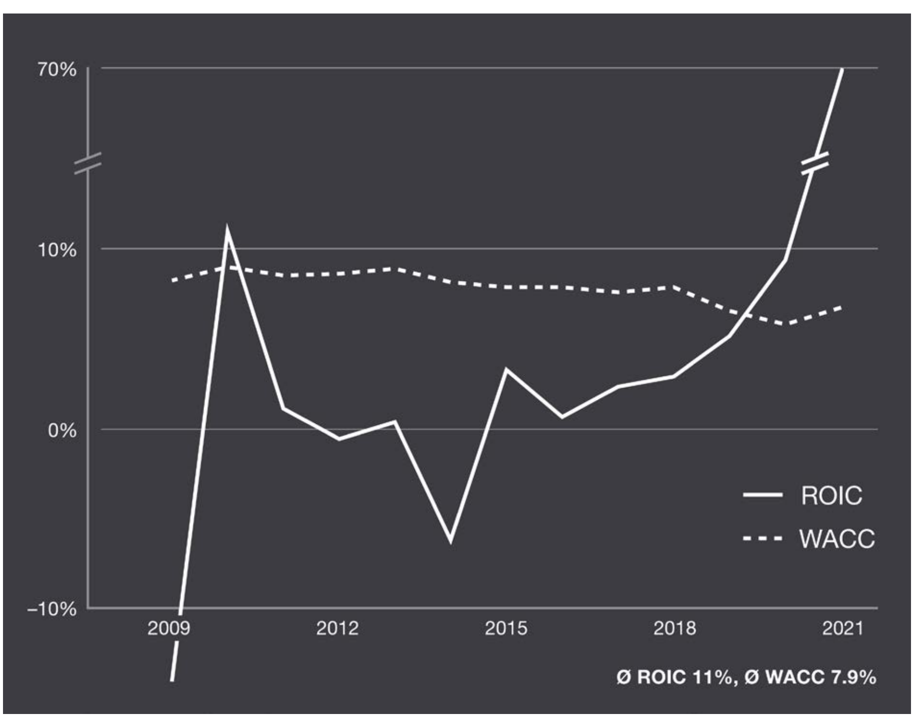
SUSTAINABILITY

We have met our environmental targets but future challenges require a more holistic sustainability strategy and more ambitious greenhouse gas reduction goals.

PROFITABILITY

SUSTAINABLE PROFITABILITY OVER THE ENTIRE ECONOMIC CYCLE IS AN ESSENTIAL BUILDING BLOCK OF OUR BUSINESS STRATEGY

In the reporting year, in a market environment with exceptionally high spot rates, we achieved all financial and profitability targets of our Strategy 2023 earlier than expected and more than earned our cost of capital. Furthermore, we have gradually reduced our liabilities since the acquisition of UASC in 2017 and as at the end of 2021 have a net liquidity of EUR 2.2 billion. In light of this, we consider ourselves well equipped for the challenges of tomorrow.



GLOBAL PLAYER

PROFITABLE GROWTH IS FIRMLY ENTRENCHED IN OUR STRATEGY 2023

We want to grow in attractive niche markets and consolidate our global market share of around 10%. We expanded our market position in strategically important target markets such as India and Africa in the reporting year and continued to strengthen our global presence with new offices, for example in Kenya, Senegal and Morocco. The acquisition of Africa specialist NileDutch in particular allowed us to further strengthen our market position along the West African coast and integrate Africa even more into our global network. At the same time, we also expanded our attractive reefer container business.

SUSTAINABILITY

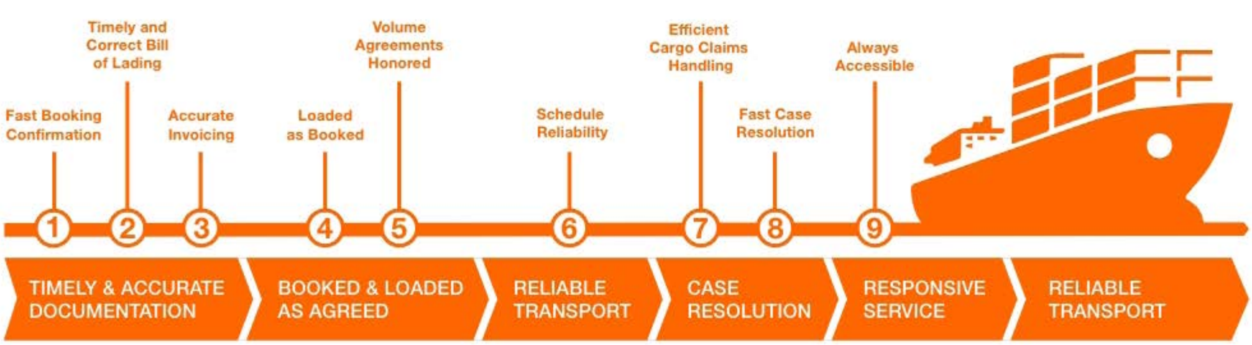
CLIMATE CHANGE, DIVERSITY AND SOCIAL ENGAGEMENT

These topics are more relevant than ever and reason enough to expand our Strategy 2023 with a fourth pillar: sustainability. Shipping must become even more sustainable and our course is set. Our expanded sustainability strategy, which we presented in November 2021, shows exactly what we will focus on and where we will increase our contribution. Concrete targets will allow us to gradually strengthen our sustainability contribution and achieve continuous improvements.

NUMBER ONE FOR QUALITY

OUR AMBITION IS NOTHING LESS THAN TO BECOME THE NUMBER ONE FOR QUALITY IN OUR INDUSTRY

That is why in the reporting year we launched five additional quality promises that form the foundation for our partnership with our customers and against which we are transparently measured. We also continued development on our online booking tool Quick Quotes and added new digital services to our offering, thereby creating added value for our customers, which is also reflected in increasing demand: almost a quarter of all bookings in 2021 were made via our web channel, which is equivalent to around 2.7 million containers.



SIMPLIFY STRENGTHEN INVEST

OUR AGENDA

WE HAVE REFINED OUR PRIORITIES FOR THE COMING TWO YEARS ALONG THREE PILLARS

Given the very challenging market environment due to the pandemic, the rapidly increasing importance of sustainability factors and increasing digitalisation, in the 2021 financial year we carried out a detailed analysis of our Strategy 2023. We concluded that this strategy has proven its worth and that numerous objectives have been achieved ahead of schedule. At the same time, we want to ensure lasting corporate success even in difficult market phases, which is why we will continue to focus on “Quality” for the next two years and firmly define “Sustainability” as the fourth pillar in our Strategy 2023. We will do this through three main fields of action and numerous measures that we have established in 2021.

SIMPLIFY

IMPROVE THE CUSTOMER EXPERIENCE AND REDUCE COMPLEXITY

We will continue to improve our service quality and cut our unit costs by simplifying our liner and depot network and consolidating cargo handling at strategically selected seaports. We also want to continuously improve the customer experience with a simpler and clearer segmentation strategy and greater automation of our internal processes.

STRENGTHEN

DOUBLE EFFORTS TO BECOME THE NUMBER ONE FOR QUALITY

To be the number one for quality for our customers, our aims include increasing adherence to schedules and always being in the top third in an industry comparison. To achieve these, we strive for improvements in operational management and cooperation with terminals. As part of our expanded sustainability strategy, we are intensifying our actions on greenhouse gas emissions to reduce our CO_2e emissions per TEU-km (EEOI) by 30% compared to 2019 by 2030. We will strengthen relationships with our customers through new and more binding contractual structures, which will also provide greater planning security for all parties. We will continue to consolidate our position in attractive niche markets and regions and increase the quality of our inland offering. In order to increase our share of container shipments with an inland component to a target of 40%, the range of offerings in this area will be supplemented with attractive additional services. We will also significantly expand our IT innovation capabilities to meet the growing automation and digitalisation of our business model.

INVEST

INVEST IN OUR TEAM, SUSTAINABLE ASSETS AND LONG-TERM COMPETITIVENESS

Targeted investments in employee training and sustainable assets aim to secure Hapag-Lloyd’s competitiveness over the longterm. To cater for rapidly changing working requirements, Hapag-Lloyd will offer its 14,100 employees an even more comprehensive advanced training programme in the future and promote modern working practices. By investing in efficient and climate-friendly vessels, we are also supporting our sustainability goals while ensuring the competitiveness of our fleet. Fitting our containers with monitoring devices aims to increase transparency for customers and Hapag-Lloyd, thereby leading to more efficient container usage. Moreover, selective investments in terminals and complementary services seek to strengthen the existing core business.

OUR GOALS
OUR LONG-TERM FINANCIAL TARGETS REMAIN VALID

Profitability
ROIC > WACC

throughout the cycle

Liquidity
USD ~1.1 BN

liquidity reserve

Dividend Policy
≥ 30%

of Group EAT

Net Leverage
≤ 3.0x

Net Debt/EBITDA

Equity
> 45%

equity ratio

Sustainable Investments
We will sustainably invest to increase the efficiency and quality of our assets.

WE HAVE UPDATED OUR NON-FINANCIAL TARGETS TO REFLECT THE EVEN GREATER FOCUS ON QUALITY AND SUSTAINABILITY

Net Promoter Score

Best in class

Net Promoter Score (NPS)

Schedule Reliability

Top 3rd

in terms of schedule reliability

CO_2e Reduction

–30%

CO_2e reduction (EEOI) until 2030 vs. 2019

Superior Landside

40%

share of transports with inland component

Attractive Markets

>10%

global market share in all key trades (excl. intra-Asia); growth in selected attractive markets

Climate neutral

by 2045

04 SUSTAINABLE APPROACH

RESPONSIBLE

OUR COMPREHENSIVE SUSTAINABILITY STRATEGY IS SETTING THE COURSE FOR THE NEXT TEN YEARS

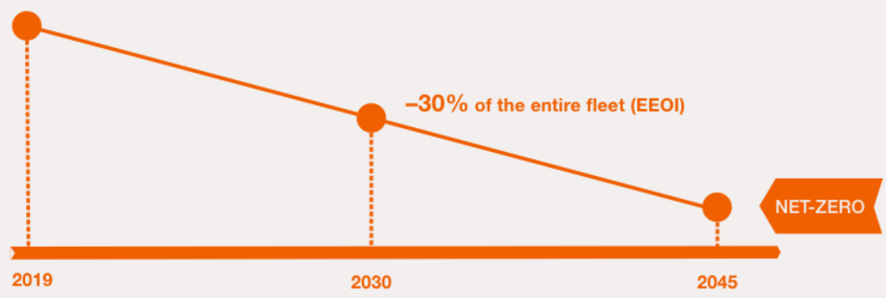
Shipping must become even more sustainable. Our expanded sustainability strategy, which we presented in November 2021, shows exactly what we will focus on and where we will increase our contribution. We have set ourselves concrete goals and by working towards them we will progressively enhance our contribution to sustainability and achieve continuous improvements. Our expanded sustainability strategy comprises three areas and focuses on eight topics overall.

CLEAN SHIPPING

CLIMATE NEUTRAL BY 2045

With 253 vessels, Hapag-Lloyd is well positioned to make a lot of progress in sustainability in the area of “Clean shipping”. On the one hand, container vessels are already the most efficient means of transport when it comes to transporting large quantities of goods. However, their operators also bear a great responsibility. The three issues of “Greenhouse gases”, “Clean air” and “Sustainable supply chains” play a vital role here. Climate change is and will remain the greatest challenge of our time and it is absolutely clear that container shipping also has to play its part in decarbonisation so that the goals of the Paris Agreement can be achieved. In this context, Hapag-Lloyd is intensifying its efforts to reduce the CO_2e intensity of its entire fleet by 30% compared to 2019 by 2030. On top of that, Hapag-Lloyd aims to be climate-neutral by 2045.

REDUCTION OF CO_2e INTENSITY



CLEAN SHIPPING

Greenhouse Gases

Clean Air

Sustainable Supply Chain

DIVERSITY AND SOCIETY

Diversity

Corporate Citizenship

COMPLIANCE AND RESPONSIBILITY

Resource Conservation

Transport Care

Biodiversity

DIVERSITY AND SOCIETY

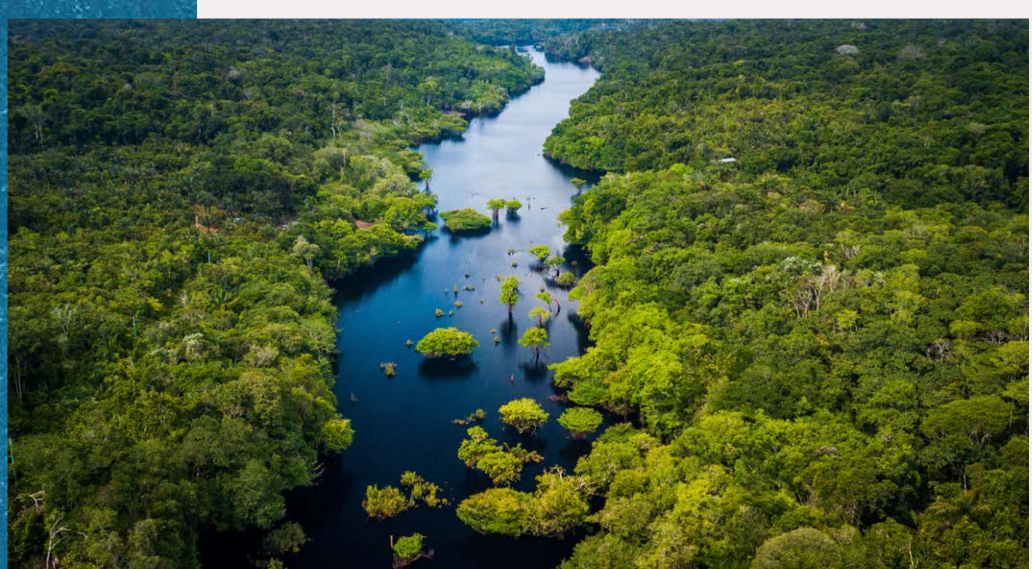
PROMOTING DIVERSITY

The second area of our sustainability strategy, “Diversity and society”, covers the topics of “Diversity” and “Corporate citizenship”. We want to exploit the potential of diversity even more, because diverse teams are more creative and more innovative. They represent different points of view and open up better growth opportunities for companies. Under the heading “Corporate citizenship”, we define in detail how we will further cultivate Hapag-Lloyd’s role as part of society and where we will increase our social engagement.

COMPLIANCE AND RESPONSIBILITY

CONSERVING RESOURCES

The third area, “Compliance and responsibility”, focuses on the topics of “Resource conservation”, “Transport care” and “Biodiversity”. It comprises our solutions for socially and environmentally responsible ship recycling, as well as the safety of our crews, our cargo and our environment. We go beyond legal requirements for them when it comes to, for example, our internal dangerous goods regulations. The “Bio-diversity” topic covers Hapag-Lloyd’s impact on global waters and the corresponding international regulations on ballast water management and the protection of marine mammals.



05
KEY FIGURES

PERFORMANCE

TRANSPORT VOLUME

11.9 M

STANDARD CONTAINER

PAGE 90

EARNINGS POSITION

9.1

**EUR BN
GROUP PROFIT**

PAGE 90

FINANCIAL POSITION

9.2

**EUR BN
FREE CASH FLOW**

PAGE 99

NET ASSET POSITION

16.2

**EUR BN
EQUITY**

PAGE 101

MEMBERS OF THE EXECUTIVE BOARD

CFO
MARK FRESE

“We have further improved our earnings power and optimised our balance sheet structure, launched new green financings – and thereby enjoy a very solid financial position and asset base to execute on our strategic goals.”

CEO
ROLF HABBEN JANSEN

“We look back on an extraordinary year with significantly increased results, and going forward we will focus even more on delivering the best possible quality of service and achieving our ambitious sustainability goals.”

CIO
DONYA-FLORENCE AMER

"The world is turning digital and so are we – in the coming years, as a global team, we will apply more and more science and technology innovations to our real-world challenges, to create a better tomorrow."

COO
DR. MAXIMILIAN ROTHKOPF

"We have significantly invested in new containers and modern vessels, which will also allow us to further reduce our carbon footprint."

CPO
JOACHIM SCHLOTFELDT

"Our 14,100 employees have left no stone unturned for our customers to mitigate the negative impact of the challenges in the global supply chains – and their safety and well-being remain our top priority."

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
In the 2021 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 2021 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. As in the previous year, the economic and social measures taken to combat COVID-19 pandemic were one major focus of regular reports and advice during the 2021 financial year. Other major priorities included business planning, the continued efforts to implement and monitor the "Hapag-Lloyd Strategy 2023", the takeover of the NileDutch Group, and fleet planning.

The Executive Board reported both orally and in writing to the Supervisory Board in its meetings, providing comprehensive 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 2021 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 four times in the reporting period. These meetings were held on 17 March 2021, 27 May 2021, 27 September 2021 and 11 November 2021. All the meetings of the Supervisory Board and its committees in 2021 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: 95.3%
- Meetings of the Presidential and Personnel Committee: 96.7%
- Meetings of the Audit and Financial Committee: 100%

Attendance of the Supervisory Board members in the 2021 financial year

Meeting	Meetings by the Supervisory Board				Meetings by the Presidential and Personnel Committee			Meetings by the Audit and Financial Committee			
Name	17.3.2021	27.5.2021	27.9.2021	11.11.2021	17.3.2021	27.9.2021	11.11.2021	16.3.2021	11.5.2021	11.8.2021	10.11.2021
Albrecht	✓	✓	✓	✓	✓	✓	✓				
Alnowaiser	✓	✓	✓	✓				✓	✓	✓	✓
Al-Thani	✓	✓	✓	✓	✓	✓	✓				
Behrendt	✓	✓	✓	✓	✓	✓	✓				
Gehrt	✓	✓	✓	✓							
Gernandt	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Hasbún	✓	✓	✓	✓				✓	✓	✓	✓
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

The Supervisory Board passed a resolution outside of a meeting on 26 February 2021 to approve the Executive Board's resolution to conduct the Annual General Meeting on 28 May 2021 virtually and 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 17 March 2021
In its meeting on 17 March 2021, the Supervisory Board, following a recommendation by the Presidential and Personnel Committee, began by adopting the remuneration system for the Executive Board members which had been adapted in order to comply with new legal requirements. 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 2020 financial year. The Supervisory Board also reviewed 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 (GCGC) in accordance with Section 161 of the German Stock Corporation Act (AktG) and adopted the same. The Supervisory Board went on to approve the agenda for the Company's Annual General Meeting on 28 May 2021 and adopted its proposed resolutions regarding the agenda items. In particular, the Supervisory Board decided to follow the recommendation of the Audit and Financial Committee regarding its proposal for the selection of the external auditors of the annual and consolidated financial statements. Following a recommendation by the Nomination Committee, the Supervisory Board decided to propose Mr Karl Gernandt to be elected to the Supervisory Board as a shareholder representative until the end of the Annual General Meeting that will approve activities for the 2025 financial year. Furthermore, the Supervisory Board decided to propose to the Annual General Meeting the distribution of dividends. It also decided to follow the recommendation made by the Audit and Financial Committee regarding fleet modernisation, and approved the purchase of three newly built ships. In addition, and following the recommendation by the Audit and Financial Committee, the Supervisory Board also approved the purchase of, and transfer of all shares in, Nile Dutch Investments B.V. The Supervisory Board then took advice on the current state of the business and, following a recommendation by the Audit and Financial Committee, approved the updated annual budget for 2021.

By means of a resolution outside of a meeting on 22 March 2021, the Supervisory Board approved the issue of a sustainability-related bond, as well as the early and full repayment of the EUR bond due in 2024.

Following a recommendation by the Nomination Committee, the Supervisory Board passed a resolution outside of a meeting on 15 April 2021 to propose Ms Nicola Gehrt to be elected to the Supervisory Board as a shareholder representative until the end of the Annual General Meeting that will approve activities for the 2025 financial year.

Supervisory Board meeting on 27 May 2021
At the beginning of the meeting, 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 2021 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. Following a recommendation by the Audit and Financial Committee, the Supervisory Board approved a further investment budget in addition to the investment budget previously approved for 2021. The Supervisory Board also decided to follow the recommendation made by the Audit and Financial Committee regarding fleet modernisation, and approved the purchase and funding of six newly built ships. The Supervisory Board concluded the meeting with a discussion of preparations for the Company's ordinary Annual General Meeting, scheduled to take place the following day. In this connection, it elected Mr Karl Gernandt – subject to his being re-elected by the Annual General Meeting – as a member of the Presidential and Personnel Committee, as well as of the Audit and Financial Committee.

On 10 June 2021, the Supervisory Board approved the purchase and funding of two newly built ships via a resolution outside of a meeting.

Supervisory Board meeting on 27 September 2021

At the beginning of the meeting, and following a recommendation by the Presidential and Personnel Committee, the Supervisory Board decided to extend the contract of Dr Maximilian Rothkopf, which was due to expire in 2022, by a further five years. The Supervisory Board then took stock of the Executive Board's report on current business. The Executive Board's report focused particularly on the successful takeover of the NileDutch Group and the integration of the business. The Executive Board also reported on activity in connection with "Strategy 2023". Following a recommendation by the Audit and Financial Committee, the Supervisory Board approved a further investment budget in addition to the investment budget previously approved for the 2021 financial year. The Supervisory Board also agreed to a share sale and purchase agreement in relation to a shareholding in Wilhelmshaven Container Terminal and approved a strategic investment. The rest of the discussions focused on the sustainability strategy and the report of the Chief Compliance Officer.

Supervisory Board meeting on 11 November 2021

At the beginning of the meeting, Ms Donya-Florence Amer was appointed as a new member of the Executive Board for three years, with effect from 1 February 2022. Ms Amer was assigned responsibility for the Information Technology (IT) division, which will be established. The Supervisory Board then approved the new division of responsibilities for the Executive Board. Afterwards, the rest of the meeting concentrated on the state of current business and a discussion of the reviewed "Strategy 2023", and the annual budget for 2022, 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 2022.

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, Sheikh Ali bin Jassim Al-Thani, Karl Gernandt, Arnold Lipinski, Sabine Nieswand, Dr Isabella Niklas, José Francisco Pérez Mackenna, Klaus Schroeter, Uwe Zimmermann.

Audit and Financial Committee: Karl Gernandt (Chairman), Turqi Alnowaiser, Oscar Hasbún Martínez, Annabell Kröger, Arnold Lipinski, Dr Isabella Niklas, Klaus Schroeter, Uwe Zimmermann.

Mediation Committee pursuant to Section 27 (3) of the German Co-Determination Act (MitbestG): Michael Behrendt (Chairman), Felix Albrecht, José Francisco Pérez Mackenna, Klaus Schroeter.

Nomination Committee: Michael Behrendt (Chairman), Sheikh Ali bin Jassim Al-Thani, Karl Gernandt, Dr Isabella Niklas, José Francisco Pérez Mackenna.

The specific tasks assigned to these committees are described in detail in the section "Composition and functioning of the Executive Board and Supervisory Board" as part of the declaration by the Executive Board and Supervisory Board on corporate governance.

The **Presidential and Personnel Committee** met three times in 2021, on 17 March 2021, 27 September 2021 and 11 November 2021.

Besides discussing the preparations for the Supervisory Board's meeting on the same day, the Presidential and Personnel Committee's meeting of 17 March 2021 also focused on the remuneration system for the Supervisory Board.

In its meeting on 27 September 2021, the Presidential and Personnel Committee recommended to the Supervisory Board that the employment contract of Executive Board member Dr Maximilian Rothkopf be extended by a further five years.

In its meeting on 11 November 2021, the Presidential and Personnel Committee recommended to the Supervisory Board that Ms Donya-Florence Amer should be appointed as a new member of the Executive Board for a term of three years, effective from 1 February 2022.

The **Audit and Financial Committee** convened four meetings in the financial year, on 16 March 2021, 11 May 2021, 11 August 2021 and 10 November 2021.

In the meeting on 16 March 2021, 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 2020 financial year (see also "Annual and consolidated financial statements 2020" in the 2020 annual report). The dependency report and the proposal for the selection 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 2020 annual report). The Audit and Financial Committee also considered the fleet modernisation, the acquisition of the shares of Nile Dutch Investment B.V., and the updated annual budget for 2021.

The second meeting on 11 May 2021 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 fleet modernisation, the internal control system (ICS), the risk management system and the Group's risk situation. The Audit and Financial Committee also studied the additional investment budget.

On 10 June 2021, the Audit and Financial Committee re-elected Mr Karl Gernandt as Chairman of the Audit and Financial Committee by means of a resolution outside a meeting.

In the meeting on 11 August 2021, discussions centred on the half-year financial report, the forecast for the second half of the year, and an additional investment budget. The Audit and Financial Committee also considered measures taken in connection with "Strategy 2023", the report by the Corporate Audit department, and the report on the Group's hedging transactions.

In the fourth meeting on 10 November 2021, the focus was on the presented 2022 annual budget, including Hapag-Lloyd AG's business plan. In addition, the quarterly financial report for the third quarter and audit focal points associated with the external audit were discussed, as was the review of "Strategy 2023".

The **Nomination Committee** met twice during the financial year.

In its meeting of 17 March 2021, the Nomination Committee recommended to propose to the Annual General Meeting that Mr Karl Gernandt be elected to the Supervisory Board as a shareholder representative.

In its meeting of 13 April 2021, the Nomination Committee recommended to propose to the Annual General Meeting that Ms Nicola Gehrt be elected to the Supervisory Board as a shareholder representative.

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

Training and development measures for members of the Supervisory Board

The members of the Supervisory Board are regularly informed about relevant changes in applicable laws. In addition, the members of the Supervisory Board take part in training and development measures useful for their tasks on their own responsibility and are also supported in this by the Company.

Information events are held for new members of the Supervisory Board, in which in particular the business model of Hapag-Lloyd AG and key legal frameworks are communicated.

Personnel changes in the Supervisory Board and the Executive Board

As per a resolution passed by the Supervisory Board on 27 September 2021, the employment contract of Executive Board member (COO) Dr Maximilian Rothkopf was extended by a further five years.

In accordance with a resolution of the Supervisory Board on 11 November 2021, Ms Donya-Florence Amer was appointed as a new Executive Board member for a period of three years, with effect from 1 February 2022. Ms Amer will be responsible for Information Technology (IT).

Corporate governance

The Supervisory Board is committed to the principles of good corporate governance and maintained a continuous focus on these principles in the 2021 financial year. An important principle of our corporate governance came at the beginning of the financial year from the recommendations and suggestions of the German Corporate Governance Code (GCGC) as amended on 7 February 2017, which were applicable to the Company up until the Declaration of Conformity in March 2021, and subsequently the recommendations and suggestions of the German Corporate Governance Code as amended on 16 December 2019 and published in the official section of the Federal Gazette (Bundesanzeiger) on 20 March 2020, which were applicable to the Company from March 2021. Good corporate governance does not preclude deviations 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 that it has complied and is complying with the recommendations of the GCGC or, in case of deviations from the recommendations, issuing a statement to this effect and explain why (Declaration of Conformity). In March 2021, the Executive Board and Supervisory Board issued a Declaration of Conformity, which is available on the Company's website at https://www.hapag-lloyd.com/en/company/ir/corporate-governance/compliance-statement.html. Further details on corporate governance can be found in the declaration on corporate governance.

The Supervisory Board members of Hapag-Lloyd AG are required to disclose any conflicts of interest to the Chairman of the Supervisory Board, and 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 2021 financial year.

Audit of the 2021 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 2021 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 315e 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 28 May 2021.

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 8 March 2022 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 whereas the external auditors stated that the Executive Board had taken the measures required under Section 91 (2) and (3) of the German Stock Corporation Act (AktG) regarding the establishment of an appropriate and effective internal control and risk management system as well as 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 9 March 2022.

In its meeting on 9 March 2022, 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 9 March 2022. 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 35.00 per dividend-eligible share, from the perspectives of the dividend policy and the shareholders' interests. The remaining retained earnings of EUR 3,439.8 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 9 March 2022.

Review of the Executive Board report on relationships with affiliates
The Executive Board submitted its report on relationships with affiliated companies in the 2021 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 9 March 2022.

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 8 March 2022. 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 9 March 2022, 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 2021

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 2021, the Supervisory Board raised no objections.

In its meeting on 9 March 2022, 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 9 March 2022.

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

The Supervisory Board would like to express its sincere thanks to the employees and the Executive Board of the Hapag-Lloyd Group for their great personal commitment and their very successful work over the last financial year.

Adoption of the report

The Supervisory Board adopted this report by a resolution on 9 March 2022 in accordance with Section 171 (2) AktG.

Hamburg, 9 March 2022

For the Supervisory Board

Michael Behrendt
(Chairman of the Supervisory Board)

DECLARATION ON 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. In this declaration on corporate governance, Hapag-Lloyd therefore reports on the Company's governance in accordance with Sections 289f para. 1 sentence 2 and 315d of the German Commercial Code (HGB). 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 (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 Supervisory Board are committed to responsible corporate governance and identify with the objectives of the GCGC. The basis for this at the start of the financial year was the recommendations and suggestions of the German Corporate Governance Code in the version of 7 February 2017 (GCGC 2017), which were applicable to the Company up until the Declaration of Conformity in March 2021, and subsequently the recommendations and suggestions of the German Corporate Governance Code in the version of 16 December 2019 published in the official section of the Federal Gazette (Bundesanzeiger) on 20 March 2020 (GCGC 2020), which were applicable to the Company from March 2021. According to the preamble of the GCGC 2017/2020, in the interests of good corporate management and an active corporate governance culture, responsible corporate governance does not preclude non-compliance with individual provisions of the code if the deviations are justified due to the specifics of the Company.

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 of March 19, 2020, complied with the Recommendations of the German Corporate Governance Code Commission in the version of February 7, 2017 published in the official section of the Federal Gazette (Bundesanzeiger) on April 24, 2017 (GCGC 2017) with the following exception:

- No. 5.3.2 sentence 5 GCGC 2017 provides, inter alia, the Recommendation that the Chair of the Audit Committee shall be independent. Currently, this Recommendation is not complied with. The Chair of the Audit and Financial Committee of Hapag-Lloyd Aktiengesellschaft, Mr. Karl Gernandt, is at the same time managing director of a direct main shareholder of Hapag-Lloyd Aktiengesellschaft and, therefore, lacks the required independence within the meaning of no. 5.3.2 sentence 5 GCGC 2017. To the conviction of the Supervisory Board, the exercise of the office as chair of the Audit and Financial Committee by Mr. Gernandt is in the best interest of the Company and its entire shareholders, since Mr. Gernandt is perfectly suited as chair 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 2017 for similar reasons.

Hapag-Lloyd Aktiengesellschaft currently complies and will in future comply with the Recommendations of the „Government Commission on the German Corporate Governance Code“ in the version of December 16, 2019 (GCGC 2020) published in the official section of the Federal Gazette (Bundesanzeiger) on March 20, 2020, with the following exceptions:

- Purely as a precaution, a deviation from Recommendations C.7, C.10 sentence 1 var. 2, sentence 2 and D.4 sentence 1 GCGC 2020 is declared.

  According to Recommendation C.7 GCGC 2020, more than half of the shareholder representatives on the Supervisory Board shall be independent from the company and its Executive Board. When assessing the independence of their members from the company and its Executive Board, the shareholder representatives shall in particular take into account whether the Supervisory Board member (i) holding a position of responsibility at a company outside the group currently has or has had a significant business relationship with the company or a company controlled by the latter or (ii) has been a member of the Supervisory Board for more than twelve years. Of the eight shareholder representatives on the Supervisory Board of Hapag-Lloyd Aktiengesellschaft, four hold positions of responsibility in (group companies of) the core shareholders of Hapag-Lloyd Aktiengesellschaft: Dr Isabella Niklas being Spokesperson of the Management Board of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH in Germany (HGV), José Francisco Pérez Mackenna being Chief Executive Officer of Quiñenco S.A. in Chile (Quiñenco), Oscar Eduardo Hasbún Martínez being Chief Executive Officer of Compañía Sudamericana de Vapores S.A. in Chile (CSAV), and Karl Gernandt being Executive Chairman of Kühne Holding AG in Switzerland (Kühne). Hapag-Lloyd Aktiengesellschaft maintains a material business relationship with group companies of HGV, Quiñenco-group, to which CSAV belongs, and the Kühne-group. Moreover, Mr. Gernandt has been a member of the Supervisory Board of Hapag-Lloyd Aktiengesellschaft for more than twelve years. Considering these circumstances, one indicator (mentioned in C.7 GCGC 2020) is fulfilled with regard to Dr Isabella Niklas, José Francisco Pérez Mackenna and Oscar Eduardo Hasbún Martínez respectively and two indicators are fulfilled with regard to Karl Gernandt for a lack of independence from the company according to the GCGC 2020. A deviation from Recommendation C.7 GCGC 2020 is therefore declared as a precautionary measure.

According to Recommendation C.10 sentence 1 var. 2, sentence 2 and D.4 sentence 1 GCGC 2020, the Chair of the Audit Committee shall be independent from the company and the Executive Board as well as independent from the controlling shareholder. The Chair of the Audit and Financial Committee of Hapag-Lloyd Aktiengesellschaft, Karl Gernandt, is also the managing director of a shareholder with a significant direct interest in Hapag-Lloyd Aktiengesellschaft, with whom, as described above, there exists also a significant business relationship. Against the background of the unclear prerequisites of the concept of independence from a controlling shareholder and the indicators of a lack of independence from the Company fulfilled in the present case, a deviation from Recommendation C.10 sentence 1 var. 2, sentence 2 and D.4 sentence 1 GCGC 2020 is declared as a precautionary measure. The Supervisory Board is convinced that the exercise of the office of Chair of the Audit and Financial Committee by Mr. Gernandt is in the interest of the Company and all its shareholders, as Mr. Gernandt is perfectly suited to chair the Audit and Financial Committee.

Besides, there are no doubts as to the independent exercise of their offices by the four aforementioned members of the Supervisory Board.

- Recommendation G.1, bullet 3 GCGC 2020 is partly not complied with. According to this Recommendation, the financial and non-financial performance criteria relevant for the granting of variable remuneration components are to be defined.

  The remuneration system for the members of the Executive Board of Hapag-Lloyd Aktiengesellschaft resolved on by the Supervisory Board on March 17, 2021, which applies to new contracts to be concluded or contract extensions, does not provide for any already applicable or specific non-financial performance criteria; an individual performance criterion for short-term variable remuneration is not specified. In the opinion of the Supervisory Board, it is not in the interests of the Company to provide for specific non-financial performance criteria in the remuneration system, as this would restrict the Supervisory Board's scope for action in response to Company-specific developments not insignificantly. An individual performance criterion has not been included with regard to short-term variable remuneration, as it is the opinion of the Supervisory Board the assessment of this remuneration component on the basis of EBIT is in the interest of the Company. In the future, however, the Supervisory Board intends to include non-financial performance criteria in the remuneration system. This is already laid down in the principles of the remuneration system, which aim, among other things, to promote the sustainable development of the Company through the remuneration of the Executive Board.

- As a precautionary measure, a deviation from Recommendation G.7 GCGC 2020 is declared. According to this Recommendation, the Supervisory Board shall determine the performance criteria for all variable remuneration components for each Executive Board member for the respective upcoming financial year, which shall – in addition to operational objectives – primarily be based on strategic objectives. The current remuneration system for the Executive Board of Hapag-Lloyd Aktiengesellschaft focuses on operational objectives, i.e. EBIT(DA) developments and average Return on Invested Capital. However, these criteria are derived from the Company's strategy, so that this also promotes the Company's sustainable value creation.

- Recommendation G.10 GCGC 2020 is not complied with. According to this Recommendation, the variable remuneration granted to the Executive Board member shall be predominantly invested in company shares by the respective Executive Board member. Granted long-term variable remuneration components shall be accessible to Executive Board members only after a period of four years. Due to the low level of free float, the Executive Board remuneration system of Hapag-Lloyd Aktiengesellschaft does neither provide for any share based remuneration nor for any multi-year holding obligation.

Hamburg, in March 2021
Executive Board and Supervisory Board
Hapag-Lloyd Aktiengesellschaft

The current Declaration of Conformity can be found at https://www.hapag-lloyd.com/en/company/ir/corporate-governance/compliance-statement.html

In addition to compliance with these accepted principles, Hapag-Lloyd's own guidelines and standards contribute to good corporate management and sustainable corporate 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/company/responsibility/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 programmes can be found at https://www.hapag-lloyd.com/en/company/responsibility/sustainability/at-a-glance.html

Information on relevant corporate management practices

Corporate governance

Apart from the exceptions mentioned and justified in the Declaration of Conformity, the Company follows the recommendations of the German Corporate Governance Code (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.

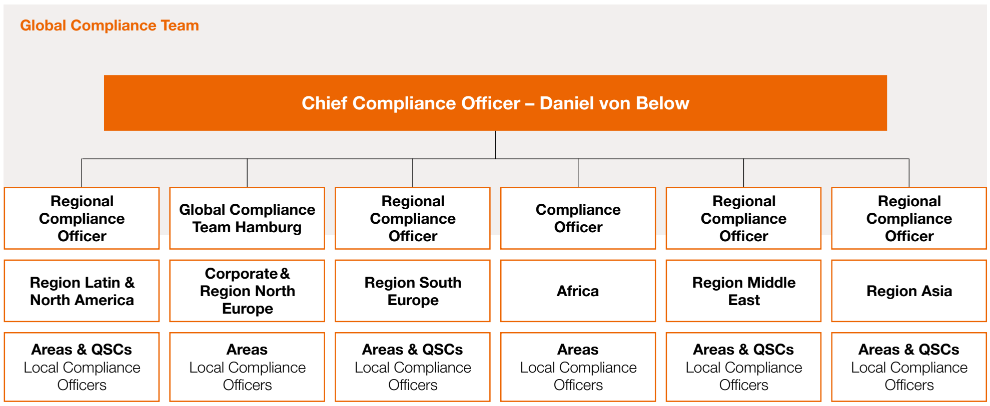
The compliance programme of Hapag-Lloyd AG, the implementation of which is seen to by the compliance organisation, primarily consists of anti-competition and antitrust law, combating corruption, preventing fraud, and compliance with applicable embargoes and sanctions.

Compliance organisation

The central Global Compliance team, which 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/company/responsibility/compliance/overview.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 on the Hapag-Lloyd website at https://www.hapag-lloyd.com/en/company/ir.html

Our 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/company/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 and can be found at https://www.hapag-lloyd.com/en/company/ir/financial-news/financial-news.html

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

Composition and functioning of the 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 2020 (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 four members as at the balance sheet date. 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. 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. Resolutions require a simple majority. If the vote is tied, the Chief Executive Officer has the casting vote.

As at 31 December 2021, the members of the Executive Board were Rolf Habben Jansen (Chief Executive Officer), Mark Frese, Dr Maximilian Rothkopf and Joachim Schlotfeldt. Current information about the Executive Board members' responsibilities and their CVs can be found on the company website at https://www.hapag-lloyd.com/en/company/about-us/management/overview.html

Members of the Executive Board of Hapag-Lloyd AG (31 December 2021)

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 2027
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

According to a resolution of the Supervisory Board on 11 November 2021, Ms Donya-Florence Amer was appointed as a new Executive Board member with effect from 1 February 2022. As Chief Information Officer, Ms Amer will be in charge of IT, the new Executive Board responsibility created on 1 February 2022.

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 GCGC 2020 and ensures that diversity is taken into consideration with regard to the composition of the Executive Board. For new appointments to Executive Board positions, most recently with the addition of the position of Chief Information Officer to the Executive Board in the reporting year, the diversity concept adopted for the Executive Board has been taken into account. The current composition of the Executive Board reflects its diversity concept.

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 and 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 Executive Board such as the Group's annual budget. In individual cases, the Supervisory Board may 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 2021 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 Sections 111a ff. of the German Stock Corporation Act (AktG) must be disclosed. There were no disclosure obligations 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. An excess is provided for in the event of an insured event.

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, removes them if necessary, and appoints one of the members as the Chief Executive Officer. 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. These can be found at https://www.hapag-lloyd.com/en/company/ir/corporate-governance/rules-of-procedure-for-the-supervisory-board.html

In accordance with Recommendation D.13 GCGC 2020, the Supervisory Board regularly assesses how effectively the Supervisory Board and its committees fulfil their tasks. Based on an evaluation questionnaire that was filled out by the Supervisory Board members, the results of such self-assessment were discussed in the Supervisory Board meeting on 27 May 2021. The assessment confirmed a constructive and trusting cooperation between the Supervisory Board members as well as with the Executive Board. Suggestions made during the self-assessment are considered in the on-going activities of the Supervisory Board.

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 eight representatives of the shareholders are generally elected by the Annual General Meeting and the eight representatives of the employees are elected in accordance with the provisions of the German Co-Determination Act (MitbestG). As the Company's employees were working from home due to the COVID-19 pandemic, it was not possible either to initiate or to complete company elections. As a result, all of the employee representatives were court-appointed as at the reporting date.

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 2021 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 one seat on the Supervisory Board on the shareholder side for one person who does not have any potential conflicts of interest and is independent within the meaning of Recommendation C.6 and C.7 (1) GCGC 2020;
- The Supervisory Board should not have more than two former members of the Executive Board in accordance with Recommendation C.11 GCGC 2020;
- 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 two 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 one 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 two Supervisory Board seats for individuals with in-depth knowledge of and experience in the fields of risk management and controlling;
- At least two Supervisory Board seats for individuals with shipping sector knowledge;
- At least two Supervisory Board seats for individuals with experience in managing or controlling a major company;
- At least two Supervisory Board seats for individuals with particular knowledge in the fields of corporate governance and compliance;
- At least two Supervisory Board seats for individuals with particular knowledge of human resources;
- At least one 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 2021. 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 shareholder representatives Mr Turqi Alnowaiser, H.E. Sheikh Ali bin Jassim Al-Thani, Mr Michael Behrendt and Ms Nicola Gehrt were classified as independent within the meaning of GCGC 2020. The goals set for the Supervisory Board have been taken into account for election proposals to the Annual General Meeting and most recently for the election of two Supervisory Board members at the Annual General Meeting on 28 May 2021. The Supervisory Board and its Nomination Committee will ensure that the objective continues to be fulfilled. The CVs of the Supervisory Board members can be found on the company website at https://www.hapag-lloyd.com/en/company/about-us/management/supervisory-board.html

Members of the Supervisory Board of Hapag-Lloyd AG:

Michael Behrendt
(Chairman of the Supervisory Board)

Klaus Schroeter
Departments of Transport and Special Services, ver.di – Vereinte Dienstleistungsgewerkschaft (service workers' union), Berlin
(First Deputy Chairman of the Supervisory Board)

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)

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

Turqi Alnowaiser
Deputy Governor and 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

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

Karl Gernandt
Executive Chairman
Kühne Holding AG, Schindellegi, Switzerland

Annabell Kröger
Commercial Clerk
Hapag-Lloyd AG, Hamburg

Arnold Lipinski
Senior Director Fleet Management
Hapag-Lloyd AG, Hamburg

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

Dr Isabella Niklas
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 Federal Expert Group Maritime Economy, ver.di Bundesverwaltung, Berlin

Svea Stawars
Commercial Clerk
Hapag-Lloyd AG, Hamburg

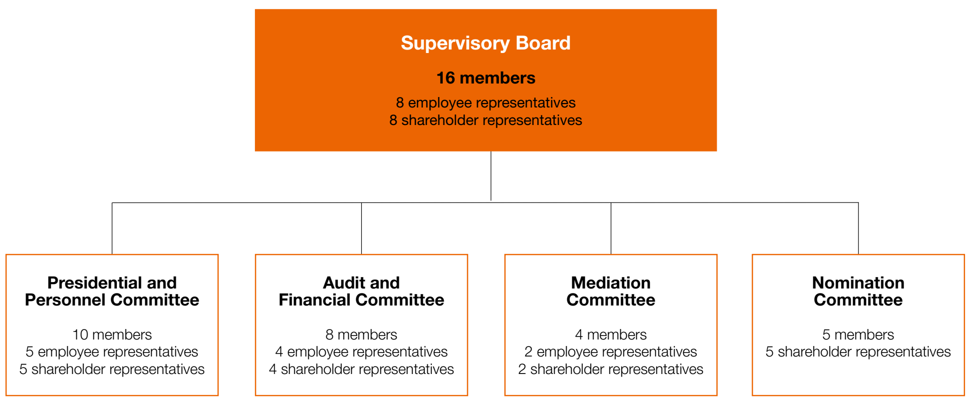
Uwe Zimmermann
Commercial Clerk
Hapag-Lloyd AG, Düsseldorf

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 four 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 and on the Executive Board's remuneration system. It also decides on the conclusion, amendment and termination of employment contracts with Executive Board members, whereby the decision on remuneration is made by the Supervisory Board.

Members:

Michael Behrendt (Chairman), Felix Albrecht, Sheikh Ali bin Jassim Al-Thani, Karl Gernandt, Arnold Lipinski, Sabine Nieswand, Dr Isabella Niklas, 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 and regularly assesses the quality of the external audit. In addition to the above, it is responsible for monitoring the effectiveness of the internal control system, the risk management system, compliance and the internal auditing system.

Members:
Karl Gernandt (Chairman), Turqi Alnowaiser, Oscar Eduardo Hasbún Martínez, Annabell Kröger, Arnold Lipinski, Dr Isabella Niklas, 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 Isabella Niklas, 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, 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/company/ir/financial-news/managers-transactions.html#tabnav

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.

On 17 March 2021, the Supervisory Board decided on the remuneration system for the members of the Executive Board. It satisfies the requirements of the German Stock Corporation Act (AktG) and fundamentally takes account of the recommendations of the GCGC 2020. The remuneration system was approved by the Annual General Meeting on 28 May 2021.

The remuneration of the Supervisory Board members was set by the Annual General Meeting on 12 June 2019 in Article 12 of the Company's articles of association. On 28 May 2021, the Annual General Meeting confirmed the remuneration system on which the remuneration of the Supervisory Board members is based.

The basic features of the remuneration system and the Executive Board and Supervisory Board members' remuneration are outlined in the remuneration report. The remuneration report, the external auditors' opinion in accordance with Section 162 of the German Stock Corporation Act (AktG) and the remuneration systems for the members of the Executive Board and Supervisory Board approved and confirmed by the 2021 Annual General Meeting, in addition to the resolutions passed by the 2021 Annual General Meeting, are publicly available at

https://www.hapag-lloyd.com/en/company/ir/corporate-governance/remuneration.html#abnav

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 2021 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 2021, the shareholders of Hapag-Lloyd AG were:

in %	31.12.2021
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 28 May 2021 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 2021 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 2021, there were six 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 Supervisory Board has decided on a target of 20% for the Executive Board by 30 June 2022. The appointment of Ms Donya-Florence Amer as an Executive Board member with effect from 1 February 2022 means that this target has already been met. Furthermore, the appointment of Ms Amer with effect from 1 February 2022 means that Hapag-Lloyd AG satisfies the requirements of the German Stock Corporation Act (AktG) in the version of the Second Management Positions Act (Zweiter Führungspositionen-Gesetz), whereby at least one woman and at least one man must be a member of the Executive Board of a listed company if it has more than three members.

For the first two management levels below the Executive Board, the Executive Board set a target for the percentage of women of 5% for the first management level below the Executive Board and a target of 15% for the second management level by 30 June 2022.

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.

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
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 (until 31 August 2021)
MAN Energy Solutions SE
MAN Truck & Bus SE

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 Logistics University – Chairman
Kühne Real Estate AG – Chairman
Signa Prime Selection AG

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
Exchange Council of the Hanseatic Stock Exchange Hamburg
Gasnetz Hamburg GmbH (since 1 December 2021)
GMH Gebäudemanagement Hamburg GmbH
HADAG Seetouristik und Fährdienst AG
HHLA Hamburger Hafen und Logistik AG
Stromnetz Hamburg GmbH
Hamburger Energiewerke GmbH (until 31 December 2021 named 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 14,100 employees on six continents. To ensure all our employees have a shared understanding of who we are and who we want to be, Hapag-Lloyd has worked 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

Between 2014 and 2018, the container liner shipping industry underwent a period of extensive consolidation, as a result of which the ten largest competitors now hold a global market share of more than 80%. Through its mergers with CSAV and UASC, Hapag-Lloyd has also been able to significantly increase its competitiveness with regard to costs and expand its market shares. However, 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.

In 2018, Hapag-Lloyd developed and presented its medium-term strategy based on these premises. The core objectives of Strategy 2023 are:

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

As a result of the market disruptions caused by the COVID-19 pandemic as well as the rapidly growing importance of sustainability aspects and increasing digitalisation, an extensive analysis of the existing strategy was conducted in the 2021 financial year. The Executive Board's assessment is that this strategy has proven its worth and that numerous objectives have been achieved ahead of schedule. To ensure that the Company sustains its success even during difficult market phases, a greater focus will be placed on the area of quality in the next two years and the topic of sustainability will be incorporated as a fourth core objective.

Core objectives of Strategy 2023

- **Number one for quality**
- **Global Player**
- **Profitability**
- **Sustainability**

Become number one for quality

Quality pledges

Hapag-Lloyd is committed to its objective of becoming and remaining the number one for quality in the industry. To achieve this, ten quality pledges have been formulated and gradually published. Our quality pledges include timely and accurate booking documentation, compliance with volume agreements, a high level of adherence to schedules compared with competitors, accessibility of customer service at all times and swift handling of enquiries and claims. Customers can access information about how the quality pledges are met using a "Customer Dashboard". The corresponding global values will also be published on the Hapag-Lloyd website.

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 2021 reporting year, the share of cargo transported with an inland component was approximately 31%, as in the previous year.

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. The original target of increasing the percentage of bookings made via the platform to 15% of the total transport volume by 2023 was already significantly surpassed in the 2021 financial year. In total, 22.7% (previous year: 11.1%) or 2.7 million TEU (previous: 1.3 million TEU) was booked via Quick Quotes. The online booking percentage is expected to increase further in the future.

Global player

Hapag-Lloyd is aiming for a global market share (excluding Intra-Asia) of around 10%. As at 31 December 2021, this figure was approximately 9.4% (previous year: 10.9%). Hapag-Lloyd plans to grow with the market and thereby retain its market share. In addition, it wants to expand in attractive growth markets and in the area of special cargo in particular. This includes the transportation of reefer containers, where Hapag-Lloyd has a strong market position today. Here, too, the Company is aiming for a market share of around 10%. As at 31 December 2021, its share of the global reefer market was approximately 9.4% (previous year: 9.1%). As part of this, the Company is continuously investing in the expansion of its reefer container fleet. The successful takeover in 2021 of its competitor NileDutch, which specialises in Africa trades, has also enabled the Company to strengthen its business in another attractive growth market.

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. The extraordinarily good earnings position in the 2021 financial year enabled the Company to exceed all of its long-term financial targets.

Long-term financial targets and target achievement

	Target	2021 Actual
Profitability	ROIC > WACC	70.0% ROIC > 7.0% WACC
Net Leverage	≤ 3x Net Leverage / EBITDA	Net Cash
Liquidity	~USD 1.1 bn	USD 9.3 bn
Equity	> 45%	60%
Dividend Policy	≥ 30% of EAT	68%

Sustainability

In the 2021 financial year, Hapag-Lloyd developed an enhanced sustainability strategy which encompasses three focus areas:

- Clean shipping & futureproof propulsion
- Diversity & society
- Compliance & responsibility

According to the IMO Greenhouse Gas Study, the commercial shipping industry as a whole is responsible for around 3% of annual greenhouse gas emissions. The reduction of greenhouse gases is therefore a key aspect of the new sustainability strategy. Hapag-Lloyd is working with international organisations to make shipping more environmentally friendly. Between 2008 and 2019, Hapag-Lloyd reduced CO_2 emissions per TEU-km by approximately 50%. Its target for 2030 is to cut the CO_2e intensity of its entire fleet as per the EEOI by a further 30% compared with 2019 and to become completely carbon-neutral by 2045. It aims to achieve this by implementing measures to increase operating efficiency, converting existing ships and using new, efficient vessels, and switching to low-carbon and carbon-neutral fuels. For this purpose, twelve large container ships have been ordered and one existing large vessel converted. These ships can be operated using both fossil fuels and organic or synthetic gas and will therefore contribute to a significant reduction in greenhouse gases.

The new sustainability strategy is further detailed in Hapag-Lloyd's Sustainability Report 2021. The report is expected to be published in April 2022.

Strategic priorities up to 2023

To achieve the Company's strategic objectives, a catalogue of measures was published in the 2021 financial year comprising three areas of action:

- **Simplify:** Improve the customer experience and reduce complexity
- **Strengthen:** Double our efforts to become the number one for quality
- **Invest:** Invest in our employees, sustainable assets and long-term competitiveness

Simplify

Simplifying our liner and depot network and consolidating cargo handling at strategically selected seaports aims to improve service quality and cut unit costs. In addition, a simpler and clearer segmentation strategy and greater automation of internal processes seeks to further improve the customer experience.

Strengthen

The measures under Strengthen are aimed at doubling our efforts to become the number one for quality. In particular, improved operations management and enhanced cooperation with the terminals aims to increase adherence to timetables. Our target is to remain in the top third at all times among our competitors with regard to adherence to timetables. New and mutually binding contractual structures that provide greater planning security to all parties seek to strengthen customer relationships. In addition, the formulation of the new sustainability strategy aims to further enhance measures, particularly in the area of greenhouse gas emissions, so that CO_2 emissions per TEU-km (EEOI) are reduced by 30% by 2030 compared with 2019.

At the same time, we plan to further strengthen our position in attractive niche markets and regions and improve our land-side services. To increase the percentage of land-side container shipments to 40%, the goal is to improve the quality of these services and supplement them with high-value ancillary services. To accommodate the increasing automation and digitalisation of the business model, a significant expansion of IT innovation capacities is planned.

Invest

Investing in employee training and sustainable assets aims to secure Hapag-Lloyd's competitiveness over the long term. To cater for the rapidly changing working requirements, Hapag-Lloyd will significantly expand training programmes for its 14,100 employees in the future and promote modern working practices. Investing in efficient and climate-friendly ships will support sustainability targets while also ensuring the competitiveness of the fleet. Fitting our containers with monitoring devices aims to increase transparency for customers and Hapag-Lloyd, thereby leading to more efficient container usage. In addition, selective investments in terminals and complementary services seek to strengthen the existing core business.

Combined management report

BASIC PRINCIPLES OF THE GROUP

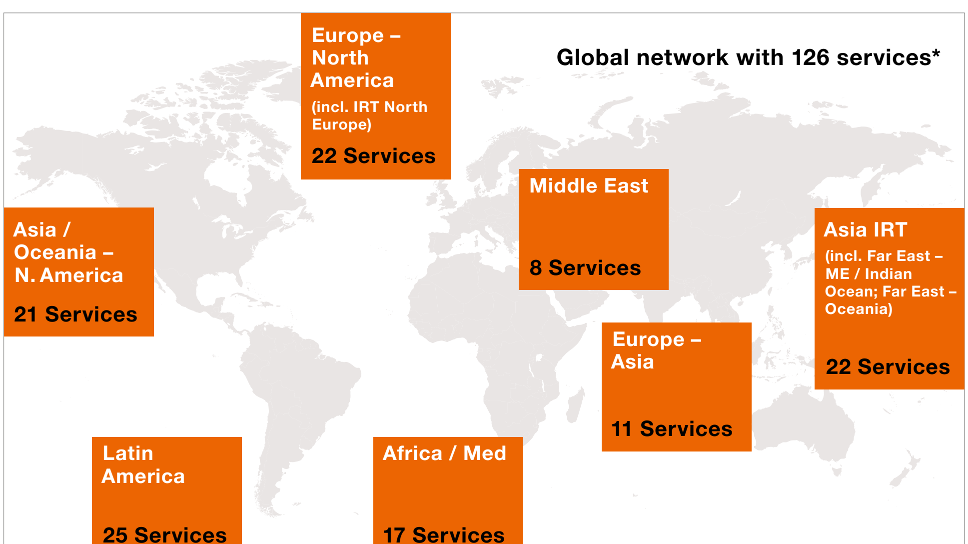
The management report of Hapag-Lloyd AG and the Group management report have been combined in accordance with section 315 sub-section 5 in conjunction with section 298 sub-section 2 of the German Commercial Code (HGB). The disclosures specific to Hapag-Lloyd AG are presented in the chapter “Notes on 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 253 container ships as at 31 December 2021 (previous year: 237) with a transport capacity of approximately 1.8 million TEU (previous year: approximately 1.7 million TEU). The Group currently has 421 sales offices in 137 countries (previous year: 395 sales offices in 129 countries) and offers its customers worldwide access to a network of 126 liner services (previous year: 122). In the 2021 financial year, Hapag-Lloyd served approximately 33,100 customers around the world (previous year: approximately 30,400).

Network of Hapag-Lloyd services



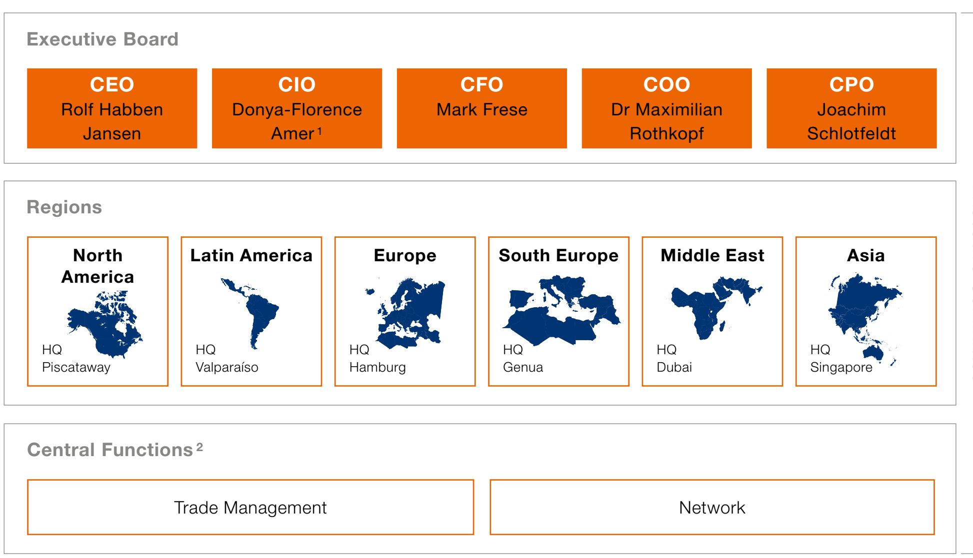
Source: Company data; note: *FP1 and FP2 services included twice (Asia–North America / Europe–Asia)

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

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:



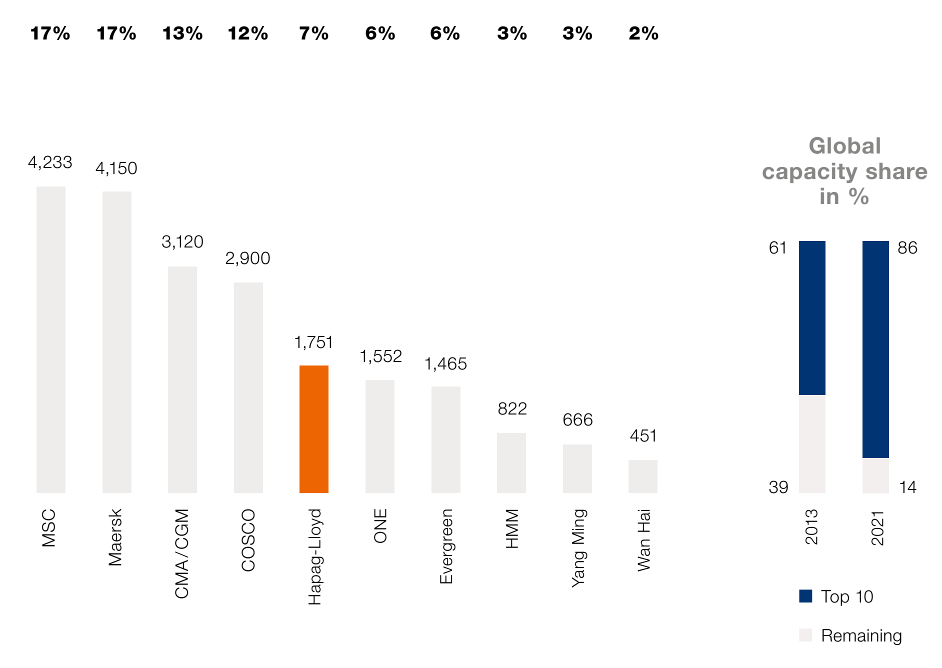
1 According to a resolution of the Supervisory Board on 11 November 2021, Ms Donya-Florence Amer was appointed as a new Executive Board member (CIO) with effect from 1 February 2022.
2 There are further central functions outside the Executive Committee.

The organisational structures of all six regions are identical. This "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. The ten largest container shipping lines now account for around 86% (previous year: 85%) of the total capacity of the global container ship fleet. In 2013, this share was only 61% (MDS Transmodal January 2022 and October 2013 as well as Drewry Q4 2021).

Fleet capacity and market share of the top container liner shipping companies in TTEU 2021 vs. 2013



Source: Drewry (Q4 2021), MDS Transmodal (January 2022, October 2013)
Hapag-Lloyd capacity excl. chartered-out vessels

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 three global alliances. Measured in terms of transport capacity, the largest alliance is the “2M Alliance”, consisting of the two market leaders – Mediterranean Shipping Company S. A. (Switzerland) (MSC) and A.P. Møller – Mærsk A/S (Denmark) (Maersk). The “Ocean Alliance” consists of CMA CGM S. A. (France), China COSCO Shipping Corporation Limited (China), including its subsidiary OOIL (Hong Kong), and Evergreen Marine Corp. Ltd. (Taiwan) (Evergreen) and is the second-biggest alliance. Hapag-Lloyd (Germany) operates “THE Alliance” in partnership with ONE (Singapore), Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming) and Hyundai Merchant Marine (South Korea) (HMM). As at 31 December 2021, “THE Alliance” covered all East–West trades with 255 container ships and 29 services (31 December 2020: 274 container ships and 30 services).

Capacity share of alliances in East–West trades

in %	Far East trade	Transpacific trade	Atlantic trade
2M	35	27	46
Ocean Alliance	33	37	13
THE Alliance	**24**	**24**	**30**
Other	8	12	10

Source: Alphaliner (December 2021), Hapag-Lloyd 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 lower, 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.

Hapag-Lloyd's business is also subject to numerous national and international environmental regulations, particularly with regard to protecting the seas and reducing air pollution. For example, stricter thresholds for sulphur dioxide emissions have been applicable worldwide since 2020 (IMO 2020) and require the use of either low-sulphur fuels or exhaust gas cleaning systems (EGCSs). Furthermore, the introduction of the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII) in 2023 will result in new, globally applicable energy efficiency regulations aimed at steadily reducing the CO_2 emissions of commercial ships. To meet the new requirements, it is assumed that numerous ships will have to be converted and the use of low-carbon or carbon-neutral fuels will become necessary in the medium term. Several countries and international institutions are also discussing a possible surcharge for the CO_2 emitted by commercial ships by means of a tax or similar instruments. The European Commission has brought forward specific legislation in relation to this. It envisages the inclusion of commercial shipping in the European emissions trading system from 2023 and is currently being discussed with the European Parliament and Council.

The assessment of the impact of new environmental regulations on the economic viability and efficiency of some older vessels particularly affected by these regulations resulted in a recalculation for these vessels in the third quarter of 2021 and thus a shortening of their estimated remaining useful lives.

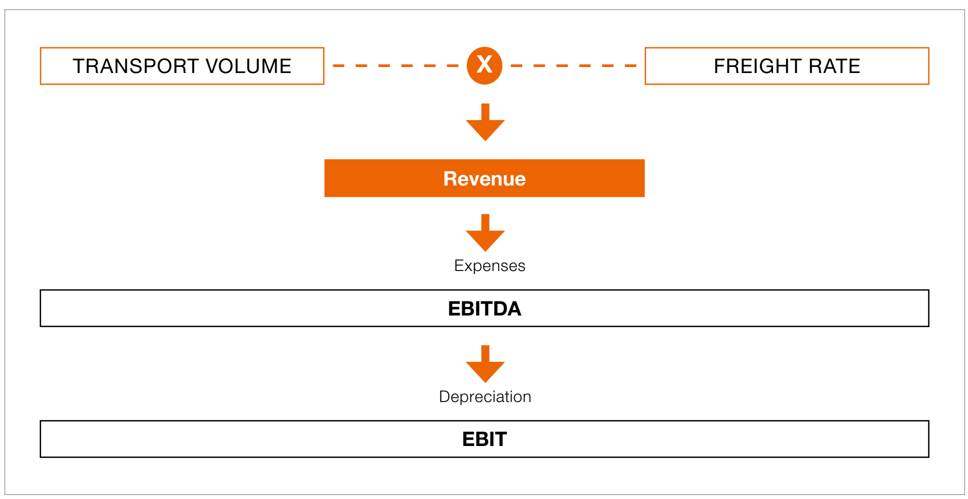
CORPORATE MANAGEMENT

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 important 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 three 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 can be hedged using options in order to lessen the risk of changes in the bunker price due to rising prices.

PRINCIPLES AND PERFORMANCE INDICATORS

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

In addition to the important performance indicators EBITDA and EBIT, return on invested capital (ROIC) is used as a strategic 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	
	2021	2020	2021	2020
Non-current assets	15,284.0	12,633.0	17,298.4	15,508.3
Inventory	337.2	172.3	381.6	211.5
Accounts receivable	2,999.2	1,362.6	3,394.5	1,672.8
Other assets	370.7	335.0	419.5	411.3
Assets	**18,991.1**	**14,503.0**	**21,494.1**	**17,803.9**
Provisions	1,020.5	827.4	1,155.0	1,015.7
Accounts payable	2,323.9	1,748.1	2,630.2	2,146.0
Other liabilities	1,710.9	749.9	1,936.4	920.5
Liabilities	**5,055.3**	**3,325.4**	**5,721.6**	**4,082.3**
Invested Capital	**13,935.8**	**11,177.6**	**15,772.5**	**13,721.6**
EBIT	9,389.8	1,315.2	11,111.0	1,501.0
Taxes	61.3	45.8	72.5	52.3
Net Operating Profit after Tax (NOPAT)	**9,328.6**	**1,269.4**	**11,038.4**	**1,448.7**
Return on Invested Capital (ROIC)			**70.0%**	**10.6%**

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 2021 financial year was 70.0%, following 10.6% in the previous year. As a result of this extraordinary improvement, the return on capital in 2021 was significantly higher than the average cost of capital. The cost of capital after income taxes is 7.0% as at the balance sheet date (31 December 2020: 6.0%). The increase in the weighted cost of capital is mainly due to a lower risk-free base rate. The increase in the weighted cost of capital is mainly due to the higher equity ratio and a higher risk-free base interest rate.

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, were successively implemented. The majority of the quality targets have already been published and the customer is provided with Hapag-Lloyd’s performance in relation to these quality promises.

Fleet and capacity development
As at 31 December 2021, the Hapag-Lloyd fleet comprised a total of 253 container ships (previous year: 237). The takeover of NileDutch increased the fleet by ten container ships. 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 2021 was 1,768.7 TTEU, thus 2.9% higher than in the previous year (1,718.8 TTEU). The takeover of NileDutch increased the TEU capacity by 29.5 TTEU. In addition, Hapag-Lloyd purchased six smaller second-hand vessels with a total capacity of 23.8 TTEU. Based on the TEU capacities, 60% of the fleet was owned by the Group as at 31 December 2021 (previous year: 61%).

As at the reporting date, the average age of the total Hapag-Lloyd fleet was 10.5 years (capacity weighted; previous year: 9.5 years). This is slightly above the average of the ten biggest container liner shipping companies, which is 10.0 years (previous year: 9.6 years; source: MDS Transmodal). The average size of ships in the Hapag-Lloyd Group fleet as at 31 December 2021 was 6,991 TEU (previous year: 7,252 TEU). This figure was approximately 11% above the comparable average of the ten biggest container liner shipping companies worldwide as at 31 December 2021, which was 6,279 TEU (previous year: 6,317 TEU; source: MDS Transmodal). Average ship sizes have decreased slightly at Hapag-Lloyd, as well as among its competitors, as smaller available ships have been added to fleets due to capacity shortages.

In order to improve its competitiveness in the Europe–Far East trade, Hapag-Lloyd signed two newbuild agreements, each for the construction of six large container vessels, at the end of 2020 and in June 2021 with Korea's Daewoo Shipbuilding & Marine Engineering. The ships will be sized at 23,660 TEU and will be delivered to Hapag-Lloyd between April 2023 and December 2024. The total value of the investment will be approximately USD 2 billion. The relevant funding has already been agreed on. 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 CO_2 emissions can be reduced by around 15% to 25% (European Commission, July 2021).

During the year, Hapag-Lloyd also acquired three newbuild agreements for 13,250 TEU vessels, which will be delivered in 2022 and 2023, as well as two newbuild agreements for vessels with a capacity of 13,000 TEU, which will be delivered in 2024.

In addition to ordering the vessels that run on LNG, Hapag-Lloyd completed the first conversion of a large container vessel (15,000 TEU “Brussels Express”, formerly “Sajir”) to run on LNG in 2021. The vessel is equipped with a dual-fuel system, i.e. it can use both LNG and/or low-sulphur fuel. The “Brussels Express” has been deployed on the Europe–Far East trade since 1 April 2021.

As at 31 December 2021, Hapag-Lloyd owned or rented 1.83 million containers (31 December 2020: 1.63 million) with a capacity of 3,058.4 TTEU (31 December 2020: 2,703.9 TTEU) for shipping cargo. The capacity-weighted share of leased containers is 42% as at 31 December 2021 (31 December 2020: 45%). To counteract the capacity bottlenecks and to further strengthen the position in the reefer market in accordance with Strategy 2023, containers with a capacity of 293 TEU were ordered in the 2021 financial year, of which 41 TEU were reefers and specials.

Structure of Hapag-Lloyd’s ship and container fleets

	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Number of vessels	253	237	239	227
thereof				
Own vessels [1]	113	112	112	112
Chartered vessels	140	125	127	115
Aggregate capacity of vessels (TTEU)	1,769	1,719	1,707	1,643
Aggregate container capacity (TTEU)	3,058	2,704	2,540	2,559
Number of services	126	122	121	119

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

In 2021, Hapag-Lloyd chartered in a total of 23 container ships with a capacity of 57.3 TTEU on a short-term basis for repositioning empty containers (previous year: 20 vessels, capacity 58.9 TTEU) to counter the tight container availability in Asia as far as possible. As at 31 December 2021, one ship was still deployed for empty container transport (31 December 2020: no ship). The ships are not deployed in a liner service and are therefore not included in the display of the fleet structure.

An essential parameter for evaluating a container ship fleet is the bunker consumption of the vessels. In the financial year 2021 Hapag-Lloyd’s bunker consumption totalled 4.20 million tonnes and was therefore 2.1% higher than in the previous year (2020: 4.11 million tonnes). This increase was essentially caused by a rise in ship capacity compared with the prior year period, as well as longer waiting times at and outside of ports. For the first time, 2,551 tonnes of LNG were used as a fuel in 2021. Bunker consumption per volume transported remained constant compared to the previous year at 0.35 t/TEU. Compared with 2009, bunker consumption per TEU has been cut by approximately 42%. Bunker consumption per slot (measured in terms of container slot capacities on an annual average) was also on the same level as in the previous year at 2.4 t/slot (2009: 5.8 t/slot).

The percentage of low-sulphur bunker (MFO low sulphur 0.1% and 0.5%, MDO) and liquefied natural gas (LNG) fell slightly from 94% in 2020 to 92% in the 2021 financial year.

Bunker consumption of the Hapag-Lloyd Group

Tons (t)	2021	2020
MFO (High Sulphur)	349,278	247,933
MDO, MFO (Low Sulphur)	3,843,212	3,860,733
LNG	2,551	–
Total bunker consumption	**4,195,041**	**4,108,666**

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	2021	2020
Transpacific		
Asia – North America	22,787	18,863
North America – Asia	6,778	6,970
Far East		
Asia – Europe	16,191	14,212
Europe – Asia	6,601	6,471
Atlantic		
Europe – North America	3,293	2,915
North America – Europe	1,579	1,518

Source: Seabury (December 2021). 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 96.3% (prior year period: 95.6%).

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	2.8	3.0
Far East	4.7	4.1
Atlantic	6.3	4.8

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 (December 2021); Hapag-Lloyd 2021

The number of loaded containers transported by Hapag-Lloyd on the non-dominant leg on the key trades is above or on the same level as 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 and to boost productivity. In 2021, each container was transported on average 4.2 times (prior year period: 4.5 times). The reason for the reduction compared to the previous year is the significant increase in turnaround times due to bottlenecks in the supply chains.

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 36 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 33,100 customers in the 2021 financial year (previous year: approximately 30,400 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 12% during the past financial year (previous year: 13%).

Transport volume by product category in 2021 [1]

Product Category	**Share 2021 in %**	Share 2020 in %
Plastics & rubber	12	13
Machinery	9	9
Foodstuff and beverages	9	9
Agriculture	9	10
Chemicals	9	9
Metals and minerals	8	8
Textiles	7	6
Paper and forest products	7	8
Automotive	6	5
Furniture	6	5
Electronics	5	5
Glass and ceramics	3	3
Other products	10	10
Total	**100**	**100**

[1] The definitions and breakdown of the product groups were updated in 2021, the previous year's values were adjusted accordingly.

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

Development activities at Hapag-Lloyd can be divided into the areas IT & digitalisation as well as ship technology and the testing of new fuels and propulsion technologies as part of the decarbonisation strategy. With the Fleet Analytics & Technical Optimization department, there is an R&D department in the Fleet division responsible for the development and implementation of efficiency-enhancing technical solutions such as new propeller designs. In addition, the use of new fuels and propulsion technologies to reduce CO_2 emissions are tested in coordination with the Sustainability department. The holistic approach to continuously improve the carbon footprint for the fulfilment of the transport task also includes an increase in load factors, as well as flexibility in stowage and handling of cargo.

Since March 2021, the first large container vessel to be converted to liquefied natural gas (LNG), the 15,000 TEU "Brussels Express", has been operating on the Europe – Far East trade. Hapag-Lloyd's experience of converting and operating an LNG ship for the first time can be utilised for the increased use of LNG as a fuel in the future.

In 2020, Hapag-Lloyd began testing the use of biofuels based on fatty acid methyl ester (FAME). These are produced from organic waste such as used cooking oil and mixed with conventional bunker fuel at a variable ratio. This can reduce greenhouse gas emissions by more than 80% compared with conventional fuel. Following initial experiences in 2020, the use of biofuels was expanded in 2021. Hapag-Lloyd's largest container ships (A19 class) are now refuelled with these fuels in regular operation in Rotterdam. In 2021, 18,500 tonnes of biofuel were bunkered in Rotterdam.

Digital transformation is a top strategic priority for Hapag-Lloyd and runs through all business areas. In close cooperation between IT and specialist departments, highly integrated solutions are created using modern technologies such as artificial intelligence, robotic process automation, cloud and blockchain platforms. Special priority is given to the extensive automation of business processes with the goal of excellent service quality and efficiency. Together with the Digital Business and Transformation department and the regions, we have succeeded in making new, digitally available services and business models available to our customers and constantly developing them further using agile methods. The necessary capacity and know-how are continuously being expanded at the Hamburg and Gdańsk locations and with partners.

EMPLOYEES

As at 31 December 2021, the Hapag-Lloyd Group employed a total of 14,106 people (previous year: 13,117 employees). Of this total, 11,997 were shore-based employees (31 December 2021: 10,867), while 1,868 people were employed on-board of vessels (31 December 2021: 2,023). The number of shore-based employees thus increased significantly by 1,130 persons. The increase is mainly due to the expansion of the Global Service Center in India and the worldwide Quality Service Centers. In addition, new offices were opened in Ukraine and Morocco and the IT Knowledge Center in Gdańsk was further expanded. The acquisition of NileDutch increased the number of employees by 295 as of 31 December 2021.

Number of employees

	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Marine personnel	1,868	2,023	2,072	1,970
Shore-based personnel	11,997	10,867	10,691	10,561
Apprentices	241	227	233	234
Total	**14,106**	**13,117**	**12,996**	**12,765**

The average period of employment for shore-based personnel was around 8.0 years (previous year: 8.5 years).

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% (2021: 73%). As at 31 December 2021, Hapag-Lloyd employed a total of 241 apprentices (31 December 2020: 227), of whom 145 were in shore-based positions and 96 were at sea (previous year: 116 shore-based and 111 at sea).

SHAREHOLDER STRUCTURE AND DIVIDEND

Shareholder structure of Hapag-Lloyd AG

The shareholder structure of Hapag-Lloyd AG is dominated by its five major shareholders, which hold 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.

The shareholder structure of Hapag-Lloyd AG as at 31 December 2021 was unchanged from the previous year:

in %	31.12.2021
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 very positive business development, the Executive Board of Hapag-Lloyd AG proposes to the Annual General Meeting that a dividend of EUR 35.00 per share be paid for the 2021 financial year (previous year: EUR 3.50 per share). This represents a disbursement ratio in relation to Group profits of around 68% (previous year: around 66%).

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.

Following the pandemic-related downturn in 2020, global economic conditions improved significantly again in 2021. According to the IMF, this was helped by companies adapting to the changes in operating conditions and by numerous governments and central banks implementing extensive fiscal and monetary policy measures. In Western industrialised countries, rising vaccination rates initially led to a gradual reduction in the economically damaging restrictions on movement and contact. However, high COVID-19 infection numbers at the end of the year led to the reintroduction of measures to control the pandemic in many countries, which in turn had a negative impact on economic growth. Due to the global disruption to supply chains, companies are also having to contend with a shortage of primary and intermediate products. This is further slowing down the economic recovery in industrialised countries and, in conjunction with increased energy prices, is creating a high level of inflationary pressure.

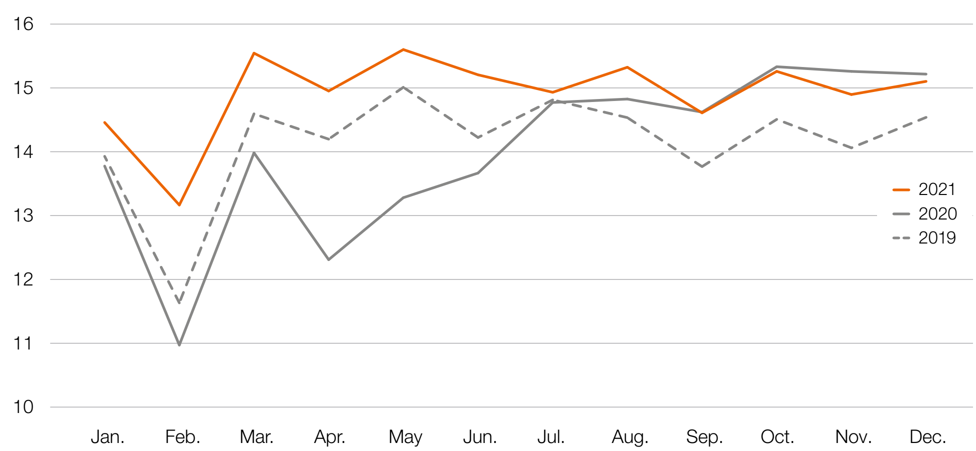
Following a strong start to the year, the economic recovery in China gradually weakened over the course of 2021. Rising commodity prices, electricity outages and supply shortages, and difficulties in the real estate sector had a negative effect. Nevertheless, the Chinese economy grew by 8.1% in 2021 compared to the previous year. Imports and exports rose by 21.4% overall in the same period (National Bureau of Statistics of China, January 2022). The main recipients of Chinese goods are the USA and Europe. The US economy grew in 2021 by 5.7% compared with the previous year thanks to strong consumption which was driven by the stimulus cheques that were issued directly to many US citizens. Following a brief weak phase in the third quarter, the pace of growth increased significantly once again at the end of 2021, primarily due to rising exports and higher investment in inventories. Imports and exports of goods increased by 21.3% and 23.3% respectively in 2021 compared with the prior year period (U.S. Department of Commerce, January and February 2022). Economic output also made a strong recovery in the EU in 2021. GDP grew by 5.2% year-on-year. However, the pace of growth weakened in the fourth quarter due to rising COVID-19 infection numbers and new measures to control the pandemic. Germany even recorded a fall in economic output in the fourth quarter of 2021 compared with the previous quarter (Eurostat, January 2022). Exports of goods from the EU increased by 12.5% in 2021 compared to the same period last year. Imports of goods grew even more significantly by 41.8%, mainly due to a 72.1% increase in energy imports, while imports of manufactured goods increased much less significantly by 15.8% (Eurostat, February 2022).

The increased economic growth worldwide pushed the price of oil up significantly during the year. On 31 December 2021, the price of Brent Crude was USD 77.78 per barrel, up from USD 51.80 per barrel at the end of 2020 (S&P Global Platts, December 2021).

SECTOR-SPECIFIC CONDITIONS

In tune with the global economic recovery and increased demand for consumer goods, global container transport volumes rose by 6.6% in 2021 compared with the previous year (Container Trades Statistics (CTS), February 2022). While the transport volume was significantly down in the first half of 2020 due to the COVID-19 pandemic, it remained at a high level throughout the 2021 financial year. However, the increased demand, combined with regional COVID-19 restrictions and a simultaneous shortage of transport capacities, resulted in sustained disruptions to global supply chains, which had a negative impact on volumes towards the end of the year. Particularly in North America, there was congestion in port and hinterland infrastructure. The already challenging situation was further exacerbated by port closures in China due to COVID-19 and the temporary blocking of the Suez Canal by a container ship.

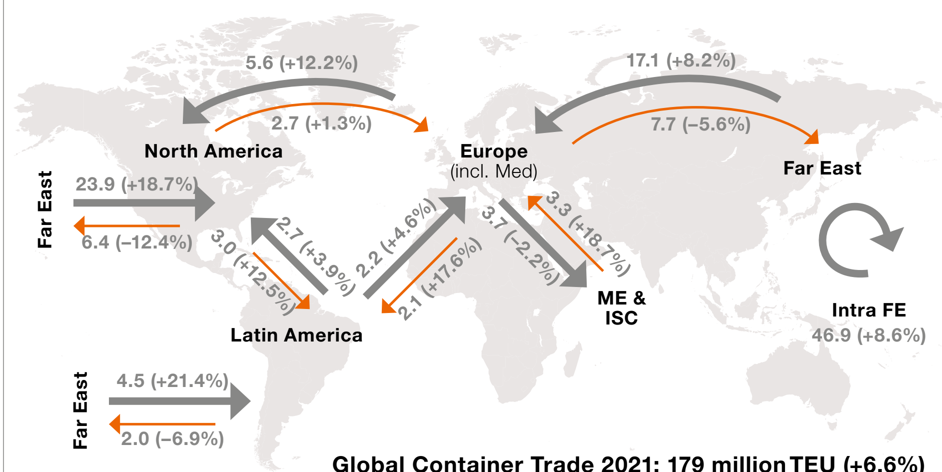
Monthly global container transport volumes (in million TEU)



Source: CTS, February 2022

In particular, transport volumes from the Far East to North and Latin America and Europe rose significantly in 2021 compared with the previous year. However, transport volumes in the opposite direction declined at the same time, further increasing the imbalances already common in the industry. Exports from Europe to North and Latin America also grew significantly.

Transport volume and growth rates for global container traffic per trade (volume 2021 in million TEU; in brackets: 2021 vs. 2020 in %)



Source: CTS (February 2022)

As a result of the market situation outlined above, there was a continuous increase in spot freight rates during the year. The Shanghai Containerized Freight Index (SCFI), which tracks spot freight rates on the major trade routes from Shanghai, climbed to a new all-time high of USD 5,047/TEU at the end of 2021. The figure had been just USD 2,642/TEU at the end of 2020.

Based on figures from MDS Transmodal, a total of 162 container ships with a transport capacity of 1,086 TTEU were placed into service in 2021 (prior year period: 125 ships with a transport capacity of 831 TTEU). Scrapping of obsolete ships was at a very low level of 12 TTEU in 2021 compared with 188 TTEU in the prior year period. The capacity of the container shipping fleet rose by 1,015 TTEU to 24.6 million TEU in 2021, which was significantly more than the 678 TTEU recorded in 2020.

Over the course of 2021, orders were placed for the construction of 549 container ships with a transport capacity totalling 4.2 million TEU. This was a very significant increase compared with the 100 ships ordered in 2020 with a capacity of 1 million TEU (Clarksons Research, January 2022). 73 of the newbuilds ordered with a capacity of 835 TTEU will be able to use LNG as fuel, while a further 14 newbuilds with a capacity of 159 TTEU will be able to use methanol, ammonium or other alternative fuels.

According to MDS Transmodal, the tonnage of the commissioned container ships rose to 5.4 million TEU at the end of 2021, up from 2.4 million TEU in the previous year. This means that, although the order volume in proportion to the current global container fleet capacity is 22% and therefore at its highest level since 2011, it is still significantly below the peak of 61% recorded in 2007.

Bunker prices rose steadily in the course of 2021. At the end of 2021, low-sulphur bunker cost USD 550/t, up from USD 367/t at the end of 2020 (MFO 0.5%, FOB Rotterdam).

EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

The 2021 financial year was characterised by continuing strong demand for exported goods from the Asian region, which significantly contributed to the positive development of the sector. The high level of demand for container transportation combined with the ongoing COVID-19 restrictions resulted in sustained disruptions to global supply chains. This, in turn, led to operational challenges that were reflected in prolonged round voyage times for ships and containers. As a result, there was a shortage of available transport capacity.

Compared with the 2020 financial year, the rise in the average freight rate (in USD) of 79.7% resulted in revenue growth of 74.4%. By contrast, higher container handling expenses (+14.3%) and an increase in the average bunker consumption price (+25.3%) reduced the operating result. The weaker US dollar had a dampening effect overall and had a negative total impact on earnings. The average USD/EUR exchange rate was USD 1.18/EUR in the 2021 financial year, compared with USD 1.14/EUR in the corresponding prior year period.

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 10,852.6 million in the reporting period (prior year period: EUR 2,700.4 million) and earnings before interest and taxes (EBIT) of EUR 9,389.8 million (prior year period: EUR 1,315.2 million). The Group profit came to EUR 9,085.0 million (prior year period: EUR 935.4 million).

Consolidated income statement

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Revenue	22,273.5	12,772.4
Transport expenses	10,323.3	9,140.2
Personnel expenses	810.0	683.0
Depreciation, amortisation and impairment	1,462.8	1,385.2
Other operating result	–315.1	–279.7
Operating result	**9,362.2**	**1,284.4**
Share of profit of equity-accounted investees	28.8	32.1
Result from investments and securities	–1.2	–1.2
Earnings before interest and taxes (EBIT)	**9,389.8**	**1,315.2**
Interest result	–245.2	–330.5
Other financial items	1.7	–3.5
Income taxes	61.3	45.8
Group profit/loss	**9,085.0**	**935.4**
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	9,074.7	926.8
thereof profit/loss attributable to non-controlling interests	10.4	8.6
Basic/diluted earnings per share (in EUR)	51.63	5.27
EBITDA	**10,852.6**	**2,700.4**
EBITDA margin (%)	**48.7**	**21.1**
EBIT	**9,389.8**	**1,315.2**
EBIT margin (%)	**42.2**	**10.3**

Transport volume per trade

TTEU	1.1.–31.12.2021	1.1.–31.12.2020
Atlantic[1]	2,105	2,065
Transpacific	1,768	1,851
Far East	2,274	2,286
Middle East	1,557	1,476
Intra-Asia	608	831
Latin America	3,038	2,889
Africa[1]	522	441
Total	**11,872**	**11,838**

[1] As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's figures have been adjusted accordingly.

The transport volume increased by 34 TTEU to 11,872 TTEU compared with the prior year period (prior year period: 11,838 TTEU). This equates to a rise of 0.3%.

The strong demand for exported goods from Asia led to an increase in transport volumes on the Latin America and Middle East trades in particular compared with the prior year period. On the Africa trade, the integration of NileDutch into the Hapag-Lloyd Group in the 2021 financial year resulted in a rise in transport volumes.

The lower transport volume on the Intra-Asia trade was essentially due to the optimised repositioning of containers to other trades, aimed at meeting the strong demand for container transport from the Asia region. On the Transpacific trade, the congestion of local port infrastructures and the resulting delays and suspension of container handling led to a slight decline in transport volumes, despite high demand for container transport.

Freight rates per trade

USD/TEU	1.1.–31.12.2021	1.1.–31.12.2020
Atlantic [1]	1,808	1,312
Transpacific	2,746	1,467
Far East	2,479	979
Middle East	1,512	837
Intra-Asia	1,295	605
Latin America	1,745	1,131
Africa [1]	1,997	1,196
Total (weighted average)	**2,003**	**1,115**

[1] As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's figures have been adjusted accordingly.

The average freight rate in the 2021 financial year was USD 2,003/TEU, which was USD 889/TEU, or 79.7%, up on the prior year period (USD 1,115/TEU).

The continuing increase in the freight rate was primarily due to ongoing strong demand for container transport from Asia as a result of the coronavirus and to a simultaneous scarcity of transport capacity in an overstrained market environment.

Revenue per trade

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Atlantic [1]	3,215.5	2,374.6
Transpacific	4,103.7	2,379.9
Far East	4,763.6	1,961.7
Middle East	1,989.4	1,081.6
Intra-Asia	666.1	440.0
Latin America	4,480.8	2,863.2
Africa [1]	880.7	461.8
Revenue not assigned to trades	2,173.6	1,209.6
Total	**22,273.5**	**12,772.4**

[1] As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's figures have been adjusted accordingly.

The Hapag-Lloyd Group's revenue rose by EUR 9,501.1 million to EUR 22,273.5 million in the 2021 financial year (prior year period: EUR 12,772.4 million), representing an increase of 74.4%. The main reason for this was the rise in the average freight rate of 79.7%. 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 EUR 10.0 billion, or 80.8%.

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.

Operating expenses

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Transport expenses	10,323.3	9,140.2
thereof:		
Bunker	1,678.2	1,407.3
Handling and haulage	5,389.0	4,716.7
Equipment and repositioning [1]	1,219.3	1,134.7
Vessel and voyage (excluding bunker) [1]	1,936.6	1,830.8
Change in transport expenses for pending voyages [2]	100.2	50.6
Personnel expenses	810.0	683.0
Depreciation, amortisation and impairments	1,462.8	1,385.2
Other operating result	–315.1	–279.7
Total operating expenses	**12,911.3**	**11,488.0**

[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 periods are presented in the current period as completed transport expenses.

Transport expenses
In the 2021 financial year, transport expenses rose by EUR 1,183.2 million to EUR 10,323.3 million (prior year period: EUR 9,140.2 million). This represents an increase of 12.9%, which was primarily due to the rise in container handling expenses compared with the previous year and the higher average bunker consumption price. By contrast, the weaker US dollar compared with the euro led to a reduction in transport expenses. Adjusted for exchange rate movements, transport expenses would have risen by EUR 1.5 billion, or 17.1%.

Hapag-Lloyd's average bunker consumption price of USD 475 / t in the 2021 financial year was up USD 96 / t (+25.3%) on the figure for the corresponding prior year period of USD 379 / t.

In the 2021 financial year, container handling expenses rose by EUR 672.3 million to EUR 5,389.0 million (prior year period: EUR 4,716.7 million). This mainly resulted from increased demurrage and detention for containers due to partial congestion of port and hinterland infrastructure and local COVID-19 restrictions.

Container and repositioning expenses increased year-on-year due to higher expenses for demurrage and detention for empty containers at port terminals, particularly in North America.

The increase in expenses for vessels and voyages (excluding fuel) resulted primarily from the rise in the percentage of ships chartered in on a medium-term basis and the resulting operating expenses (non-leasing components) as well as from the increased expenses for container slot charter costs on third-party ships.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2021 financial year came to 53.7% (prior year period: 28.4%).

Personnel expenses

Personnel expenses rose by EUR 127.1 million (18.6%) to EUR 810.0 million in the 2021 financial year (prior year period: EUR 683.0 million). This was primarily due to a structural adjustment of the bonus system, a special COVID-19 bonus and an increase in the number of employees within the Hapag-Lloyd Group. 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 151.3 million.

The Group employed an annual average of 13,634 people (prior year period: 13,085 people). The personnel expenses ratio (measured in terms of revenue) decreased compared to the previous year from 5.3% to 3.6%.

Depreciation, amortisation and impairment

In the 2021 financial year, depreciation and amortisation came to EUR 1,462.8 million (prior year period: EUR 1,385.2 million). This increase was primarily due to the rise in the percentage of ships chartered in on a medium-term basis at simultaneously higher charter rates 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 715.2 million (prior year period: EUR 528.1 million). The increase in depreciation and amortisation was offset to some extent by the weaker US dollar compared with the euro.

Other operating result

The other operating result of EUR –315.1 million (prior year period: EUR –279.7 million) comprised the net balance of other operating income and expenses. Other operating expenses came to a total of EUR 398.1 million in 2021 (prior year period: expenses of EUR 348.8 million). This mainly included IT and communication costs (EUR 209.8 million; prior year period: EUR 175.9 million), consultancy fees (EUR 38.6 million; prior year period EUR 32.7 million) and administrative expenses (EUR 29.0 million; prior year period: EUR 33.8 million). The other operating income of EUR 82.9 million (prior year period: EUR 69.1 million) included in the figure resulted primarily from the release of provisions (EUR 15.8 million; prior year period: EUR 13.8 million) and the disposal of non-current assets (EUR 12.5 million; prior year period: EUR 13.1 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 3.3 million to EUR 28.8 million in the 2021 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 2021 financial year, earnings before interest and taxes (EBIT) amounted to EUR 9,389.8 million. They were therefore well above the corresponding figure in the prior year period (EUR 1,315.2 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 10,852.6 million in the 2021 financial year (prior year period: EUR 2,700.4 million). The annualised return on invested capital (ROIC) for the 2021 financial year amounted to 70.0% (prior year period: 10.6%). Basic earnings per share in the reporting period came to EUR 51.63 per share (prior year period: EUR 5.27 per share).

Key earnings figures

million EUR	2021	2020
Revenue	22,273.5	12,772.4
EBIT	9,389.8	1,315.2
EBITDA	10,852.6	2,700.4
EBIT margin (%)	42.2	10.3
EBITDA margin (%)	48.7	21.1
Basic Earnings Per Share (in EUR)	51.63	5.27
Return on Invested Capital (ROIC) annualised (%) [1]	70.0	10.6

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

Interest result

The interest result in the 2021 financial year was EUR –245.2 million (prior year period: EUR –330.5 million). The decrease in interest expenses compared with the previous year resulted primarily from savings on effective interest expenses in the amount of EUR 95.9 million, which was mainly due to the reduction of bank debt (including the EUR bond) through early repayments and the lower reference interest rates as a result of the COVID-19 pandemic.

By contrast, the profit or loss effect of the embedded derivative in the amount of EUR –23.2 million (prior year period: EUR –3.7 million), which comprises the derecognition of the fair value of EUR –24.1 million associated with the exercising of the early repurchase option of the EUR bond as at 7 April 2021 (prior year period: EUR –8.6 million from the partial repayment of the bond in November 2020) and a valuation effect of EUR 0.8 million (prior year period: EUR 4.9 million), had a negative impact on the interest result.

Income taxes
The rise in income taxes of EUR 15.5 million to EUR 61.3 million was essentially caused by higher current income taxes payable by Hapag-Lloyd AG due to a significant increase in dividend income within the Group in the financial year and by the low level of domestic tax loss carry-forwards still available for offsetting. There was also a rise in the current foreign income taxes of the Group companies as a result of the exceptionally positive general earnings situation. The increase in current income taxes was offset to some extent by a fall in expenses from the consumption of deferred income taxes on tax loss carry-forwards within Germany.

Group profit
Overall, Group profit was significantly up on the previous year at EUR 9,085.0 million (prior year period: EUR 935.4 million). Group profit consists of the earnings attributable to shareholders of the parent company of EUR 9,074.7 million (prior year period: EUR 926,8 million) and the earnings attributable to non-controlling interests of EUR 10.4 million (prior year period: EUR 8.6 million).

The total Group net result of EUR 10,089.0 million (prior year period: EUR 273.5 million) comprises Group profit of EUR 9,085.0 million and other comprehensive income of EUR 1,003.9 million (prior year period: EUR –661.9 million). Other comprehensive income essentially comprises a result from currency translation of EUR 919.7 million (prior year period: EUR –603.7 million), a result from the remeasurement of defined benefit pension plans of EUR 53.7 million (prior year period: EUR –36.0 million) due to a rise in the market interest rate, and earnings effects from hedging instruments in cash flow hedges of EUR 30.1 million (prior year period: EUR 5.8 million).

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. In addition, a risk-optimised investment strategy with diversified counterparties of high credit ratings exists for excess liquidity. 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 were partly hedged using derivative hedging transactions in the course of the financial year 2021.

The transactions of the Group companies are conducted mainly in US dollars. The euro, Chinese renminbi (CNY), British pound (GBP) 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	**31.12.2021**	31.12.2020
Standard & Poor's	BB / Stable	BB- / Positive
Moody's	Ba2 / Stable	Ba3 / Stable

The international rating agencies Standard & Poor's and Moody's assess Hapag-Lloyd AG's financial strength at regular intervals. On 23 March 2021, both rating agencies increased their issuer ratings for Hapag-Lloyd AG by one grade to “BB” (Standard & Poor's) and “Ba2” (Moody's). Both agencies rated the outlook as stable.

On 4 February 2022, Standard & Poor's again raised the issuer rating of Hapag-Lloyd AG by one notch to “BB+“. The outlook was classified as “stable“.

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 2021 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 2021 reporting year:

Containers

- During the 2021 financial year, Hapag-Lloyd AG purchased new containers and container equipment with an amount of USD 943.4 million (EUR 797.3 million). The containers were delivered to Hapag-Lloyd by the end of the reporting year.
- The majority of the investments in containers and container equipment in the 2021 financial year were financed using the free liquidity of Hapag-Lloyd AG.

Vessels

- In April 2021, refinancing was arranged for one 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 seven years and five months, with the option of repurchasing the vessel after six years and ten 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 68.0 million (EUR 60.1 million).
- In June 2021, a loan commitment of USD 852.0 million (EUR 752.8 million) in the form of a mortgage was made to Hapag-Lloyd to finance investments in six new container vessels expected to be delivered in 2024. The loan commitment can be utilised when the container vessels leave the shipyard. The mortgage has a term of up to twelve years and has been collateralised by the Korean export credit insurance company K-Sure. The financing was concluded under the Hapag-Lloyd Green Financing Framework which regulates and describes the issuance of green financing instruments.

In 2021 Hapag-Lloyd acquired 100% of the shares and voting rights of the Dutch container shipping company Nile Dutch Investments B.V. (NileDutch). Furthermore, investments in containers and in retrofitting owned and leased vessels were made in the 2021 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.

For further substantiation of its sustainability targets Hapag-Lloyd has issued a bond with a total volume of EUR 300.0 million under the Sustainability-Linked Bond Framework, of which the interest coupon depends on the achievement of a self-imposed target on the way to decarbonisation by 2030. The bond has a term of seven years and a coupon of 2.5%, which would increase by 0.25% from 15 October 2025 if the set sustainability performance targets are not achieved.

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.

Based on current planning, the Executive Board expects that adherence to all covenants will continue unchanged in 2022.

Net debt

Financial solidity

million EUR	31.12.2021	31.12.2020
Financial debt and lease liabilities	5,497.2	5,136.2
Cash and cash equivalents	7,723.4	681.3
Net liquidity (previous year net debt)	**2,226.3**	**4,454.9**
Gearing (%)[1]	n/a	66.3
Unused credit lines	**516.9**	**476.5**
Equity ratio (%)	**60.5**	**44.3**

[1] Ratio of net debt to equity

The Group's net liquidity amounted to EUR 2,226.3 million as at 31 December 2021. Compared to net debt of EUR 4,454.9 million as at 31 December 2020, there was an excess of cash and cash equivalents over financial debt and lease liabilities. The improvement in net debt was primarily due to a significantly positive operating cash flow.

The equity ratio increased by 16.2% percentage points, from 44.3% as at 31 December 2020 to 60.5%. The rise was primarily due to the increase in earnings for the year. Equity was up by EUR 9,439.3 million compared with 31 December 2020 and came to EUR 16,162.0 million as at 31 December 2021. 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 8,240.3 million (previous year: EUR 1,157.8 million). 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.–31.12.2021	1.1.–31.12.2020
EBITDA	**10,852.6**	**2,700.4**
Working capital changes	–344.4	207.1
Other effects	–98.2	–9.6
Cash flow from operating activities	10,410.0	2,897.9
Cash flow from investing activities	–1,231.7	–477.6
Free cash flow	**9,178.3**	**2,420.3**
Cash flow from financing activities	–2,481.0	–2,192.1
Cash-effective changes in cash and cash equivalents	**6,697.3**	**228.2**

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 10,410.0 million in the 2021 financial year (prior year period: EUR 2,897.9 million). The increase in the cash flow from operating activities was primarily due to higher earnings in the 2021 financial year.

Cash flow from investing activities

In the 2021 financial year, the cash outflow from investing activities totalled EUR 1,231.7 million (prior year period: EUR 477.6 million). This primarily included payments for investments of EUR 1,252.7 million (prior year period: EUR 534.1 million) in ships, ship equipment and new containers. The payments for containers acquired in the previous year included in the investment amount were EUR 21.8 million. There was also a net cash outflow from the acquisition of NileDutch in the amount of EUR 69.7 million. This was compensated by cash inflows from dividends in the amount of EUR 25.9 million (prior year period: EUR 35.9 million) and proceeds from the sale of containers received in the amount of EUR 20.2 million (prior year period: EUR 31.0 million).

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 2,481.0 million in the current reporting period (prior year period: EUR 2,192.1 million). The cash outflow essentially resulted from interest and redemption payments relating to financial liabilities for vessel and container financing in the amount of EUR 1,163.2 million (prior year period: EUR 2,049.4 million). In addition, the corporate bond maturing in 2024 in the amount of EUR 298.0 million and the loan from the ABS programme in the amount of EUR 83.6 million were repaid in full. The payment of a dividend to the shareholders of Hapag-Lloyd AG for the 2020 financial year led to an additional cash outflow of EUR 615.2 million. The interest and redemption payments from lease liabilities in accordance with IFRS 16 totalled EUR 748.8 million in the current financial year (prior year period: EUR 584.0 million). The cash outflows contrasted with cash inflows from the placement of a new corporate bond of EUR 295.9 million. Cash inflows of EUR 201.5 million resulted from the financing of ships / ship equipment and containers (prior year period: EUR 1,013.4 million).

Developments in cash and cash equivalents

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Cash and cash equivalents at beginning of period	**681.3**	**511.6**
Changes due to exchange rate fluctuations	344.8	–58.5
Net changes	6,697.3	228.2
Cash and cash equivalents at end of period	**7,723.4**	**681.3**

Overall, cash inflow totalled EUR 6,697.3 million in the 2021 financial year, with the result that, after accounting for exchange rate-related effects in the amount of EUR 344.8 million, cash and cash equivalents of EUR 7,723.4 million were reported at the end of the reporting period on 31 December 2021 (31 December 2020: EUR 681.3 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 516.9 million (31 December 2020: EUR 476.5 million). The liquidity reserve (cash, cash equivalents and unused credit facilities) therefore totalled EUR 8,240.3 million (31 December 2020: EUR 1,157.8 million).

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

Off-balance-sheet obligations

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	31.12.2021	31.12.2020
Assets		
Non-current assets	15,284.0	12,633.0
of which fixed assets	15,204.5	12,555.6
Current assets	11,430.5	2,551.2
of which cash and cash equivalents	7,723.4	681.3
Total assets	**26,714.5**	**15,184.3**
Equity and liabilities		
Equity	16,162.0	6,722.7
Borrowed capital	10,552.5	8,461.6
of which non-current liabilities	4,594.2	4,668.7
of which current liabilities	5,958.3	3,792.9
of which financial debt and finance lease liabilities	5,497.2	5,136.2
of which non-current financial debt and finance lease liabilities	4,138.5	4,170.4
of which current financial debt and finance lease liabilities	1,358.6	965.7
Total equity and liabilities	**26,714.5**	**15,184.3**
Net debt	2,226.3	–4,454.9
Equity ratio (%)	60.5	44.3

As at 31 December 2021, the Group's statement of financial position total was EUR 26,714.5 million, which is EUR 11,530.3 million higher than the figure at year-end 2020. The reasons for this change primarily included the rise in cash and cash equivalents, price-related increases in receivables and liabilities, the higher equity as a result of the Group profit, and exchange rate effects as at the reporting date due to the stronger US dollar against the euro. The USD/EUR exchange rate was quoted at 1.13 on 31 December 2021 (31 December 2020: 1.23).

Within non-current assets, the carrying amounts of fixed assets increased by a total of EUR 2,648.9 million to EUR 15,204.5 million (31 December 2020: EUR 12,555.6 million). This rise was essentially due to newly received and extended charter and leasing contracts, which led to increased rights of use for assets in the amount of EUR 1,451.4 million (prior year period: EUR 892.6 million) and to investments in ships, ship equipment and containers in the amount of EUR 1,379.5 million (prior year period: EUR 471.4 million). Exchange rate effects as at the reporting date in the amount of EUR 1,098.7 million (prior year period: EUR –1,139.2 million) also contributed to the increase in fixed assets. In addition, the Group acquired property, plant and equipment in the amount of EUR 205.0 million through its acquisition of NileDutch. Depreciation and amortisation of EUR 1,465.6 million had an opposite effect (prior year period: EUR 1,286.3 million) on fixed assets. This includes an amount of EUR 715.2 million (prior year period: EUR 528.1 million) for the amortisation of capitalised rights of use for assets.

Increased freight rates and correspondingly higher invoicing for services led, among other things, to an increase in trade receivables of EUR 1,636.6 million to EUR 2,999.2 million. Cash and cash equivalents increased by EUR 7,042.1 million compared to the end of 2020 (EUR 681.3 million) primarily as a result of the positive operating cash flow.

On the liabilities side, equity (including non-controlling interests) grew by EUR 9,439.3 million to a total of EUR 16,162.0 million. This increase was mainly due to the Group profit of EUR 9,085.0 million (prior year period: EUR 935.4 million) recognised in retained earnings and the unrealised gains from currency translation of EUR 919.7 million (prior year period: EUR –603.7 million) as a result of the appreciation of the US dollar against the euro on the balance sheet date recognised in other comprehensive income. The dividends paid to shareholders from retained earnings in the amount of EUR 615.2 million (prior year period: EUR 193.3 million) had the opposite effect. As at 31 December 2021, the equity ratio was 60.5% (31 December 2020: 44.3%).

The Group's borrowed capital has risen by EUR 2,090.9 million to EUR 10,552.5 million since the 2020 consolidated financial statements were prepared. The increase in financial debt and lease liabilities due to new lease liabilities relating to newly acquired or extended charter and leasing contracts in the amount of EUR 1,453.2 million (prior year period: EUR 847.0 million) and the placement of a sustainability-linked euro bond totalling EUR 300.0 million contrasted with redemption payments for financial debt and lease liabilities totalling EUR 2,090.1 million (prior year period: EUR 3,256.7 million). The redemption payments included EUR 298.0 million for the early redemption of Hapag-Lloyd's existing 5.125% euro bond (original maturity in 2024). In addition, exchange rate effects in the amount of EUR 398.4 million (prior year period: EUR –435.1 million) led to an increase in financial debt and leasing liabilities.

Contract liabilities rose by EUR 900.1 million to EUR 1,445.8 million (31 December 2020: EUR 545.7 million). The reason for the increase was mainly due to higher freight rates for transport orders on voyages pending as at the reporting date. Trade accounts payable increased to EUR 2,323.9 million as at the reporting date (31 December 2020: EUR 1,748.1 million) due, among other things, to higher costs, in particular for bunker and the handling of containers.

Taking cash and cash equivalents, financial debt and lease liabilities into account, net liquidity as at 31 December 2021 was EUR 2,226.3 million (31 December 2020: net debt EUR 4,454.9 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

As communicated in the forecast from 18 March 2021, the development of earnings in the 2021 financial year was significantly higher than in the previous year. Nevertheless, with EBITDA of EUR 10.9 billion and EBIT of EUR 9.4 billion, the original expectations of the Executive Board and the forecast refined in July 2021 were exceeded. At the same time, the figures were at the upper end of the forecast updated on 29 October 2021. This development was primarily due to an unexpectedly sharp increase in the average freight rate. The main reasons for the development of earnings are described in detail in the preceding chapters of the economic report.

Overview of forecasts and target achievement in 2021

	Actual Value 2020	Forecast as of 18 March 2021	Forecast as of 30 July 2021	Forecast as of 29 October 2021	Actual Value 2021
Transport volume	11.8m TEU	Increasing slightly	Increasing slightly	On previous year's level	11.9m TEU
Average freight rate	USD 1,115/TEU	Increasing clearly	Increasing clearly	Increasing clearly	USD 2,003/TEU
Average bunker consumption price	379 USD/t	Increasing clearly	Increasing clearly	Increasing clearly	USD 475/t
EBITDA	EUR 2.7 bn	Increasing clearly	EUR 7.6–9.3 bn	EUR 10.1–10.9 bn	EUR 10.9 bn
EBIT	EUR 1.3 bn	Increasing clearly	EUR 6.2–7.9 bn	EUR 8.7–9.5 bn	EUR 9.4 bn

EXECUTIVE BOARD'S STATEMENT ON OVERALL ECONOMIC PERFORMANCE

The 2021 financial year at Hapag-Lloyd was dominated by a significant rise in freight rates compared with the prior year period as well as operational challenges. The increased global demand for consumer goods – combined with regional COVID-19 restrictions and a simultaneous shortage of transport capacities – resulted in sustained disruptions to global supply chains that were clearly reflected in prolonged round voyage times for ships and containers. The transport situation led to a sharp rise in spot rates, primarily for exported goods from Asia and in particular from China. Throughout 2021, global transport volumes remained at a high level.

At the end of the year, the Hapag-Lloyd Group's EBITDA and EBIT were within the upper part of their forecast ranges, which had last been revised in November 2021, and up on the previous year's figures. The significant improvement in the operating result for 2021 was primarily due to the sharp increase in freight rates throughout the financial year while the transport volume remained at the previous year's level. By contrast, higher container handling expenses, caused by the disruptions to supply chains, and an increase in the average bunker consumption price reduced the operating result. Based on this, the Executive Board retrospectively rates the business development in 2021 as favourable.

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

According to the International Monetary Fund (IMF), the recovery of the global economy following the outbreak of the COVID-19 pandemic is likely to continue in weakened form in the current 2022 financial year. The rapid spread of the omicron variant of COVID-19, high energy prices and rising inflation rates have somewhat dampened the previously optimistic growth predictions. According to the IMF's January forecast, the global economy will grow by 4.4% in 2022, after expanding by 5.9% in the previous year. This puts expected economic growth for 2022 0.5 percentage points lower than forecast in October 2021. In the USA, the continuing disruption to supply chains is likely to result in supply bottlenecks and ongoing inflationary pressure. For this reason, the Federal Reserve is now predicted to tighten monetary policy sooner. In China, by contrast, the strict COVID-19 measures and problems in the real estate sector are expected to weaken growth. In Europe, growth predictions – particularly for the export-driven German economy – have also been revised downwards due to the disruption to supply chains. International trade in goods and services is expected to grow by 6.0% in 2022, after increasing by 9.3% in the previous year.

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

in %	2023e	2022e	2021	2020	2019
Global economic growth	3.8	4.4	5.9	–3.1	2.8
Industrialised countries	2.6	3.9	5.0	–4.5	1.6
Developing and newly industrialised countries	4.7	4.8	6.5	–2.0	3.7
World trade volume (goods and services)	4.9	6.0	9.3	–8.2	0.9

Source: IMF, January 2022

Sector-specific outlook

The expected growth of the global economy in the 2022 financial year is also likely to be accompanied by rising container transport volumes. However, a limiting factor at present is the continuing disruption to supply chains. Seabury therefore predicts that the growth of the global container transport volume will slow down to 3.0% this year. In 2021, volume grew by 6.6%, due also to a weak base in the previous year as a result of the pandemic (CTS, February 2022).

Development of container transport volume

	2023e	2022e	2021	2020	2019
Growth rate (in %)	4.0	3.0	6.6	–1.1	1.3

Sources: CTS (February 2022, 2019–2021), Seabury (December 2021, 2022–2023)

The strong demand for transport combined with a shortage of available vessels resulted in a noticeable increase in ship orders in 2021. According to MDS Transmodal, the tonnage of the commissioned container ships rose to 5.4 million TEU at the end of 2021, up from 2.4 million TEU in the previous year. This means that, although the order volume in proportion to the current global container fleet capacity is 22% and therefore at its highest level since 2011, it is still significantly below the peak of 61% recorded in 2007.

For 2022, Drewry expects the globally available container ship fleet to grow by 0.9 million TEU, or 3.6%. The majority of the ships ordered in 2021 are unlikely to be put into service before 2023.

Expected development of global container fleet capacity

million TEU	2023e	2022e	2021	2020	2019
Existing fleet (beginning of the year)	25.5	24.6	23.6	23.0	22.1
Planned deliveries	2.3	1.0	1.2	1.1	1.1
Expected scrappings	0.3	0.1	0.0	0.2	0.2
Postponed deliveries and other changes	0.1	0.1	0.1	0.3	0.1
Net capacity growth	**1.9**	**0.9**	**1.0**	**0.7**	**0.9**
Net capacity growth (in %)	7.4	3.6	4.3	3.0	4.0

Source: Drewry Container Forecaster December 2021. Expected nominal capacity based on planned deliveries.
Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded.
Rounding differences may be the result of changes in the databases.

Expected business development of Hapag-Lloyd

Hapag-Lloyd posted an exceptionally strong financial performance in the financial year 2021. At the beginning of the year 2022, the underlying market conditions remain broadly unchanged. The unabated global demand for container transports and the ongoing spread of COVID-19 continues to disrupt global supply chains. As a result, container transport capacity remains tight.

Against this backdrop, the Executive Board of Hapag-Lloyd AG expects earnings momentum to remain on a very high level in the first half of 2022, followed by a beginning normalization of earnings in the second half due to an anticipated recovery of supply chains. Group EBITDA is expected to be in the range of USD 12 to 14 billion (prior year: USD 12.8 billion) and EBIT in the range of USD 10 to 12 billion (prior year: USD 11.1 billion). In Euro, this corresponds to an expected Group EBITDA in the range of EUR 10.7 to 12.4 billion (prior year: EUR 10.9 billion) and EBIT in the range of EUR 8.9 to 10.7 billion (prior year: EUR 9.4 billion).

The earnings outlook is based on the assumptions that the transport volume can be increased slightly and the average freight rate moderately compared to the previous year. At the same time, a further increase in transport expenses is anticipated, which should have a dampening effect on the development of earnings. In particular, the average bunker consumption price is expected to increase clearly. The outlook is based on an average exchange rate of 1.13 USD/EUR.

The earnings forecast does not take into account impairments on goodwill, other intangible assets and property, plant and equipment in the course of the 2022 financial year, which are currently not expected but cannot be ruled out.

Key benchmark figures for the 2022 Outlook

	Actual 2021	Forecast 2022
Global economic growth (IMF, Jan. 2022)	5.9%	4.4%
Increase in global trade (IMF, Jan. 2022)	9.3%	6.0%
Increase in global container transport volume (CTS, Feb. 2022; Seabury, Dec. 2021)	6.6%	3.0%
Transport volume, Hapag-Lloyd	11.9m TEU	Increasing slightly
Average bunker consumption prices, Hapag-Lloyd	USD 475/t	Increasing clearly
Average freight rate, Hapag-Lloyd	USD 2,003/TEU	Increasing moderately
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd	EUR 10.9 bn	EUR 10.7–12.4 bn
EBIT (earnings before interest and taxes), Hapag-Lloyd	EUR 9.3 bn	EUR 8.9–10.7 bn

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, as well as the unpredictable development of the situation in Ukraine and a resulting decline in transport volume growth as well as a noticeably negative trend in the average freight rate. Both risks are influenced by risks from capacity bottlenecks at ports and in regional logistics chains. In addition, a significant and sustained increase in bunker prices above the expected development belongs to the top risks.

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 2022, 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

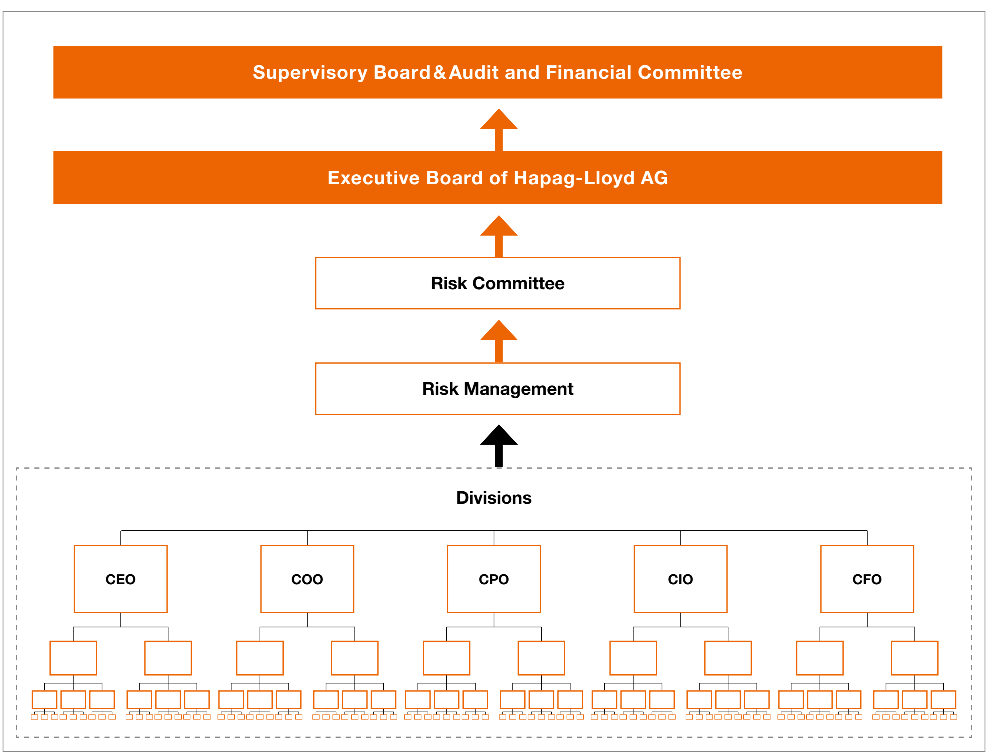
The objective of risk management is to recognise and analyse risks at an early stage and to develop and implement adequate risk responses to lower the risk to an acceptable risk level and therefore secure the achievement of Hapag-Lloyd's business objectives. Thanks to monitoring and control systems installed 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 during the year, on the potential effects of significant fluctuations in these factors, on significant individual risks and on geographic or thematic risk concentrations.

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.

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 in the following section "Summarised overview of corporate risks and opportunities". The subsequent sections provide qualitative descriptions of these and other relevant events that are subject to a high degree of uncertainty and could influence business developments, 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.

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 and a noticeably negative trend in the average freight rate. Both risks are influenced by risks from capacity bottlenecks at ports and in regional logistics chains. The key risks also include a potential sharp rise in the 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 positive trend in the average freight rate, a sharper than expected increase in transport volume and a reduction in the bunker consumption price.

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.

The financial net impact on the Group's targets, mainly EBIT, in the 2022 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 2022 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	significantly lower
	Equal	unchanged
	Higher	significantly higher

Key risks and opportunities

	Risks			Opportunities		
Risks and opportunities	Potential impact	Probability of occurence	Probability of occurrence in 2022 in comparison to the previous year	Potential impact	Probability of occurence	Probability of occurence in 2022 in comparison to the previous year
Fluctuation in transport volume	Critical	Medium	Equal	Medium	Remote	Lower
Fluctuation in average freight rate	Critical	Low	Equal	Medium	Medium	Equal
Bunker consumption price fluctuation	Critical	Medium	Equal	Medium	Remote	Lower
Information technology & security – cyberattack	Severe	Medium	Equal	–	–	–
Risks from capacity bottlenecks at ports and in regional logistics chains	Bearable	Medium	Equal	–	–	–

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 2022. 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 sustained negative impact on growth expectations. The COVID-19 pandemic continues to have a negative global impact on society and the economy at the start of 2022. New waves of infection worldwide and the occurrence of new virus variants 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 3.0% in 2022. 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 transport and container 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 such as raw materials shortages and supply bottlenecks. 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 in these countries may result in more goods being exchanged between each other and with industrialised nations. This could offer additional opportunities for growth in container shipping in 2022 as a result of new economic and trade agreements. 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 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. 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.

In addition to a further foreseeable increase in transport capacities in the market in the medium term, among other things due to newly commissioned new vessels, and the currently extraordinarily positive development of the capital and liquidity situation of the leading container shipping lines, the market entry of new players from outside the industry may also lead to greater price competition in individual trades. 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 or transport volumes do not deliver the expected contribution to earnings, this could have a negative effect on Hapag-Lloyd's earnings position and liquidity.

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 2021 financial year, the cost of the vessels' fuel amounted to 7.5% 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. A steady price increase was recorded at the start of 2021 compared with the price level at the end of 2020. With the temporary easing of the pandemic situation and the strong development of demand worldwide, the price increase continued as the year progressed. At the beginning of 2022, the increase in bunker prices from the end of 2021 persisted. If this trend continues further, it is likely to cause fuel costs to increase more sharply than forecast. Decreasing bunker prices would have an opposite effect.

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 Marine Fuel Recovery (MFR) mechanism on freight rates. 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. 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 general, price risks emanating from fuel procurement can be hedged by means of hedging transactions in accordance with the internal strategy.

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 transport and container capacities were increased further, the loss of time at the ports concerned could be even greater. Furthermore, imbalances in trade flows could culminate in regional bottlenecks in the availability of vessel and container capacities. This, along with pandemic-related temporary (partial) closures of container terminals, 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 as well as higher warehousing costs. If these cost increases for longer dwell times of containers cannot be fully passed on to customers and the delays in the transport chains cannot be reduced, this could lead to a negative impact in the earnings position and transport volumes.

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.

As a result of ongoing exceptionally high demand and inflationary pressures, there is another risk related to price increases for tariffs for services at terminals as well as the reduction of the included dwell time for containers. The negative impact on the financial and earnings position is classified as bearable and the probability of occurrence as high.

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 severe and the probability of occurrence of such events is classified as medium.

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 spot market for several months as a response to falling freight rates.

It cannot be ruled out that charter rates could rise further in the future, despite already being at a high level, and that it might not be possible to pass on these cost increases to customers in the form of higher freight rates. 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 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 three 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 earnings, financial and net asset 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.

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 a regular basis. Non-compliance with the clauses could have a negative impact on liquidity supply and Hapag-Lloyd's financial position. The probability of occurrence of this risk in the outlook period is classified as very remote.

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

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 2021 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 HHLA 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 the demand for services at the terminal. 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 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.

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.

Against the background of the current extraordinary market conditions in container shipping and their impact on global supply chains, regulatory measures could be taken to promote transparency and ensure fair conditions of competition especially with regards to passing on the increased detention and demurrage charges. A financial risk as a consequence of investigations into potential distortions of competition exists in the form of costs for legal disputes, the ordering of fines as well as possible retroactive claims from customers.

In the age of 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, some 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.

Climate and environmental protection regulations and decarbonisation
Achieving the 1.5-degree target of the Paris climate protection agreement involves major research and investment efforts. The maritime industry has invested in climate and environmental protection in recent years and will intensify such activities in the future. To ensure that instruments are as standardised and effective as possible, the tightening of existing regulations and the development of further measures by the International Maritime Organization (IMO) and supranational institutions are to be expected.

In the 2021 financial year, Hapag-Lloyd developed an enhanced sustainability strategy whose main focus is the reduction of greenhouse gases with the goal of a carbon-neutral fleet by 2045. A tightening of existing legal requirements or regulatory timeframes to reduce greenhouse gas emissions could bring transition risks with them, including in the form of higher costs and a need for greater investment in technological innovations. This, in turn, could have a negative impact on the ability to achieve medium and long-term objectives.

Risks relating to 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 earnings position if uninsured and can damage the Company's reputation. The probability of occurrence of these risks 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. The probability of occurrence of these risks is classified as low from an overall perspective.

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 2021, 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 2022 financial year, which could also lead to impairments on goodwill, other intangible assets and property, plant and equipment.

The main risk facing Hapag-Lloyd in 2022 continues to be a market environment characterised by a strong level of competition, congested transport infrastructure and volatile fuel prices, which could lead to recurring pressure on freight rates and on the ability to adhere to timetables and therefore on transport volumes. This, in turn, could have 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 particular degree of uncertainty in view of the current situation in Ukraine and its consequences as well as due to the impact of the ongoing 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.

Description of the significant characteristics of the internal control system

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 as well as 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 internal 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 to the CFO 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 2021, the Corporate Audit department was once again 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.

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 mainly 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 2021, Hapag-Lloyd AG's fleet comprised 245 container ships, 76 of which it owns including leases with purchase option / obligation at end of term (previous year: 228 ships, 71 of which it owned). The number of employees of Hapag-Lloyd AG was 3,848 on the reporting date (previous year: 3,672).

ECONOMIC REPORT

Report on Hapag-Lloyd AG's development in 2021 compared with the forecast

In the 2020 combined management report of the Hapag-Lloyd Group, earnings from operating activities before the effects of foreign currency valuation in the 2021 financial year were forecast to be considerably higher than the previous year's level for Hapag-Lloyd AG. With earnings from operating activities of EUR 8,503.7 million in 2021, the result was significantly up on the previous year's figure (prior year period: EUR 1,198.1 million) and considerably higher than the Executive Board's original expectations. The improvement in earnings was primarily due to the sharp rise in freight rates with a transport volume at the previous year's level and a significant rise in the bunker consumption price. 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 asset 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. The integration of the Dutch shipping company NileDutch acquired in the current financial year had no significant impact on the earnings, financial and net asset position so that the comparability of the two financial years is not impaired in this respect.

Earnings position

The 2021 financial year was dominated by ongoing strong demand for container transport and disruptions to the global transport chains due to the COVID-19 pandemic. The resulting bottlenecks in transport capacities led to a sharp increase in freight rates compared with the previous year. This more than compensated for the pressure on earnings caused by both the additional costs that resulted from the congestion of the port and hinterland infrastructure and the significant rise in the bunker consumption price. Hapag-Lloyd AG's transport volume in the 2021 financial year was on the previous year's level. At the same time, the USD/EUR exchange rate of USD 1.13/EUR as at the reporting date of 31 December 2021 was stronger (previous year: USD 1.23/EUR), which also had a positive effect on earnings. At USD 1.18/EUR, the average USD/EUR exchange rate was 4 cents higher than the USD/EUR exchange rate in the corresponding prior year period (USD 1.14/EUR). These developments increased earnings from operating activities by EUR 7,305.6 million overall to EUR 8,503.7 million. In total, Hapag-Lloyd AG recorded a net profit of EUR 8,959.6 million in the 2021 financial year (prior year period: EUR 1,008.6 million).

Notes to the income statement

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Revenue	21,710.6	12,588.8
Increase in capitalised expenses for unfinished voyages	68.1	55.9
Other own work capitalised	6.4	8.9
Other operating income	1,592.2	1,328.3
Transport expenses	–11,653.0	–10,156.0
Personnel expenses	–369.3	–298.1
Depreciation, amortisation and impairment	–546.0	–476.3
Other operating expenses	–2,305.4	–1,853.5
Operating result	**8,503.7**	**1,198.1**
Financial result	540.2	–129.1
thereof interest result	–48.9	–136.8
Taxes on income	–19.3	–8.4
Result after taxes	**9,024.6**	**1,060.6**
Other taxes	–65.0	–52.0
Net gain for the year	**8,959.6**	**1,008.6**
Retained earnings brought forward	631.8	238.4
Balance sheet profit	**9,591.4**	**1,247.0**
EBIT	**9,024.5**	**1,150.6**
EBIT margin (%)	**41.6**	**9.1**
EBITDA	**9,570.5**	**1,626.9**
EBITDA margin (%)	**44.1**	**12.9**

In the 2021 financial year, revenue rose by around 72% to EUR 21,710.6 million (prior year period: EUR 12,588.8 million). This was due to the sharp increase in the average freight rate as a result of the uninterrupted high level of demand with a transport volume on previous year's level. Hapag-Lloyd AG transported a total of 11,767 TTEU in the financial year (prior year period: 11,729 TTEU), which was an increase of 38 TTEU, or 0.3%. The average freight rate for the 2021 financial year stood at USD 2,006/TEU (prior year period: USD 1,111/TEU) and therefore rose by USD 895/TEU, or approximately 81%.

Other operating income increased from EUR 1,328.3 million to EUR 1,592.2 million in the reporting year. The main reason for this was higher exchange rate gains compared to the prior year period of EUR 1,383.6 million (prior year period: EUR 1,199.4 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 the 2021 financial year, transport expenses rose by EUR 1,497.0 million to EUR 11,653.0 million (prior year period: EUR 10,156.0 million), representing an increase of approximately 15%. Within transport expenses, expenses for raw materials and supplies rose by EUR 296.8 million to EUR 1,703.5 million (prior year period: EUR 1,406.7 million) in particular as a result of the higher average bunker consumption price. The increase in the cost of purchased services of EUR 1,200.2 million to EUR 9,949.5 million was mainly attributable to the higher share of demurrage and storage charges for containers due to partial congestion of port and hinterland infrastructure and local COVID-19 restrictions. A rise in charter rents for ships also contributed to the increase.

Personnel expenses rose year-on-year by approximately 24% to EUR 369.3 million (prior year period: EUR 298.1 million) as a result of a structural adjustment to the bonus system for employees as well as growth in the number of employees at Hapag-Lloyd AG and the associated increase in wages and salaries. As at 31 December 2021, a total of 3,848 people (including apprentices) were employed at Hapag-Lloyd (previous year: 3,672). There was a fall in the personnel expenses ratio as a percentage of revenues from 2.4% in the 2020 financial year to 1.7%.

Depreciation, amortisation and impairment of EUR 546.0 million was recorded in the 2021 financial year (prior year period: EUR 476.3 million). The increase here essentially resulted from higher depreciation due to investments in containers and ships during the financial year. In addition, the extension of the useful life of containers from 13 to 15 years in the current financial year caused depreciation to fall by EUR 28.0 million in 2021 while the reduction of the useful life of selected container ships prompted depreciation to rise by EUR 40.3 million in 2021. The individual re-determination and thus shortening of the estimated remaining useful lives by one to five years for selected ships was carried out after assessing the impact of new environmental regulations on the profitability and efficiency of individual older ships particularly affected by this.

The rise in other operating expenses of EUR 451.9 million to EUR 2,305.4 million was mainly caused by higher exchange rate losses, including bank charges, in the amount of EUR 1,290.3 million (prior year period: EUR 998.0 million). These were largely due to the valuation of foreign currency amounts with affiliated companies on the reporting date. Netted, the exchange rate-related other operating income and other operating expenses resulted in an improvement in earnings of EUR 93.3 million (prior year period: EUR 201.4 million).

Earnings from operating activities in the last financial year were EUR 8,503.7 million (prior year period: EUR 1,198.1 million). Earnings before interest and taxes (EBIT) also include income from profit transfer agreements, income from investments, amortisation and write-backs of financial assets, expenses from the transfer of losses and other taxes and came to EUR 9,024.5 million as at the reporting date (prior year period: EUR 1,150.6 million). Compared to the Group's EBIT of EUR 9,389.8 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. This effect was offset by the investment income from dividend distributions included in the annual financial statement of Hapag-Lloyd AG, which rose by EUR 431.1 million to EUR 511.5 million in the financial year 2021. Earnings before interest, taxes, depreciation and amortisation (EBITDA), defined as EBIT excluding depreciation and amortisation, came to EUR 9,570.5 million (prior year period: EUR 1,626.9 million) and were significantly lower than the figure for the Group of EUR 10,852.6 million (prior year period: EUR 2,700.4 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 2021 financial year, the financial result improved by EUR 669.3 million to EUR 540.2 million (prior year period: EUR –129.1 million). The main reasons for this were a rise in income from investments of EUR 431.1 million to EUR 511.5 million, write-backs of financial investments in the amount of EUR 70.2 million in 2021 and impairments of financial investments in the previous year in the amount of EUR 80.2 million. In addition, interest expenses for bonds, bank loans and liabilities to affiliated companies decreased by EUR 50.7 million.

A net profit of EUR 8,959.6 million was reported for the 2021 financial year (prior year period: EUR 1,008.6 million). Including retained earnings carried forward of EUR 631.8 million after distribution of a dividend of EUR 615.2 million, the Company recorded retained earnings of EUR 9,591.4 million (previous year: EUR 1,247.0 million).

Financial and net asset position

Changes in the asset structure

million EUR	31.12.2021	31.12.2020[1]
Assets		
Fixed assets	9,050.5	8,006.9
thereof property, plant and equipment	6,068.4	5,233.6
Current assets	11,931.6	2,585.2
thereof cash-in-hand, bank balances and cheques	7,460.0	554.2
Prepaid expenses	21.7	12.3
Total assets	**21,003.8**	**10,604.4**
Equity and liabilities		
Equity	12,265.1	3,920.7
Provisions	1,491.3	1,052.8
Financial liabilities	825.0	957.0
thereof short-term	117.9	125.1
Sundry liabilities	6,417.9	4,671.4
thereof short-term	4,937.8	2,642.9
Deferred income	4.5	2.5
Total equity and liabilities	**21,003.8**	**10,604.4**
Net financial position (liquid assets – financial debt)	6,635.0	–402.8
Equity ratio (%)	58.4	37.0

[1] The exercise of the option for the reporting of advance payments received was changed. The advance payments received from unfinished voyages were previously openly deducted from inventories and were reported as a liability in the 2021 financial year in order to avoid a negative value for the item inventories. The reporting of the corresponding previous year's values was also adjusted and led to an increase in current assets and an increase in other liabilities of EUR 256.7 million in the previous year.

Compared to the previous year, Hapag-Lloyd AG's balance sheet total increased by EUR 10,399.4 million, from EUR 10,604.4 million to EUR 21,003.8 million as at 31 December 2021. Fixed assets rose by EUR 1,043.6 million to EUR 9,050.5 million, and current assets by EUR 9,346.4 million to EUR 11,931.6 million.

Within fixed assets, intangible fixed assets decreased from EUR 983.7 million to EUR 946.8 million, which was essentially due to the amortisation of goodwill in the amount of EUR 72.2 million. Property, plant and equipment increased by EUR 834.8 million to EUR 6,068.4 million. This includes investments of EUR 1,308.6 million relating primarily to investments in containers of EUR 869.2 million, and in ocean-going vessels of EUR 147.2 million. This effect was offset in particular by depreciation on property, plant and equipment totalling EUR 467.3 million. The increase in financial assets of EUR 245.8 million primarily related to the acquisition of the investment in the shipping company Nile Dutch Investments B.V. in the amount of EUR 118.9 million and three investments in ship-building companies in the amount of EUR 49.3 million. In addition, write-backs of financial investments in the amount of EUR 70.2 million were recognised in the 2021 financial year due to increased earnings prospects at two subsidiaries.

The change in current assets resulted primarily from the increase in accounts receivable and other assets of EUR 2,226.4 million to EUR 3,885.5 million and a sharp rise in cash and cash equivalents of EUR 6,905.8 million to EUR 7,460.0 million as a result of a positive operating cash flow. In addition to trade accounts receivable totalling EUR 1,242.2 million (previous year: EUR 580.6 million), accounts receivable and other assets primarily included accounts receivable from affiliated companies in the amount of EUR 2,454.5 million (previous year: EUR 919.9 million). The rise in intercompany accounts receivable was due to the increase in the shareholder loan to the subsidiary Hapag-Lloyd Special Finance relating to a programme to securitise trade accounts receivable. The development of trade accounts receivable was characterised by the higher freight rates and a corresponding increase in the billing of services.

As at 31 December 2021, Hapag-Lloyd AG had equity totalling EUR 12,265.1 million (previous year: EUR 3,920.7 million). The year-on-year change was due to a significantly increased net profit for the year of EUR 8,959.6 million (previous year: EUR 1,008.6 million). Taking into account a distribution from the previous year's retained earnings in the amount of EUR 615.2 million and remaining retained earnings carried forward from the previous year of EUR 631.8 million, as at 31 December 2021 there were retained earnings of EUR 9,591.4 million (previous year: EUR 1,247.0 million). The equity ratio was approximately 58% as at 31 December 2021 (previous year: approximately 37%).

Provisions rose from EUR 1,052.8 million to EUR 1,491.3 million in the reporting period. This includes increases for provisions for outstanding invoices of EUR 288.0 million, provisions for guarantee, warranty and liability risks of EUR 36.5 million and provisions for personnel expenses of EUR 36.0 million.

Financial liabilities came to EUR 825.0 million at the reporting date (previous year: EUR 957.0 million). They comprise a bond issued by Hapag-Lloyd AG and liabilities to banks. The decrease in financial liabilities resulted from scheduled and early debt repayments during the reporting year totalling EUR 573.8 million. This included the early partial redemption of a EUR bond issued in 2017 in the amount of EUR 300.0 million. The utilisation of financial liabilities in the amount of EUR 420.4 million, including the placement of a sustainability-linked euro bond totalling EUR 300.0 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 27.8 million increase in financial liabilities (previous year: decrease of EUR 78.3 million).

Sundry liabilities increased from EUR 4,671.4 million to EUR 6,417.9 million and essentially comprised miscellaneous loans and other financial debt in the amount of EUR 1,633.4 million (previous year: EUR 1,821.6 million), liabilities to affiliated companies in the amount of EUR 2,425.6 million (previous year: EUR 1,392.4 million), trade accounts payable in the amount of EUR 1,419.6 million (previous year: EUR 1,115.3 million) and prepayments received for pending voyages in the amount of EUR 839.1 million (previous year: EUR 256.7 million). The exercise of the option for the reporting of advance payments received was changed. The advance payments received from unfinished voyages were previously openly deducted from inventories and were reported as a liability in the 2021 financial year in order to avoid a negative value for the item inventories. The reporting of the corresponding previous year's values was also adjusted and led to an increase in current assets and an increase in other liabilities of EUR 256.7 million in the previous year. EUR 1,009.1 million of the rise in intercompany liabilities was due to the increase in the liability to the subsidiary Hapag-Lloyd Special Finance in relation to a receivables securitisation programme.

For further details on the type and maturity structure of the liabilities in particular, we refer to Note (10) 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 item 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 both bilateral and syndicated credit facilities. The Company had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 7,976.9 million as at 31 December 2021 (previous year: EUR 1,030.7 million).

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

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 (12) Contingencies and (13) 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 2021 reporting date, earnings from operating activities can be expected at the previous year's level, assuming an unchanged USD/EUR exchange rate at the reporting date of 31 December 2022. This statement is to be considered in connection with the outlook for the Hapag-Lloyd Group for the 2022 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:

- 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 low.
- 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 against the euro 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 very remote.

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 internal control system" 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 2021, 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.”

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

There is a shareholder agreement in force (the "Shareholders' Agreement") between 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") (with CG Hold Co, HGV and Kühne being referred to collectively as the "Anchor Shareholders"). Under the Shareholders' Agreement, the Anchor Shareholders have agreed to exercise their voting rights in a uniform manner by issuing a joint proxy to their authorised representatives, along with binding instructions. 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 Shareholders' Agreement shall have a fixed term until 30 November 2024, the Anchor Shareholders are free to dispose of their shares. The parties to the 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 investments 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, 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 or the Public Investment Fund of the Kingdom of Saudi Arabia, 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 4,334 million (approximately USD 4,905 million), the respective lenders have an extraordinary right of termination and/or full mandatory repayment in the event of a qualified change of control at the Company. If the outstanding amounts after the termination and/or mandatory repayment that may be due 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 517 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 and/or mandatory repayment that may be due 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 Sections 289f (1) (2) and 315d HGB, along with the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG), are published in the Annual Report 2021 of the group. Both declarations have also been published on the Company website at https://www.hapag-lloyd.com/en/company/ir/corporate-governance/compliance-statement.html, where they can be accessed at any time. They do not form 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/company/responsibility/sustainability/sustainability-report.html#tabnav, and is not part of the management report.

Hamburg, 28 February 2022

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Donya-Florence Amer | 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 2021

million EUR	Notes	1.1.–31.12.2021	1.1.–31.12.2020
Revenue	(1)	22,273.5	12,772.4
Transport expenses	(2)	10,323.3	9,140.2
Personnel expenses	(3)	810.0	683.0
Depreciation, amortisation and impairment	(4)	1,462.8	1,385.2
Other operating result	(5)	–315.1	–279.7
Operating result		**9,362.2**	**1,284.4**
Share of profit of equity-accounted investees	(12)	28.8	32.1
Result from investments and securities		–1.2	–1.2
Earnings before interest and taxes (EBIT)		**9,389.8**	**1,315.2**
Interest income and similar income	(6)	21.3	17.0
Interest expenses and similar expenses	(6)	266.5	347.5
Other financial items	(7)	1.7	–3.5
Earnings before taxes		**9,146.3**	**981.3**
Income taxes	(8)	61.3	45.8
Group profit/loss		**9,085.0**	**935.4**
thereof attributable to shareholders of Hapag-Lloyd AG		9,074.7	926.8
thereof attributable to non-controlling interests	(20)	10.4	8.6
Basic / diluted earnings per share (in EUR)	**(9)**	**51.63**	**5.27**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hapag-Lloyd AG for the period 1 January to 31 December 2021

million EUR	Notes	1.1.–31.12.2021	1.1.–31.12.2020
Group profit/loss		**9,085.0**	**935.4**
Items that will not be reclassified to profit and loss:			
Remeasurements from defined benefit plans after tax	(19)	53.7	–36.0
Remeasurements from defined benefit plans before tax		57.5	–36.8
Tax effect		–3.7	0.8
Currency translation differences (no tax effect)	(19)	919.7	–603.7
Items that may be reclassified to profit and loss:			
Cash flow hedges (no tax effect)	(19)	30.1	5.8
Effective share of the changes in fair value		–5.2	50.3
Reclassification to profit or loss		35.8	–45.7
Currency translation differences on cash flow hedges		–0.5	1.2
Cost of hedging (no tax effect)	(19)	0.4	–27.9
Changes in fair value		–2.8	–40.1
Reclassification to profit or loss		3.2	11.8
Currency translation differences on cost of hedging		–	0.3
Other comprehensive income		**1,003.9**	**–661.9**
Total comprehensive income		**10,089.0**	**273.5**
thereof attributable to shareholders of Hapag-Lloyd AG		10,077.6	266.2
thereof attributable to non-controlling interests	(20)	11.4	7.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 31 December 2021

ASSETS

million EUR	Notes	31.12.2021	31.12.2020
Goodwill	(10)	1,597.2	1,466.8
Other intangible assets	(10)	1,510.1	1,459.1
Property, plant and equipment	(11)	11,764.8	9,300.6
Investments in equity-accounted investees	(12)	332.4	329.2
Other assets	(13)	35.6	22.4
Derivative financial instruments	(14)	12.5	21.6
Receivables from income taxes	(8)	5.4	4.7
Deferred tax assets	(8)	26.0	28.7
Non-current assets		**15,284.0**	**12,633.0**
Inventories	(15)	337.2	172.3
Trade accounts receivable	(13)	2,999.2	1,362.6
Other assets	(13)	353.6	296.0
Derivative financial instruments	(14)	0.3	14.4
Income tax receivables	(8)	16.8	24.6
Cash and cash equivalents	(16)	7,723.4	681.3
Current assets		**11,430.5**	**2,551.2**
Total assets		**26,714.5**	**15,184.3**

EQUITY AND LIABILITIES

million EUR	Notes	31.12.2021	31.12.2020
Subscribed capital	(17)	175.8	175.8
Capital reserves	(17)	2,637.4	2,637.4
Earned consolidated equity	(18)	12,608.8	4,159.9
Cumulative other equity	(19)	727.1	–265.8
Equity attributable to shareholders of Hapag-Lloyd AG		**16,149.1**	**6,707.2**
Non-controlling interests	(20)	12.9	15.5
Equity		**16,162.0**	**6,722.7**
Provisions for pensions and similar obligations	(21)	311.1	374.7
Other provisions	(22)	101.3	73.1
Financial debt	(23)	2,572.1	3,229.9
Lease liabilities	(23)	1,566.4	940.5
Other liabilities	(24)	3.3	5.0
Derivative financial instruments	(25)	25.9	35.5
Deferred tax liabilities	(8)	14.1	10.1
Non-current liabilities		**4,594.2**	**4,668.7**
Provisions for pensions and similar obligations	(21)	9.5	10.5
Other provisions	(22)	598.6	369.2
Income tax liabilities	(8)	49.6	39.1
Financial debt	(23)	502.0	505.9
Lease liabilities	(23)	856.7	459.8
Trade accounts payable	(24)	2,323.9	1,748.1
Contract liabilities	(24)	1,445.8	545.7
Other liabilities	(24)	171.1	114.6
Derivative financial instruments	(25)	1.2	–
Current liabilities		**5,958.3**	**3,792.9**
Total equity and liabilities		**26,714.5**	**15,184.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

of Hapag-Lloyd AG for the period 1 January to 31 December 2021

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Group profit/loss	9,085.0	935.4
Income tax expenses (+)/income (–)	61.3	45.8
Other financial items	–1.7	3.5
Interest result	245.2	330.5
Depreciation, amortisation and impairment (+)/write-backs (–)	1,462.8	1,385.2
Impairment (+)/write-backs (–) of financial assets	–	0.1
Profit (–)/loss (+) from disposals of non-current assets	–12.5	–12.2
Income (–)/expenses (+) from equity accounted investees and dividends from other investments	–28.9	–32.2
Other non-cash expenses (+)/income (–)	–34.8	39.5
Increase (–)/decrease (+) in inventories	–139.5	59.1
Increase (–)/decrease (+) in receivables and other assets	–1,383.4	–225.4
Increase (+)/decrease (–) in provisions	180.0	17.9
Increase (+)/decrease (–) in liabilities (excl. financial debt)	998.4	355.5
Payments received from (+)/made for (–) income taxes	–26.4	–21.9
Payments received for interest	4.3	17.1
Cash inflow (+)/outflow (–) from operating activities	**10,410.0**	**2,897.9**
Payments received from disposals of property, plant and equipment and intangible assets	20.2	31.0
Payments received from the disposal of other investments	1.3	–
Payments received from dividends	25.9	35.9
Payments received from the disposal of assets held for sale	33.6	–
Payments made for investments in property, plant and equipment and intangible assets	–1,252.7	–534.1
Payments made for investment in financial assets	–0.9	–
Net cash Inflow (+)/outflow (–) from acquisition	–69.7	–
Payments received for the redemption of issued loans	10.5	–
Payments made for the issuing of loans	–	–10.4
Cash inflow (+)/outflow (–) from investing activities	**–1,231.7**	**–477.6**

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Payments made from changes in ownership interests in subsidiaries	–0.5	–
Payments made for dividends	–633.5	–203.5
Payments received from raising financial debt	497.7	1,593.8
Payments made for the redemption of financial debt	–1,411.6	–2,742.3
Payments made for the redemption of lease liabilities	–678.5	–514.3
Payments made for leasehold improvements	–0.3	–26.3
Payments made for interest and fees	–224.8	–315.6
Payments received (+) and made (–) from hedges for financial debt	–29.4	16.1
Cash inflow (+) / outflow (–) from financing activities	**–2,481.0**	**–2,192.1**
Net change in cash and cash equivalents	**6,697.3**	**228.2**
Cash and cash equivalents at beginning of period	**681.3**	**511.6**
Change in cash and cash equivalents due to exchange rate fluctuations	344.8	–58.5
Net change in cash and cash equivalents	6,697.3	228.2
Cash and cash equivalents at end of period	**7,723.4**	**681.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Hapag-Lloyd AG for the period 1 January to 31 December 2021

	Equity attributable	
million EUR	Subscribed capital	Capital reserves
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**
As at 1.1.2021	**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	–	–
Addition of shares of non-controlling interests	–	–
Disposal of shares of non-controlling interests	–	–
Reclassification from reserve for remeasurements from defined benefit pension plans	**–**	**–**
Deconsolidation	**–**	**–**
As at 31.12.2021	**175.8**	**2,637.4**

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-controlling interests	Total equity
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**
4,159.9	**–208.6**	**–12.4**	**–1.9**	**–42.4**	**–0.4**	**–265.8**	**6,707.2**	**15.5**	**6,722.7**
9,074.7	**53.7**	**30.1**	**0.4**	**918.7**	**–**	**1,002.9**	**10,077.6**	**11.4**	**10,089.0**
9,074.7	–	–	–	–	–	–	9,074.7	10.4	9,085.0
–	53.7	30.1	0.4	918.7	–	1,002.9	1,002.9	1.0	1,003.9
–	**–**	**–17.8**	**2.1**	**–**	**–**	**–15.7**	**–15.7**	**–**	**–15.7**
–620.0	**–**	**–**	**–**	**–**	**–**	**–**	**–620.0**	**–13.9**	**–633.9**
–615.2	–	–	–	–	–	–	–615.2	–	–615.2
–4.3	–	–	–	–	–	–	–4.3	–14.0	–18.3
–	–	–	–	–	–	–	–	0.1	0.1
–0.4	–	–	–	–	–	–	–0.4	–0.1	–0.5
–5.3	**5.3**	**–**	**–**	**–**	**–**	**5.3**	**–**	**–**	**–**
–0.4	**–**	**–**	**–**	**0.4**	**–**	**0.4**	**–**	**–**	**–**
12,608.8	**–149.6**	**–0.1**	**0.6**	**876.7**	**–0.5**	**727.1**	**16,149.1**	**12.9**	**16,162.0**

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, Hamburg, 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 millions of euros (EUR million) unless otherwise stated. In individual cases, rounding differences may occur in the tables and charts included in these consolidated financial statements. Such differences arise for computational reasons.

These consolidated financial statements encompass the financial year from 1 January to 31 December 2021 and were approved by the Executive Board of Hapag-Lloyd AG for passing on to the Supervisory Board on 28 February 2022. The Supervisory Board will review and approve the consolidated financial statements on 9 March 2022.

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

Starting in the 2021 financial year, the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2, which have already been endorsed, were applicable for the first time.

The amendment to IFRS 16 regarding COVID-19-related rent concessions beyond 30 June 2021 had to be applied for the first time following their endorsement on 30 August 2021.

The standards to be applied for the first time in the 2021 financial year have no material 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 2021 financial year.

Standard/ Interpretation		Mandatory application as per	Adopted by EU Commission
IFRS 1 IFRS 9 IFRS 16 IAS 41	Annual Improvements to IFRS Standards 2018–2020	1.1.2022	yes
IFRS 3	Amendments to IFRS 3: Reference to the Conceptual Framework	1.1.2022	yes
IAS 16	Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	1.1.2022	yes
IAS 37	Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	1.1.2022	yes
IFRS 17	Insurance Contracts and Amendments to IFRS 17	1.1.2023	yes
IFRS 17	Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1.1.2023	no
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1.1.2023	no
IAS 1 IFRS Practice Statement 2	Disclosure of Accounting Policies: Amendments to IAS 1 and IFRS Practice Statement 2	1.1.2023	no
IAS 8	Definition of Accounting Estimates: Amendments to IAS 8	1.1.2023	no
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Amendments to IAS 12	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 2022 financial year or later. The Hapag-Lloyd Group has decided against early adoption of these standards. Only those provisions which may be 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

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 leasehold improvements, has been amended. In IFRS 1, the regulation according to which subsidiaries that adopt IFRS for the first time later than their parent company 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 business combination) 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. These amendments will not have any material effect on the Hapag-Lloyd consolidated financial statements.

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 business combination 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. The amendments must be applied to business combinations from 1 January 2022. The amendments are not expected to have any material effects on assets and liabilities to be recognised as a result of business combinations.

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

The amendment to IAS 37 makes clear that the cost of fulfilling a contract include all costs directly attributable to the contract. Such costs include additional costs incurred as a result of fulfilling the contract (known as "incremental costs", encompassing e.g. direct wage and material costs) and other costs directly attributable to the fulfilment 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 (previously: associated with the contract). Hapag-Lloyd does not expect that the adoption of these amendments for the first time will lead to a material cumulative effect on equity, as the Group's existing accounting practices are already in line with the amended version of IAS 37.

EU endorsement still pending

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 twelve 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 twelve 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 twelve months should affect the classification of a liability. This also applies in case of settlement during the (value) adjusting period.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendment to IAS 1 requires in future that only "material" accounting policies be disclosed in the Notes to the financial statements. To be considered material, the accounting policy must be associated with material transactions or other events and there must be a reason for the disclosure. A reason may be that the policy was amended, it relates to a policy choice, the policy is complex or highly discretionary or was developed in accordance with IAS 8.10 f. The focus in future should thus be on entity-specific information instead of standardised information. The guidance in Practice Statement 2 has been adjusted accordingly.

Amendments to IAS 8: Definition of Accounting Estimates

The amendment to IAS 8 clarifies how entities can distinguish better between changes in accounting policies and changes in accounting estimates. To enable this, it has been defined that an accounting estimate is always related to measurement uncertainty of a financial amount in the financial statements. In addition to input parameters, an entity also uses measurement methods to make an estimate. Measurement methods may be estimation methods or measurement techniques.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment is a response to existing uncertainties regarding how entities account for deferred tax in relation to leases and decommissioning obligations. If assets and liabilities are being recognised for the first time, an initial recognition exemption is currently applicable under certain circumstances. In these cases, there is an exemption from recognising deferred tax. In practice, there has been uncertainty whether this exemption also applies to leases and decommissioning obligations. To ensure uniform application of the standard, a limited amendment to IAS 12 has been made. Due to this amendment, the initial recognition exemption no longer applies to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, even if the other, currently valid conditions have been fulfilled. It thus constitutes a counter-exemption from the initial recognition exemption. The amendments mean, for example, that deferred tax has to be recognised on leases accounted for by the lessee and on decommissioning obligations.

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 the Group's equity. The difference between the consideration received or transferred and the shares sold or received is recognised in retained earnings.

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 133 (previous year: 131) companies are included in the consolidated financial statements for the 2021 financial year:

	Fully consolidated		Equity method		
	domestic	foreign	domestic	foreign	Total
31.12.2020	5	121	1	4	131
Additions	0	31	0	0	31
Disposal	0	29	0	0	29
31.12.2021	**5**	**123**	**1**	**4**	**133**

Of the companies that were included in the consolidated financial statements as part of the integration of the UASC Group in 2017, six were merged, four were liquidated and one was sold. 17 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. Four new companies were established and three were individually acquired. In addition, 24 companies were added to the Group as part of the acquisition of the NileDutch group (see the section "Business acquisitions"), one of which was merged with another Hapag-Lloyd subsidiary in the 2021 financial year.

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 %
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
Hapag-Lloyd Ukraine LLC	Odessa	50.0
Middle East Container Repair Company LLC	Dubai	49.0

Although Hapag-Lloyd AG only holds 48.95% of the voting shares in the fully consolidated CSAV Austral SpA, Valparaíso, Chile, 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, control is held by Hapag-Lloyd AG.

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

In the reporting year, nine 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 that of Hapag-Lloyd AG.

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

Business acquisition

On 8 July 2021, Hapag-Lloyd acquired 100% of the shares and voting rights of the Dutch container shipping company Nile Dutch Investments B.V. (NileDutch). The company, which is based in Rotterdam, was a leading provider of container services to and from West Africa and had a transport capacity of around 35,000 TEU. The acquisition allowed Hapag-Lloyd to further expand its market position in the Africa business. The network to and from Africa and transport frequencies were increased and intensified by integrating NileDutch’s business. Africa is a key market for Hapag-Lloyd’s strategic growth. The acquisition of NileDutch is part of Strategy 2023.

A cash amount of EUR 116.9 million was transferred as consideration for the share acquisition.

Acquisition-related costs were incurred for Hapag-Lloyd in the amount of EUR 4.9 million, which were recognised as other operating expenses and mainly result from consultancy fees.

The fair values recognised for the acquired assets and assumed liabilities at acquisition date are summarised below:

million EUR	
Other intangible assets	6.8
Property, plant and equipment	205.0
Non-current assets	**211.8**
Inventories	4.3
Trade accounts receivable	70.7
Other assets and receivables	3.3
Derivative financial instruments	2.1
Income tax receivables	0.5
Cash and cash equivalents	47.2
Current assets	**128.1**
Total assets	**339.9**
Other provisions	9.2
Lease liabilities	92.2
Non-current liabilities	**101.4**
Other provisions	2.8
Income tax liabilities	9.6
Lease liabilities	36.4
Trade accounts payable	49.7
Contract liabilities	25.8
Other liabilities	3.6
Current liabilities	**127.9**
Total liabilities	**229.3**
Acquired net assets attributable to Hapag-Lloyd AG shareholders	**110.6**
Consideration transferred	**116.9**
Goodwill	6.3
Net cash outflow from the acquisition	**–69.7**

New information about facts and circumstances which already existed as of the acquisition date were obtained in the fourth quarter of the reporting period. As a result, the fair values of the assumed income tax liabilities were retrospectively adjusted (increase of EUR 5.9 million). The purchase price allocation is therefore complete.

Overall, goodwill increased to EUR 6.3 million as a result of the retrospective adjustment of the income tax liabilities. Goodwill embodies in particular non-identifiable intangible assets such as employee expertise.

Receivables with a fair value of EUR 74.5 million were acquired. The gross amount is EUR 77.7 million, of which EUR 3.2 million is likely to be uncollectable.

Since the acquisition date, revenue of EUR 179.0 million and earnings (EBIT) of EUR 36.6 million have been attributed by NileDutch. These amounts were determined until the phased integration of the business into Hapag-Lloyd AG taking the purchase price allocation into account.

Had the acquisition taken place on 1 January 2021 (pro forma analysis), Group revenue would have come to EUR 22,484.9 million and Group earnings (EBIT) would have totalled EUR 9,398.9 million. In calculating these amounts, it was assumed that the fair values at acquisition date would also have been valid if the acquisition had occurred on 1 January 2021. The pro forma analysis is based on the available information and on assumptions. Based on these assumptions, the presented pro forma amounts do not necessarily equate to the Group revenue and Group earnings (EBIT) that the Group would have generated had the acquisition of NileDutch in fact been closed on 1 January 2021.

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	31.12.2021	31.12.2020	2021	2020
US dollar	1.13180	1.22760	1.18330	1.14130
British pound sterling	0.84019	0.89934	0.86023	0.88989
Chinese renminbi	7.21581	8.00992	7.63139	7.87475
Indian rupee	84.13575	89.70073	87.47385	84.58490

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	1–8

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.

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. The year-on-year change for vessels and containers is described as follows:

	Useful life in years
Buildings	40
Vessels	20–25
Containers	15
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 five 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 seven 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.

The assessment of the normal useful life of containers was reviewed and extended in line with the increased average useful life of containers from 13 to 15 years in the third quarter of the 2021 financial year. This resulted in a EUR 28.2 million improvement in earnings (EBIT) in both the second half and the whole of 2021. Assuming constant USD / EUR exchange rates and identical container inventories, the improvement will increase to EUR 51.0 million in the following full financial year 2022 and then gradually decrease significantly. Any further-reaching future effects are impracticable to estimate due to expected new container additions.

The assessment of the impact of new environmental regulations on the economic viability and efficiency of some older vessels particularly affected by these regulations resulted in a reassessment for these vessels in the third quarter of 2021 and thus a shortening of their estimated remaining useful lives by one to five years. This resulted in a EUR 64.9 million decrease in earnings (EBIT) in both the second half and the whole of 2021. The effect will increase to EUR 130.7 million in the following full financial year 2022, assuming constant USD / EUR exchange rates, and will have no further impact thereafter as the assumed economic useful lives are reached. However, the general useful life of vessels remains unchanged at 25 years.

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

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 there is any indication that the asset may be impaired, but at least annually at the end of the financial year. The recoverable amount of the asset to be tested 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 determined 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 generating cash inflows (cash-generating unit, CGU) largely independent of cash inflows from 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).

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 an impairment is identified, the goodwill is impaired first. Any additional impairment is then allocated in proportion to the carrying amounts over the remaining non-current assets.

If, subsequently, 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 up to the maximum of the amortised cost is recognised. 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 exceeds the carrying amount, it is not necessary to determine both values.

The fair value is the price that independent market participants would pay at the reporting date in an orderly transaction if the asset or cash-generating unit were sold. The value in use is determined by discounting the cash flows expected from future operational use and from its eventual disposal.

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 twelve 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 right-of-use assets 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 lease agreements is recognised on the basis of a portfolio approach. This is because the individual lease agreements 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 operates as a lessor only to a 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 leased 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.

Insofar as Hapag-Lloyd conducts sale and leaseback transactions whereby the power of disposition over the asset sold is transferred to the acquirer/lessor in accordance with the provisions of IFRS 15, the assets sold are derecognised and rights of use relating to the underlying assets as well as income from the sale are recognised in accordance with the provisions of IFRS 16.100 ff.

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).

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 2021 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 on hand, cheques as well as short-term bank deposits and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognised at cost.

Utilised overdraft facilities are not netted, but are recognised as liabilities to banks under current financial debt.

Due to the short-term nature of bank deposits and other investments and the strong credit rating of the contracting banks, the expected credit losses on bank deposits and other 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 generally 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 basically classified either as fair value hedges to hedge the fair values 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.

At the inception of a hedging relationship in accordance with IFRS 9, both the relationship between the hedging instrument used and the hedged item and the objective and underlying strategy of the hedge are documented. In addition, at the beginning of the hedging relationship and on a continual basis, documentation is provided on the extent to which the derivatives used in the hedging relationship compensate for the changes in the fair value 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 one 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 and 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 pending 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 remuneration 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 development of certain KPIs over time into account, whereby 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 ship journey produces essentially the same results with regard to the amount and timing of revenue recognised as would be the case were the revenue to be recognised on the basis of each individual 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 2021 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 2022 to 2026, 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.

Use of judgements and estimates

The preparation of consolidated financial statements in accordance with IFRS requires judgements and estimates in order to determine the amounts of assets, liabilities and provisions reported in the statement of financial position, the disclosures of contingent liabilities as at the reporting date, and the recognised income and expenses for the reporting period.

Estimates involve complex and subjective assessments as well as the use of assumptions some of which relate to some circumstances that are uncertain by nature. Estimates may change over time, must be routinely adjusted and may have a significant impact on the earnings, financial and net asset position. Hapag-Lloyd advises that estimates could have been made differently in the same reporting period based on equally comprehensible reasons and that actual results may differ from the estimates.

This specifically applies to the following cases:

- Determination of the term of leases with extension and termination options and mutual cancellation right
- Review of useful lives and residual values for intangible assets and property, plant and equipment
- Determination of demurrage and detention to be recognised
- Determination of non-manifested discounts recognised during the year
- Measurement of expected credit losses on receivables and other financial assets
- Specification of parameters for measuring pension provisions
- Recognition and measurement of other provisions and contingent liabilities

Determination of the term of leases with extension and termination options and mutual cancellation right

In the context of exercising extension and termination options in leases, judgement is applied on the probability of exercising existing options. In this context, Hapag-Lloyd also assesses current market conditions and possible economic disadvantages. 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 will be extended until the disadvantages cease to exist.

For container rental agreements that are similar structured, the terms and, in principle, any fixed payments that are part of lease payments are determined on the basis of a portfolio approach and applied uniformly to all leases in the portfolio.

For further information see the “Accounting and measurement” section as well as Note (30) Leases regarding changes in estimates made in the reporting year.

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 and repair programmes, changes in environmental requirements or legal restrictions, and technical developments or other market enforcements (e.g. implementation of the EU’s Sustainable Finance Strategy). 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 high uncertainties and fluctuations due to the long useful life of vessels, the uncertainties regarding future economic developments and the future steel price, which is a significant parameter for determining the residual values of container vessels. In principle, 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 steel price. Adjustments to the residual value of container ships are made if the change in the residual value as of the reporting date is material.

Disclosures on 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 disclosed in Notes (10) Intangible assets and (11) Property, plant and equipment.

Determination of demurrage and detention to be recognised

In principle, 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 adjustment in future. These estimates are based on past experience.

Determination of 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 on the basis of 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.

Measurement of expected credit losses on receivables and other financial assets

The measurement of expected credit losses on receivables and other financial assets includes estimates and assessments 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 forward-looking economic conditions. In case of adjustments to receivables balances, a determination of whether credit losses or transaction price changes are applicable is 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.

Specification of parameters for measuring pension provisions

The measurement 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 and contingent liabilities

When recognising and measuring provisions, the Company must make considerable assumptions regarding probability of occurrence, timing and amount of the risk. These may be subject to estimation uncertainties, particularly in the case of non-current provisions.

In the Group, provisions are recognised if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. The main areas of judgement in this regard is in determining the economic benefit, the unavoidable costs and the associated offsetting. Due to the uncertainties associated with this assessment, the actual losses may deviate from the estimates and thus form 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.

The estimates of settlement probabilities and related settlement amounts by management required for the recognition and measurement of contingent liabilities are based on opinions of attorneys and tax advisors. For detailed information on the contingent liabilities resulting from tax risks which are not classified as probable, see Note (28) 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.

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. This revenue comprises income from transporting and handling containers and from related services and commissions, all of which is 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.

DISCLOSURES AT COMPANY LEVEL

Transport volume per trade

TTEU	1.1.–31.12.2021	1.1.–31.12.2020
Atlantic[1]	2,105	2,065
Transpacific	1,768	1,851
Far East	2,274	2,286
Middle East	1,557	1,476
Intra-Asia	608	831
Latin America	3,038	2,889
Africa[1]	522	441
Total	**11,872**	**11,838**

[1] As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's figures have been adjusted accordingly.

Freight rates per trade

USD/TEU	1.1.–31.12.2021	1.1.–31.12.2020
Atlantic[1]	1,808	1,312
Transpacific	2,746	1,467
Far East	2,479	979
Middle East	1,512	837
Intra-Asia	1,295	605
Latin America	1,745	1,131
Africa[1]	1,997	1,196
Total (weighted average)	**2,003**	**1,115**

[1] As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's figures have been adjusted accordingly.

Revenue per trade

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Atlantic[1]	3,215.5	2,374.6
Transpacific	4,103.7	2,379.9
Far East	4,763.6	1,961.7
Middle East	1,989.4	1,081.6
Intra-Asia	666.1	440.0
Latin America	4,480.8	2,863.2
Africa[1]	880.7	461.8
Revenue not assigned to trades	2,173.6	1,209.6
Total	**22,273.5**	**12,772.4**

[1] As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's figures have been adjusted accordingly.

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.–31.12.2021	1.1.–31.12.2020
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**10,852.6**	**2,700.4**
Depreciation and amortisation	–1,462.8	–1,385.2
EBIT	**9,389.8**	**1,315.2**
Earnings before taxes (EBT)	**9,146.3**	**981.3**
Share of profit of equity-accounted investees	**28.8**	**32.1**

Non-current assets

million EUR	31.12.2021	31.12.2020
Goodwill	1,597.2	1,466.8
Other intangible assets	1,510.1	1,459.1
Property, plant and equipment	11,764.8	9,300.6
Investments in equity-accounted investees	332.4	329.2
Total	**15,204.5**	**12,555.6**
thereof domestic	12,527.1	10,046.6
thereof foreign	2,677.4	2,509.0
Total	**15,204.5**	**12,555.6**

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 2,291.8 million (previous year: EUR 2,364.0 million).

There was no dependency on individual customers in the 2021 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 9,501.1 million to EUR 22,273.5 million in the 2021 financial year (prior year period: EUR 12,772.4 million), representing an increase of 74.4%.

This was primarily due to an increase in average freight rates of 79.7% compared with the previous year. By contrast, the weakening of the US dollar against the euro in terms of the average USD/EUR exhange rate counteracted the increase in revenue. Adjusted for exchange rate movements, revenue would have risen by EUR 10.0 billion, or 80.8%. The transport volume was almost the same as in the previous year and thus had only an immaterial impact on the increase in revenue.

Contract liabilities

Contract liabilities essentially comprise the remaining performance obligation as at the reporting date in connection with shipments on pending voyages. The revenue recorded in the reporting period and included in the balance of contract liabilities at the start of the 2021 financial year came to EUR 545.7 million (previous year: EUR 372.9 million).

Hapag-Lloyd also has contracts with customers with terms of more than one year in accordance with IFRS 15. However, if one considers the recognition of the associated revenue over the course of time, it becomes apparent that the terms of the contracts have no effect on the time-related recognition of revenue within one year. The reason for this is that the maximum duration of a ship voyage is less than one year. This means that the recognition of revenue for an individual shipment will not exceed a period of one year. With regard to the recognition of income, the Hapag-Lloyd Group therefore only has contracts with a short-term perspective of less than one 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 pending 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.–31.12.2021	1.1.–31.12.2020
Transport expenses for finished voyages	10,223.1	9,089.6
Bunker	1,678.2	1,407.3
Handling and haulage	5,389.0	4,716.7
Equipment and repositioning [1]	1,219.3	1,134.7
Vessel and voyage (excluding bunker) [1]	1,936.6	1,830.8
Change in transport expenses for pending voyages [2]	100.2	50.6
Total	**10,323.3**	**9,140.2**

[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 financial year as completed transport expenses.

In the 2021 financial year, transport expenses rose by EUR 1,183.2 million to EUR 10,323.3 million (prior year period: EUR 9,140.2 million). This represents an increase of 12.9%, which was primarily due to the rise in container handling expenses compared with the previous year and the higher average bunker consumption price. By contrast, the weaker US dollar compared with the euro in terms of the average USD / EUR exchange rate led to a reduction in transport expenses. Adjusted for exchange rate movements, transport expenses would have risen by approximately EUR 1.5 billion, or around 17.1%.

Hapag-Lloyd's average bunker consumption price of USD 475/t in the 2021 financial year was up USD 96/t (+25.3%) on the figure for the corresponding prior year period of USD 379/t.

In the 2021 financial year, container handling expenses rose by EUR 672.3 million to EUR 5,389.0 million (prior year period: EUR 4,716.7 million). This mainly resulted from increased demurrage and detention for containers due to partial congestion of port and hinterland infrastructure and local COVID-19 restrictions.

Container and repositioning expenses increased year-on-year due to higher expenses for demurrage and detention for empty containers at port terminals, particularly in North America.

The increase in expenses for vessels and voyages (excluding fuel) resulted primarily from the rise in the percentage of ships chartered in on a medium-term basis and the resulting operating expenses (non-leasing components) as well as from the increased expenses for container slot charter costs on third-party ships.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2021 financial year came to 53.7% (prior year period: 28.4%).

(3) Personnel expenses

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Wages and salaries	679.0	563.4
Social security costs, pension costs and other benefits	131.0	119.5
Total	**810.0**	**683.0**

Personnel expenses rose by EUR 127.1 million (18.6%) to EUR 810.0 million in the 2021 financial year (prior year period: EUR 683.0 million). Adjusted for exchange rate movements, the increase in personnel expenses would have amounted to approximately EUR 151.3 million. This was primarily due to a structural adjustment of the bonus system, a special COVID-19 bonus and an increase in the number of employees within the Hapag-Lloyd Group.

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 11.0 million (previous year EUR 11.9 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.–31.12.2021	1.1.–31.12.2020
Marine personnel	1,963	2,007
Shore-based personnel	11,431	10,857
Apprentices	240	221
Total	**13,634**	**13,085**

(4) Depreciation, amortisation and impairment

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Scheduled amortisation/depreciation	1,465.6	1,286.3
Amortisation of intangible assets	83.4	131.7
Depreciation of property, plant and equipment	1,382.3	1,154.7
Reversal of impairments/Impairments	–2.8	98.8
Impairment of property, plant and equipment	8.6	98.8
Reversal of impairments on current assets held for sale	–11.4	–
Total	**1,462.8**	**1,385.2**

The amortisation of intangible assets largely concerned the customer base. The decrease in the amortisation of intangible assets is due to the complete write-off of the CSAV and UASC brands in 2020.

The depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers. This increase was primarily due to the rise in the percentage of ships chartered on a medium-term basis at simultaneously higher charter rates 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 715.2 million (prior year period: EUR 528.1 million). A break-down of depreciation and amortisation can be found in the Notes to the respective balance sheet item.

(5) Other operating result

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Other operating income	**82.9**	**69.1**
Income from the reversal of provisions	15.8	13.8
Gains and losses from disposal of assets	12.5	13.1
Income from own cost capitalised	7.1	9.7
Miscellaneous operating income	47.6	32.5
Other operating expenses	**398.1**	**348.8**
IT and communication expenses	209.8	175.9
Charges, fees, consultancy and other professional services	38.6	32.7
Office and administration expenses	29.0	33.8
Training and other personnel expenses	24.9	20.1
Other taxes	16.7	12.6
Exchange rate gains / losses	7.3	15.4
Car and travel expenses	6.7	6.4
Bank charges	6.0	5.9
Miscellaneous operating expenses	59.1	46.0
Total	**–315.1**	**–279.7**

Miscellaneous operating income comprises items that cannot be allocated to any of the items mentioned above. This includes, among other things, income from derecognitions of timebarred liabilities as well as 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. These include expenses for insurance services, advertising and auditing services.

(6) Interest result

The interest result was as follows:

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Interest income	**21.3**	**17.0**
Other interest and similar income	21.3	17.0
Interest expenses	**243.3**	**343.8**
Net interest expenses from the valuation of pensions and similar obligations	2.7	3.7
Interest expenses for lease liabilities	70.3	69.6
Other interest and similar expenses	170.3	270.5
Effects from the result of embedded derivatives	**–23.2**	**–3.7**
Total	**–245.2**	**–330.5**

Other interest and similar income relates in particular to gains from the valuation of the interest rate swaps and to interest income from bank balances. In the previous year, interest income essentially consisted of income from the completion of financing arrangements for two vessels. 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 resulted primarily from savings on effective interest expenses in the amount of EUR 95.9 million, which was mainly due to the reduction of bank debt (including the EUR bond) through early repayments and the lower reference interest rates as a result of the COVID-19 pandemic.

By contrast, the profit or loss effect of the embedded derivative in the amount of EUR –23.2 million (prior year period: EUR –3.7 million), which comprises the derecognition of the fair value of EUR –24.1 million associated with the exercising of the early repurchase option of the EUR bond as at 7 April 2021 (prior year period: EUR –8.6 million from the partial repayment of the bond in November 2020) and a valuation effect of EUR 0.8 million (prior year period: EUR 4.9 million), had a negative impact on 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 1.7 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 2021 and 2020 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 7.2% to 39.0% in 2021 (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.–31.12.2021	1.1.–31.12.2020
Actual income taxes	57.6	34.0
thereof domestic	17.5	4.5
thereof foreign	40.1	29.5
Deferred tax income / expenses	3.7	11.8
thereof from temporary differences	2.3	2.9
thereof from loss carry-forwards	1.4	8.9
Total	**61.3**	**45.8**

The general increase in income taxes by EUR 15.5 million to EUR 61.3 million is mainly due to higher income taxes of Hapag-Lloyd AG as a result of significantly increased intra-group dividend income in the financial year. In addition, there was an increase in foreign income taxes of the group companies as a result of the exceptionally positive general earnings situation. Furthermore, the current income tax expense in the previous year was positively influenced by higher exchange rate-related effects from the translation from the respective local currency into the functional Group currency USD.

The domestic income taxes include tax expenses of EUR 4.5 million, which are attributable to the tonnage taxation (prior year period: EUR 4.5 million). The increase in other domestic current income tax expenses by EUR 13.0 million is essentially due to three effects. Firstly, fewer corporate income tax loss carryforwards were available for offsetting in the financial year (the opposite effect can be found in the area of expenses from deferred income taxes). Furthermore, there was a significant increase in intra-group dividend income at the level of Hapag-Lloyd AG in the financial year. In addition, the reported domestic tax expense is increased by an exchange rate effect of EUR 1.1 million (prior year period: EUR –1.8 million) resulting from the translation of tax assets and liabilities from the local currency into the functional Group currency USD.

Prior-period tax income in the amount of EUR 0.9 million are included in the actual income taxes (prior year period: expense of EUR 1.5 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 2021 and 2020 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 2021 ranged from 8.3% to 34.9% (previous year: between 8.3% and 34.0%).

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.–31.12.2021	1.1.–31.12.2020
Earnings before taxes	9,146.3	981.3
thereof under tonnage tax	8,847.6	723.5
thereof under regular income tax	298.7	257.8
Expected income tax expense (+) / income (–) (tax rate 32.3%)	**96.4**	**83.2**
Difference between the actual tax rates and the expected tax rates	–45.4	–43.5
Changes in tax rate or tax law	0.2	–
Effects of income not subject to income tax	–5.4	–1.2
Non-deductible expenses and trade tax additions and reductions	15.5	10.4
Effects from reassessments	–2.6	–1.9
Effective tax expenses and income relating to other periods	–0.9	1.5
Tax effect from equity-acounted investees	–17.4	–10.5
Exchange rate differences	8.8	0.4
Other differences	7.6	2.9
Income tax expense under regular income tax	**56.8**	**41.3**
Income tax expense under tonnage tax	4.5	4.5
Reported income tax expenses (+) / income (–)	**61.3**	**45.8**

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 1.3 million (prior year period: EUR 1.0 million) from changes in unrecognised corporate income tax loss carry-forwards both at home and abroad. A further EUR 0.3 million (previous year: 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 5.1 million in foreign withholding taxes for dividends, which are non-deductible (prior year period: EUR 2.8 million).

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

	31.12.2021		31.12.2020	
million EUR	Asset	Liabillity	Asset	Liabillity
Recognition and measurement differences for property, plant and equipment and other non-current assets	1.2	18.2	1.0	11.9
Recognition differences for receivables and other assets	1.6	0.8	2.0	0.6
Measurement of pension provisions	2.9	0.4	7.2	0.4
Recognition and measurement differences for other provisions	5.6	0.2	4.2	–
Other transactions	11.6	–0.3	9.1	1.1
Capitalised tax savings from recoverable loss carry-forwards	8.3	–	9.1	–
thereof utilised by tonnage tax base	–	–	2.7	–
Netting of deferred tax assets and liabilities	–5.2	–5.2	–3.9	–3.9
Balance sheet recognition	**26.0**	**14.1**	**28.7**	**10.1**

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

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**

million EUR	**As per 1.1.2021**	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	**As per 31.12.2021**
Recognition and measurement differences for property, plant and equipment and other non-current assets	–11.0	–4.9	–	–1.2	–17.1
Recognition differences for receivables and other assets	1.5	–0.8	–	0.1	0.8
Measurement of pension provisions	6.8	–0.5	–3.7	–0.1	2.5
thereof recognised directly in equity	7.2	–	–3.8	–	3.4
Recognition and measurement differences for other provisions	4.2	0.8	–	0.4	5.4
Other transactions	8.0	3.1	–	0.9	12.0
Capitalised tax savings from recoverable loss carry-frowards	9.1	–1.4	–	0.6	8.3
Balance sheet recognition	**18.6**	**–3.7**	**–3.7**	**0.7**	**11.9**

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 57.3 million (previous year: EUR 53.3 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	31.12.2021	31.12.2020
Loss carry-forwards for which deferred tax assets were recognised	**24.7**	**29.6**
Loss carry-forwards for which no deferred tax assets were recognised	**1,271.9**	**1,171.0**
thereof loss carry-forwards forfeitable in more than 5 years	0.1	1.0
Non-forfeitable loss carry-forwards	1,271.8	1,170.0
Total of unutilised loss carry-forwards	**1,296.6**	**1,200.6**

(9) Earnings per share

	1.1.–31.12.2021	1.1.–31.12.2020
Profit/loss attributable to shareholders in million EUR	9,074.7	926.8
Weighted average number of shares	175.8	175.8
Basic earnings per share in EUR	**51.63**	**5.27**

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 2021 financial year or in the previous year.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(10) Intangible assets

million EUR	Goodwill	Customer base	Advan-tageous contracts	Brand	Software	Payments on account and assets under construction	Total
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
Transfers	–	–	–	–	–	–	–
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**
Historical cost							
As at 1.1.2021	1,466.8	1,682.7	–	209.1	114.0	17.2	3,489.8
Addition from business combination	6.3	–	2.8	–	3.9	–	13.1
Additions	–	–	–	–	0.4	6.9	7.2
Disposals	–	–	2.8	–	–	–	2.8
Transfers	–	–	–	–	1.7	–2.2	–0.5
Exchange rate differences	124.2	142.4	–	17.7	10.2	1.7	296.1
As at 31.12.2021	**1,597.2**	**1,825.1**	**–**	**226.8**	**130.1**	**23.5**	**3,802.8**
Accumulated amortisation							
As at 1.1.2021	–	454.9	–	–	109.1	–	563.9
Additions	–	78.3	2.8	–	2.2	–	83.4
Disposals	–	–	2.8	–	–	–	2.8
Transfers	–	–	–	–	–0.5	–	–0.5
Exchange rate differences	–	42.1	–	–	9.5	–	51.6
As at 31.12.2021	**–**	**575.3**	**–**	**–**	**120.2**	**–**	**695.5**
Carrying amounts 31.12.2021	**1,597.2**	**1,249.9**	**–**	**226.8**	**9.9**	**23.5**	**3,107.3**

[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 1,597.2 million (previous year: EUR 1,466.8 million) and the Hapag-Lloyd brand in the amount of EUR 226.8 million (previous year: EUR 209.1 million).

At the end of the 2021 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 input factors (unadjusted use of the quoted share price of Hapag-Lloyd AG and of a bond price) and on Level 2 input factors (use of observable market price quotations that are not Level 1 to measure the remaining net debt). With regard to the fundamental measurement assumptions, please refer to the section “Accounting and measurement”. In its entirety, the fair value of the cash-generating unit “container shipping” is categorised as 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.

Development expenses in the financial year totalled EUR 43.3 million (prior year period: EUR 39.7 million). Investments in internally generated intangible assets requiring capitalisation in 2021 amounted to EUR 7.3 million (previous year: EUR 9.6 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 1.1.2020	10,352.8	3,414.7	355.2	65.0	14,187.7
Additions[1]	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**
Historical cost					
As at 1.1.2021	9,917.2	3,610.4	379.9	72.9	13,980.4
Addition from business combination	101.1	99.6	4.3	–	205.0
Additions	1,396.9	1,037.7	70.4	353.4	2,858.4
Disposals	148.1	69.5	28.2	–	245.7
Reclassifications to held for sale	–244.3	–	–	–	–244.3
Transfers	61.4	0.2	3.1	–64.0	0.7
Exchange rate differences	892.0	355.2	34.1	19.6	1,300.8
As at 31.12.2021	**11,976.2**	**5,033.6**	**463.5**	**381.9**	**17,855.2**
Accumulated depreciation					
As at 1.1.2021	3,193.0	1,322.0	164.8	–	4,679.9
Additions	952.3	388.3	41.6	–	1,382.3
Impairments	–	–	8.6	–	8.6
Disposals	142.0	54.9	16.0	–	212.9
Reclassifications to held for sale	–214.7	–	–	–	–214.7
Transfers	–	–	0.5	–	0.5
Exchange rate differences	297.2	127.7	22.0	–	446.9
As at 31.12.2021	**4,085.8**	**1,783.2**	**221.5**	**–**	**6,090.4**
Carrying amounts 31.12.2021	**7,890.5**	**3,250.4**	**242.1**	**381.9**	**11,764.8**

[1] 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 4,618.0 million as at the reporting date (previous year: EUR 5,667.5 million). Restrictions of ownership exist in the form of ship mortgages for container ships and in the form of collateral for financed ships 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.

In the first quarter of 2021, five container ships were classified as non-current assets held for sale. The sale of the ships is part of the strategic optimisation of the ship portfolio. Binding agreements to sell the five ships were concluded in the second quarter, and one of the five ships was already transferred to the buyer in the second quarter. The four remaining ships were handed over in the third quarter of this financial year. As a result of further network adjustments, the ships were chartered back for up to 1.5 years at the same time that they were transferred to the new owners. In light of rising market prices in the second quarter of 2021, the carrying amounts of the ships were written up to their fair value less costs to sell totalling EUR 40.8 million. Overall, in the second quarter of the year a reversal of impairment losses totalling EUR 11.4 million has been recognised for the ships classified as held for sale, which has been presented as income under the item “Depreciation, amortisation and impairment of intangible assets and property, plant and equipment”. As at 31 December 2021, all five container ships had been handed over to the buyer and were thus no longer recognised in the consolidated statement of financial position. The fair value less costs to sell was estimated by an independent expert. 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 ships, as well as ongoing sales negotiations and asking prices for such ships and the market reactions to these prices. The measurement assumes that the ships are available 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. Furthermore, the valuation is based on the assumption that these ships have been fully maintained, are free of recommendations, and that they are undamaged, fully equipped and in operational condition.

Capitalisation of borrowing costs

During the 2021 financial year, borrowing costs of EUR 3.9 million (previous year: n/a) from general, i.e. non-dedicated, external financing sources were capitalised for ships under construction. The capitalisation rate used to determine the capitalisation of borrowing costs is calculated every quarter and amounts to between 3.2% and 3.6% p.a. for the 2021 financial year (previous year: n/a).

Directly attributable borrowing costs of EUR 0.3 million (previous year: n/a) were also capitalised during the 2021 financial year. The interest rate of the corresponding loans is 2.5% p.a. (previous year: n/a).

(12) Equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2021.

Name of the company	Registered office	Proportion of ownership in the group (in %) 2021	2020
Joint venture			
Consorcio Naviero Peruano S.A.[1]	Lima	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 0.5 million (prior year period: EUR –1.8 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:

million EUR	HHLA Container Terminal Altenwerder GmbH 2021	2020
Statement of comprehensive income		
Revenues	297.0	284.4
Annual result	95.0	75.5
Dividend payments to Hapag-Lloyd Group	–24.6	–35.2
Balance sheet		
Current assets	108.2	100.6
Non-current assets	81.5	83.9
Current liabilities	37.6	38.5
Non-current liabilities	71.7	65.6
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	27.5	30.7
Result related to other period	5.0	–1.2
Carrying amount of the participation at the end of the financial year	**329.5**	**326.5**

The recognised share of equity-accounted investees developed as follows:

million EUR	HHLA Container Terminal Altenwerder GmbH 2021	HHLA Container Terminal Altenwerder GmbH 2020	Non-material associated companies 2021	Non-material associated companies 2020	Joint Venture 2021	Joint Venture 2020
Participation 1.1.	**326.5**	**331.0**	**2.0**	**2.1**	**0.7**	**0.6**
Pro rata share of earnings after taxes	27.5	30.7	1.5	1.2	–0.2	0.2
Dividend payments	–24.6	–35.2	–1.3	–1.3	–	–
Exchange rate differences	–	–	0.1	–	–	–0.1
Participation 31.12.	**329.5**	**326.5**	**2.3**	**2.0**	**0.5**	**0.7**

(13) Trade accounts receivable and other assets

million EUR	31.12.2021 Total	31.12.2021 Remaining term more than a year	31.12.2020 Total	31.12.2020 Remaining term more than a year
Financial assets				
Trade accounts receivable	2,999.2	–	1,362.6	–
from third parties	2,999.2	–	1,362.6	–
Other assets	252.7	15.6	217.5	14.6
Investments and securities	7.6	7.6	7.7	7.7
Receivables relating to offset or advanced payments	129.0	–	108.3	–
Receivables from loans and other financial receivables	4.5	4.4	14.9	4.1
Receivables from insurance compensation	51.0	–	52.3	–
Receivables from deposits and prepayments	12.0	3.4	11.2	2.6
Other assets	48.6	0.2	23.2	0.2
Total	**3,252.0**	**15.6**	**1,580.1**	**14.6**
Non-financial assets				
Other assets	136.4	20.0	100.9	7.8
Claims arising from the refund of other taxes	80.9	0.6	62.9	0.7
Commitment fees for loans	19.9	17.7	9.1	6.0
Prepaid expenses	32.4	0.7	21.6	0.1
Other assets	3.2	0.9	7.3	0.9
Total	**136.4**	**20.0**	**100.9**	**7.8**

As at 31 December 2021, 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 the previous year, trade accounts receivable were pledged as part of the programme to securitise receivables. These kinds of receivables were 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 3,274.0 million as at 31 December 2021 (previous year: EUR 1,600.0 million) and are mostly exposed to a low to medium credit risk. As of the reporting date, gross carrying amounts of EUR 311.2 million (previous year: EUR 108.6 million) were credit-impaired or exposed to high credit risk. EUR 432.9 million (previous year: EUR 251.5 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	31.12.2021	31.12.2020
Trade account receivables and other financial assets		
Not overdue	2,905.6	1,408.8
Overdue up to 30 days	223.2	120.6
Overdue between 31 and 90 days	88.8	30.9
Overdue for more than 90 days	56.4	39.7
Gross carrying amount	**3,274.0**	**1,600.0**
Loss allowance	–29.6	–27.6
Carrying amount	**3,244.4**	**1,572.4**

The significant increase in gross carrying amounts is primarily due to the historically high freight rates. The increase is almost exclusively attributable to receivables that are not overdue, which is why the increase in loss allowance was relatively minor.

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	2021	2020
Loss allowances on trade account receivables and other financial assets		
Loss allowances as of 1.1.	**27.6**	**28.9**
Utilisation	4.8	8.0
Impairment losses	4.5	9.2
Change of translation reserve	2.3	–2.5
Loss allowances as of 31.12.	**29.6**	**27.6**

Loss allowances as at 31 December 2021 are EUR 29.6 million, of which EUR 24.3 million are attributable to credit-impaired receivables (previous year: EUR 22.5 million).

(14) Derivative financial instruments

million EUR	31.12.2021 Total	31.12.2021 Remaining term more than 1 year	31.12.2020 Total	31.12.2020 Remaining term more than 1 year
Receivables from derivative financial instruments	12.7	12.5	36.0	21.6
thereof derivatives in hedge accounting [1]	9.6	9.3	14.5	–
thereof derivatives not included in hedge accounting	3.2	3.2	21.6	21.6

[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	31.12.2021	31.12.2020
Raw materials and supplies	332.4	172.3
Prepayments	4.8	–
Total	**337.2**	**172.3**

Raw materials, consumables and supplies primarily comprised fuel inventories, which rose from EUR 170.8 million in the previous year to EUR 329.9 million due to price.

Expenses of EUR 1,678.2 million for fuels were recognised in the reporting period (previous year: EUR 1,407.3 million). Impairments for fuel inventories in the amount of EUR 0.5 million were also recognised as expenses in the financial year (previous year: EUR 0.4 million). No write-backs were recognised.

(16) Cash and cash equivalents

million EUR	31.12.2021	31.12.2020
Bank deposits	7,715.3	675.7
Cash on hand and cheques	8.1	5.6
Total	**7,723.4**	**681.3**

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 22.4 million (previous year: EUR 5.5 million) at individual subsidiaries. These funds are not readily available to Hapag-Lloyd AG or its other subsidiaries for general use.

The increase in cash and cash equivalents primarily resulted from operating activities.

(17) Subscribed capital and capital reserves

As at 31 December 2021, 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.

After partial utilisation in previous years, the Authorised Share Capital still amounted to EUR 11.3 million as at reporting date of 31 December 2021.

(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 2021

On 2 June 2021, a dividend of EUR 3.50 (previous year 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 615.2 million (previous year: 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 631.8 million carried forward from 2020, the annual financial statements of Hapag-Lloyd AG reported retained earnings of EUR 9,591.4 million. A proposal will be made at the Annual General Meeting that the retained earnings be used to pay a dividend of EUR 35.00 per dividend-eligible share, and that the retained earnings of EUR 3,439.8 million remaining after the distribution totalling EUR 6,151.6 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 reserve for cost of hedging, the translation reserve and the reserve for put options on non-controlling interests.

The reserve for remeasurements from defined benefit pension plans (31 December 2021: EUR –149.6 million; 31 December 2020: EUR –208.6 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 valuation of pension obligations and the associated fund assets. The effect from the remeasurement of pension obligations and the associated plan assets recognised in other comprehensive income in the 2021 financial year resulted in a decrease of EUR 53.7 million in the negative reserve (previous year: increase of EUR 36.0 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 –0.1 million as at 31 December 2021 (31 December 2020: EUR –12.4 million). In the 2021 financial year, the resulting gains and losses totalling EUR –5.2 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR 50.3 million), while gains and losses of EUR 35.8 million (prior year period: EUR –45.7 million) were reclassified and recognised through profit or loss.

The reserve for cost 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 0.6 million as at 31 December 2021 (31 December 2020: EUR –1.9 million). In the 2021 financial year, the resulting gains and losses totalling EUR –2.8 million were recognised in other comprehensive income (prior year period: EUR –40.1 million), while gains and losses of EUR 3.2 million (prior year period: EUR 11.8 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR 876.7 million (31 December 2020: EUR –42.4 million) includes differences from currency translation. The differences from currency translation of EUR 919.7 million recognised in other comprehensive income in the 2021 financial year (prior year period: EUR –603.7 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 2021 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 defined benefit 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	31.12.2021	31.12.2020
Domestic defined benefit obligations		
Net present value of defined benefit obligations	276.6	306.1
Less fair value of plan assets	9.8	10.0
Deficit (net liabilities)	**266.8**	**296.1**
Foreign defined benefit obligations		
Net present value of defined benefit obligations	209.1	217.7
Less fair value of plan assets	155.3	128.6
Deficit (net liabilities)	**53.7**	**89.1**
Total	**320.6**	**385.2**

Composition and management of plan assets

The Group's plan assets are as follows:

million EUR	31.12.2021	31.12.2020
Equity instruments		
with quoted market price in an active market	36.2	36.5
without quoted market price in an active market	1.5	1.3
Government bonds		
with quoted market price in an active market	25.1	30.4
Corporate bonds		
with quoted market price in an active market	20.8	20.9
Other debt instruments		
(other) asset-backed securities		
with quoted market price in an active market	6.0	5.3
Derivatives		
with quoted market price in an active market	6.4	8.7
without quoted market price in an active market	6.5	5.9
Pension plan reinsurance	9.8	10.0
Real estate	1.6	2.1
Cash and cash equivalents	18.0	0.7
Other	33.2	16.8
Fair value of plan assets	**165.1**	**138.6**

The plan assets have been entrusted to independent external financial service providers for investment and management. The plan assets contain neither the Group's own financial instruments nor real estate used by the Group itself. All bonds 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 eight to twelve 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 three years, which usually leads to a greater obligation compared to measurement pursuant to IAS 19. Based on the most recent technical valuation, the defined benefit plan in the United Kingdom has a financing deficit. The Company and trustees have agreed on a plan to reduce the deficit, which includes additional annual payments for a limited period.

Development of the present value of defined benefit obligations

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

million EUR	2021	2020
Net present value of defined benefit obligations as at 1.1.	**523.8**	**481.9**
Current service cost	13.8	12.8
Interest expenses	4.8	6.3
Remeasurements:		
Gains (–)/losses (+) from changes in demographic assumptions	–4.8	–0.1
Gains (–)/losses (+) from changes in financial assumptions	–48.0	45.3
Gains (–)/losses (+) from changes due to experience	–2.2	–1.7
Past service cost	0.6	0.6
Contributions by plan participants	0.5	0.5
Benefits paid	–11.3	–12.5
Exchange rate differences	8.3	–8.4
Disposals from change in the group of consolidated companies	0.2	–1.0
Net present value of defined benefit obligations as at 31.12.	**485.7**	**523.8**

The weighted average maturity of defined benefit obligations was 20.0 years as at 31 December 2021 (previous year: 20.1 years).

Development of the fair value of the plan assets

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

million EUR	2021	2020
Fair value of plan assets as at 1.1.	**138.6**	**141.7**
Interest income	2.1	2.6
Return and losses on plan assets (excluding interest income)	3.5	4.4
Employer contributions	19.3	2.8
Contributions by plan participants	0.1	0.1
Benefits paid	–5.0	–6.3
Exchange rate differences	6.3	–5.6
Disposals from change in the group of consolidated companies	0.2	–1.1
Fair value of plan assets as at 31.12.	**165.1**	**138.6**

Net pension expenses

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

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Current service cost	13.8	12.8
Interest expenses	4.8	6.3
Interest income	–2.1	–2.6
Past service cost	0.6	0.6
Net pension expenses	**17.1**	**17.1**

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.–31.12.2021	1.1.–31.12.2020
Personnel expenses	14.4	13.4
Interest expenses (+) / interest income (–)	2.7	3.7
Total	**17.1**	**17.1**

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	2021	2020
Discount factors	1.10	0.50
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	2021	2020
Discount factors for pension obligations		
United Kingdom	1.65	1.45
Netherlands	1.10	0.50
Mexiko	8.19	7.21
Expected rate of pension increases		
United Kingdom	2.84	2.76
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 57.5 million before tax as at 31 December 2021 for the 2021 financial year (previous year: EUR –36.8 million) and can be broken down as follows:

million EUR	31.12.2021	31.12.2020
Actuarial gains (+) / losses (–) from		
Changes in demographic assumptions	4.8	0.1
Changes in financial assumptions	48.0	–45.3
Changes from experience	2.2	1.7
Return on plan assets (excluding interest income)	3.5	4.4
Exchange rate differences	–0.9	2.3
Remeasurements	**57.5**	**–36.8**

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR –149.6 million as at 31 December 2021 (previous year: EUR –208.6 million).

Future contribution and pension payments

For 2022, the Group is planning to make contributions to pension plan assets amounting to EUR 1.1 million (previous year: EUR 2.1 million). Payments for unfunded pension plans, including employee termination costs, are anticipated in the amount of EUR 6.7 million in 2022 (previous year: EUR 6.2 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 2021:

million EUR	Δ Present value 31.12.2021	Δ Present value 31.12.2020
Discount factor 0.8% points higher	–67.8	–77.8
Discount factor 0.8% points lower	82.7	99.7
Expected rate of pension increase 0.2% higher	11.5	13.6
Expected rate of pension increase 0.2% lower	–11.1	–13.0
Life expectancy 1 year longer	17.7	21.2

The sensitivity calculations are based on the average maturity of pension provisions determined as at 31 December 2021. In order to present the effects on the present value of pension provisions as at 31 December 2021 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 2021, expenses incurred in connection with defined contribution plans totalled EUR 36.9 million (previous year: EUR 33.2 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 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 1.1.2020	Addition from business combina-tion	Utilisa-tion	Release	Addition	Exchange rate differences	As per 31.12.2020
Risks from pending transactions	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**

million EUR	**As per 1.1.2021**	Addition from business combina-tion	Utilisa-tion	Release	Addition	Exchange rate differences	**As per 31.12.2021**
Risks from pending transactions	136.2	–	134.5	0.1	211.1	15.0	227.7
Personnel costs	131.1	1.3	84.3	8.5	166.2	8.6	214.4
Guarantee, warranty and liability risks	93.5	10.3	16.7	3.0	27.7	8.8	120.6
Restructuring	10.1	0.2	5.0	1.6	20.9	1.4	26.0
Provisions for other taxes	9.4	–	3.6	3.7	15.0	0.9	18.1
Insurance premiums	7.1	–	1.3	0.7	4.5	0.7	10.3
Other provisions	54.9	0.1	7.2	11.0	45.5	0.5	82.9
Other provisions	**442.2**	**12.0**	**252.5**	**28.5**	**490.9**	**35.9**	**699.9**

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 39.6 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.

The maturities of the other provisions are as follows:

	31.12.2021				31.12.2020			
	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	227.7	226.7	1.0	–	136.2	135.2	1.1	–
Personnel costs	214.4	184.5	18.6	11.3	131.1	103.5	15.6	12.0
Guarantee, warranty and liability risks	120.6	64.5	53.2	2.9	93.5	56.2	35.1	2.1
Restructuring	26.0	26.0	–	–	10.1	10.1	–	–
Insurance premiums	10.3	10.3	–	–	7.1	7.1	–	–
Provisions for other taxes	18.1	18.1	–	–	9.4	9.4	–	–
Other provisions	82.9	68.6	7.3	6.9	54.9	47.7	0.2	6.9
Other provisions	**699.9**	**598.6**	**80.1**	**21.1**	**442.2**	**369.2**	**52.0**	**21.0**

(23) Financial debt and lease liabilities

	31.12.2021				31.12.2020			
	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	3,074.1	502.0	1,638.7	933.4	3,735.9	505.9	2,052.3	1,177.7
Liabilities to banks[1]	1,902.5	402.0	1,249.4	251.1	2,533.5	377.5	1,401.8	754.1
Bonds	300.8	1.5	–0.5	299.8	306.0	6.8	299.2	–
Other financial debt	870.7	98.5	389.8	382.5	896.4	121.6	351.3	423.5
Lease liabilities	2,423.1	856.7	1,458.3	108.1	1,400.3	459.8	789.6	150.9
Total	**5,497.2**	**1,358.6**	**3,097.0**	**1,041.5**	**5,136.2**	**965.7**	**2,841.9**	**1,328.5**

[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	31.12.2021	31.12.2020
Denoted in USD (excl. transaction costs)	5,055.6	4,698.1
Denoted in EUR (excl. transaction costs)	402.1	409.4
Denoted in other currencies (excl. transaction costs)	67.0	56.0
Interest liabilities	11.2	17.7
Transaction costs	–38.7	–45.1
Total	**5,497.2**	**5,136.2**

Financial debt includes liabilities to banks, bonds and other financial debt. Lease liabilities include liabilities from lease contracts.

Liabilities to banks and other financial debt

Liabilities to banks and other financial debt primarily comprise loans and sale and leaseback agreements that are accounted for as 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.

In the 2021 financial year, Hapag-Lloyd conducted a sale and leaseback transaction to refinance investments in a container ship (Japanese operating lease (JOL)). The previous funding had been repaid early in the previous year. The lease agreement includes a substantial purchase option that grants an entitlement to repurchase the container ship. As a result, the transaction is accounted for as loan financing in accordance with the provisions of IFRS 16, in conjunction with IFRS 15. The refinancing volume has a total amount of EUR 57.9 million. 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.

Within the scope of its order for the manufacturing and delivery of six large container ships, each with a size of 23,500 TEU and which are expected to be delivered between April and December 2023, in December 2020 Hapag-Lloyd signed a USD 472.3 million (EUR 384.7 million) loan commitment in the form of a so-called “Chinese lease” (sale and leaseback lease transaction), in order to finance three large container ships. The loan commitment covers the prepayments under the building contract until delivery of the container ships. On 15 July 2021, the first tranche of the construction period loan totalling EUR 25.0 million was drawn for these three ships. The liability 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 of any banks.

Overall, sale and leaseback transactions of this kind resulted in liabilities to banks totalling EUR 1,273.4 million as at the reporting date (previous year: EUR 1,427.0 million) and other financial debt totalling EUR 860.7 million (previous year: EUR 804.6 million).

The loan associated with the ABS programme was repaid in full during the 2021 financial year (31 December 2020: EUR 81.5 million).

Bonds

On 6 April 2021, Hapag-Lloyd issued a sustainability-linked euro bond with a total volume of EUR 300.0 million. The bond has a maturity of seven years and a coupon of 2.5%, which will increase by 0.25% from 15 October 2025 if the sustainability performance targets are not met. The proceeds of the issue were used for the early redemption of Hapag-Lloyd's existing 5.125% euro bond, which had an original maturity in 2024.

Liabilities from lease contracts

Details of lease liabilities within the Hapag-Lloyd Group are given in Note (30) Leases.

Credit facilities

The Hapag-Lloyd Group had total unused credit lines of EUR 516.9 million as at 31 December 2021 (31 December 2020: EUR 476.5 million).

Reconciliation of the changes in debt with the cash flow from financing activities

million EUR	Financial debt				Liabilities (+)/assets (–) from derivative financial instruments in hedge accounting		
	Liabilities to banks	Bonds	Other financial liabilities	Lease liabilities	Forward exchange contracts	Interest 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 financial debt	–	–	–	–	27.4	–11.3	16.1
Payments made for interest and fees	–182.9	–29.8	–33.3	–69.6	–	–	–315.6
Total cash-effective 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.

	Financial debt				Liabilities (+)/assets (–) from derivate financial instruments in hedge accounting		
million EUR	Liabilities to banks	Bonds	Other finacial liabilities	Lease liabilities	Foward exchange contracts	Inetrest rate swaps	Total
As at 1 January 2021	**2,533.5**	**306.0**	**896.4**	**1,400.3**	**–4.7**	**35.4**	**5,166.9**
Changes of liabilities from financing cash flows							
Payments received from raising financial debt	177.1	296.0	24.7	–	–	–	497.7
Payments made for redemption of financial debt	–990.3	–298.0	–123.3	–	–	–	–1,411.6
Payments made for redemption of lease liabilities	–	–	–	–678.5	–	–	–678.5
Payments received (+)/made (–) from hedges for finacial debt	–	–	–	–	–8.2	–21.2	–29.4
Payments made for interest and fees	–94.6	–22.9	–37.0	–70.3	–	–	–224.8
Total cash-effective changes of liabilities from financing cash flows	**–907.8**	**–24.9**	**–135.7**	**–748.8**	**–8.2**	**–21.2**	**–1,846.6**
Changes arising from obtaining or losing control of subsidiaries or other business	–	–	–	128.6	–	–	128.6
Effect of changes in exchange rates	173.4	2.3	71.3	152.8	0.5	1.4	401.7
Changes in fair value	–	–	–	–	28.4	–14.3	14.1
Other changes[1]	103.4	17.5	38.6	1,490.2	–	–	1,649.7
As at 31 December 2021	**1,902.5**	**300.8**	**870.7**	**2,423.1**	**16.0**	**1.3**	**5,514.4**

[1] The other changes to lease liability can be attributed primarily to current income from IFRS 16 amounting to EUR 1,453.2 million as well as changes in the group of consolidated companies.

(24) Trade accounts payable, contract liabilities and other liabilities

	31.12.2021				31.12.2020			
		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	2,323.9	2,323.9	–	–	1,748.1	1,748.1	–	–
thereof to third parties	2,323.9	2,323.9	–	–	1,748.1	1,748.1	–	–
Other liabilities	138.6	136.6	1.9	0.2	93.1	91.3	1.6	0.2
Other liabilities to employees	2.9	2.7	–	0.2	3.3	3.2	–	0.2
Liabilities from offsetting or overpayment	33.9	33.9	–	–	28.5	28.5	–	–
Put option	1.8	–	1.8	–	1.6	–	1.6	–
Other liabilities	99.9	99.9	–	–	59.6	59.6	–	–
Total	**2,462.5**	**2,460.4**	**1.9**	**0.2**	**1,841.2**	**1,839.4**	**1.6**	**0.2**
Non-financial liabilities								
Contract liabilities	1,445.8	1,445.8	–	–	545.7	545.7	–	–
Other liabilities	35.8	34.5	1.1	0.1	26.4	23.3	3.1	0.1
Other liabilities as part of social security	16.9	15.7	1.1	0.1	11.4	10.1	1.2	0.1
Other liabilities from other taxes	16.8	16.8	–	–	11.8	10.6	1.2	–
Prepaid income	1.8	1.8	–	–	2.9	2.2	0.7	–
Other liabilities	0.2	0.2	–	–	0.3	0.3	–	–
Total	**1,481.5**	**1,480.3**	**1.1**	**0.1**	**572.1**	**569.0**	**3.1**	**0.1**

(25) Derivate financial instruments

million EUR	31.12.2021 Total	31.12.2021 Remaining term more than 1 year	31.12.2020 Total	31.12.2020 Remaining term more than 1 year
Liabilities from derivative financial instruments	27.1	25.9	35.5	35.5
thereof derivatives in hedge accounting [1]	27.1	25.9	22.7	22.7
thereof derivatives not included in hedge accounting	–	–	12.8	12.8

[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.

Liabilities from derivative financial instruments result from currency forward contracts and 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 underlying 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 at the corresponding time in the same line item on 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), British pound (GBP) 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 Canadian dollar (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). Forward contracts used to hedge euro-denominated debt generally have a term to maturity of more than one 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 cost of hedging 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 item 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 item 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, GBP, CNY) at the reporting date. The analysis is depicted on the basis of a posted foreign currency exposure of USD –44.2 million.

	31.12.2021		31.12.2020	
million USD	Effect on earnings	Reserve for cost of hedging (equity)	Effect on earnings	Reserve for cost of hedging (equity)
USD / EUR				
+10%	42.8	0.2	10.7	–
–10%	–42.8	–0.2	–10.7	–
USD / GBP				
+10%	7.0	–	n/a	n/a
–10%	–7.0	–	n/a	n/a
USD / CNY				
+10%	–6.5	–	–8.8	–
–10%	6.5	–	8.8	–

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.

To hedge against market price fluctuations, derivative financial instruments in the form of commodity options and swaps existed in the financial year 2021.

Hapag-Lloyd only designates the intrinsic value of the options. The change in the time value is recorded in the reserve for cost of hedging 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 item 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:

- Differences in payment dates between the hedged item 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 used, 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. As there were no more commodity options and swaps in the portfolio as of the balance sheet date, the table does not contain any information as of 31 December 2021.

	31.12.2021		31.12.2020	
million EUR	10%	–10%	10%	–10%
Reserve for cash flow hedges	–	–	3.8	–3.7
Reserve for cost of hedging	–	–	1.5	–0.2

The Company's increased risk-bearing capacity and the marine fuel recovery (MFR) included in the freight contracts led to a change in the risk management strategy in 2021, so that Hapag-Lloyd did not conclude any new derivative financial instruments for fuel price hedging in 2021. Hedging of forecast bunker requirements may be resumed in the future depending on risk-bearing capacity.

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 the hedged item. Some interest swaps hedge a proportion of the total nominal volume. 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 hedged item 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 item 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 item 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 item 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 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 2021 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 1,321.0 million that existed at the reporting date (previous year: EUR 1,854.9 million), the fair value of interest rate swaps of EUR –1.3 million (previous year: EUR –35.4 million) and the market value of embedded derivatives totalling EUR 3.2 million (previous year: EUR 21.6 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

million EUR		**31.12.2021**		31.12.2020
Change in variable interest rate	+100 base points	–100 base points	+100 base points	–100 base points
Reserve for cash flow hedges	15.7	–16.2	23.1	–24.3
Earnings before taxes	–13.0	7.0	–19.3	3.8

As part of the IBOR reform, in principle the existing reference interest rates (interbank offered rates – IBOR) are to be replaced by alternative risk-free interest rates by the end of 2021. This deadline has been extended until 30 June 2023 for the USD LIBOR maturities of relevance for Hapag-Lloyd (3M, 6M, 12M etc.). As at 31 December 2021, the Hapag-Lloyd Group held variable-interest loans and cash flow hedges for interest rate risks. These loans are affected by the IBOR reform. To ensure that hedging relationships can still be recognised in financial statements, Hapag-Lloyd adopted the resulting amendments to IFRS 9, IAS 39 and IFRS 7 from 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, which is set to be replaced by the secured overnight financing rate (SOFR). To date, none of the variable loans and hedging instruments have been switched to the new reference interest rate. As at 31 December 2021, the nominal volume of the variable financing was USD 1,495.1 million. The nominal volume of the financial instruments in a hedging relationship for hedging interest rate risks was USD 834.0 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 so that they can reproduce the financing agreements and hedging instruments based on the new reference interest rates. Although there is some market uncertainty as to when and how the change to the 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. 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. 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 are 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 market values totalling EUR 9.6 million (previous year: EUR 14.5 million) and negative market values totalling EUR –27.1 million (previous year: EUR –35.5 million), there is the potential to offset financial assets and financial liabilities in the amount of EUR –3.2 million (previous year: EUR 3.0 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 3.2 million (previous year: EUR 21.6 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 (31.12.2020)

	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**

Cash flows of financial instruments (31.12.2021)

	Cash inflows and outflows				
million EUR	2022	2023	2024–2026	from 2027	**Total**
Primary financial liabilities					
Liabilities to banks	–452.2	–328.5	–1,079.3	–271.9	–2,132.0
Bonds	–7.5	–7.5	–22.5	–311.3	–348.8
Lease liabilities	–914.0	–794.8	–748.4	–116.3	–2,573.4
Other financial liabilities	–130.0	–191.3	–301.9	–424.5	–1,047.7
Trade accounts payable	–2,323.9	–	–	–	–2,323.9
Other liabilities	–136.6	–	–	–0.2	–136.7
Liabilities from put options	–	–	–2.8	–	–2.8
Total primary financial liabilities	**–3,964.1**	**–1,322.0**	**–2,154.9**	**–1,124.2**	**–8,565.2**
Total derivative financial liabilities	**–9.0**	**–18.5**	**–**	**–**	**–27.5**

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 2021 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 as at the reporting date undiscounted market values used in currency forward contracts and the estimated net payments of the interest rate swaps used on the basis of the yield curve applicable on the balance sheet 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:

	31.12.2021		31.12.2020	
million EUR	Positive market values	Negative market values	Positive market values	Negative market values
Hedging instruments acc. to IFRS 9 (Hedge accounting)				
Commodity options and swaps	–	–	9.0	–
Currency forward contracts	0.3	–16.5	5.4	–
Interest rate swaps	9.3	–10.6	–	–22.7
Hedges [1]	**9.6**	**–27.1**	**14.5**	**–22.7**
Derivative financial instruments (FVTPL)				
Interest rate swaps	–	–	–	–12.8
Embedded derivatives	3.2	–	21.6	–
Other derivative financial instruments	**3.2**	**–**	**21.6**	**–12.8**
Total	**12.7**	**–27.1**	**36.0**	**–35.5**

[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 underlying 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:

	31.12.2021			31.12.2020		
	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	106.4	300.0	406.4	377.7	–	377.7
Hedged nominal in million CAD	52.5	–	52.5	57.5	–	57.5
Average hedged rate USD / EUR	1.14	1.21	1.19	1.21	–	1.21
Average hedged rate USD / CAD	0.79	–	0.79	0.77	–	0.77
Fuel price risk						
Hedged nominal in million USD	–	–	–	72.4	–	72.4
Average hedged price in USD	–	–	–	361.61	–	361.61
Interest rate risk						
Hedged nominal in million USD	–	834.0	834.0	–	1,014.6	1,014.6
Average fixed interest rate	–	1.52%	1.52%	–	1.52%	1.52%

The hedging instruments designated for use in hedging relationships have the following effect on the consolidated statement of financial position:

Hedge of cash flows	31.12.2020 Nominal amount	Carrying amount asset in million EUR[1]	Carrying amount liability in million EUR[1]	Line item in the statement of financial position	Change in fair value used as measurment of the ineffectiveness 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 options	125,000 mt	8.8	–	Derivative financial instruments	8.8
Interest rate risk					
Interest rate swaps	USD 1,014.6 million	0.0	22.7	Derivative financial instruments	–22.6

Hedge of cash flows	31.12.2021 Nominal amount	Carrying amount asset in million EUR[1]	Carrying amount liability in million EUR[1]	Line item in the statement of financial position	Change in fair value used as measurement of the ineffectveness in the reporting period in million EUR
Currency risk					
Currency forward contracts (USD/EUR)	EUR 406.4 million	0.2	16.2	Derivative financial instruments	–14.1
Currency forward contracts (USD/CAD)	CAD 52.5 million	0.1	0.4	Derivative financial instruments	–0.3
Interest rate risk					
Interest rate swaps	USD 834.0 million	9.3	10.6	Derivative financial instruments	–1.3

[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.

The hedged items designated to hedging relationships have the following effect on the consolidated statement of financial position:

Hedge of cash flows million EUR	31.12.2020 Change in value used as measurement of the ineffectiveness	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

Hedge of cash flows million EUR	31.12.2021 Change in value used as measurement of the ineffectiveness	Reserve for cash flow hedges
Currency risk		
Repayment of financial debt in EUR	14.3	–
Repayment of pension obligations in EUR	–0.2	–
Operational costs in CAD	0.3	–
Interest rate risk		
Interest payments of variable rate loans	1.3	–0.1

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	31.12.2020 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

Hedge of cash flows million EUR	31.12.2021 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	–26.1	–	–	26.1	Other financial items
Repayment of pension obligations in EUR	0.2	–	–	–0.2	Other financial items
Operational costs in CAD	–0.1	–	–	–0.1	Transport expenses / other operating result
Fuel price risk					
Bunker purchases	8.7	–	–	–	–
Interest rate risk					
Interest payments of variable rate loans	12.0	–	–	10.0	Interest expenses

The following table shows a reconciliation of the equity reserves which result from accounting for hedging relationships:

Cash flow hedges million EUR	2021 Reserve for cash flow hedges	2021 Reserve for cost of hedging	2020 Reserve for cash flow hedges	2020 Reserve for cost of hedging
Balance at 1.1.	**–12.4**	**–1.9**	**–14.0**	**–10.2**
Change in fair value:	–5.2	–2.8	50.3	–40.1
Currency risk [1]	–25.9	–2.6	54.5	–10.5
Fuel price risk [2]	8.7	–0.2	13.7	–29.6
Interest rate risk	12.0	–	–17.9	–
Reclassification into profit or loss:	35.8	3.2	–45.7	11.8
Currency risk [1]	25.7	3.2	–54.5	11.8
Interest rate risk	10.0	–	8.8	–
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	–17.8	2.1	–4.2	36.2
Fuel price risk [2]	–17.8	2.1	–4.2	36.2
Currency translation differences:	–0.5	–	1.2	0.3
Fuel price risk [2]	0.3	–0.1	–0.7	0.3
Interest rate risk	–0.8	–	1.9	–
Balance at 31.12.	**–0.1**	**0.6**	**–12.4**	**–1.9**

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 31.12.2020

million EUR	Classification 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 cost 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 31.12.2021

million EUR	Classification category according to IFRS 9	Carrying amount 31.12.2021 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	245.1	245.1	–	–	–	–	245.1
	n/a[3]	136.4	–	–	–	–	–	–
	FVTPL	7.6	–	–	7.6	–	–	7.6
Derivative financial instruments								
Derivatives (FVTPL)	FVTPL	3.2	–	–	3.2	–	–	3.2
Hedges (Hedge accounting)[1]	n/a[3]	9.6	–	9.6	–	–	–	9.6
Trade accounts receivable	AC	2,999.2	2,999.2	–	–	–	–	2,999.2
Cash and cash equivalents	AC	7,723.4	7,723.4	–	–	–	–	7,723.4
Liabilities								
Financial debt	FLAC	3,073.7	3,073.7	–	–	–	–	3,132.9
	FVTPL	0.3	–	–	0.3	–	–	0.3
Lease liabilities	n/a[3]	2,423.1	–	–	–	2,423.1	–	–
Other liabilities	FLAC	136.7	136.7	–	–	–	–	136.7
	n/a[3]	35.8	–	–	–	–	–	–
Liabilities from put options[2]	FLAC	1.8	1.8	–	–	–	–	2.1
Derivative financial liabilities								
Derivatives (FVTPL)	FVTPL	–	–	–	–	–	–	–
Hedges (Hedge accounting)[1]	n/a[3]	27.1	–	27.1	–	–	–	27.1
Trade accounts payable	FLAC	2,323.9	2,323.9	–	–	–	–	2,323.9
Contract liabilities	n/a[3]	1,445.8	–	–	–	–	1,445.8	–
Thereof aggregated according to IFRS 9 classification category								
Financial Assets measured at Amortized Cost (AC)		10,967.8	10,967.8	–	–	–	–	–
Financial Assets and Liabilities measured at Fair Value through Profit and Loss (FVTPL)		11.1	–	–	11.1	–	–	–
Financial Liabilities measured at Amortized Cost (FLAC)		5,536.2	5,536.2	–	–	–	–	–

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.
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 one to three of the fair value hierarchy can be found in the chapter “Accounting and measurement” in the Notes to the consolidated financial statements. There were no transfers between levels one to three in the previous financial year.

The following table shows the classification of the financial instruments measured at fair value in the three 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	31.12.2020			
		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

million EUR	Classification category according to IFRS 9	**31.12.2021**			
		Level 1	Level 2	Level 3	**Total**
Assets					
Securities / investments	FVTPL	1.1	–	6.5	7.6
Derivative financial instruments (Hedge accounting)	n/a[2]	–	9.6	–	9.6
Derivative financial instruments (Trading)	FVTPL	–	3.2	–	3.2
Liabilities					
Derivative financial instruments (Hedge accounting)	n/a[2]	–	27.1	–	27.1
Financial debt	FVTPL	–	–	0.3	0.3
Financial debt	FLAC	310.5	2,822.5	–	3,132.9
Liabilities from put options[1]	FLAC	–	–	2.1	2.1

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:

million EUR	31.12.2021 From interest	Other net earnings	Net earnings	31.12.2020 From interest	Other net earnings	Net earnings
Financial assets measured at amortised cost	5.3	–60.9	–55.6	3.3	30.1	33.4
Financial liabilities measured at amortised cost	–145.0	36.8	–108.2	–235.2	–79.0	–314.2
Financial assets and liabilities measured at fair value through profit or loss	–21.0	–0.5	–21.5	–13.0	–4.1	–17.2
Total	**–160.7**	**–24.7**	**–185.3**	**–244.9**	**–53.0**	**–298.0**

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 earnings 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 2021, 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 11.0 million in 2021 (prior year period: EUR 9.6 million) according to the guideline for lowering indirect labour costs in the German marine industry. This amount corresponds to the total government assistance (prior year period: EUR 11.9 million) recognised through profit and loss as offset against personnel expenses in the 2021 financial year for the Hapag-Lloyd Group.

In addition, Hapag-Lloyd USA, a wholly owned subsidiary of Hapag Lloyd AG, receives government funding as part of the Maritime Security Program (MSP). Government grants in the 2021 financial year totalled EUR 22.2 million (prior year period: EUR 22.2 million). These grants have been recognised through profit and loss as a deduction from transport expenses.

(28) 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 2021. 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 are EUR 8.0 million in contingent liabilities from legal disputes not classified as probable (previous year: EUR 7.6 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 are also EUR 78.6 million in contingent liabilities from tax risks not classified as probable (previous year: EUR 45.7 million). The main reasons for this rise are a claim from the tax authorities in India for past financial years and uncertainty with regard to the correct tax arrangements for a US territory.

(29) 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 2021, there were no sureties or guarantees requiring disclosure.

(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 renewal options not taken into account on the balance sheet at the reporting date would give rise to potential future lease payments amounting to EUR 0.6 billion (previous year: EUR 0.5 billion). These potential lease payments have therefore not been included as part of the lease liability.

However, against the backdrop of the order situation and the associated disposition of container vessels in the context of fleet planning due to the extraordinary market conditions, existing container vessel leases were also reassessed on a one-off basis as of the reporting date: In detail, those unilateral renewal options in the charter agreements were recognized in the balance sheet which were not initially taken into account in the measurement of the leases but for which it was sufficiently certain as of the reporting date that Hapag-Lloyd would exercise these renewal options in the course of the 2022 financial year. The recognition of these renewal options resulted in an increase in the lease liabilities and right-of-use assets of EUR 31.8 million.

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 (previous year: EUR 0.1 billion). The potential lease payments have not yet been recognised as part of the lease liability.

However, the extraordinary market conditions induced in particular by the COVID-19 pandemic as of the reporting date were taken into account by adjusting the terms of the container lease contracts with mutual rights of termination to current situation. This resulted in an increase in the lease liabilities and right-of-use assets of EUR 50.3 million.

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 one year (e.g. vessels) to 25 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 twelve months. No right-of-use assets and no lease liabilities are recognised in the consolidated statement of financial position for these short-term leases. In addition, Hapag-Lloyd has leases for other business equipment for which the underlying asset is of low value. No right-of-use assets 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 the right-of-use assets for each asset class in the 2021 financial year:

million EUR	Chartered vessels	Rented containers	Rented office buildings, grounds and parking slots	Rented vehicles	Total
Carrying amount of right-of-use assets as at 1.1.2020	**573.8**	**442.5**	**84.3**	**3.7**	**1,104.3**
Depreciation in prior year period	–315.5	–184.0	–25.9	–2.7	–528.1
Additions in prior year period [1]	558.9	305.1	27.7	4.4	896.2
Disposals in prior year period	–	–19.2	–3.5	–	–22.7
Transfers	17.8	–3.1	–	–	14.6
Exchange rate differences	–67.6	–45.1	–7.0	–0.3	–120.0
Carrying amount of right-of-use assets as at 31.12.2020	**767.4**	**496.2**	**75.5**	**5.1**	**1,344.2**
Carrying amount of right-of-use assets as at 1.1.2021	**767.4**	**496.2**	**75.5**	**5.1**	**1,344.2**
Depreciation in reporting period	–493.7	–195.2	–23.8	–2.4	–715.2
Additions in reporting period	1,166.7	240.4	42.2	2.0	1,451.4
Additions from business combination	101.1	54.6	2.9	–	158.6
Disposals in reporting period	–5.3	–8.1	–10.0	–0.2	–23.7
Impairments	–	–	–2.0	–	–2.0
Transfers	–	–10.7	–	–	–10.7
Exchange rate differences	100.0	46.1	6.7	0.3	153.1
Carrying amount of right-of-use assets as at 31.12.2021	**1,636.1**	**623.2**	**91.5**	**4.8**	**2,355.7**

[1] Additions amounting to EUR 3.5 million relate to changes in the group of consolidated companies.

The right-of-use assets for each asset class listed are reported under property, plant and equipment and are therefore also included in the table in Note (11) Property, plant and equipment.

The remaining terms of the lease liabilities as at 31 December 2021 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 2021 financial year:

million EUR	**1.1.–31.12.2021**	1.1.–31.12.2020
Transport expenses	10,323.3	9,140.2
Expenses from short-term leases	184.8	244.3
Depreciation, amortisation and impairment	1,465.6	1,385.2
Depreciation of right-of-use assets	715.2	528.1
Interest expenses and similar expenses	243.3	343.8
Interest expenses on lease liabilities	70.3	69.6

Total cash outflows for leases came to EUR 1.2 billion in the 2021 financial year (prior year period: EUR 1.0 billion).

As at 31 December 2021, future commitments under short-term leases totalled EUR 77.7 million (previous year: EUR 73.7 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.

Sale and leaseback transactions

In the 2021 financial year, Hapag-Lloyd conducted a sale and leaseback transaction to refinance investments in a container vessel (Japanese operating lease (JOL)). For more information about this transaction, please refer to Note (23) Financial debt and lease liabilities.

Furthermore, in order to optimise the vessel portfolio, five container vessels were sold during the financial year through sale and lease back transactions that were then chartered back after they were transferred. For more information about this transaction, please refer to Note (11).

Lessor

Hapag-Lloyd operates as a lessor in the context of operating lease contracts only to a limited degree: In the 2021 financial year, an insignificant number of container vessels chartered in by Hapag-Lloyd were let as part of operating lease contracts.

(31) Other financial obligations

The Hapag-Lloyd Group's other financial obligations totalled EUR 1,924.5 million as at 31 December 2021 and comprised purchase obligations (nominal values)

- for investments in 17 container vessels, thereof 12 large container vessels, amounting to EUR 1,898.6 million,
- for investments in exhaust gas cleaning systems (EGCS) on container vessels amounting to EUR 9.9 million,
- for investments in diesel generators to supply cooling containers with electricity amounting to EUR 5.7 million,
- for investments in equipment for ballast water treatment on container vessels amounting to EUR 3.4 million, and
- for further investments on container vessels totaling EUR 6.9 million.

The future cash outflows from leases which Hapag-Lloyd has already entered into but which have not yet commenced and are therefore not recognised in the balance sheet, totalled EUR 1,120.0 million at the reporting date.

The Hapag-Lloyd Group's other financial obligations totalled EUR 992.7 million as at 31 December 2020 and comprised primarily purchase obligations (nominal values) for investments in large container vessels amounting to EUR 811.1 million as well as investments in containers with an amount of EUR 165.9 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. Despite these changes, the existing conditions continue to apply unaltered to long-term variable remuneration granted up to the 2019 financial year. 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 below. The long-term variable remuneration granted until the 2019 financial year (2015 long-term incentive plan – 2015 LTIP), which is recognised according to IFRS 2, 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 three years. The payment amount for the retention component after three 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 three-year average of the Group's EBITDA in the vesting period (for the 2021 tranche: 2021 to 2023) compared to the Group's EBITDA in the reference period (for the 2021 tranche: 2018 to 2020). 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 three-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 three 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 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 twelve 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, which was in place until the 2019 financial year, 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. 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 four-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. Since the start of July 2021, the DAXglobal Shipping Index is no longer calculated or published. However, Hapag-Lloyd has entered into a contractual agreement under which the index will continue to be calculated for Hapag-Lloyd as a substitute for as long as this index is needed as a performance criterion as per the requirements of the 2015 LTIP.

When the performance period ends and the performance share units have been calculated, payments under the 2015 LTIP 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 2015 LTIP 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 generally be treated in the same way as owners of real shares. 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 2015 LTIP for the last time in the 2020 financial year (7,230 shares, with a fair value amounting to EUR 0.5 million). As at 31 December 2021, there were 106,395 individual virtual shares (previous year: 153,503 shares) with a fair value of EUR 22.6 million (previous year: EUR 9.8 million).

In the reporting period, EUR 1.4 million (previous year: EUR 1.6 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 4.1 million as at 31 December 2021 (previous year: EUR 3.8 million).

Upper management levels

The long-term variable remuneration paid to upper management levels was also changed with effect from 1 January 2020 (Long-Term Incentive Plan 2020 – “LTIP 2020”). The main provisions regarding the amended 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 accounted for 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 accounted for 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 three-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 payout 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 this year are deemed to be non-forfeitable on a pro rata temporis basis, and the payout 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 generally be treated like owners of real shares. In addition, the same regulations as detailed above in the section on the "2015 LTIP" 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. For the last time, 149,653 virtual shares with a fair value of EUR 4.5 million were granted in 2019 the financial year. As at 31 December 2021, there are 122,069 virtual shares (previous year: 237,880) with a fair value of EUR 26.0 million (previous year: EUR 15.3 million).

In the reporting period, EUR 0.0 million (previous year: EUR 0.0 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 5.5 million as at 31 December 2021 (previous year: EUR 11.2 million).

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

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

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

In the 2021 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.–31.12.2021		1.1.–31.12.2020	
million EUR	Total	Domestic	Total	Domestic
Fees for annual audit	3.5	2.4	3.2	2.0
Fees for other assurance services	0.3	0.3	0.2	0.1
Fees for tax consultancy	0.0	–	0.0	–
Fees for other services	0.0	–	0.1	0.0
Total	**3.8**	**2.7**	**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 the issuing of letters of comfort, services provided in connection with audit reviews of parts of the internal audit system, agreed investigatory activity relating to financial covenants, and EMIR audits in accordance with Section 32 of the German Securities Trading Act (WpHG).

Other services in the previous year relate to quality assurance support services.

(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 2021 financial year, CSAV Germany Container Holding GmbH (CSAV) held a 30.0% stake in Hapag-Lloyd, while Kühne Maritime GmbH, together with Kühne Holding AG (Kühne), also held a 30.0% stake. The stake held by Qatar Holding Germany GmbH was 12.3%. The number of shares did not change during the reporting period as compared with the previous year and the shareholder structure of Hapag-Lloyd remained the same. As at 31 December 2021, 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 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 %	2021	2020
Kühne Holding AG / Kühne Maritime GmbH	30.0	30.0
CSAV Germany Container Holding GmbH	30.0	30.0
Qatar Holding Germany GmbH	13.9	13.9
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	12.3	12.3
Public Investment Fund of the Kingdom of Saudi Arabia	10.2	10.2
Free float	3.6	3.6
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.–31.12.2021**	1.1.–31.12. 2020	**1.1.–31.12.2021**	1.1.–31.12.2020
Shareholders	1,067.5	608.1	118.6	90.7
Affiliated non-consolidated companies	–	–	–	0.1
Associated companies and Joint Ventures	31.6	9.4	173.3	236.4
Total	**1,099.1**	**617.5**	**291.9**	**327.2**

	Receivables		Liabilities	
million EUR	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Shareholders	131.7	47.8	26.6	5.2
Affiliated non-consolidated companies	–	0.2	0.2	0.6
Associated companies and Joint Ventures	8.6	–	33.5	26.3
Total	**140.2**	**48.0**	**60.4**	**32.2**

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 1,099.1 million; previous year: EUR 617.5 million) as at the reporting date.

Of the expenses shown above, EUR 291.4 million result from (transport-related) operating services (previous year: EUR 326.7 million) and EUR 0.5 million are from other services (previous year: EUR 0.5 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 active members of the Executive Board and the Supervisory Board were remunerated as follows:

	Executive Board		Supervisory Board	
million EUR	2021	2020	2021	2020
Short-term benefits	5.5	5.7	2.2	2.3
Other long-term employee benefits	2.2	1.1	–	–
Post-employment benefits	0.2	0.2	–	–
Share based benefits	1.4	1.6	–	–
Total	**9.3**	**8.6**	**2.2**	**2.3**

In the 2021 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	2021	2020	2021	2020
Active board members	5.5	6.2	1.7	1.6
Former board members	1.0	1.0	–	–
Total	**6.5**	**7.2**	**1.7**	**1.6**

Share-based payments were made for the last time to one member of the Executive Board in 2020 in the form of virtual shares (7,230 shares) with a fair value of EUR 0.5 million at the time they were granted. In the financial year 2021, commitments in connection with long-term variable compensation plans (so-called Long Term Incentive Plan 2020 - „LTIP 2020“) amounting to EUR 2.3 million (previous year: EUR 2.2 million) were granted to active members of the Executive Board. For further explanations of these long-term variable compensation plans, please refer to Note (32). The total remuneration of the active members of the Executive Board includes annual one-off payments to a reinsured relief fund in connection with the retirement benefits of the Executive Board members. Beyond the annual one-off payments, Hapag-Lloyd has no further obligations to the Executive Board members under these pension commitments due to the reinsurance.

A total of EUR 28.2 million was allocated to pension provisions for former Executive Board members as at 31 December 2021 (previous year: EUR 31.8 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 2021 and has been made permanently available to shareholders on the Company’s website: www.hapag-lloyd.com under „Our company” in the “Investor Relations” section under “Corporate Governance” at https://www.hapag-lloyd.com/en/company/ir/corporate-governance/compliance-statement.html

(37) Significant events after the balance sheet date

In January and February 2022, four container ships in size classes between 1,000 TEU and 6,500 TEU were purchased by Hapag-Lloyd on the secondary market for a total of EUR 148.0 million. The delivery of three container ships is expected in the first quarter of 2022, the handover of the fourth vessel to Hapag-Lloyd is planned for the second quarter of 2022. The purchase prices will be paid from cash and cash equivalents.

Rating agency Standard & Poor’s Global Rating (S&P) raised Hapag-Lloyd’s credit rating from “BB“ to “BB+“ with a “stable“ outlook on 4 February 2022. The senior unsecured bond rating was also upgraded from “BB“ to “BB+“.

On 17 February 2022, Hapag-Lloyd AG increased an existing revolving credit facility from EUR 360 million to EUR 500 million and extended the term by five years. In addition, the credit line was extended to include a sustainability component.

On 24 February 2022, Hapag-Lloyd (America) LLC has been served by the U.S. Department of Justice Antitrust Division (DoJ) with a subpoena to provide information and testify in connection with an international containerized shipping Grand Jury investigation.

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

Name of the company	Registered office	Currency unit (CU)	Share-holding 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.	Paris	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.	Gdańsk	PLN	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
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
Nile Dutch Africa Line B.V.	Rotterdam	EUR	100.00
Nile Dutch Agencies B.V.	Rotterdam	EUR	100.00
Nile Dutch Holding B.V.	Rotterdam	EUR	100.00
Nile Dutch Investments B.V.	Rotterdam	EUR	100.00
Nile Dutch Shipinvest B.V.	Rotterdam	EUR	100.00
Nile Dutch Terminals B.V.	Rotterdam	EUR	100.00
NileDutch America B.V.	Rotterdam	EUR	100.00
NileDutch Antwerpen B.V.	Rotterdam	USD	100.00
NileDutch Beheer B.V.	Rotterdam	EUR	100.00
NileDutch Belgium N.V.	Antwerp	EUR	100.00
NileDutch Benguela B.V.	Rotterdam	USD	100.00
NileDutch Breda B.V.	Rotterdam	USD	100.00
NileDutch Dordrecht B.V.	Rotterdam	USD	100.00
NileDutch Invest Management B.V.	Rotterdam	EUR	100.00
NileDutch Rotterdam B.V.	Rotterdam	USD	100.00
NileDutch Trade & Transport B.V.	Rotterdam	USD	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 Morocco SAS	Casablanca	MAD	50.08
Hapag-Lloyd Portugal LDA	Lisbon	EUR	100.00
Hapag-Lloyd Spain S.L.	Barcelona	EUR	90.00
Hapag-Lloyd Tasimacilik Destek Servis Merkezi A.S. (former United Arab Shipping Agency Company (Denizcilik Nakliyat) A.S.)	Izmir	TRY	100.00
Hapag-Lloyd Ukraine LLC	Odessa	UAH	50.00
Norasia Container Lines Ltd.	Valletta	USD	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	CNY	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
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

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
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
NileDutch Singapore Pte. Ltd.	Singapore	SGD	100.00
NileDutch Africa Line (Shanghai) Ltd.	Shanghai	CNY	100.00
Middle East			
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	100.00
Hapag-Lloyd Global Services Pvt. Ltd.	Thane	INR	100.00
Hapag-Lloyd India Private Ltd.	Mumbai	INR	100.00
Hapag-Lloyd Cote D'Ivoire SAS	Abidjan	XOF	75.00
Hapag-Lloyd (Jordan) Private Limited 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 Centre Mauritius	Ebène	MUR	100.00
Hapag-Lloyd Saudi Arabia Ltd.	Jeddah	SAR	60.00
Hapag-Lloyd Senegal SASU	Dakar	XOF	100.00
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 Company Ltd.	Dubai	USD	100.00
United Arab Shipping Company for Maritime Services LLC	Baghdad	IQD	100.00
Unidade de Negocios Empresa Africana Lda.	Luanda	AOA	100.00
Hapag-Lloyd (Angola) – Agencia de Navegacao Lda. (ehemals NileDutch (Angola) – Agencia de Navegacao Lda.)	Luanda	AOA	100.00
NileDutch Cameroun S.A.	Douala	XAF	100.00
NileDutch Congo S.A.	Point-Noire	XAF	100.00
NileDutch Congo Forwarding & Logistics S.A.	Point-Noire	XAF	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

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
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
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			
Aenaos Container Carrier S.A.	Majuro	USD	100.00
Aristos Container Carrier S.A.	Majuro	USD	100.00
Empros Container Carrier S.A.	Majuro	USD	100.00
Al Jasrah Ltd.	Majuro	USD	100.00
Al Jowf Ltd.	Valletta	USD	100.00
Al Madinah Ltd.	George Town	USD	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
Busaiteen	George Town	USD	100.00
CSBC Hull 900 Ltd.	Douglas	USD	100.00
Dhat Al Salasil 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
Manamah Ltd.	George Town	USD	100.00
UASC Ships (No. 8) Ltd.	Dubai	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
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			
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 Jmeliyah Ltd.	Majuro	USD	100.00
Al Mashrab 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 Zubara Ltd.	Valletta	EUR	100.00
Ash-Shahaniyah Ltd.	George Town	USD	100.00
Barzan Ltd.	Valletta	EUR	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
Hapag-Lloyd Damietta GmbH	Hamburg	EUR	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
Hira Ltd.	George Town	USD	100.00
HLAG Vessel Holding Limited	Valletta	EUR	100.00
Hull 1794 Co. Ltd.	Majuro	USD	100.00
Hull 2082 Co. Ltd.	Majuro	USD	100.00
Linah 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
Norddeutscher Lloyd GmbH	Bremen	EUR	100.00
Palena Shipping Ltd.	Majuro	USD	100.00
Salahuddin Ltd.	Majuro	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Servicios de Procesamiento Naviero S.R.L. i.L.	Montevideo	USD	100.00
Tihama 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]
UASC Holding (Thailand) Ltd.	Bangkok	THB	49.95
UASC Vessel Holding Limited	Valletta	EUR	100.00
Umm Qarn Ltd.	Majuro	USD	100.00
Umm Salal Ltd.	Valletta	EUR	100.00
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, 28 February 2022

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Donya-Florence Amer | 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, 28 February 2022

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Donya-Florence Amer | 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 statement of financial position as at 31 December 2021, and the consolidated income statement, 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 2021, 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 (hereinafter referred to as the "combined management report") for the financial year from 1 January to 31 December 2021.

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, on the basis of 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 2021, and of its financial performance for the financial year from 1 January to 31 December 2021, and
- the accompanying combined management report as a whole 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 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 from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, 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 "Significant accounting policies – Realisation of income and expenses" and "Notes to the consolidated income statement – (1) Revenue".

The financial statement risk

Revenue for unfinished voyages is recognised by Hapag-Lloyd by reference to the voyage progress 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 voyages unfinished 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 of the cut-off reporting date.

Our audit approach

We assessed the design, implementation and effectiveness of the controls that are 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 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

As at 31 December 2021, right-of-use assets of EUR 2,356 million and lease liabilities of EUR 2,423 million were recognised in the consolidated financial statements of Hapag-Lloyd AG. Right-of-use assets and lease liabilities each account 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 has 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 recognised 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 in the correct amount.

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 complete and accurate determination of the data to measure and determine the carrying amounts of lease liabilities and right-of-use assets. Where IT processing systems were used to determine 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 tests of details involving leases, we used contract documents, in some cases on the basis of representative samples and in others on the basis of risk criteria, to assess whether the relevant data was correctly and fully determined. Where judgements were made in determining the lease term, we examined whether the underlying assumptions were reasonable in view of the market conditions and risks in the industry and consistent with other assumptions made in the financial statements.

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 whether the calculation model for the interest rate is appropriate.

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 responsible for the other information. The other information comprises the following components of the combined management report, whose content was not audited:

- the combined separate 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 other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report information 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. In addition, the Executive Board is responsible for such arrangements and measures (systems) as it has 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 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 of 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 on the basis of 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 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 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

Report on the Assurance on the Electronic Rendering of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB

We have performed assurance work in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file „hapaglloydag-2021-12-31-de.zip" (SHA 256-Hashwert: c263c85cfaf 9ddb 49471796c5aff 92abac-264072d6a2d8df63a8ddd 6198b6ad4), made available 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 work extends only 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 these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the electronic file made available, identified above and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion 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 2021 contained in the

"Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the file made available and identified above in accordance with Section 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports Prepared for Publication Purposes in Accordance with Section 317 (3a) HGB (IDW AsS 410 (10.2021)). Our responsibility in accordance therewith is further described below. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's management is responsible for the preparation of the ESEF documents including the electronic rendering 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 such internal control that it has considered necessary to enable the preparation of ESEF documents that are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format.

The Supervisory Board is responsible for overseeing the process of preparing 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 intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the assurance work. 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 opinion.
- Obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the file made available containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Commission Delegated Regulation (EU) 2019/815, as amended as at the reporting date, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor at the annual general meeting on 28 May 2021. We were engaged by the Chairman of the Audit and Financial Committee of the Supervisory Board on 10 August 2021. We have been the group auditor of Hapag-Lloyd Aktiengesellschaft, Hamburg, without interruption since 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).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the examined ESEF documents. The consolidated financial statements and combined management report converted to the ESEF format – including the versions to be published in the German Federal Gazette [Bundesanzeiger] – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the examined ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr. Victoria Röhricht.

Hamburg, 4 March 2022

KPMG AG

Wirtschaftsprüfungsgesellschaft

Madsen	Dr. Röhricht
German Public Auditor	German Public Auditor

FINANCIAL CALENDAR

12 MAY 2022
Publication of quarterly financial report Q1 2022

25 MAY 2022
Annual general meeting

11 AUGUST 2022
Publication of quarterly financial report H1 2022

10 NOVEMBER 2022
Publication of quarterly financial report 9M 2022

www.hapag-lloyd.com

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

Translation
EnglishBusiness AG
www.englishbusiness.de


www.hapag-lloyd.com