Annual Report 2022

Hapag-Lloyd

SUMMARY OF KEY FIGURES

		2022	2021	Change absolute
Key operating figures				
Total vessels[1]		251	253	–2
Aggregate capacity of vessels[1]	TTEU	1,797	1,769	28
Aggregate capacity of containers[1]	TTEU	2,972	3,058	–87
Freight rate (average)	USD/TEU	2,863	2,003	860
Transport volume	TTEU	11,843	11,872	–29
Revenue	million EUR	34,543	22,274	12,269
EBITDA	million EUR	19,429	10,853	8,576
EBIT	million EUR	17,525	9,390	8,135
Group profit/loss	million EUR	17,043	9,085	7,958
Earnings per share	EUR	96.89	51.63	45.26
Cash flow from operating activities[2]	million EUR	19,503	10,406	9,098
Key return figures				
EBITDA margin (EBITDA/revenue)	%	56.2	48.7	7.5 ppt
EBIT margin (EBIT/revenue)	%	50.7	42.2	8.6 ppt
ROIC (Return on Invested Capital)[3]	%	111.6	70.0	41.6 ppt
Key balance sheet figures[1]				
Balance sheet total	million EUR	38,687	26,715	11,973
Equity	million EUR	27,911	16,162	11,749
Equity ratio (equity/balance sheet total)	%	72.1	60.5	11.6 ppt
Borrowed capital	million EUR	10,776	10,552	224
Key financial figures[1]				
Financial debt and lease liabilities	million EUR	5,437	5,497	–60
Cash and cash equivalents	million EUR	15,236	7,723	7,513
Net liquidity[4]	million EUR	12,587	2,226	10,361

1 Figures as per 31 December of the respective financial year
2 From the 2022 financial year onwards, payments received for interest are not reported under cash inflow/outflow from operating activities, but under cash inflow/outflow from investing activities. The previous year's values were adjusted accordingly.
3 The return on invested capital (ROIC) is calculated as the ratio of net operating profit after taxes (NOPAT) to invested capital (total assets excluding cash, cash equivalents and time deposits less liabilities excluding financial debt and lease liabilities). This key operating figure is calculated on an annualised basis and in US dollars.
4 Cash and cash equivalents, time deposits (other financial assets) less financial debt and lease liabilities

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

This report was published on 2 March 2023.

MAIN DEVELOPMENTS IN THE 2022 FINANCIAL YEAR

- The 2022 financial year was initially characterised by high transport demand and the accompanying disruption to global supply chains. However, as demand began to decline in the course of the second half of the year, port congestion had largely dissipated by the end of the year.
- Hapag-Lloyd's transport volume was on a par with the previous year at 11,843 TTEU in the 2022 financial year (–0.2%).
- Hapag-Lloyd's average freight rate rose by 43% to USD 2,863/TEU in 2022 (prior year period: USD 2,003/TEU) in view of the initial shortage of transport capacity.
- Revenue in the 2022 financial year increased by 55% to EUR 34.5 billion (prior year period: EUR 22.3 billion) due to higher freight rates and currency effects.
- Transport costs rose by 33% to EUR 13.7 billion (prior year period: EUR 10.3 billion) due to higher bunker prices, supply chain disruptions and currency effects.
- At EUR 19.4 billion, EBITDA was well above the previous year's figure of EUR 10.9 billion. The EBITDA margin improved by 7.5 percentage points to 56.2% (previous year: 48.7%).
- EBIT also rose significantly to EUR 17.5 billion (prior year period: EUR 9.4 billion).
- The improved operating result led to an increase in Group profit to EUR 17.0 billion (prior year period: EUR 9.1 billion).
- At the balance sheet date 31 December 2022, Hapag-Lloyd had net liquidity of EUR 12.6 billion (31 December 2021: EUR 2.2 billion) and equity of EUR 27.9 billion (31 December 2021: EUR 16.2 billion).
- Due to the increase in earnings and the very good balance sheet figures, the Executive Board and the Supervisory Board propose to the Annual General Meeting to increase the dividend for the financial year 2022 to EUR 63.00 per share (2021 financial year: EUR 35.00 per share).
- Hapag-Lloyd recorded very strong business performance in 2022, primarily due to the exceptional market environment. Against the background of changing market conditions, the Hapag-Lloyd AG Executive Board expects a gradual normalisation of the earnings trend in the current 2023 financial year.
- Group EBITDA is expected to be in the range of EUR 4.0 to 6.0 billion (prior year period: EUR 19.4 billion) and EBIT in the range of EUR 2.0 to 4.0 billion (prior year period: EUR 17.5 billion).
- The forecast is subject to considerable uncertainty given the ongoing war in Ukraine and other geopolitical conflicts, as well as the impact of high inflation.

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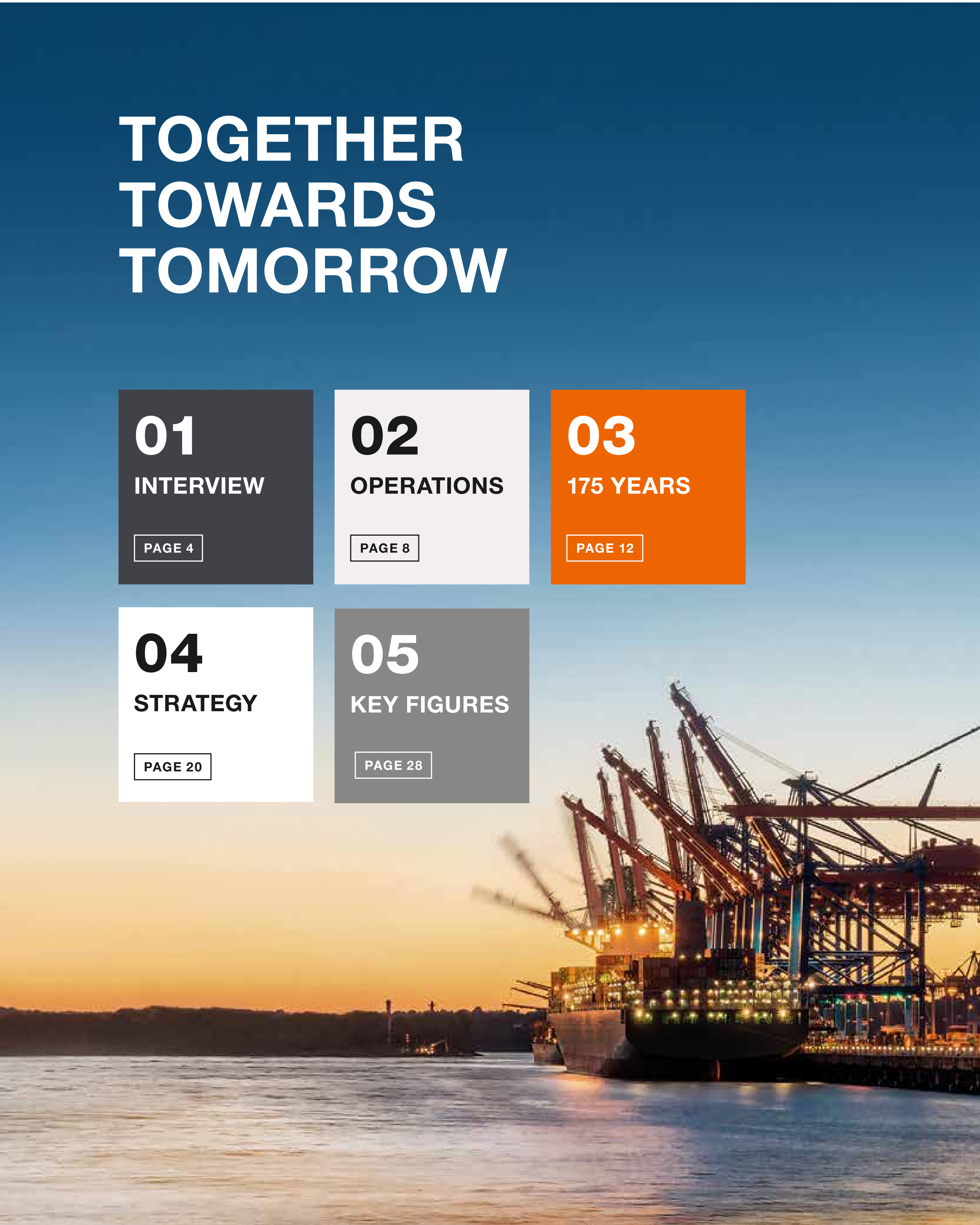
You can find our online report here:
https://hlag-2022.corporate-report.net/en

TOGETHER TOWARDS TOMORROW



Heiko Hoffmann, Head of Investor Relations, speaks with the Chief Executive Officer of Hapag-Lloyd AG about business developments in 2022.

Heiko Hoffmann: Mr Habben Jansen, how do you view the 2022 financial year?
Rolf Habben Jansen: The first half of the year continued to be shaped by disruptions in the global supply chains. The main reasons behind this were capacity bottlenecks in the ports and on the landside. Beginning in the second half of the year, there were clear signs of easing in the global supply chains, which can mainly be attributed to the weakening economy. Owing to lower demand for container transports, what had initially been very high freight rates gradually declined. At the same time, congestion dissipated in many trade lanes. Despite this deteriorating market environment, we have kept our transport volume in 2022 at the prior-year level – also thanks to our diversified network and stable customer base. This enabled us to achieve exceptionally strong overall results – which is certainly a very special gift in the year of our 175th anniversary.

01 INTERVIEW

TOGETHER TOWARDS TOMORROW

CEO Rolf Habben Jansen to business development of the year 2022

How have the disruptions in the global supply chains impacted you on the operational level?
Due to congestion in ports, we were forced once again to contend with significant delays. As a result, we unfortunately weren't always able to deliver the schedule reliability that we aspire to as a quality provider. However, we have left no stone unturned to offer our customers the best service possible. That is why we have made numerous network and route adjustments, purchased used vessels and taken delivery of new units, invested in human and IT resources, and further expanded the range of our digital offerings to customers. I would like to express my profound appreciation to our teams on land and at sea, who have once again done a fantastic job under these difficult conditions.

And Russia's war in Ukraine?
Russia's war in Ukraine is a humanitarian catastrophe and is causing extraordinary suffering for a lot of people. Several things were clear to us: first, that the safety and well-being of our employees was our top priority, which is why we have closed our office in Odessa for the time being and offered our colleagues the alternative to work at other Hapag-Lloyd locations;

Rolf Habben Jansen, CEO and Heiko Hoffmann, Head of Investor Relations in conversation

and, second, that we are very closely connected with Ukraine and its people and will live up to our social responsibility. For example, in keeping with our corporate value “We Care”, we have supported more than 30 aid activities aimed at helping people in Ukraine or people who have fled the war. On the other hand, we have been able to cope with the purely operational and economic impacts of the war. Historically, our business connected with Russia or Ukraine has only amounted to between 1 and 2 percent of our total volume.

“We have continued to pick up speed with our Strategy 2023 and made targeted investments.“

How has Hapag-Lloyd made progress in strategic terms?

We have continued to pick up speed with our Strategy 2023, such as by further optimising our business processes and operations, strengthening our lines of business, and making targeted investments. In addition to our acquisition of the container liner business of Deutsche Afrika-Linien, other major focuses of the year under review were investments in terminals and infrastructure. For example, we have bolstered our business in Europe by acquiring a 49 percent stake in the Italy-based Spinelli Group. Through the planned acquisition of the terminal business of the South America-based SM SAAM, we will further expand our portfolio in Latin America. Thanks to our investment in J M Baxi Ports & Logistics at the beginning of the current year, we will also be participating even more strongly in the dynamic growth in India. We have also started to equip our entire container fleet with Track & Trace devices. By enabling our customers and ourselves to track container movements in real time, we will be making supply chains even more transparent and efficient. On top of that, we are now offering our customers more than 20 digital products that make it convenient for them to do business with us. And we are also making progress when it comes to decarbonisation. In addition to using biofuels, we launched an extensive Fleet Upgrade Programme last year. This will enable us to significantly reduce the fuel consumption and CO_2 emissions of 150 ships – such as by outfitting them with more efficient propellers, flow-optimised bulbous bows or improved hull paints that minimise frictional resistance.

How is this business development reflected in the results and the dividend?
Thanks to high freight rates, we achieved an exceptionally strong Group net result of EUR 17 billion in the 2022 financial year. As a result, our equity has grown to EUR 28 billion, and our equity ratio has risen to over 70%. For this reason, our Executive Board and our Supervisory Board will jointly propose to the Annual General Meeting to pay out EUR 63 per share to our shareholders – which corresponds to a total of EUR 11.1 billion.

What developments do you expect to see in the current financial year?

“Sustainability and quality continue to be a high priority for us.“

The economic slowdown has completely transformed the market conditions in container shipping within just a few months. In some trade lanes, we are currently seeing freight rates at levels where they were before the outbreak of COVID-19, while our costs have risen significantly due to supply chain disruptions and inflation-related factors. So, we will continue to act flexibly and keep a close eye on our per-unit costs. However, a significant decline in earnings in the current financial year will be unavoidable. We expect our EBIT to be in the range of EUR 2 billion to EUR 4 billion, after we were able to achieve an EBIT of EUR 17.5 billion in the exceptional 2022 financial year. Irrespective of this, quality and sustainability will continue to play a significant role for us. What’s more, we will also be working very intensively this year to formulate the strategic course that we will pursue until 2030. In doing so, we will keep the interests of our shareholders and customers – as well as of our employees – firmly in mind. I would like to express my sincere thanks to all of them for their intense cooperation and trust during this extraordinary financial year.

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

MARKET ENVIRONMENT

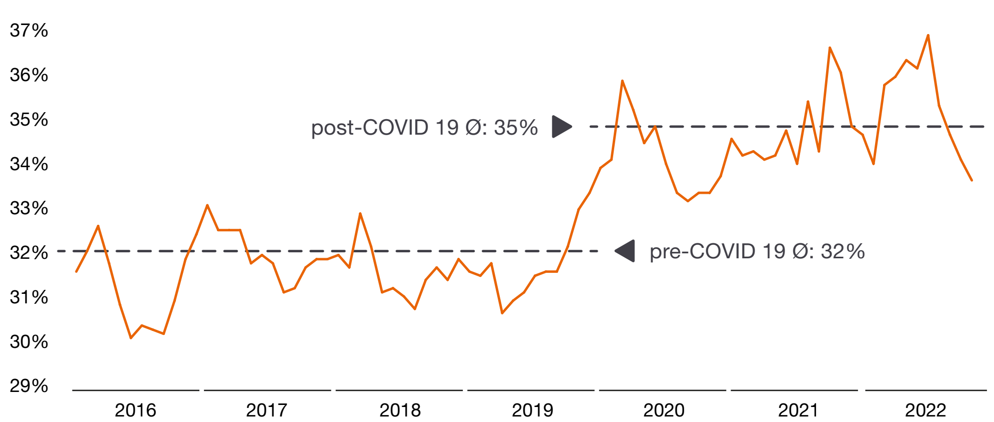
Bottlenecks at ports and in the hinterland

The 2022 financial year was initially dominated by ongoing disruption to global supply chains. 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' transport capacity and adherence to schedules. The situation was further aggravated by lockdowns in China, strikes at ports and Russia's war of aggression against Ukraine. In order to address the challenges of the market environment, we bought used vessels, made network and route adjustments, invested in personnel and IT capacities and further expanded the range of digital services that we offer to customers. The beginning economic slowdown in the second half of the year led to a noticeable decline in demand for container transport. As a result, the backlogs at ports were resolved and the freight rate level stabilised.

02 OPERATIONS

Port congestion

Containerships in port & at anchor, % of fleet capacity



FLEET

Expansion and modernisation of our fleet

With 251 modern container vessels and a transport capacity of 1.8 million TEU, as well as containers with a capacity of 3.0 million TEU, we are there for our customers worldwide. The first two vessels from our newbuild programme – the 13,200 TEU “Rio de Janeiro Express” and its sister ship “Montevideo Express” – were delivered in the year under review. At the same time, we invested in the modernisation of our existing fleet by launching an optimisation programme for more than 150 vessels. By 2025, the vessels will be fitted as needed with more efficient propellers, an underwater paint to reduce resistance, and flow-optimised bulbous bows. These measures will help us to save fuel and therefore to reduce carbon emissions. In addition to the successful use of biofuels, which significantly reduce the greenhouse gas emissions of our vessels as opposed to regular fuel, we also entered into collaborations in the reporting year that will help us to achieve the further decarbonisation of our fleet. Furthermore, Hapag-Lloyd was the first liner shipping company to decide to equip its entire container fleet with real-time tracking technology. This will allow Hapag-Lloyd customers to better manage their complex supply chains in the future since their global container movements will be completely transparent.

TEAM

A strong team, well equipped for the future

In the reporting year, our team once again did all they could to keep our customers’ global supply chains intact. And while the situation concerning crew changes on our vessels improved, it remained a challenge for our employees. True to its corporate values and its motto “We Care”, Hapag-Lloyd did everything in its power to extend the best possible support to employees at sea and on land. After more than two years of working from home due to the pandemic, we implemented a permanent hybrid working model as part of our “Future Way of Working” concept. In addition, we modernised many offices and implemented new digital tools to enable even better collaboration. We want to be as prepared as possible for the challenges of tomorrow, with modern workplaces and an attractive professional environment.


Hapag-Lloyd

03 175 YEARS

1847 – 1969
Our origins

1970 – 2017
Our development

2018 – 2022

Our foundation for the future

OUR ORIGINS

From our founding to the development of the first container

1847 Establishment of Hapag

Establishment of the Hamburg-Amerikanischen Packetfahrt-Actien-Gesellschaft (Hapag) by Hamburg merchants and ship owners, with the goal of creating a fast and reliable liner service between Hamburg and North America using first-class sailing ships. 1

1848 Maiden trip

Packet boat “Deutschland” becomes the first Hapag vessel to sail the route between Hamburg and New York. This marks the first time the mostly very poor emigrants are provided with improved care – a recipe for success! 2

1857 Establishment of North German Lloyd

Establishment of North German Lloyd in Bremen by Hermann Henrich Meier. In June 1858, the “Bremen” is the first ocean liner of Lloyd to undertake its voyage to North America – and so begins the competition with Hamburg-based Hapag. 3

1886 Albert Ballin

Albert Ballin takes over Hapag’s passage department; he becomes the company’s director in 1888 and its managing director in 1899. Following years of poor economic development and a lack of competitiveness vis-à-vis Lloyd, Ballin manages to lead Hapag to global leadership through innovative entrepreneurial action. 4


Statüten der Hamburg-Amerikanischen Packetfahrt Actien Gesellschaft

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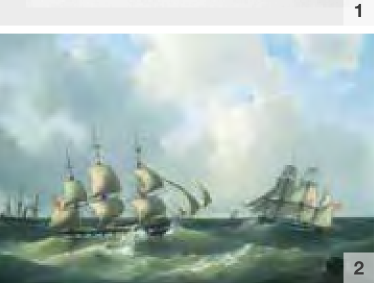

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1901 Invention of the cruise

Hapag owns the largest fleet while Lloyd transports the most passengers worldwide. The concept of the cruise had been launched with the first pleasure trip on Hapag's flagship "Augusta Victoria" in 1891. 5

1950 Reconstruction

Together, Hapag and Lloyd return to their old trades; the "Hamburg" is Hapag's first post-war newbuild to be launched. Two world wars have led to the loss of the fleet. Taken together with the policies of nationalisation and "Aryanisation", this represents the darkest chapter in the Company's history. The courageous rescue of 937 Jewish refugees by Hapag Captain Schröder and the crew of the "St. Louis" stands out as a shining example of civil courage. 6

1968 First European full container service

Hapag and Lloyd establish the first European full container service. Following the invention of containers for maritime shipping in the USA in 1966, Hapag and Lloyd cooperate so that they can also offer this revolutionary transport system. 7

1968 First container ships

The first Hapag and Lloyd container ships: the "Elbe Express" and the "Weser Express". The structure of the shipping industry is changing so quickly that there are speculations in the industry that an inevitable merger of Hapag and Lloyd is imminent. 8

OUR DEVELOPMENT

Rise to global player in container shipping

1970 Merger of Hapag and North German Lloyd
On 1 September 1970, Hapag and North German Lloyd merge into Hapag-Lloyd AG to cope with massive investments in the new era of container liner shipping. This marks the end of a Hanseatic interplay of competition and cooperation that had lasted 113 years. 1

2005 Acquisition of CP Ships
The acquisition of British-Canadian shipping company CP Ships makes Hapag-Lloyd the fifth-largest container shipping company in the world. It is now also a market leader in Canada, Mexico and Australia. 2

2014 Acquisition of CSAV's container business
Hapag-Lloyd is now the world's fourth-largest liner shipping company and a market leader in Latin America. 3

2015 Initial public offering of Hapag-Lloyd AG
After the delisting of the Group in 2002 following its acquisition by Preussag AG (later TUI AG), Hapag-Lloyd is again listed on the Frankfurt and Hamburg stock exchanges beginning 6 November 2015. 4

2017 Merger of Hapag-Lloyd and UASC
On 24 May, Hapag-Lloyd merges with UASC, a company based in the United Arab Emirates. The merger grows Hapag-Lloyd's fleet to 230 vessels and gives the Company six large container ships for the first time, with a capacity of around 20,000 TEU. 5


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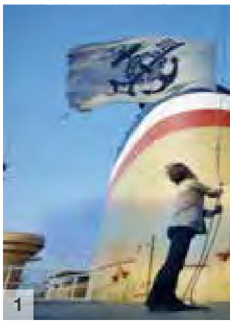
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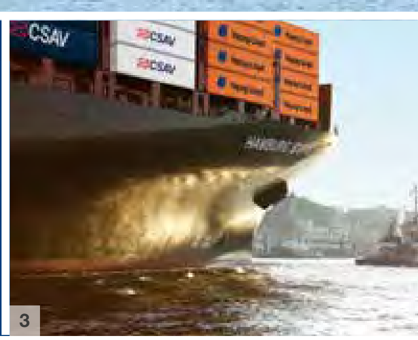

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4

OUR FOUNDATION FOR THE FUTURE

Strategy 2023

2018 New strategy

The goals of “Strategy 2023” are to achieve quality industry leadership through maximum customer focus, to ensure the Company’s continued existence as a global player through selective growth, and to generate consistent profitability through the entire economic cycle. 1

2021 Acquisition of Nile Dutch

At the beginning of July, Hapag-Lloyd acquires the Dutch shipping company, a leading provider of container services to and from West Africa. It thus continues to grow in the strategically important African market. 2

2021 Acquisition of a stake in Container Terminal Wilhelmshaven

In line with its strategy of ensuring capacities at terminals that are important for its liner network, Hapag-Lloyd acquires a stake in Container Terminal Wilhelmshaven (CTW). Sustainability is formally established as the Company’s fourth objective. Its ambitious goals include the decarbonisation of shipping. 3


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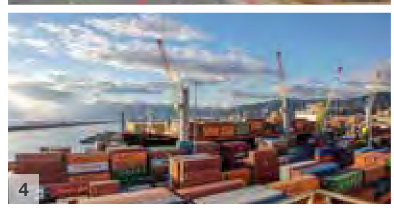
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2022 **Expansion of container terminal business**

Hapag-Lloyd and partners develop a new container terminal in Damietta, Egypt, and the Company acquires a stake in Italian terminal operator and logistics expert Spinelli Group. In addition to safeguarding terminal capacities, the expansion of hinterland traffic is a strategic goal. With this stake in Spinelli, Hapag-Lloyd can strengthen its position in both areas in the important Italian market. 4

2022 **Takeover of the container liner business of Deutsche Afrika-Linien (DAL)**

The acquisition of South African specialist DAL represents a further important step towards strengthening the Company's presence in Africa. 5

2022 **Acquisition of the terminal business of SM SAAM S.A.**

At the end of the year, Hapag-Lloyd expands its strategic shareholding in terminals by signing a contract to acquire the terminal business of SM SAAM S.A. and the associated logistics services. The business includes a portfolio of ten terminals in six countries in North, Central and South America. 6

04 STRATEGY

CORE OBJECTIVES OF STRATEGY 2023

PROFITABILITY

Profitability throughout the entire economic cycle
We intend to grow profitably throughout the entire economic cycle. This is reflected in an adequate return on invested capital (ROIC) that is at least equal to our weighted average cost of capital. Thanks to our extraordinarily strong earnings position in the 2022 financial year, we clearly exceeded this target with a ROIC of 111.6%.

GLOBAL PLAYER

Growth in attractive markets and safeguarding of our position as a global player
We want to grow in attractive growth markets and consolidate our position as a global player with a market share of around 10% worldwide. To achieve this, we are investing in our vessel and container fleet and are simultaneously expanding our global presence with new office locations. By acquiring regional service providers, we are also able to quickly tap into new markets.

NUMBER ONE FOR QUALITY

Differentiation by focusing on quality and customer satisfaction
Our ambition is nothing less than to become the number one for quality in our industry, because we firmly believe that service quality, reliability and adherence to schedules are decisive competitive factors. We want to further increase customer satisfaction by offering more added value and creating market-driven solutions for booking, monitoring and processing shipments.

SUSTAINABILITY

Making climate-neutralshipping a reality – together
Climate change, diversity and social engagement are more important than ever before. We have thus expanded our Strategy 2023 by adding a fourth pillar: sustainability. In the coming years, we will gradually strengthen our sustainability contribution and make continuous improvements. The decarbonisation of our fleet by 2045 is one of our core objectives; we are working towards achieving it together with our customers, partners and competitors.

STRATEGIC PRIORITIES BY 2023

Given the very challenging market environment due to the pandemic, the rapidly increasing importance of sustainability factors and increasing digitalisation, we carried out a detailed review of our corporate strategy in the 2021 financial year. As a result, we intensified our focus on the area of quality and embedded "sustainability" as the fourth pillar of our "Strategy 2023". In doing so, we are guided by three key areas of action whereby we will "simplify", "strengthen" and "invest".

SIMPLIFY

Improve the customer experience and reduce complexity

In the reporting year, we further improved the customer experience and reduced complexities. For example, we optimised our customer segmentation and successfully tested it in four regions, always keeping in mind that doing business with us should be as comfortable as possible for our customers. Furthermore, we analysed how we might further optimise our network in the key trades – and began doing so in Latin America with the implementation of a simplified network strategy.


Hapag-Lloyd

STRENGTHEN

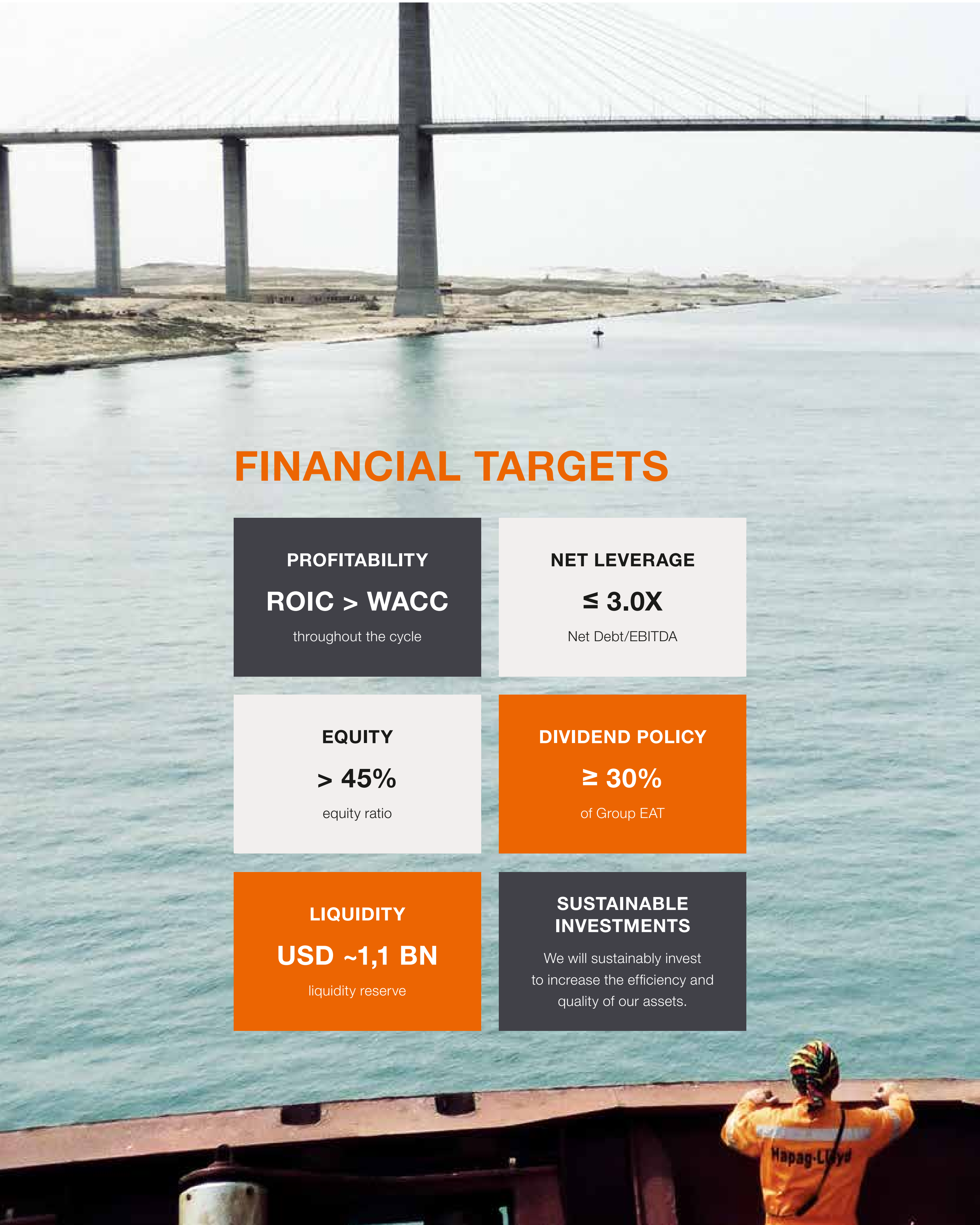
Increase the quality and strengthen our presence in attractive growth markets

We want to be the number one for quality for our customers. With this as our ambition, we determined to double our efforts and continued to drive the digitalisation of our range of services in the reporting year. We now offer our customers more than 20 digital products which they can comfortably book online. Furthermore, we continued to grow in our strategic growth market of Africa by acquiring the container liner shipping business of Deutsche Afrika-Linien (DAL). DAL's business will be particularly valuable with regard to the range of services to and from South Africa, and will allow us to offer our customers an improved network and additional port coverage in the region. With a view to our goal of becoming climate-neutral by 2045, we have expanded the use of biofuels. At the same time, we have agreed to collaborations that will pave the way for us to offer our customers a sustainable commercial transport product while helping them improve their carbon footprint.

INVEST

Establishment of an attractive terminal portfolio

In addition to investments in our team and the fleet, our investing activities focus on shareholdings in container terminals. In the 2022 financial year, we and two partners decided to build a new terminal in the Egyptian port of Damietta. It is expected to start operating in 2024 and will serve as a strategic handling point in the eastern Mediterranean. Furthermore, we invested in the Italian Spinelli Group, providing us with capacity in the terminal business and in hinterland traffic in the Italian market. We also signed a contract at the end of the year to take over the terminal business and the associated logistics services of Chilean company SM SAAM S.A. Our business activities include a portfolio of ten terminals in six countries across North, Central and South America. They will help us to continue strengthening our business and to establish a robust and attractive terminal portfolio.



FINANCIAL TARGETS

PROFITABILITY
ROIC > WACC
throughout the cycle

NET LEVERAGE
≤ 3.0X
Net Debt/EBITDA

EQUITY
> 45%
equity ratio

DIVIDEND POLICY
≥ 30%
of Group EAT

LIQUIDITY
USD ~1,1 BN
liquidity reserve

SUSTAINABLE INVESTMENTS
We will sustainably invest to increase the efficiency and quality of our assets.

NON-FINANCIAL TARGETS

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

CLIMATE NEUTRAL

by 2045

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

TRANSPORT VOLUME

11.8

M standard container

PAGE 90

EARNINGS POSITION

17.0

EUR BN Group Profit

PAGE 90

FINANCIAL POSITION

15.4

EUR BN Free Cash Flow

PAGE 99

NET ASSET POSITION

27.9

EUR BN Equity

PAGE 101

05 KEY FIGURES

CFO & CPO
Mark Frese

"In 2022, we have once again significantly improved our financial resilience and asset structure. As a result, we can now act even more flexibly in the market and invest in Hapag-Lloyd's long-term earning power. At the same time, we will continue to optimise our cost structure and our global procurement while keeping a close eye on our targets."

CEO
Rolf Habben Jansen

"We have made significant investments in attractive growth markets, terminals and infrastructure projects. At the same time, we concluded our 175th anniversary year with exceptionally strong results. Now we need to set our onward strategic course for the future."

MEMBERS OF THE EXECUTIVE BOARD

CIO & CHRO
Donya-Florence Amer

"Supply chains are developing, and technology is becoming more and more a competitive advantage. Today, we offer already more than 20 digital products that add value for our customers and are designed to make working with us as convenient as possible."

COO
Dr Maximilian Rothkopf

"We have continued to improve our network and liner services. In addition, we have launched our Fleet Optimisation Programme for 150 vessels and invested in new efficient ships. In doing so, we are moving step by step towards our goal of being climate-neutral by 2045."

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,
In the 2022 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 2022 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 economic position. The reports and discussions focused in particular on the extraordinary operational challenges resulting from port congestion combined with high demand, the Russian war on Ukraine and strategic projects.

The Executive Board reported both orally and in writing to the Supervisory Board at 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 environment took place between the Chair of the Supervisory Board and the Chief Executive Officer. The Chair of the Supervisory Board also attended Executive Board meetings on a regular basis in the 2022 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 9 March 2022, 24 May 2022, 14 September 2022 and 9 November 2022. The average attendance rate at Supervisory Board meetings and committee meetings was as follows:

- Meetings of the Supervisory Board: 93.8%
- Meetings of the Presidential and Personnel Committee: 89.3%
- Meetings of the Audit and Financial Committee: 80.0%

Attendance of the Supervisory Board members in the 2022 financial year

Meeting	Meetings by the Supervisory Board				Meetings by the Presidential and Personnel Committee			Meetings by the Audit and Financial Committee			
Name	9.3.2022	24.5.2022	14.9.2022	9.11.2022	9.3.2022	14.9.2022	9.11.2022	8.3.2022	11.5.2022	10.8.2022	8.11.2022
Mr Albrecht	✓	✓	✓	✓	✓	✓	✓				
Mr Alnowaiser	✓	✓	✓	✓		✓	✓	✓	○		
Sheikh Al-Thani	✓	✓	✓	✓	✓					✓	✓
Mr Behrendt	✓	✓	✓	✓	✓	✓	✓				
Ms Gehrt	✓	✓									
Mr Gernandt	✓	✓	✓	✓	✓	✓	✓	✓	○	✓	✓
Mr Hasbún	✓	✓	✓	✓				✓	✓	✓	✓
Ms Kröger	✓	✓	✓	✓				✓	✓	✓	✓
Mr Lipinski	✓	✓			✓			✓	✓		
Ms Muschitz			✓	✓							
Ms Nieswand	✓	✓	✓	✓	✓	✓	✓				
Ms Niklas	○	✓	✓	✓	○	✓	✓	○	○	✓	✓
Mr Pérez	✓	✓	✓	✓	✓	✓	✓				
Mr Rittstieg			✓	✓							
Mr Schroeter	✓	✓	✓	✓	✓	✓	✓	✓	✓	○	✓
Ms Schwiegershausen-Güth	✓	○	✓	✓							
Ms Stawars	✓	✓	✓	✓							
Mr Zimmermann	○	✓	○	✓	○	○	✓	○	✓	✓	✓

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

The Supervisory Board passed a resolution outside of a meeting on 28 February 2022 to approve the conclusion of time charter agreements for nine vessels.

Supervisory Board meeting on 9 March 2022

In its meeting on 9 March 2022, the Supervisory Board began by adapting the existing remuneration system for board members following a recommendation by the Presidential and Personnel Committee. It was also decided to submit proposals to the Annual General Meeting to adapt the Supervisory Board remuneration, to extend the contracts of Executive Board members Mr Rolf Habben Jansen and Mr Mark Frese, to terminate the contract of Mr Joachim Schlotfeldt early by mutual agreement and to adapt the division of responsibilities for the Executive Board, to appoint Ms Donya-Florence Amer as the new Labour Director and to and to assign Mr Mark Frese additionally the area of Procurement. 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 2021 financial year. In addition, the Supervisory Board decided to propose to the Annual General Meeting that a dividend be paid, and also decided in this context to follow the recommendation of the Audit and Finance Committee regarding its proposal for the selection of the external auditors of the annual and consolidated financial statements. The Supervisory Board also reviewed and adopted 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). The Supervisory Board went on to approve the agenda for the Company's Annual General Meeting on 25 May 2022 and adopted its proposed resolutions regarding the agenda items. Following a recommendation by the Nomination Committee, the Supervisory Board decided to propose to the Annual General Meeting that Mr Oscar Eduardo Hasbún Martinez, Mr José Francisco Pérez Mackenna, His Excellency Sheikh Ali bin Jassim Al-Thani and Mr Turqi Abdulrahman A. Alnowaiser be elected to the Supervisory Board as shareholder representatives until the end of the Annual General Meeting that will approve activities for the 2026 financial year. The Supervisory Board subsequently reported on the current business environment. Following a recommendation by the Audit and Financial Committee, the Supervisory Board also approved the acquisition of the liner and agency business, including the associated assets, of DAL Deutsche Afrika-Linien GmbH & Co. KG.

Based on a resolution passed outside of a meeting, the shareholder representatives gave their opinion on 25 April 2022 in relation to the request by the shareholders Kühne Maritime GmbH, CSAV Germany Container Holding GmbH and HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH to include as an Annual General Meeting agenda item the proposal that Dr Andreas Rittstieg be elected as a Supervisory Board member and supported this request.

Supervisory Board meeting on 24 May 2022

At the start of the meeting, the Supervisory Board obtained information from the Executive Board about the current business environment and in particular discussed with the Executive Board the effects of the ongoing Russian war in Ukraine on the business. The earnings forecast for the 2022 financial year was subsequently discussed, taking into consideration the increasing economic uncertainties. This was followed by a report on the Company's IT security. 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 connection with this, it selected Mr Karl Gernandt as a substitute meeting chair in the event that the Chairman of the Supervisoary Board Michael Behrendt were prevented from performing this role.

Based on a resolution passed outside of a meeting, on 13 June 2022 the Supervisory Board elected Mr José Francisco Pérez Mackenna and Mr Turqi Abdulrahman A. Alnowaiser as members of the Presidential and Personnel Committee, and Mr Oscar Eduardo Hasbún and His Excellency Mr Sheikh Ali bin Jassim Al-Thani as members of the Audit and Financial Committee. As part of the same resolution, the Supervisory Board also elected Mr Karl Gernandt as the Second Deputy Chair of the Supervisory Board.

Based on a resolution passed outside of a meeting, on 15 July 2022 the Supervisory Board approved the conclusion of time charter agreements for six vessels for a duration of approximately eight years in conjunction with the extension of time charter agreements for five vessels for a duration of approximately six years.

Based on a resolution passed outside of a meeting, on 27 July 2022 the Supervisory Board approved the conclusion of time charter agreements for six vessels for a duration of approximately five years.

Supervisory Board meeting on 14 September 2022
At the start of the meeting, the Supervisory Board reviewed the Executive Board’s report on the current business environment. In particular, the Executive Board reported on the ongoing operational challenges and the clear signs of a weakening market. The Supervisory Board subsequently approved the purchase of 49% of the shares in Spinelli S.r.l. and the acquisition of all shares in SAAM Ports S.A. and SAAM Logistics S.A. The remaining discussions focused on the reports by the Chief Information Officer and Chief Compliance Officer. Finally, the Supervisory Board approved the appointment of an external auditor for one of the Company‘s branch offices.

Supervisory Board meeting on 9 November 2022
At the start of the meeting, Ms Muschitz was elected as a member of the Presidential and Personnel Committee and a member of the Audit and Financial Committee. The Executive Board subsequently reported on the current business environment against the backdrop of the noticeable market downturn and provided an overview of the Company‘s strategic projects. The meeting then focused on the annual budget for 2023, including the business plan of Hapag-Lloyd AG. 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 2023. Finally, the Labour Director provided a report.

Based on a resolution passed outside of a meeting, on 28 November 2022 the Supervisory Board approved the submission of an offer to acquire an interest in a company.

Based on a resolution outside of a meeting, on 23 December 2022 the Supervisory Board approved the submission of an offer to acquire a stake in a logistics company and the further structuring of the acquisition in the event of a successful takeover.

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, Turqi Alnowaiser (from 25 May), Sheikh Ali bin Jassim Al-Thani (until 25 May), Karl Gernandt, Arnold Lipinski (until 31 July), Silke Muschitz (from 9 November), Sabine Nieswand, Dr Isabella Niklas, José Francisco Pérez Mackenna, Klaus Schroeter, Uwe Zimmermann.

Audit and Financial Committee: Karl Gernandt (Chairman until 25 May), Oscar Hasbún Martínez (Chairman from 29 June), Turqi Alnowaiser (until 25 May), Sheikh Ali bin Jassim Al-Thani (from 25 May), Annabell Kröger, Arnold Lipinski (until 31 July), Silke Muschitz (from 9 November), 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 as part of the declaration by the Executive Board and Supervisory Board on corporate governance, which can be found in the section “Composition and functioning of the Executive Board and Supervisory Board”.

The **Presidential and Personnel Committee** met three times in 2022, on 9 March 2022, 14 September 2022 and 9 November 2022.

In addition to the preparations for the Supervisory Board meeting on the same day, on 9 March 2022 the Presidential and Personnel Committee dealt with the remuneration system for the Executive Board members, the reappointment and extension of the contracts of Mr Rolf Habben Jansen and Mr Mark Frese, the termination by mutual agreement of Mr Joachim Schlotfeldt‘s Executive Board activities as at 30 June 2022, and the adjustment to the business distribution plan whereby Ms Donya-Florence Amer as Labour Director was assigned responsibility for Human Resources and Mr Mark Frese was assigned responsibility for Procurement, in both cases from 1 May 2022.

In its meetings on 14 September 2022 and 9 November 2022, the Presidential and Personnel Committee dealt with the preparation of the subsequent Supervisory Board meetings.

The **Audit and Financial Committee** convened four meetings in the financial year, on 8 March 2022, 11 May 2022, 10 August 2022 and 8 November 2022.

In the meeting on 8 March 2022, 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 2021 financial year (see also “Annual and consolidated financial statements 2021” in the 2021 annual report). The dependency report and the proposal for the election of the external auditors were discussed, and a corresponding proposal to the Supervisory Board was passed (see also “Review of the report by the Executive Board on relationships with affiliated companies” in the 2021 annual report). The Audit and Financial Committee also dealt with the acquisition of the liner and agency business, including the associated assets, of DAL Deutsche Afrika-Linien GmbH & Co. KG.

The second meeting on 11 May 2022 was dominated by a discussion on the financial report for the first quarter and the forecast for the second quarter. The internal control system (ICS) was also discussed, as were liquidity management and the taxation of income.

In the meeting on 10 August 2022, the discussion centred on the half-year financial report and the forecast for the second half. The Audit and Financial Committee also dealt with fleet deployment flexibility, hedging transactions within the Group, the financial investment strategy, strategic projects and the report by the Corporate Audit department.

In its fourth meeting on 8 November 2022, the focus was on the presented 2023 annual budget, including Hapag-Lloyd AG’s business plan. The financial report for the third quarter and the focal points of the external audit were also discussed, as was an overview of the strategic projects.

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

In its meeting on 9 March 2022, the Nomination Committee recommended proposing to the Annual General Meeting that Mr Oscar Eduardo Hasbún Martinez, Mr José Francisco Pérez Mackenna, His Excellency Sheikh Ali bin Jassim Al-Thani and Mr Turqi Abdulrahman Alnowaiser be elected to the Supervisory Board as shareholder representatives.

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

Training and development measures for members of the Supervisory Board
Members of the Supervisory Board participate in independent training and development measures that are useful for the performance of their tasks; the Company supports them in this.

Informational events are held to present the business model of Hapag-Lloyd AG to new members of the Supervisory Board.

Personnel changes in the Supervisory Board and the Executive Board
Dr Andreas Rittstieg was elected to the Supervisory Board as at 25 May 2022 and thus succeeded Ms Nicola Gehrt, who resigned from her position with effect from the end of the Annual General Meeting on 25 May 2022 ,Ms Silke Muschitz was court-appointed as an employee representative to the Supervisory Board with effect from 14 September 2022, as Mr Arnold Lipinski left the Supervisory Board as at 31 July 2022.

In accordance with a resolution of the Supervisory Board on 9 March 2022, the contracts of Mr Rolf Habben Jansen and Mr Mark Frese were extended by an additional five years. Joachim Schlotfeld‘s contract was terminated by mutual agreement as at 30 June 2022.

Corporate governance
The Supervisory Board is committed to the principles of good corporate governance and dealt with them continuously in the 2022 financial year. The recommendations and suggestions of the German Corporate Governance Code (GCGC) in the version of 16 December 2019 published in the official section of the Federal Gazette on 20 March 2020 formed an essential basis. Good corporate governance does not preclude deviating from the recommendations of the Code in individual justified aspects. As a listed company, Hapag-Lloyd AG is subject to the obligation to declare in accordance with section 161 of the German Stock Corporation Act that the recommendations of the GCGC have been and are being complied with or which recommendations have not been or are not being applied and why not (declaration of compliance). The Executive Board and Supervisory Board adopted a declaration of compliance in March 2022, 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 corporate governance statement.

The members of the Supervisory Board of Hapag-Lloyd AG are obliged to disclose to the Chairman of the Supervisory Board any conflicts of interest, in particular those that might arise as a result of consulting or board functions with customers, suppliers, lenders or other third parties. In accordance with the recommendation of the GCGC, the Supervisory Board provides information in its report to the Annual General Meeting on any conflicts of interest that have arisen and how they have been dealt with. There were no indications of actual or potential conflicts of interest in the 2022 financial year.

Audit of the 2022 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 2022 prepared by the Executive Board in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements prepared in accordance with Section 315 e HGB on the basis of the International Financial Reporting Standards (IFRS), as applicable in the European Union, as well as the combined management report and issued each of them with an unqualified auditor's opinion.

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

The audit engagement for the annual financial statements of the Company and the Group was awarded by the Chairman of the Supervisory Board's Audit and Financial Committee in accordance with the resolution of the Annual General Meeting on 25 May 2022.

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 28 February 2023 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 has appropriately implemented the measures required under Section 91 (2) AktG, in particular regarding establishment of a monitoring system, and that the monitoring system is suitable in all material respects to provide reasonable assurance about the early identification of developments that may affect the Company's ability to continue as a going concern. 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 1 March 2023.

In its meeting on 1 March 2023, 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 1 March 2023. 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 63.00 per dividend-eligible share, from the perspectives of the dividend policy and the shareholders' interests. The remaining retained earnings of EUR 9,932.1 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 2022 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 1 March 2023.

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 28 February 2023. 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 1 March 2023, 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 2022

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 KPMG AG 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 2022, the Supervisory Board raised no objections.

In its meeting on 1 March 2023, 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 1 March 2023.

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 1 March 2023 in accordance with Section 171 (2) AktG.

Hamburg, 1 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 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 (1) 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) in the version of 16 December 2019 (GCGC 2020) published in the official section of the Federal Gazette (Bundesanzeiger) on 20 March 2020.

As in the past, the Executive Board and Supervisory Board of Hapag-Lloyd AG gave a great deal of attention to the corporate governance system of the Company in the reporting year. The Executive Board and the Supervisory Board are committed to responsible corporate governance and identify with the objectives of the GCGC. The basis for this were the recommendations and suggestions of the GCGC 2020. According to the preamble of the GCGC 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. In addition, the focus has shifted to the new German Corporate Governance Code (GCGC) in the version of 24 April 2022 that was published in the official section of the Federal Gazette (Bundesanzeiger) on 27 June 2022, which will form the basis for the next scheduled Declaration of Conformity.

INFORMATION ON CORPORATE MANAGEMENT AND CORPORATE GOVERNANCE

Declaration of Conformity with the German Corporate Governance Code (GCGC) 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 „Government Commission for the German Corporate Governance Code“, 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 in March 2021, complied and will in future comply with the recommendations of the German Corporate Governance Code Commission in the version of 16 December 2019 that was published in the official section of the Federal Gazette (Bundesanzeiger) on 20 March 2020 (GCGC 2020) with the following exceptions:

- As a purely precautionary measure, 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 12 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 Spokeswoman of the Management Board of Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (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 Sud Americana de Vapores S.A. in Chile (CSAV) and Karl Gernandt being Executive Chair of Kühne Holding AG in Switzerland (Kühne). Hapag-Lloyd Aktiengesellschaft maintains significant business relationships with the group companies of HGV; the 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 12 years. These circumstances indicate a lack of independence from the Company within the meaning of the GCGC 2020 on the part of Dr Isabella Niklas, José Francisco Pérez Mackenna, Oscar Eduardo Hasbún Martínez and Karl Gernandt. A deviation from Recommendation C.7 GCGC 2020 is therefore declared as a precautionary measure.

Moreover, 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 also be independent from the Company, the Executive Board and 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 as well. 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. 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 Recommendation C.10 sentence 1 var. 2, sentence 2 and D.4 sentence 1 GCGC 2020 for similar reasons.

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

- Recommendation G.10 GCGC 2020 is not complied with. According to this Recommendation, the variable remuneration amounts 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 the shares in free float, the Company's Executive Board remuneration system does neither provide for share-based remuneration, nor for any multi-year holding obligation.

Furthermore, on 9 March 2022 the Supervisory Board passed changes to the remuneration system for the Executive Board resolved on 17 March 2021 by the Supervisory Board. In principle, existing contracts for Executive Board members are to be adjusted so that the remuneration is based retrospectively as of 1 January 2022 on the changed remuneration system for the Executive Board. For the period from the last declaration of conformity in March 2021 to 9 March 2022 or the retrospective implementation of the new remuneration system, Hapag-Lloyd Aktiengesellschaft did not comply with the following recommendations of the GCGC 2020:

- Recommendation G.1, bullet 3 GCGC 2020 was so far 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 17 March 2021 by the Supervisory Board, which applied to new contracts to be concluded or contract extensions until 31 December 2021, did not provide for any already applicable or specific non-financial performance criteria; an individual performance criterion for short-term variable remuneration was not specified. In the former opinion of the Supervisory Board, it was not in the interest of the Company to provide for specific non-financial performance criteria in the remuneration system, as this would have restricted the Supervisory Board‘s scope for action in response to Company-specific developments not insignificantly. An individual performance criterion had not been included with regard to short-term variable remuneration, as it was the former opinion of the Supervisory Board the assessment of this remuneration component on the basis of EBIT was in the interest of the Company. At that time, however, the Supervisory Board intended to include non-financial performance criteria in the remuneration system. This was already laid down in the principles of the remuneration system effective until 31 December 2021, which aimed, 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 was declared. According to this Recommendation, the Supervisory Board shall determine the performance criteria and 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 remuneration system for the Executive Board of Hapag-Lloyd Aktiengesellschaft resolved on 17 March 2021 by the Supervisory Board focused on operational objectives, i.e. EBIT(DA) developments and average Return on Invested Capital. However, these criteria were derived from the Company’s strategy, so that this also promoted the Company’s sustainable value creation.

The revised remuneration system for the Executive Board resolved on 9 March 2022 by the Supervisory Board will be submitted to the annual general assembly for approval on 25 May 2022.

In the case of any inconsistency, the German version of this declaration prevails over the English one.

Hamburg, March 2022
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.

Already in 2010, Hapag-Lloyd introduced a Code of Ethics that articulates Hapag-Lloyd‘s commitment to act lawfully, sustainably and with integrity, and to display social responsibility.

The Code of Ethics is subject to regular review and 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 high legal and ethical standards, but also views itself as a company that particularly 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/strategy.html#anchor_7069f7

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/strategy.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 under no circumstances accept any such legal violations 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.

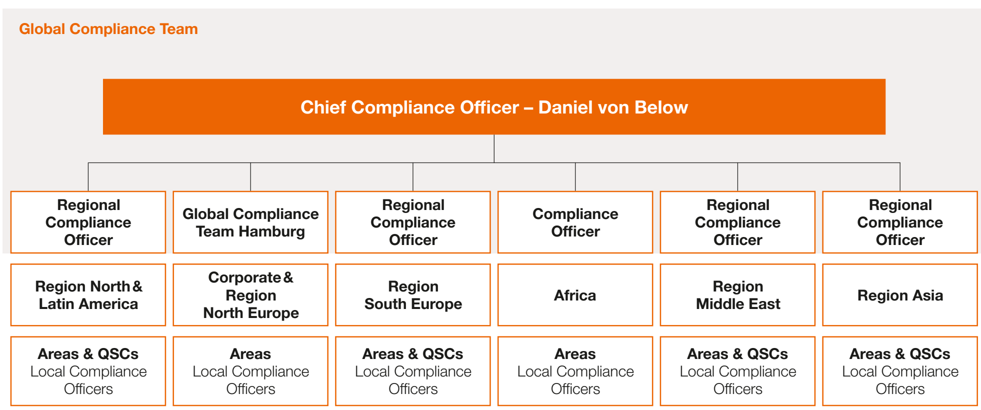
The compliance programme of Hapag-Lloyd AG, the implementation of which is seen to by the compliance organisation and the legal department, primarily consists of anti-competition and antitrust law, combating corruption, preventing fraud, and compliance with applicable embargoes and sanctions.

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, with regard to both internal and external relationships. This code summarises the principles governing fair dealings with each other as well as with 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. The business development, corporate strategy and business model of Hapag-Lloyd are explained in particular in the financial reports, the annual report and investor relations presentations. In addition, details about the shareholder structure, Hapag-Lloyd‘s share and the terms and conditions of Hapag-Lloyd‘s issued bond are available. For this purpose, extensive information is available on the Hapag-Lloyd website in the Investor Relations section (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

Mandatory publications under capital market law – such as ad-hoc notifications, voting right notifications and information about managers‘ transactions – can be found at https://www.hapag-lloyd.com/en/company/ir/financial-news/financial-news.html

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 Chair 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 2022, the members of the Executive Board were Rolf Habben Jansen (Chief Executive Officer), Mark Frese, Dr Maximilian Rothkopf and Donya-Florence Amer. Up-to-date 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 2022)

Mr 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 2027
Ms Donya-Florence Amer Born in 1972	**Member of the Executive Board/CIO, CHRO**
First appointment:	Member of the Executive Board of Hapag-Lloyd AG since 2022
Current appointment:	Until 31 January 2025
Mr Mark Frese Born in 1964	**Member of the Executive Board/CFO, CPO**
First appointment:	Member of the Executive Board of Hapag-Lloyd AG since 2019
Current appointment:	Until 30 November 2027
Mr 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

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 took charge of IT, the new Executive Board position created on 1 February 2022. She also assumed responsibility for Human Resources as Chief Human Resources Officer (Labour Director) on 1 May 2022 due to Mr Schlotfeldt's departure from the Executive Board on 30 June 2022. Our Chief Financial Officer, Mr Mark Frese, has additionally been in charge of the Company's procurement activities since 1 May 2022 as Chief Procurement Officer.

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 2021 financial 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 2022 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 et seq. of the German Stock Corporation Act (AktG) must be disclosed. There was a corresponding disclosure obligation in the reporting period due to the share purchase agreement concluded on 4 October 2022 between the Company and Sociedad Matriz SAAM S.A. as well as its subsidiary SAAM Inversiones SpA for the acquisition of the Chilean-based companies SAAM Ports S.A. and SAAM Logistics S.A. as well as an associated real estate portfolio. The contractual parties are defined as related parties within the meaning of Sections 111a et seq. of the German Stock Corporation Act (AktG). The vendors belong to the group of Chilean-based Quiñenco S.A., which indirectly holds a 30% stake in the Company via CSAV S.A. The purchase price is approximately USD 1 billion.

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. A deductible is provided for the 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 in advance, the results of the previous self-assessment were discussed in the Supervisory Board meeting on 27 May 2021. The assessment established that overall, a constructive working relationship exists that is based on mutual trust between Supervisory Board members and also with the Executive Board. Suggestions submitted in the self-assessment are taken into consideration in the ongoing work of the Supervisory Board. The Supervisory Board also evaluates its work and that of the committees on an ongoing basis.

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 et seq. 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 et seq. 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 et seq. 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 shareholder representatives are generally elected by the Annual General Meeting and the eight employee representatives 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 and the company elections not initiated until August 2022 could not yet be completed, all employee representatives were court-appointed as at the reporting date. Ms Silke Muschitz was court-appointed to the Supervisory Board as a senior staff member and employee representative with effect from 14 September 2022, as Mr Arnold Lipinski left the Supervisory Board as at 31 July 2022.

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 Chair 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. Such agreements and conflicts of interest among Hapag-Lloyd AG Supervisory Board members did not exist in the 2022 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 Chair 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 with no potential conflicts of interest who 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 knowledge of the shipping sector;

- 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 2022. 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 and Mr Michael Behrendt 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 five Supervisory Board members at the Annual General Meeting on 25 May 2022. 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
(Chair of the Supervisory Board)

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

Oscar Eduardo Hasbún Martínez
Chief Executive Officer
Compañía Sud Americana de Vapores S.A., Santiago de Chile, Chile
(Second Deputy Chair of the Supervisory Board until 25 May 2022)

Karl Gernandt
President
Kühne Holding AG, Schindellegi, Switzerland
(Second Deputy Chair of the Supervisory Board since 25 May 2022)

Felix Albrecht
Chair 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, Doha, Qatar

Nicola Gehrt (until 25 May 2022)
Director
Head of Group Investor Relations
TUI Group, Hanover

Annabell Kröger
Commercial Clerk
Hapag-Lloyd AG, Hamburg

Arnold Lipinski (until 31 July 2022)
Head of Fleet Management (until 31 July 2022)
Hapag-Lloyd AG, Hamburg

Silke Muschitz (since 14 September 2022)
Head of Fleet Management
Hapag-Lloyd AG, Hamburg

Sabine Nieswand
Chair 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

Dr Andreas Rittstieg (since 25 May 2022)
Lawyer, Hamburg

Maya Schwiegershausen-Güth
Head of National Aviation & Maritime Section, ver.di Federal Administration, Berlin

Svea Stawars
Commercial Clerk
Hapag-Lloyd AG, Hamburg

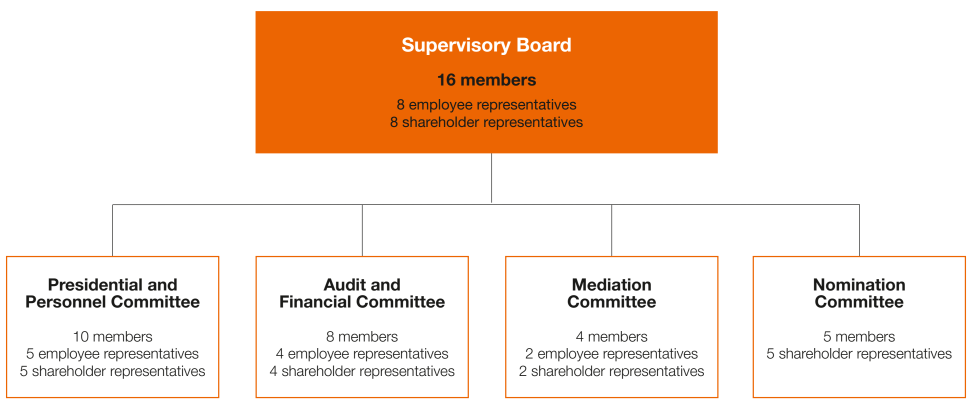
Uwe Zimmermann
Commercial Clerk
Hapag-Lloyd AG, Düsseldorf

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 and decides on the conclusion, amendment and termination of employment contracts with Executive Board members, although the decision on remuneration rests with the Supervisory Board.

Members:

Michael Behrendt (Chair), Felix Albrecht, Sheikh Ali bin Jassim Al-Thani (until 25 May 2022), Turqi Alnowaiser (since 25 May 2022), Karl Gernandt, Arnold Lipinski (until 31 July 2022), Silke Muschitz (since 9 November 2022), 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:
Oscar Eduardo Hasbún Martínez (Chair since 29 June 2022), Turqi Alnowaiser (until 25 May 2022), Sheikh Ali bin Jassim Al-Thani (since 25 May 2022), Karl Gernandt (Chair until 25 May 2022), Annabell Kröger, Arnold Lipinski (until 31 July 2022), Silke Muschitz (since 9 November 2022), 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 recommendation of the GCGC 2020, the Nomination Committee consists solely of shareholder representatives.

Members:
Michael Behrendt (Chair), 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 (Chair), 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 board and supervisory board, 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 9 March 2022, the Supervisory Board decided on changes to the remuneration system for the Executive Board that was adopted by the Supervisory Board on 17 March 2021. The remuneration system satisfies the requirements of the German Stock Corporation Act (AktG) and fundamentally takes account of the recommendations of the GCGC 2020. The changes to the remuneration system were approved by the Annual General Meeting on 25 May 2022.

The remuneration of the Supervisory Board members was most recently set by the Annual General Meeting on 25 May 2022 through an amendment to Article 12 of the Company‘s articles of association. On 25 May 2022, 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 that were approved and confirmed by the 2022 Annual General Meeting, in addition to the resolutions passed by the 2022 Annual General Meeting, are publicly available at https://www.hapag-lloyd.com/en/company/ir/corporate-governance/remuneration.html

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 2022 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 2022, the shareholders of Hapag-Lloyd AG were (unchanged from 31 December 2021):

in %	31.12.2022
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 25 May 2022 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 2022 financial year, among other publications. 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 Andreas Modder (since the 2022 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 2022, 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 had 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 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 (Zweites 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. The requirements will be maintained unchanged until 30 June 2027.

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. The target figure for the first management level below the Executive Board was not achieved. As of the reporting date, the proportion of women was 0%, which was also due to the fact that the Company first had to integrate additional senior male managers into the Company due to inorganic growth. The target for the second management level, on the other hand, was achieved with 17% as of the reporting date. The Executive Board has set new targets for the first two management levels. A target of 25% has been set for the first management level below the Executive Board and a target of 35% for the second management level below the Executive Board by 30 June 2027.

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 Chair

Donya-Florence Amer
EA Technologies FZCO (since 10 October 2022)

Mark Frese
x+bricks S.A.

Dr Maximilian Rothkopf
The Britannia Steam Ship Insurance Association Ltd.
Stiftelsen DNV – Det Norske Veritas

Joachim Schlotfeldt (until 30 June 2022)
HHLA Container Terminal Altenwerder GmbH (until 30 April 2022)

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 Chair
Qatar Insurance and Re-Insurance Co.
Al Rayan Bank

Turqi Alnowaiser
Lucid Motors
Noon Investment (until 8 September 2022)
Sanabil Investments
Saudi Information Technology Company (SITCO)

Michael Behrendt
Barmenia Versicherungen a.G. – Deputy Chair
Barmenia Allgemeine Versicherungs AG – Deputy Chair
Barmenia Krankenversicherung AG – Deputy Chair
Barmenia Lebensversicherung a.G. – Deputy Chair
ExxonMobil Central Europe Holding GmbH
MAN Energy Solutions SE
MAN Truck & Bus SE

Nicola Gehrt (until 25 May 2022)
TUI Deutschland GmbH
TUI Nederland Holding N.V. (since 7 March 2022)

Karl Gernandt
Hochgebirgsklinik Davos AG (President until 11 November 2022)
Kühne + Nagel International AG – Deputy Chair
Kühne Holding AG – President/Chair
Kühne + Nagel (AG & Co.) KG – Chair
Kühne & Nagel A.G., Luxembourg – Chair
Kühne Logistics University (Chair until 30 September 2022)
Kühne Real Estate AG – Chair
Signa Prime Selection AG

Oscar Eduardo Hasbún Martínez
Florida International Terminal LLC
Invexans S.A.
Nexans S.A.
SAAM Logistics (until 1 March 2022)
SAAM Ports S.A. (until 3 March 2022)
SAAM Puertos S.A. (until 2 March 2022)
San Antonio Terminal Internacional S.A.
San Vicente Terminal Internacional S.A.
SM-SAAM S.A. – Chair
Sociedad Portuaria De Caldera (SPC) S.A.
Sociedad Portuaria Granelera De Caldera (SPGC) S.A.
Barú Offshore de México S.A.P.I. de C.V.
EOP Crew Management de México S.A. de C.V.
SAAM Towage Colombia S.A.S.
Intertug México S.A. de C.V.

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. – Chair
Embotelladoras Chilenas Unidas S.A.
Empresa Nacional de Energía Enex S.A. – Chair
Enex Corporation Ltd
Enex CL Ltd
Invexans S.A. – Chair
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. – Chair
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
GMH Gebäudemanagement Hamburg GmbH
HADAG Seetouristik und Fährdienst AG
HHLA Hamburger Hafen und Logistik AG
Stromnetz Hamburg GmbH
Hamburger Energiewerke GmbH
SBH Schulbau Hamburg

Dr Andreas Rittstieg (since 25 May 2022)
Brenntag SE – Deputy Chair
Hubert Burda Media Holding Geschäftsführung SE
New Work SE (until 31 May 2022)
Kühne Holding AG
Huesker Holding GmbH

Maya Schwiegershausen-Güth
HHLA Hamburger Hafen und Logistik AG (until 30 September 2022)
EUROGATE Geschäftsführungs-GmbH & Co. KGaA (since 15 November 2022)

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 approximately 14,200 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. Following the end of the consolidation phase, we first presented our new medium-term strategy „Strategy 2023“ in 2018 and have continued to develop it since then.

The core objectives of Strategy 2023 are:

Profitability
Profitability throughout the entire economic cycle

Global player
Growth in attractive markets and securing our position as a global player

Number one for quality
Differentiation by focusing on quality and customer satisfaction

Sustainability
Making climate-neutral shipping a reality together

Profitability

We aim for profitable growth throughout the entire economic cycle. This is reflected primarily in a suitable return on invested capital (ROIC) that at least matches our weighted average cost of capital. Our financial targets also include a suitable debt ratio, liquidity and equity base, and shareholder participation in the Company's success. Our extraordinarily strong earnings position in the 2022 financial year enabled us to significantly exceed all of our strategic financial targets.

Strategic financial targets and target achievement

Category	Target
Profitability	ROIC > WACC
Net Leverage	≤ 3x Net Leverage/EBITDA
Liquidity	~USD 1.1 bn
Equity	> 45%
Dividend Policy	≥ 30% of EAT

Global Player

We want to grow in attractive growth markets and consolidate our position as a global player with a global market share (excluding Intra-Asia) of around 10%. To enable this, we are investing in our vessel and container fleet while simultaneously expanding our global presence by establishing new office locations. By acquiring regional service providers, we are also able to enter new markets quickly. Our global market share (excluding Intra-Asia transport) of 10% in the past financial year (previous year: 9.4%) remained in line with our target.

Number one for quality

Our goal is no less than to be the number one for quality in our industry, as we firmly believe that service quality, reliability and adherence to schedules are decisive competitive factors. We want to further improve customer satisfaction by offering added value and creating market-standard solutions when it comes to booking, tracking and processing shipments. In order to make our success quantifiable, we have formulated quality pledges. These 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." Our global values will also be published on the Hapag-Lloyd website. Customer satisfaction is regularly measured using corresponding surveys. There was a significant increase here in the 2022 financial year compared to the previous year.

Sustainability

Climate change, diversity and social engagement – these topics are more relevant than ever. We therefore want to gradually strengthen our sustainability contribution and achieve continuous improvements in the coming years. The decarbonisation of our fleet by 2045 is one of our key objectives here and we are working with our customers, partners and competitors to achieve this. Our medium-term target for 2030 is to cut the CO_2e intensity[1] of our entire fleet as per the EEOI[2] by 30% compared with 2019. 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.

Strategic non-financial targets

Category	Target
Customer Satisfaction	Best in class Net Promoter Score (NPS)
Schedule Reliability	Top 3rd in the industry
CO_2 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 (excl. Intra-Asia)

Strategic priorities up to 2023

In the 2021 financial year, the existing strategy underwent a comprehensive review. As a result, we further increased our focus on the topic of quality and incorporated sustainability into our „Strategy 2023“ as a fourth pillar. To achieve the Company‘s strategic objectives, we also published a catalogue of measures 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 team, sustainable assets and long-term competitiveness

Simplify

Simplifying our liner and depot network, consolidating cargo handling at strategically selected seaports and working more effectively with the terminals aims to cut unit costs and improve service quality. We should remain in the top third at all times among our competitors with regard to adherence to timetables. In addition, a simpler and clearer segmentation strategy and greater automation of internal processes will further improve the customer experience.

In the reporting year, we optimised our customer segmentation and successfully tested it in four regions – at all times adhering to the principle that it should be as convenient as possible for our customers to do business with us. In addition, we analysed how we can further optimise our network on our main trades with regard to quality and productivity and have already started implementing a simplified network strategy in Latin America. Our network of container depots has also been undergoing a review since last year and, where necessary, the size of these depots has been adjusted to actual requirements in order to reduce costs and complexity. Furthermore, Hapag-Lloyd has become the first company in the industry to start fitting its entire container fleet with monitoring systems that enable real-time tracking. This will make the supply chain more transparent and efficient both for us and for our customers. Using data-based analysis of our container flows, we can reduce costly return transportation of empty containers, for example.

1 CO_2 equivalent (CO_2e) includes other greenhouse gases in addition to carbon dioxide (CO_2).

2 Energy Efficiency Operational Indicator (EEOI)

Strengthen

The measures under Strengthen are aimed at doubling our efforts to become the number one for quality, expanding our presence in attractive growth markets and strengthening our contribution to sustainability. In the past financial year, we continued to advance the digitalisation of our range of services and we now offer our customers more than 20 digital products which they can conveniently book online. Our IT infrastructure is also undergoing a fundamental upgrade to accommodate the growing automation and digitalisation of our business model. In addition, we have further expanded in our strategic growth market Africa following our acquisition of the container liner business of Deutsche Afrika-Linien (DAL). DAL's business is a valuable addition to our range of services to and from South Africa in particular as it enables us to offer our customers an even better network and additional port coverage in this region. With regard to our target to be climate-neutral by 2045, we have expanded our use of biofuels. We have entered into partnerships that will pave the way to offering our customers a sustainable commercial transport product, thereby helping them to improve their carbon footprint.

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, we started to expand the advanced training programmes for our 14,200 employees in the reporting year. In particular, we advanced the establishment and development of the new Hapag-Lloyd Academy, which will act as a global company university.

Investing in efficient and climate-friendly vessels will support sustainability targets while also ensuring the competitiveness of the fleet. Fitting our containers with tracking 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. For this reason, we announced several investments in and acquisitions of companies in the past financial year. Together with two partners, we will construct a new terminal in the Egyptian port of Damietta, which is scheduled to commence operations in 2024 and will serve as a strategic handling location in the eastern Mediterranean. In addition, we invested in the Italian Spinelli Group, providing us with capacities at terminals and on hinterland transportation in the Italian market. At the end of the year, we also signed an agreement to acquire the terminal business and associated logistics services of the Chile-based SM SAAM S.A. The business activities comprise a portfolio of ten terminals in six countries in North, Central and South America and will help us to further strengthen our business and establish a robust and attractive terminal portfolio.

Development of a new medium-term strategy

The implementation of Strategy 2023 will be complete by the end of 2023. We therefore plan to develop a new medium-term strategy in the current financial year in addition to the measures outlined under Simplify, Strengthen and Invest.

Combined management report

BASIC PRINCIPLES OF THE GROUP

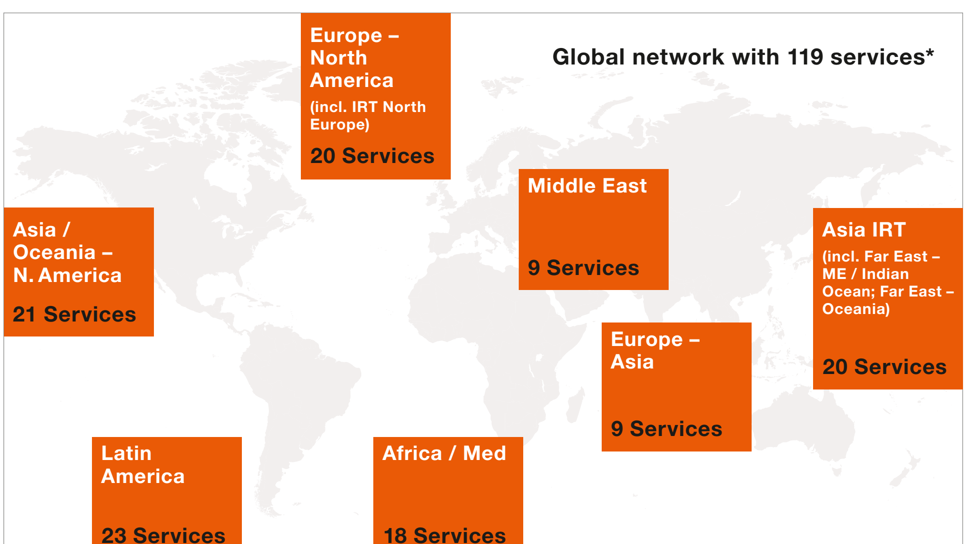
The management report of Hapag-Lloyd AG and the Group management report have been combined in accordance with Section 315 (5) in conjunction with Section 298 (2) of the German Commercial Code (HGB). The disclosures specific to Hapag-Lloyd AG are presented in the chapter “Notes to the individual financial statements of Hapag-Lloyd AG (German Commercial Code (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 251 container ships as at 31 December 2022 (previous year: 253) with a transport capacity of around 1.8 million TEU (previous year: around 1.8 million TEU). The Group currently has 400 sales offices in 135 countries (previous year: 421 sales offices in 137 countries) and offers its customers access to a network of 119 services (previous year: 126) worldwide. In the 2022 financial year, Hapag-Lloyd served approximately 33,800 customers around the world (previous year: approximately 33,100).

Network of Hapag-Lloyd services



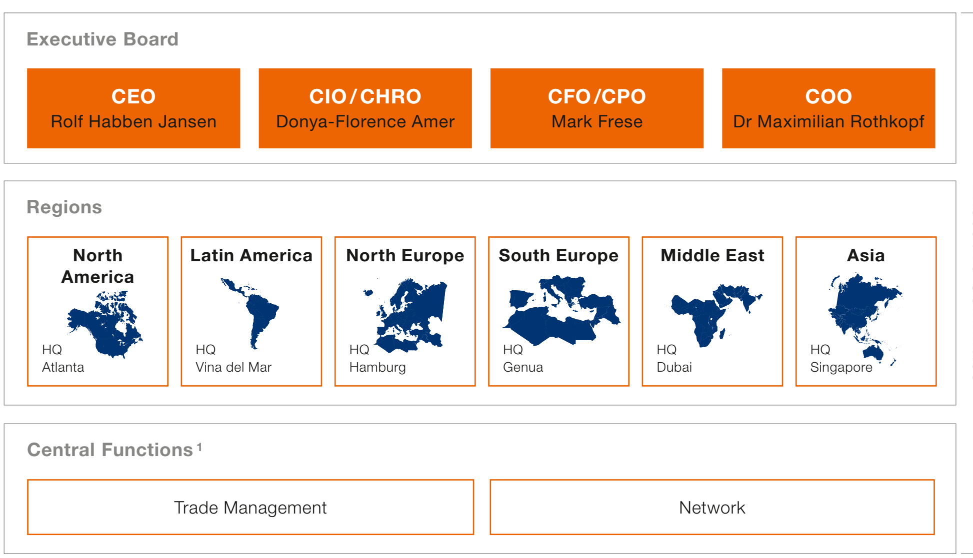
Source: Company data
Note: *FP[1] and FP[2] services included twice (Asia–North America / Europe–Asia)

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

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

GROUP STRUCTURE AND SHAREHOLDERS

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



[1] There are further central functions outside the Executive Committee.

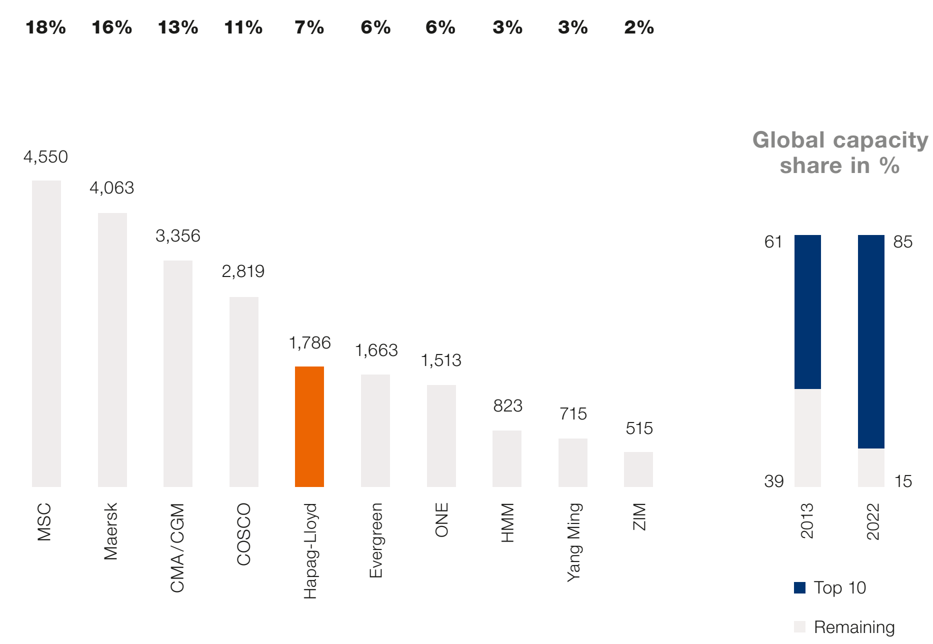
The organisational structures of all six regions are identical. This "blueprint organisational structure", used together with a uniform IT system that covers the entire transport chain, allows for standardised exchange of information between head office and the regions.

BUSINESS AND COMPETITIVE ENVIRONMENT

Consolidation of the industry and alliances in container shipping

Between 2014 and 2018, the container shipping industry underwent a far-reaching phase of consolidation. The ten largest container liner shipping companies now account for around 85% (previous year: 86%) of the total capacity of the global fleet of container vessels. In 2013, this share was only 61% (MDS Transmodal, January 2023 and October 2013, and Drewry, Q4 2022).

Fleet capacity and market share of the top container liner shipping companies in TTEU 2022 vs. 2013



Source: Drewry (Q4 2022), MDS Transmodal (January 2023, 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 vessels and a more extensive range of services. 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), Hyundai Merchant Marine (South Korea) (HMM) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). As at 31 December 2022, THE Alliance covered all East–West trades with 258 container vessels and 30 services (31 December 2021: 255 container vessels and 29 services). In January 2023, MSC and Maersk announced that the “2M” alliance will end in two years (January 2025).

Capacity share of alliances in East–West trades

in %	Far East trade	Transpacific trade	Atlantic trade
2M	35	24	48
Ocean Alliance	33	38	18
THE Alliance	**25**	**25**	**26**
Other	7	13	8

Source: Alphaliner (December 2022), Hapag-Lloyd 2022

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

Regulatory 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 safe ship operations, the ISPS Code (International Ship and Port Facility Security) and the MLC (Maritime Labour Convention) must be given particular emphasis here. The ISPS stipulates what measures are to be taken to prevent hazards on board vessels and in ports, thereby contributing to supply chain security. The MLC sets out basic employment and social rights of maritime personnel. There are also numerous country-specific rules, such as "advance manifest rules", which stipulate certain disclosure obligations in relation to the vessel's cargo. Compliance with international regulations and provisions, such as embargo and sanctions regulations, is a basic requirement for the provision of services.

The business is additionally subject to numerous national and international environmental regulations, in particular those for the protection of the oceans and the reduction of 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) beginning in 2023 will result in new, globally applicable energy efficiency regulations aimed at steadily reducing the CO_2e emissions of commercial ships. Hapag-Lloyd launched an optimisation programme for more than 150 ships in 2022 in order to meet these new requirements. Depending on requirements, the ships will receive more efficient propellers, a drag-reducing underwater coating and flow-optimised bulbous bows by 2025. The use of low-CO_2e or CO_2e-neutral fuels is also to be expanded gradually. "Slow steaming" is another option to meet the increasing energy efficiency regulations.

Several countries and international institutions are also discussing a possible surcharge for the CO_2e emitted by commercial vessels by means of a tax or similar instruments. At the end of 2022, the European Union agreed to gradually include commercial shipping in the European Emissions Trading System (ETS) beginning in 2024. This affects all voyages within the European Economic Area (EEA), as well as 50% of the route between EEA ports and non-EEA ports.

Beginning in 2024, 40% of relevant CO_2e emissions will initially be included in EU emissions trading, followed by 70% beginning in 2025 and 100% in 2026. Part of the revenues from the ETS will be used, via the EU innovation Fund, for research and development for improving the energy efficiency of vessels and ports, innovative technologies and infrastructure and the use of sustainable, alternative fuels and emission-free propulsion technologies.

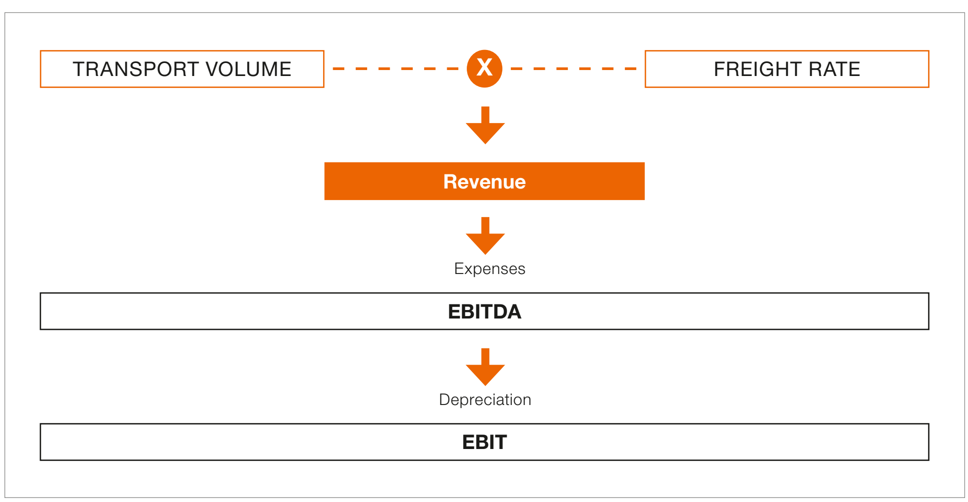
CORPORATE MANAGEMENT

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 depreciation and amortisation. To calculate earnings before interest and taxes (EBIT), EBITDA is adjusted for depreciation and amortisation.

Material influencing factors



The main factors influencing the development of the earnings 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 vessel 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. 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. However, no such hedges existed at the end of the 2022 financial year.

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 "Group Management" section.

Return on invested capital

Hapag-Lloyd aims to be profitable throughout the entire economic cycle, i.e., to achieve a return on invested capital that is at least equal to the company's weighted average cost of capital. For this reason, return on invested capital (ROIC) is used as an additional 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 the sum of assets excluding cash, cash equivalents and time deposits (other assets) 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	
	2022	2021	**2022**	2021
Non-current assets	16,894.7	15,284.0	18,034.8	17,298.4
Inventory	440.0	337.2	469.7	381.6
Accounts receivable	2,895.0	2,999.2	3,090.4	3,394.5
Other assets[1]	433.8	370.7	463.0	419.5
Assets	**20,663.4**	**18,991.1**	**22,057.9**	**21,494.1**
Provisions	1,268.5	1,020.5	1,354.2	1,155.0
Accounts payable	2,615.7	2,323.9	2,792.2	2,630.2
Other liabilities	1,455.2	1,710.9	1,553.2	1,936.4
Liabilities	**5,339.4**	**5,055.3**	**5,699.5**	**5,721.6**
Invested Capital	15,324.0	13,935.8	16,358.4	15,772.5
EBIT	17,524.5	9,389.8	18,467.3	11,111.0
Taxes	200.6	61.3	211.4	72.5
Net Operating Profit after Tax (NOPAT)	**17,324.0**	**9,328.6**	**18,255.9**	**11,038.4**
Return on Invested Capital (ROIC)			**111.6%**	**70.0%**

[1] Excluding time deposits, which are reported under other financial assets

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 2022 financial year was 111.6% following 70.0% in 2021. Due to the exceptionally high NOPAT of the last two years, the return on capital in 2022 is again significantly above the average cost of capital. The cost of capital after income taxes is 9.1% as at the balance sheet date (31 December 2021: 7.0%). The increase in the weighted cost of capital can be attributed in particular a higher risk-free base rate and the higher equity ratio.

NON-FINANCIAL PRINCIPLES

In addition to the financial performance indicators, the optimum utilisation of the available vessel 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 corporate growth. The following non-financial parameters are important for understanding Hapag-Lloyd as a container liner shipping company. However, they are not used by the company as performance indicators. As part of Strategy 2023, further non-financial parameters, such as quantifiable quality targets in particular, are successively being implemented. Customers are provided with Hapag-Lloyd's performance in relation to these so-called quality promises.

Fleet and capacity development

As at 31 December 2022, Hapag-Lloyd's fleet comprised a total of 251 container vessels (31 December 2021: 253). All of the vessels are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the vessels 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 2022 was 1,796.8 TTEU and therefore 1.6% higher compared to 31 December 2021 (1,768.7 TTEU). In the first half of 2022, five second-hand vessels with a total capacity of 19.3 TEU were acquired. As part of the acquisition of the container line business of Deutsche Afrika-Linien GmbH & Co. KG (DAL), a 6,589 TEU vessel owned by the company was taken over. Two newbuilds with a capacity of 13,312 TEU each were commissioned in the second half of 2022.

Based on the TEU capacities, 62% of the fleet was owned by the Group as at 31 December 2022 (previous year: 60%).

As at the reporting date, the average age of the total Hapag-Lloyd fleet was 11.2 years (capacity weighted; 31 December 2021: 10.5 years). This is slightly above the average of the ten biggest container liner shipping companies, which is 10.8 years (31 December 2021: 10.0 years; source: MDS Transmodal). The average size of vessels in the Hapag-Lloyd Group fleet as at 31 December 2022 was 7,159 TEU (31 December 2021: 6,991 TEU). This figure was approximately 11% above the comparable average of the ten biggest container liner shipping companies worldwide as at 31 December 2022, which was 6,458 TEU (31 December 2021: 6,279 TEU; source: MDS Transmodal).

In order to improve its competitiveness in the Europe–Far East trade, Hapag-Lloyd signed two newbuild contracts, each for the construction of six large container vessels, at the end of 2020 and in June 2021 with a size of 23,660 TEU each. The vessels will be built by Korea's Daewoo Shipbuilding & Marine Engineering and delivered to Hapag-Lloyd between June 2023 and April 2025. 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 Hapag-Lloyd's sustainability strategy, the vessels will be equipped with a high-pressure dual-fuel engine, which can run on both LNG and conventional fuel. 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).

Hapag-Lloyd's order book as at 31 December 2022 comprised twelve newbuilds with a size of 23,660 TEU and three newbuilds of different sizes of about 13,000 TEU. The total capacity of the newbuilds is around 323 TTEU, deliveries are planned between 2023 and 2025.

In addition to the newbuilds owned by the company, Hapag-Lloyd will add five new vessels of different sizes of about 13,000 TEU to its fleet as long-term charters. One of these newbuilds was taken over in 2022, while the remaining four charter vessels are scheduled for delivery in 2023 and 2024.

As at 31 December 2022, Hapag-Lloyd owned or rented 1.75 million containers (31 December 2021: 1.83 million) with a capacity of 2.97 million TEU (31 December 2021: 3.06 million TEU) for shipping cargo. The capacity-weighted proportion of owned containers as at 31 December 2022 is 58% (31 December 2021: 58%). In 2022, 5,200 TEU of special containers and 11,800 TEU reefer containers were purchased and delivered.

Structure of Hapag-Lloyd's ship and container fleets

	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Number of vessels	251	253	237	239
thereof				
Own vessels[1]	121	113	112	112
Chartered vessels	130	140	125	127
Aggregate capacity of vessels (TTEU)	1,797	1,769	1,719	1,707
Aggregate container capacity (TTEU)	2,972	3,058	2,704	2,540
Number of services	119	126	122	121

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

In 2022, Hapag-Lloyd chartered a total of 19 container vessels with a capacity of 35.4 TTEU for the carriage of empty containers at short notice (prior year period: 23 container vessels, capacity 57.3 TTEU) in order to counter the tight container availability in Asia as far as possible. As at 31 December 2022, no vessel was used for empty container transport (31 December 2021: one vessel). The vessels are not deployed in a liner service and are therefore not included in the display of the fleet structure.

An essential criterion for assessing a container vessel fleet is the vessel's bunker consumption. In the 2022 financial year, bunker consumption by Hapag-Lloyd's fleet totalled 4.14 million tonnes, which was down 1.3% from the previous year (prior year period: 4.20 million tonnes). The easing of waiting times at ports led to the slight decrease in bunker consumption. Bunker consumption per transported quantity remained constant compared to the prior year period at 0.35 t/TEU. Compared with 2009, bunker consumption per TEU has been cut by 42%. Bunker consumption per slot (as measured by the annual average container storage capacity) was 2.35 t/slot, which was 2% below the previous year's figure of 2.40 t/slot (reference year 2009: 5.8 t/slot).

The share of bunker with a low sulphur content (MFO Low Sulphur 0.1% and 0.5%, MDO) and Liquefied Natural Gas (LNG) decreased from 92% in 2021 to 87% in the 2022 financial year due to the equipping of additional vessels with scrubbers. Biofuel use in 2022 has increased significantly from 18,500 t in 2021 to 120,500 t in 2022.

Bunker consumption of the Hapag-Lloyd Group

Tons (t)	2022	2021
MFO (High Sulphur)	527,611	349,278
MDO, MFO (Low Sulphur)[1]	3,607,570	3,843,212
LNG	4,582	2,551
Total bunker consumption	**4,139,762**	**4,195,041**

[1] Including biofuel

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	2022	2021
Transpacific		
Asia – North America	22,663	21,823
North America – Asia	5,641	6,518
Far – East		
Asia – Europe	16,793	16,361
Europe – Asia	5,328	6,297
Atlantic		
Europe – North America	3,528	3,352
North America – Europe	1,543	1,619

Source: Seabury (December 2022). Figures rounded

Transport capacity must be planned to meet the volumes on the dominant leg. The relevant performance indicator in this regard is the capacity utilisation of the Hapag-Lloyd container vessel fleet on the dominant leg, measured on the basis of total TEU capacity. In the reporting period, capacity utilisation was 95.1% (prior year period: 95.9%).

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	3.5	2.5
Far – East	4.6	3.2
Atlantic	6.5	4.4

[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 2022); Hapag-Lloyd 2022

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. On average, each container was handled 3.9 times in 2022 (prior year period: 4.2 times). The reason for the reduction compared to the prior year period is the increase in round voyage 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 33,800 customers in the 2022 financial year (prior year period: approximately 33,100 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 13% during the past financial year (prior year period: 13%).

Transport volume by product category in 2022

Product Category	Share 2022 in %	Share 2021 in %
Plastics & rubber	13	13
Foodstuff and beverages	10	9
Machinery	10	9
Agriculture	9	9
Chemicals	8	9
Metals and minerals	8	8
Textiles	7	7
Paper and forest products	7	7
Automotive	6	6
Furniture	6	6
Electronics	5	5
Other products	13	13
Total	**100**	**100**

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

RESEARCH AND DEVELOPMENT

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_2emissions is 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 cargo capacities as well as flexibility in the stowage and handling of cargo.

In 2020, Hapag-Lloyd began testing the use of biofuels based on fatty acid methyl ester (FAME). These are manufactured 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 has been continuously expanding since 2021, and a total of 71 vessels can be refilled using biofuels. During 2022, 24 vessels, including Hapag-Lloyd's largest container vessels (A19 class), are refilled with these fuels in Rotterdam and Singapore for their regular operations. In 2022, 120,500 t of biofuel were bunkered (prior year period: 18,500 t).

Digital transformation is a strategic priority for Hapag-Lloyd and runs through all business areas. In close cooperation between the IT department and other specialist departments, integrated solutions are created using modern technologies such as artificial intelligence, robotic process automation, cloud-based solutions 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 specialist department and the regions, we have succeeded in making new, digitally available services and business models available to our customers and continuously enhancing them using agile methods. The necessary capacity and expertise are constantly being expanded at the Hamburg and Gdańsk locations as well as with partners. Having already fitted much of its reefer container fleet with remote monitoring technology, Hapag-Lloyd began equipping all of its standard containers with GPS tracking devices as well in 2022. The tracking devices will be able to transmit data from containers in real time, thereby increasing transparency and efficiency in the supply chain. They can supply GPS-based location data, measure the surrounding temperature and monitor any sudden shaking of the container. The tracking data is undergoing initial internal testing and should be made available to customers as an additional product during 2023.

EMPLOYEES

The Hapag-Lloyd Group employed 14,248 employees as at 31 December 2022 (previous year: 14,106 employees). Of this total, 12,316 were shore-based employees (31 December 2021: 11,997), while 1,704 people were employed in the marine division (31 December 2021: 1,868). The number of shore-based employees rose by 319 people. The increase was a result of the expansion of the Global Service Center in Turkey, the IT department and the takeover of DAL in the second quarter of 2022.

Number of employees

	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Marine personnel	1,704	1,868	2,023	2,072
Shore-based personnel	12,316	11,997	10,867	10,691
Apprentices	228	241	227	233
Total	**14,248**	**14,106**	**13,117**	**12,996**

The average period of employment for shore-based employees was around 8.1 years (previous year: 8.0 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% (2022: 88%). As at 31 December 2022, Hapag-Lloyd employed a total of 228 apprentices (31 December 2021: 241), of whom 130 were in shore-based positions and 98 were at sea (previous year: 145 shore-based and 96 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.

As at 31 December 2022, the shareholder structure of Hapag-Lloyd AG was unchanged compared to the previous year.

in %	31.12.2022
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 and Supervisory Board of Hapag-Lloyd AG jointly propose to the Annual General Meeting that a dividend of EUR 63.00 per share be paid for the 2022 financial year (previous year: EUR 35.00 per share). This represents a disbursement ratio in relation to Group profits of around 65% (previous year: around 68%).

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.

Despite the rapid spread of the Omicron variant of COVID-19, the global economy got off to a good start in 2022 before the situation deteriorated significantly due to Russia's invasion of Ukraine at the end of February. Sharp increases in energy and commodity prices, as well as a temporary worsening of supply bottlenecks due to, among other things, production stoppages in Ukraine and the sanctions against Russia, led to high inflationary pressures that negatively impacted consumer behaviour and global economic growth.

The economy of the People's Republic of China recorded growth of only 3.0% in 2022, down from 8.1% in the previous year (National Bureau of Statistics of China, January 2023). With the exception of 2020, this was the weakest growth since 1976, according to the World Bank. This development is due in particular to the prolonged lockdowns in important economic centres. Imports of goods increased by 1.1% and exports by 7.0% (General Administration of Customs of the People's Republic of China, January 2023). The main recipients of Chinese goods are the USA and Europe. The US economy grew by 2.1% in 2022 (in 2021: 5.9%). The main growth drivers were higher consumer spending, exports, private inventory investment, and non-residential fixed investment. The increase in consumer spending was due to higher spending on services, while spending on goods declined. Imports as well as exports in 2022 increased significantly compared with 2021, primarily due to the sharp rise in energy and raw material prices. Imports of goods in 2022 increased 14.9% from the same period a year earlier, and exports increased 18.4% (U.S. Department of Commerce, February 2023). The EU recorded economic growth of 3.6% in 2022, down from 5.4% in 2021. Due to persistently high inflation and the corresponding negative impact on private consumer spending, economic growth in the EU increasingly weakened over the course of the year and stagnated in the fourth quarter. Exports of goods from the EU increased by 18.7% year-on-year in the period from January to November 2022. Imports of goods grew even more significantly by 44.8%, mainly due to a 124.2% increase in energy imports, which in turn was attributable to the sharp rise in energy prices (Eurostat, January 2023).

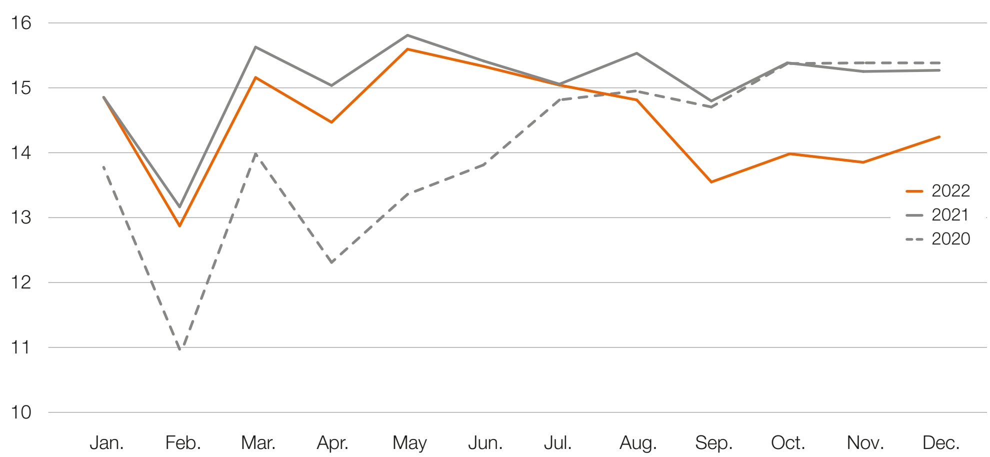
Energy prices were characterised by strong volatility and sharp increases as a result of the war in Ukraine and the resulting uncertainty on the international energy markets. For a time, the price of Brent crude was more than USD 120 per barrel. However, as the economy began to cool, the oil price fell significantly in the second half of the year. As at 31 December 2022, the price of Brent crude was USD 85.91 per barrel, up 10.5% from USD 77.78 per barrel at the end of December 2021 (S&P Global Commodity Insights, Bloomberg).

SECTOR-SPECIFIC CONDITIONS

Following the outbreak of the COVID-19 pandemic at the beginning of 2020, there was a brief but significant decline in global container transport volumes, followed by a strong recovery. In conjunction with regional COVID-19 restrictions, this led to a noticeable disruption to global supply chains since the fourth quarter of 2020 at the latest, which initially continued into the 2022 financial year. With the abrupt cooling of demand for transport in the second half of 2022, port congestion was largely cleared by the end of the year, which also significantly improved the supply chain situation.

Global container transport volumes were initially only slightly below the high level of the previous year, before there was a significant drop in demand in the second half of the year. Compared to the previous year, global container transport volumes declined by 3.9% in 2022 (Container Trade Statistics (CTS), February 2023). This is the sharpest decline since the global financial crisis in 2009.

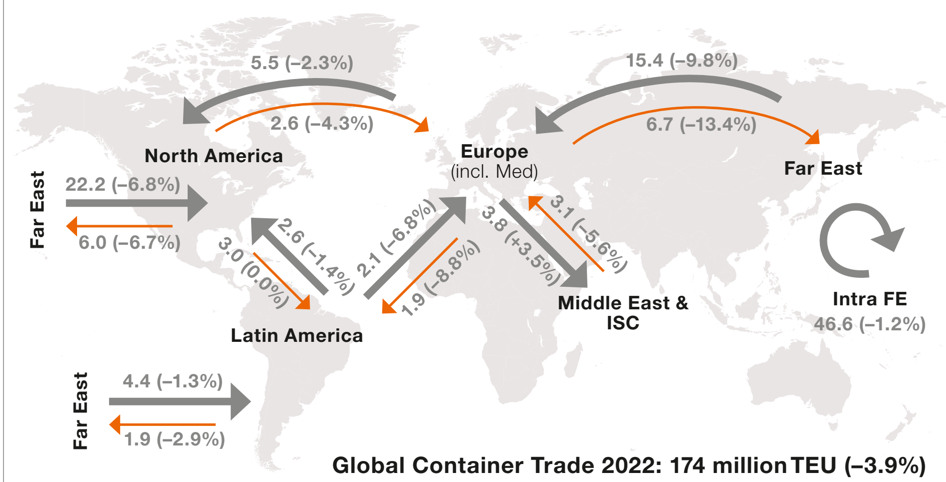
Monthly global container transport volumes (in million TEU)



Source: CTS (February 2023)

Transport volumes declined significantly, especially in the major trades from Asia to Europe and North America. Volumes also declined on the routes between Europe and North and South America. Only the trades to and from India recorded notable growth.

Transport volume and growth rates for global container traffic per trade (volume 2022 in million TEU; in brackets: 2022 vs. 2021 in %)



Source: CTS (February 2023)

The Shanghai Containerized Freight Index (SCFI), which tracks spot freight rates on the major trade routes from Shanghai, declined gradually in the course of 2022 as a result of the weakening demand. With a value of USD 1,108/TEU at the end of 2022, this was significantly lower than the previous year's figure of USD 5,047/TEU.

The share of idle vessels continued to be at a moderate level at 0.7 million TEU, or 2.6% of the global fleet (previous year: 1.0%) (Alphaliner Weekly, January 2023, December 2022 and 2021). By comparison, the figure totalled around 2.7 million TEU (Alphaliner Weekly, June 2020) at the end of May 2020, which corresponded to 12% of the global fleet. This was due to the collapse in demand caused by the outbreak of the COVID-19 pandemic.

Based on figures from MDS Transmodal, a total of 178 container vessels with a transport capacity of approximately 967 TTEU were placed into service in 2022 (prior year period: 162 vessels with a transport capacity of approximately 1,086 TTEU). According to Clarksons, only eight very small container vessels with a capacity of 11.3 TTEU were scrapped in the same period (prior year period: approximately 0.1 TTEU).

In 2022, orders were placed for the construction of 344 container vessels with a transport capacity totalling 2.5 million TEU, significantly less than the 4.3 million TEU in the prior year period (Clarksons Research, January 2023). Compared with previous years, however, the volume of new orders remains at a high level. According to MDS Transmodal, the tonnage of commissioned container ships rose further to around 7.2 million TEU at the end of December 2022, up from around 5.4 million TEU in the previous year. This means that, although the order volume in proportion to the current global container fleet capacity is 28.0% and therefore at its highest level since 2011, it is still significantly below the peak of around 61% recorded in 2007.

The bunker price initially increased significantly in the first half of 2022. Bunker with low sulphur content was quoted at times above 900 USD/t (MFO 0.5%, FOB Rotterdam). However, the bunker price fell gradually in the second half of 2022 to 514 USD/t at the end of 2022, which was even below the level of 550 USD/t at the end of 2021.

EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

In the 2022 financial year, good demand for container transport contributed to the positive development of the sector which became increasingly weakened in the course of the second half of the year. However, a difficult market environment prompted in particular by ongoing disruption to global supply chains resulted in operational challenges in the reporting year that were reflected in longer round voyage times for vessels and containers. Furthermore, commodity and energy costs increased significantly as a result of the Russia-Ukraine war. In the last quarter of the financial year, this market situation began to ease with a pro rata release of port congestion.

Compared with the 2021 financial year, the rise in the average freight rate (in USD/TEU) of 42.9% resulted in revenue growth of 55.1%, while the transport volume remained at the previous year's level. The stronger US dollar had a positive effect overall and also increased the results. The average USD/EUR exchange rate was 1.05 USD/EUR in the 2022 financial year, after 1.18 USD/EUR in the corresponding prior year period. By contrast, an increase in the average bunker consumption price (+58.5%) and higher handling and haulage expenses (+22.8%) adversely affected the operating result.

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 19,428.7 million in the reporting period (prior year period: EUR 10,852.6 million) and earnings before interest and taxes (EBIT) of EUR 17,524.5 million (prior year period: EUR 9,389.8 million). The Group profit came to EUR 17,042.6 million (prior year period: EUR 9,085.0 million).

Consolidated income statement

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Revenue	34,542.7	22,273.5
Transport expenses	13,730.7	10,323.3
Personnel expenses	982.0	810.0
Depreciation, amortisation and impairment	1,904.2	1,462.8
Other operating result	–491.3	–315.1
Operating result	**17,434.6**	**9,362.2**
Share of profit of equity-accounted investees	90.0	28.8
Result from investments	–	–1.2
Earnings before interest and taxes (EBIT)	**17,524.5**	**9,389.8**
Interest result and other financial result	22.6	–245.2
Other financial items	–303.9	1.7
Income taxes	200.6	61.3
Group profit/loss	**17,042.6**	**9,085.0**
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	17,030.1	9,074.7
thereof profit/loss attributable to non-controlling interests	12.5	10.4
Basic/diluted earnings per share (in EUR)	96.89	51.63
EBITDA	**19,428.7**	**10,852.6**
EBITDA margin (%)	**56.2**	**48.7**
EBIT	**17,524.5**	**9,389.8**
EBIT margin (%)	**50.7**	**42.2**

Transport volume per trade

TTEU	1.1.–31.12.2022	1.1.–31.12.2021
Atlantic	2,116	2,105
Transpacific	1,735	1,768
Far East	2,230	2,274
Middle East	1,514	1,557
Intra-Asia	634	608
Latin America	2,933	3,038
Africa	681	522
Total	**11,843**	**11,872**

The transport volume of 11,843 TTEU in the 2022 financial year remained at the previous year's level (prior year period: 11,872 TTEU) (–0.2%).

The increase in the transport volume on the Africa trade resulted primarily from the expansion of Hapag-Lloyd's market presence there since the middle of 2021, in particular following the integration of the container shipping company NileDutch and the acquisition of the container liner shipping business of Deutsche Afrika-Linien GmbH & Co. KG (DAL).

The lower transport volume on the Latin America trade was essentially due to the optimised repositioning of containers to other trades. On the Middle East, Far East and Transpacific trades, a difficult market environment characterised by the congestion of local port infrastructure and the resulting delays and suspension of container handling led to a slight decline in the transport volume. Furthermore, all of the aforementioned trades saw a decline in demand in the course of the second half of 2022.

Freight rates per trade

USD/TEU	1.1.–31.12.2022	1.1.–31.12.2021
Atlantic	2,948	1,808
Transpacific	3,835	2,746
Far East	3,134	2,479
Middle East	2,077	1,512
Intra-Asia	1,845	1,295
Latin America	2,718	1,745
Africa	2,549	1,997
Total (weighted average)	**2,863**	**2,003**

The average freight rate in the 2022 financial year was 2,863 USD/TEU, which was 860 USD/TEU, or 42.9%, above the prior year period (2,003 USD/TEU).

The increase in the freight rate in the 2022 financial year was primarily due to good demand for container transport alongside a simultaneous scarcity of transport capacities in an overstrained market environment. Over the course of the second half of the year, the market situation with regard to demand and the market environment turned around, resulting in a slowly declining freight rate at a still high level.

Revenue per trade

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Atlantic	5,920.5	3,215.5
Transpacific	6,314.8	4,103.7
Far East	6,634.1	4,763.6
Middle East	2,982.7	1,989.4
Intra-Asia	1,110.1	666.1
Latin America	7,565.2	4,480.8
Africa	1,646.6	880.7
Revenue not assigned to trades	2,368.7	2,173.6
Total	**34,542.7**	**22,273.5**

The Hapag-Lloyd Group's revenue rose by EUR 12,269.2 million to EUR 34,542.7 million in the 2022 financial year (prior year period: EUR 22,273.5 million), representing an increase of 55.1%. The primary reason for this was the rise in the average freight rate of 42.9% compared with the previous year. The strengthening of the US dollar against the euro also caused revenue to increase. Adjusted for exchange rate movements, revenue would have risen by approximately EUR 9.5 billion, or 38.1%.

The item for revenue not assigned to trades mainly comprises income from demurrage and detention for containers, as well as income from charter rents and 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.–31.12.2022	1.1.–31.12.2021
Transport expenses	13,730.7	10,323.3
thereof:		
Bunker	2,984.6	1,678.2
Handling and haulage	6,617.3	5,389.0
Equipment and repositioning [1]	1,585.0	1,219.3
Vessel and voyage (excluding bunker) [1]	2,548.2	1,936.6
Change in transport expenses for pending voyages [2]	–4.4	100.2
Personnel expenses	982.0	810.0
Depreciation, amortisation and impairments	1,904.2	1,462.8
Other operating result	–491.3	–315.1
Total operating expenses	**17,108.1**	**12,911.3**

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
Transport expenses rose by EUR 3,407.4 million in the 2022 financial year to EUR 13,730.7 million (prior year period: EUR 10,323.3 million). This represents an increase of 33.0%, which was primarily due to the higher bunker consumption price compared with the previous year, as well as a rise in container handling expenses. In addition, the stronger US dollar against the euro contributed to the increase in transport expenses. Adjusted for exchange rate movements, transport expenses would have risen by EUR 2.1 billion, or 18.5%.

Over the 2022 financial year, the average bunker consumption price for Hapag-Lloyd was USD 753/t, up USD 278/t (+58.5%) on the figure of USD 475/t for the prior year period. This led to an increase in fuel expenses of EUR 1,306.4 million to EUR 2,984.6 million (prior year period: EUR 1,678.2 million).

Container handling expenses rose by EUR 1,228.3 million over the reporting year to EUR 6,617.3 million (prior year period: EUR 5,389.0 million). This essentially resulted from increased demurrage and detention for containers due to partial congestion of port and hinterland infrastructure. In addition, a rise in expenses for the onward transportation of containers, mainly by feeder vessels, contributed to the increase.

Container and repositioning expenses increased year-on-year due to higher expenses for demurrage and detention for empty containers at port terminals and for repositioning them.

The increase in expenses for vessels and voyages (excluding fuel) resulted primarily from the rise in the percentage of vessels chartered 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 vessels.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2022 financial year came to 60.3% (prior year period: 53.7%).

Personnel expenses

Personnel expenses rose by EUR 171.9 million to EUR 982.0 million in the 2022 financial year (prior year period: EUR 810.0 million). The increase is mainly attributable the special bonus already paid for the 2022 financial year and the increased number of employees in the Hapag-Lloyd Group. The stronger US dollar compared to the euro also led to an increase in personnel expenses. Adjusted for exchange rate movements, personnel expenses would have risen by EUR 72.4 million.

The Group employed an annual average of 14,267 people (prior year period: 13,634 people). The personnel expenses ratio (measured in terms of revenue) decreased compared to the previous year from 3.6% to 2.8%.

Depreciation, amortisation and impairment

In the 2022 financial year, there was a year-on-year rise in depreciation and amortisation of EUR 441.4 million to EUR 1,904.2 million (prior year period: EUR 1,462.8 million). This increase was primarily due to the year-on-year rise in the percentage of vessels chartered in on a medium-term basis at simultaneously higher charter rates and the resulting increase in rights of use. The amortisation of right-of-use assets relating to leased assets (essentially vessels and containers) led to amortisation of EUR 1,030.9 million (prior year period: EUR 712.8 million). The stronger US dollar compared with the euro also led to a rise in depreciation and amortisation. Adjusted for exchange rate movements, depreciation and amortisation would have risen by EUR 261.6 million.

Other operating result

The other operating result of EUR –491.3 million (prior year period: EUR –315.1 million) comprised the net balance of other operating expenses and income. Other operating expenses came to a total of EUR 615.5 million in the 2022 financial year (prior year period: expenses of EUR 398.1 million). This mainly included IT and communication costs (EUR 253.4 million; prior year period: EUR 209.8 million), consultancy fees (EUR 85.4 million; prior year period EUR 38.6 million), training and other personnel costs (EUR 43.6 million; prior-year period: EUR 24.9 million) and administrative expenses (EUR 40.4 million; prior year period: EUR 29.0 million). The other operating income of EUR 124.2 million (prior year period: EUR 82.9 million) included in the figure resulted primarily from the disposal of non-current assets (EUR 64.7 million; prior year period: EUR 12.5 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 Notes to the share of profit of equity-accounted investees can be found in Note (12) Investments in equity-accounted investees in the Notes to the consolidated financial statements of the consolidated financial statements.

Operating result

In the 2022 financial year, earnings before interest and taxes (EBIT) amounted to EUR 17,524.5 million. They were therefore well above the corresponding figure in the prior year period (EUR 9,389.8 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 19,428.7 million in the 2022 financial year (prior year period: EUR 10,852.6 million). The annualised return on invested capital (ROIC) for the 2022 financial year amounted to 111.6% (prior year period: 70.0%). Basic earnings per share in the reporting period came to EUR 96.89 per share (prior year period: EUR 51.63 per share).

Key earnings figures

million EUR	2022	2021
Revenue	34,542.7	22,273.5
EBIT	17,524.5	9,389.8
EBITDA	19,428.7	10,852.6
EBIT margin (%)	50.7	42.2
EBITDA margin (%)	56.2	48.7
Basic Earnings Per Share (in EUR)	96.89	51.63
Return on Invested Capital (ROIC) annualised (%)[1]	111.6	70.0

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

Interest result and other financial result

The interest result and other financial result in the 2022 financial year was EUR 22.6 million (prior year period: EUR –245.2 million). On the one hand, interest income increased year-on-year, primarily as a result of the significant expansion of money market transactions. On the one hand, interest income of EUR 199.9 million increased compared to the prior-year period (EUR 21.3 million), mainly due to the significant increase in the volume of money market transactions. On the other hand, interest expenses of EUR 229.7 million decreased compared with the prior-year period (EUR 266.5 million), in particular due to the refinancing of the euro bond carried out in fiscal year 2021. In addition, other financial income of EUR 52.4 million (prior-year period: EUR 0.0 million) increased due to the investments in money market funds carried out for the first time in the reporting year.

Other financial items

The result for other financial items in the 2022 financial year was EUR –303.9 million (prior year period: EUR 1.7 million). The main reasons for this change were the realisation of the currency forward contracts for the euro dividend paid in May 2022 and the realised foreign currency losses from the corresponding dividend payment.

Income taxes

The general increase in income taxes by EUR 139.3 million to EUR 200.6 million in the financial year – is mainly attributable to higher current German income taxes of Hapag-Lloyd AG of EUR 90.6 million. This increase is due to two effects. Firstly, there was a further increase in intra-Group dividend income at the level of Hapag-Lloyd AG in the financial year. Secondly, Hapag-Lloyd AG generated significant income from investments for the first time, which is not in the scope of tonnage profit calculation.

Group profit

Overall, Group profit was significantly up on the previous year at EUR 17,042.6 million (prior year period: EUR 9,085.0 million). Earnings after taxes consist of the earnings attributable to shareholders of the parent company of EUR 17,030.1 million (prior year period: EUR 9,074.7 million) and the earnings attributable to non-controlling interests of EUR 12.5 million (prior year period: EUR 10.4 million).

The total comprehensive income of EUR 17,948.7 million (prior year period: EUR 10,089.0 million) comprises Group profit of EUR 17,042.6 million (prior year period: EUR 9,085.0 million) and other comprehensive income of EUR 906.1 million (prior year period: EUR 1,003.9 million). Other comprehensive income essentially comprises a result from currency translation of EUR 750.3 million (prior year period: EUR 919.7 million), a result from the remeasurement of defined benefit pension plans of EUR 115.8 million (prior year period: EUR 53.7 million) due to a rise in the market interest rate, and earnings effects from hedging instruments in cash flow hedges of EUR 39.1 million (prior year period: EUR 30.1 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 and interest), 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, there is a risk-optimised investment strategy for excess liquidity with diversified counterparties of high creditworthiness. Liquidity is invested on a rolling and staggered basis for periods of up to six months using standard money market instruments (time deposits, money market funds, etc.). To reduce counterparty/concentration risks, investments are broadly diversified with banks and financial institutions in the “investment grade” rating category. Each counterparty is allocated a maximum investment limit, the amount of which is determined by various creditworthiness parameters. The development of these parameters is monitored daily.

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.

The transactions of the Group companies are conducted mainly in US dollars. The euro, Chinese renminbi (CNY), British pound (GBP) and Pakistani rupee (PKR) are also significant currencies. Transactional risks also exist from the financial debt denominated in euros (particularly issued bonds).

To partially hedge against these euro exchange rate risks, derivative hedging transactions are entered into. 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.

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 (28) Financial instruments in the Notes to the consolidated financial statements.

Issuer ratings

Rating/Outlook	**31.12.2022**	31.12.2021
Standard & Poor’s	BB+/Stable	BB/Stable
Moody’s	Ba2/Positive	Ba2/Stable

The international rating agencies Standard & Poor’s and Moody’s regularly assess the financial strength of Hapag-Lloyd AG. Hapag-Lloyd AG’s issuer rating was raised by one level to “BB+” by Standard & Poor’s rating agency on 4 February 2022. The outlook was rated as “stable”. On 22 June 2022, Moody’s affirmed the company’s “Ba2” rating and upgraded the outlook to “positive”.

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 2022 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 (28) 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 2022 reporting year:

Containers

- During the 2022 financial year, Hapag-Lloyd AG purchased new containers and container equipment amounting to EUR 143.5 million. The containers were delivered to Hapag-Lloyd the end of the reporting year.
- Most of the investments in containers and container equipment in the 2022 financial year were financed using the free liquidity of Hapag-Lloyd AG.

Vessels

- For the investments in the new construction and acquisition of 15 container ships with an purchase obligation (nominal value) of EUR 1,436.8 million as at 31 December 2022, advance payments of EUR 435.7 million were made in the financial year 2022. The ships will be delivered by 2025.
- Loan commitments exist for the ship investments in the form of mortgage financing, which will be drawn down upon acceptance of the vessels.

In the 2022 financial year, Hapag-Lloyd acquired the container liner shipping business of Deutsche Afrika-Linien GmbH & Co. KG (DAL). In addition, agreements on the acquisition of the terminal business of the Chilean company SM SAAM S.A. and the Indian company J M Baxi Ports & Logistics Limited (JMBPL) were concluded. Further details can be found in Note (37) Share purchase agreements in the Notes to the consolidated financial statements.

In order to strengthen the strategic liquidity reserve, Hapag-Lloyd extended and in some cases increased several credit lines in the 2022 financial year, amounting to USD 500 million (EUR 468.4 million) and USD 230 million (EUR 215.5 million). The existing freight securitisation programme in the amount of USD 550 million (EUR 515.2 million) was also extended for another three years.

Covenant clauses of a type customary on the market have been arranged for existing financing. These clauses primarily concern certain equity, liquidity as well as net leverage of the Group along with loan-to-value ratios for the financing of investments in vessels.

All covenants were complied with for the 2022 financial year.

Net liquidity

Financial solidity

million EUR	31.12.2022	31.12.2021
Financial debt and lease liabilities	5,436.8	5,497.2
Cash and cash equivalents	15,236.1	7,723.4
Time deposits (other financial assets)	2,787.8	–
Net liquidity [1]	**12,587.1**	**2,226.3**
Unused credit lines	**679.2**	**516.9**
Equity ratio (%)	**72.1**	**60.5**

[1] Cash and cash equivalents, time deposits (other financial assets) less financial debt and lease liabilities

The Group’s net liquidity amounted to EUR 12,587.1 million as at 31 December 2022. This represents a rise of EUR 10,360.8 million compared to net liquidity as at 31 December 2021. The improvement was primarily due to a positive operating cash flow. This contrasted with the dividend payment to the shareholders of HLAG, which was recognised in the cash flow from financing activities.

The equity ratio increased by 11.7 percentage points, from 60.5% as at 31 December 2021 to 72.1%. The rise was primarily due to the increase in earnings for the year. Equity was up by EUR 11,749.1 million compared with 31 December 2021 and amounts to EUR 27,911.1 million as at 31 December 2022. 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 15,915.3 million (previous year: EUR 8,240.3 million EUR). Notes regarding restrictions on cash and cash equivalents can be found in Note (17) Cash and cash equivalents in the Notes to the consolidated financial statement.

Statement of cash flows and capital expenditure

Condensed statement of cash flows

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
EBITDA	**19,428.7**	**10,852.6**
Working capital changes	328.4	–344.4
Other effects[1]	–253.8	–102.5
Cash flow from operating activities	19,503.3	10,405.7
Cash flow from investing activities	–4,065.4	–1,227.4
Free cash flow	**15,437.9**	**9,178.3**
Cash flow from financing activities	–8,229.7	–2,481.0
Cash-effective changes in cash and cash equivalents	**7,208.2**	**6,697.3**

[1] From the 2022 financial year onwards, payments received for interest included in the other effects are not reported under cash inflow/outflow from operating activities, but under cash inflow/outflow from investing activities. The previous year's values were adjusted accordingly.

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 19,503.3 million in the 2022 financial year (prior year period: EUR 10,405.7 million). The increase in the cash flow from operating activities was primarily due to higher earnings in the 2022 financial year.

Cash flow from investing activities

In the 2022 financial year, the cash outflow from investing activities totalled EUR 4,065.4 million (prior year period: EUR 1,227.4 million). This primarily included investments of cash and cash equivalents in time deposits with a maturity of more than three months totalling EUR 2,824.1 million (prior year period: EUR 0.00 million). Additionally, payments for investments of EUR 1,440.6 million (prior year period: EUR 1,252.7 million) in vessels, ship equipment and new containers were made. The payments for containers acquired in the previous year included in the investment amount were EUR 194.8 million. A total of EUR 135.1 million was already paid in the first half of 2022 for the acquisition of the container liner business of Deutsche Afrika-Linien GmbH & Co. KG and the acquisition of shares in joint ventures and associates in the subsequent quarters. This was mainly offset by cash flows from interest of EUR 194.6 million (prior year period: EUR 4.3 million) and cash flows from disposal of property, plant and equipment and intangible assets of EUR 112.6 million (prior year period: EUR 20.2 million).

Cash flow from financing activities

Financing activities resulted in a net cash outflow of EUR 8,229.7 million in the current reporting period (prior year period: EUR 2,481.0 million). The cash outflow essentially resulted from the dividend payment to the shareholders of Hapag-Lloyd AG in the amount of EUR 6,151.6 million (prior year period: EUR 615.2 million). The interest and redemption payments from lease liabilities in accordance with IFRS 16 totalled EUR 1,144.3 million in the current financial year (prior year period: EUR 748.8 million). In the 2022 financial year, EUR 624.3 million was paid for interest and redemption payments from financial liabilities for vessel and container financing (prior year period: EUR 1,163.2 million). Furthermore, payments were made for hedging transactions of dividend payments in the amount of EUR 280.0 million (prior year period: EUR 29.4 million).

Developments in cash and cash equivalents

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Cash and cash equivalents at beginning of period	**7,723.4**	**681.3**
Changes due to exchange rate fluctuations	304.5	344.8
Net changes	7,208.2	6,697.3
Cash and cash equivalents at end of period	**15,236.1**	**7,723.4**

In total, there was a cash inflow of EUR 7,208.3 million in the 2022 financial year, with the result that, accounting for exchange rate-related effects of EUR 304.5 million and changes due to the scope of consolidation, cash and cash equivalents at the end of the reporting period on 31 December 2022 amounted to EUR 15,236.1 million (31 December 2021: EUR 7,723.4 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 679.2 million (31 December 2021: EUR 516.9 million). The liquidity reserve (cash, cash equivalents and unused credit facilities) therefore totalled EUR 15,915.3 million (31 December 2021: EUR 8,240.3 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 (33) Other financial obligations in the Notes to the consolidated financial statements.

GROUP NET ASSET POSITION

Changes in the asset structure

million EUR	31.12.2022	31.12.2021
Assets		
Non-current assets	16,894.7	15,284.0
of which fixed assets	16,746.1	15,204.5
Current assets	21,792.7	11,430.5
of which cash and cash equivalents	15,236.1	7,723.4
Total assets	**38,687.3**	**26,714.5**
Equity and liabilities		
Equity	27,911.1	16,162.0
Borrowed capital	10,776.2	10,552.5
of which non-current liabilities	4,379.3	4,594.2
of which current liabilities	6,397.0	5,958.3
of which financial debt and finance lease liabilities	5,436.8	5,497.2
of which non-current financial debt and finance lease liabilities	4,044.9	4,138.5
of which current financial debt and finance lease liabilities	1,392.0	1,358.6
Total equity and liabilities	**38,687.3**	**26,714.5**
Net liquidity	12,587.1	2,226.3
Equity ratio (%)	72.1	60.5

As at 31 December 2022, the Group's total assets amounted to EUR 38,687.3 million, which is EUR 11,972.8 million higher than the figure at year-end 2021. The change resulted primarily from the increase in cash and cash equivalents, the increase in other current financial assets and fixed assets as well as the higher equity. The USD/EUR exchange rate was quoted at 1.07 on 31 December 2022 (31 December 2021: 1.13).

Within non-current assets, the carrying amounts of fixed assets increased by a total of EUR 1,541.6 million to EUR 16,746.1 million (31 December 2021: EUR 15,204.5 million). The increase was essentially due to investments in vessels, vessel equipment and containers in the amount of EUR 1,319.1 million (prior year period: EUR 1,379.5 million), new and extended rights of use for leased assets in the amount of EUR 1,206.3 million (prior year period: EUR 1,449.4 million) and exchange rate effects at the reporting date in the amount of EUR 881.9 million (prior year period: EUR 1,098.7 million). Depreciation and amortisation of EUR 1,909.4 million had an opposite effect (prior year period: EUR 1,465.6 million) on fixed assets. This includes an amount of EUR 1,030.9 million (prior year period: EUR 712.8 million) for the depreciation of capitalised right of use relating to lease assets.

The increase in other current financial assets resulted primarily from time deposits with a nominal value of USD 2,976.0 million and a remaining term of more than three months as at 31 December 2022. This corresponds to EUR 2,787.8 million as at the reporting date.

Cash and cash equivalents increased by EUR 7,512.7 million to EUR 15,236.1 million compared to the end of 2021 (EUR 7,723.4 million) primarily as a result of the positive operating cash flow.

On the liabilities side, equity (including non-controlling interests) grew by EUR 11,749.1 million to EUR 27,911.1 million. This increase was mainly due to the Group profit of EUR 17,042.6 million (prior year period: EUR 9,085.0 million) recognised in retained earnings and the unrealised gains from currency translation of EUR 750.3 million (prior year period: EUR 919.7 million) recognised in other comprehensive income. The dividend paid from the previous year's retained earnings in the amount of EUR 35.00 (previous year: EUR 3.50) per dividend-eligible individual share, i.e. EUR 6,151.6 million (previous year: EUR 615.2 million) in total, had an offsetting effect. The equity ratio was 72.1% as at 31 December of the current year (31 December 2021: 60.5%).

The Group's borrowed capital rose slightly by EUR 223.7 million in comparison to the 2021 consolidated financial statements. Within borrowed capital, the financial debt and lease liabilities remained largely at the previous year's level of EUR 5,436.8 million (31 December 2021: EUR 5,497.2 million). The increase in financial debt and lease liabilities associated with newly acquired or extended charter and leasing contracts in the amount of EUR 1,188.4 million (prior year period: EUR 1,453.2 million) and exchange rate effects as at the reporting date of EUR 341.5 million (prior year period: EUR 398.4 million) were offset by redemption payments of financial debt and lease liabilities totalling EUR 1,585.7 million (prior year period: EUR 2,090.1 million).

While trade and other payables contributed to the increase in borrowed capital, contract liabilities fell significantly by EUR 492.9 million to EUR 952.9 million (31 December 2021: EUR 1,445.8 million) as a result of lower freight rates for transport orders and a simultaneous decline in volumes on pending voyages as at the reporting date.

Long-term pension provisions decreased by EUR 98.6 million to EUR 212.5 million as a result of a higher discounting rate. The increase in current other provisions to EUR 964.6 million (31 December 2021: EUR 598.6 million) is mainly due to legal disputes at the reporting date relating to country-specific issues.

As at 31 December 2022, net liquidity, including cash and cash equivalents, time deposits with a maturity of more than three months included in the items of other financial assets as well as financial debt and lease liabilities, amounted to EUR 12,587.1 million (31 December 2021: EUR 2,226.3 million).

For further disclosures on material changes in individual balance sheet items, please refer to the Notes to the consolidated statement of financial position in the Notes to the consolidated financial states, notes (10) to (28).

ACCURACY OF FORECAST

The earnings performance in the 2022 financial year was significantly above the original forecast of 10 March 2022 and within the forecast updated on 28 July 2022. This development is primarily due to a more robust increase in the average freight rate, while the transport volume turned out to be lower than initially forecast. 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 2022

	Actual Value 2021	Forecast as of 10 March 2022	Forecast as of 24 April 2022	Forecast as of 28 July 2022	Actual Value 2022
Transport volume	11.9m TEU	Increasing slightly	On previous year's level	Increasing slightly [1]	11.8m TEU
Average bunker consumption price	475 USD/t	Increasing clearly	Increasing clearly	Increasing clearly	753 USD/t
Average freight rate	2,003 USD/TEU	Increasing moderately	Increasing clearly	Increasing clearly	2,863 USD/TEU
EBITDA	EUR 10.9 bn	EUR 10.7–12.4 bn	EUR 13.6–15.5 bn	EUR 18.2–20.1 bn	EUR 19.4 bn
EBIT	EUR 9.4 bn	EUR 8.9–10.7 bn	EUR 11.7–13.6 bn	EUR 16.3–18.2 bn	EUR 17.5 bn

1 The forecast for transport volume was adjusted to "On previous year's level" with the publication of the quarterly financial report 9M 2022 on 10 November 2022.

EXECUTIVE BOARD'S STATEMENT ON OVERALL ECONOMIC PERFORMANCE

Hapag-Lloyd generated a strong positive net result in the 2022 financial year. Both EBITDA and EBIT were well above the prior year level and within the forecast range last adjusted in July 2022.

The 2022 financial year was dominated by high average freight rates mainly resulting from the high demand for container transports. The ongoing disruption to global supply chains led to a slow down in container throughput and increased transport expenses, especially for container handling. In addition, a high average bunker consumption price, primarily driven by the Russia-Ukraine war, resulted in an increase in the corresponding expenses at Hapag-Lloyd.

Overall, the Executive Board considers the business performance in 2022 to be extraordinarily positive, in particular due to the high average freight rates in the first half of the year. In the second half of the year a gradually changing market environment emerged with an increasing decline in demand and the proportionate easing of port congestion. This environment led to falling average freight rates, particularly in the fourth quarter of 2022.

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 global economy is likely to continue its growth at a slower pace in the current fiscal year 2023. According to the IMF's January forecast, a moderate increase of 2.9% is expected in 2023, compared with 3.4% in 2022. Economic growth would thus be below the historical average of 3.8% in the period from 2000 to 2019. The increase in key interest rates by many central banks to combat inflation and Russia's war in Ukraine are likely to dampen the pace of growth in many economies. Only China is expected to see stronger economic growth due to the lifting of COVID-19 restrictions. Global trade is also expected to lose momentum, according to the IMF. The volume of world trade is expected to increase by just 2.4% in 2023, compared with 5.4% in the prior-year period.

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

in %	2024e	2023e	2022	2021	2020
Global economic growth	3.1	2.9	3.4	6.2	–3.0
Industrialised countries	1.4	1.2	2.7	5.4	–4.4
Developing and newly industrialised countries	4.2	4.0	3.9	6.7	–1.9
World trade volume (goods and services)	3.4	2.4	5.4	10.4	–7.8

Source: IMF, January 2023

Sector-specific outlook

Following the decline in the global container transport volume of 3.9% in 2022, a slight recovery in demand is expected in the current year. Seabury predicts that the container transport volume will increase by 2.2% in 2023. This growth is likely to originate primarily in South East Asia, while only a low level of growth is expected on routes to and from Europe.

Development of container transport volume

	2024e	2023e	2022	2021	2020
Growth rate (in %)	3.3	2.2	–3.9	7.1	–1.3

Sources: CTS (February 2023: 2020–2022), Seabury (December 2022: 2023–2024)

In 2022, new container vessels with a capacity of 2.5 million TEU were ordered. The order volume thus remained at a very high level, although significantly lower than the record orders of 4.3 million TEU in the year before. According to MDS Transmodal, the tonnage of the commissioned container vessels rose to 7.2 million TEU at the end of 2022, up from 5.4 million TEU in the previous year. This means that, although the order volume in proportion to the current global container fleet capacity is 28% and therefore at its highest level since 2011, it is still significantly below the peak of 61% recorded in 2007.

A significant increase in the delivery of vessels is planned for 2023. However, Drewry predicts that the postponement of deliveries as well as a high level of scrapping should cause the globally available container vessel fleet to grow by just 0.5 million TEU, or 1.9%. This would put the net increase in capacities at an even lower level than in the previous years.

Expected development of global container fleet capacity

million TEU	2024e	2023e	2022	2021	2020
Existing fleet (beginning of the year)	26.2	25.7	24.7	23.6	23.0
Planned deliveries	4.0	2.5	1.0	1.2	1.1
Expected scrappings	1.0	0.9	0.0	0.0	0.2
Postponed deliveries and other changes	2.0	1.1	0.0	0.1	0.3
Net capacity growth	**1.0**	**0.5**	**1.0**	**1.1**	**0.7**
Net capacity growth (in %)	3.8	1.9	3.9	4.5	3.0

Source: Drewry Container Forecaster Q42022. 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 recorded very strong business performance in 2022, primarily due to the exceptional market environment. The underlying market conditions at the beginning of 2023 are completely different. With the onset of the decline in demand in the second half of 2022 and the simultaneous lifting of COVID-19 restrictions in relevant import regions, port congestion had largely dissipated by the end of the year. This has significantly improved turnaround times for vessels and containers and led to an increase in available transport capacity. In this environment, spot freight rates on the major trades from Asia to the Americas and Europe have dropped significantly and are currently approaching pre-COVID-19 levels. At the same time, costs remain at an elevated level, essentially due to inflation.

In light of this, the Executive Board of Hapag-Lloyd AG expects a gradual normalisation of the earnings trend in the current 2023 financial year. Group EBITDA is expected to be in the range of EUR 4.0 to 6.0 billion (previous year: EUR 19.4 billion) and EBIT in the range of EUR 2.0 to 4.0 billion (previous year: EUR 17.5 billion). In US dollars, this corresponds to an expected Group EBITDA in the range of USD 4.3 to 6.5 billion (previous year: USD 20.5 billion) and EBIT in the range of USD 2.1 to 4.3 billion (previous year: USD 18.5 billion).

The earnings expectation for the 2023 financial year is based in particular on the assumptions that transport volumes can be increased slightly, while the average freight rate is expected to fall significantly. The recovery of supply chains as well as the implementation of cost reduction measures should simultaneously lead to a decrease in transport expenses. The development in this direction should also be supported by a significantly lower bunker consumption price. However, higher expenses due to inflation are expected to weaken the cost recovery. The earnings forecast is based on the assumption of an average exchange rate of USD 1.09/EUR. (2022 financial year: USD 1.05/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 2023 financial year, which are currently not expected but cannot be ruled out.

Key benchmark figures for the 2023 Outlook

	Actual 2022	Forecast 2023
Global economic growth (IMF, Jan 2023)	3.4%	2.9%
Increase in global trade (IMF, Jan 2023)	5.4%	2.4%
Increase in global container transport volume (CTS, Feb. 2023; Seabury, Dec. 2022)	–3.9%	2.2%
Transport volume, Hapag-Lloyd	11.8 m TEU	Increasing slightly
Average bunker consumption prices, Hapag-Lloyd	USD 753/t	Decreasing clearly
Average freight rate, Hapag-Lloyd	USD 2,863/TEU	Decreasing clearly
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd	EUR 19.4 bn	EUR 4.0–6.0 bn
EBIT (earnings before interest and taxes), Hapag-Lloyd	EUR 17.5 bn	EUR 2.0–4.0 bn

The key risks and opportunities that could cause business development to deviate from the outlook 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 war in Ukraine, and a resulting decline in transport volume growth as well as a noticeably negative trend in the average freight rate beyond the decline assumed in the outlook. In addition, significantly higher bunker prices than expected belong to the key 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 2023, 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- and long-term financial goals and to safeguarding its long-term existence as a going concern. The risk management system (RMS) 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 Group 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

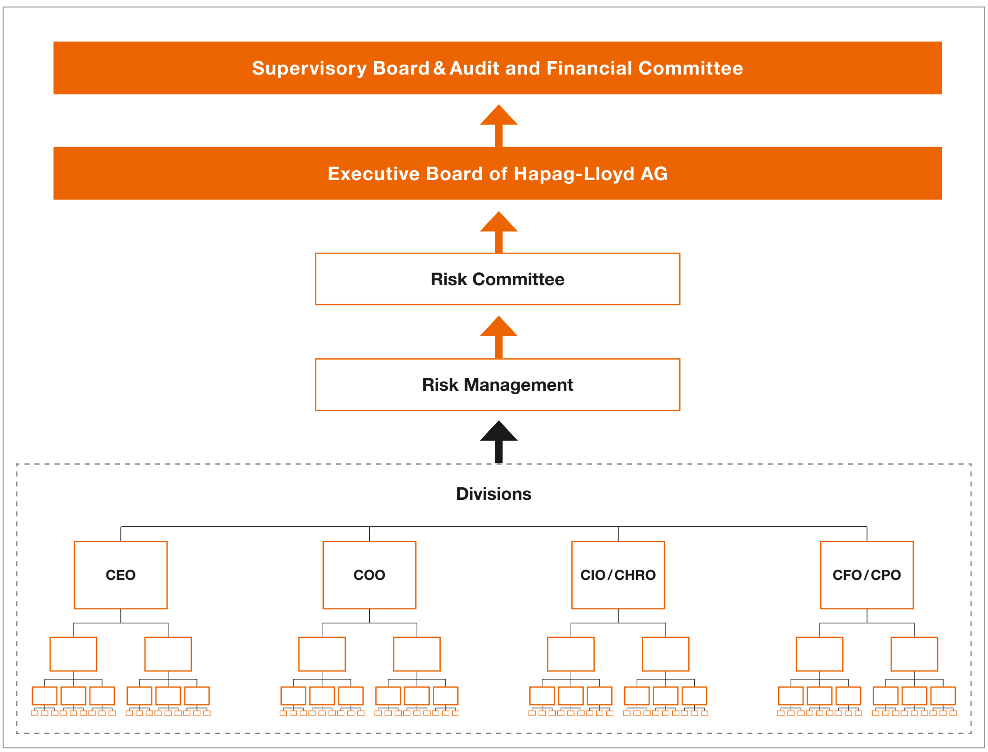
The objective of risk management is to recognise and analyse risks at an early stage and to develop and implement adequate risk responses to lower the risk to an acceptable risk level and therefore secure the achievement of Hapag-Lloyd's business objectives. Thanks to monitoring and control systems installed 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. These 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 relevance classes 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 key 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



In risk management, the methods and systems are adapted according to the type of risk and are regularly checked, enhanced and adapted to the constantly changing business and regulatory conditions. The Corporate Audit department conducts regular checks of the risk management processes and audits the risk early-warning system annually, focusing on different aspects each time.

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 key 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. The key risks also include a potential sharp rise in the bunker consumption price and a cyberattack on information technology and security as well as an impairment of goodwill and other intangible assets.

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 and further potential for opportunities are regularly analysed and discussed in Hapag-Lloyd's management bodies as an integral part of corporate management and in regard to the implementation of the strategic objectives. The Executive Board informs the Supervisory Board about the potential impact of the opportunities on corporate development in its scheduled meetings and in individual discussions.

Risks are assigned to internally defined relevance 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 categorised on the basis of the same relevance classes.

The financial net impact on the Group's targets, mainly EBIT, in the 2023 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 2023 financial year as at the time of preparation of the combined 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 for the risks and opportunities was compared with the previous year's assessment.

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

Key risks and opportunities

	Risks			Opportunities		
Risks and opportunities	Potential impact	Probability of occurence	Probability of occurence in 2023 in comparison to the previous year	Potential impact	Probability of occurence	Probability of occurence in 2023 in comparison to the previous year
Fluctuation in average freight rate	Critical	Medium	Higher	High	Low	Lower
Fluctuation in transport volume	Critical	Medium	Equal	High	Low	Higher
Impairment of goodwill and other intangible assets	Critical	Low	Higher	–	–	–
Information technology & security – cyberattack	Severe	Medium	Equal	–	–	–
Fluctuation in bunker consumption price	Severe	Low	Lower	Medium	Low	Higher

Economic risks and opportunities

General economic development

Container shipping is heavily dependent on the general prevailing conditions within and between economies worldwide 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 2023. 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. Local crises and extraordinary global events could have a sustained negative impact on growth expectations. At the start of 2023, the prospect of a worldwide economic recovery remains subdued, especially because of the global negative impact on society and the economy resulting from the after-effects of the COVID-19 pandemic. This is due in particular to the continued strain of health services in many countries and the Russia-Ukraine war, against the backdrop of which the sharp increase in the cost of living worldwide has further intensified. The resulting uncertainties regarding further economic development cannot be estimated conclusively for the remainder of the year.

Seabury believes that the volume of global container shipments will rise by 2.2% in 2023. 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 transport volume growth together with positive impacts on the earning's position.

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. As a consequence, this could result in a transport volume decline together with negative impacts on the earning's position.

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 disruptions, the use of ports and major shipping channels (Panama Canal, Suez Canal) might be restricted. 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 prompting the fragmentation of global trade relationships and encouraging protectionism. 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 prosperity 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 2023 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 beneficial 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 view of the fact that transport capacities in the market are set to increase, due to new vessel orders among other things, intensified competition between shipping companies and stagnating demand for transport services may again lead to greater price competition in individual trades. 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 2022 financial year, the cost of the vessels' fuel amounted to 8.6% of the Hapag-Lloyd Group's revenue.

As a rule, changes in the price of bunker fuel are usually 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 2022 compared with the higher, although falling, price level at the end of 2021. The outbreak of the Russia-Ukraine war led to sudden, at times very sharp, price rises in the first half of 2022. However, the price level stabilised noticeably as the year progressed. A minimal increase in bunker prices took hold at the start of 2023. 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. However, these hedging transactions do not exist at present.

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 a temporary total failure of the IT infrastructure due to a cyberattack 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. With regard to a temporary failure of the operational system and the network connection, the impact is assessed as bearable.

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 temporary (partial) closures of container terminals due to crisis events, 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 will have a negative impact on earnings and on 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 position. This could put pressure on Hapag-Lloyd's operating result and financial position.

As a result of inflationary pressures, there is another risk related to price increases for tariffs for services at terminals.

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, because of price competition among others but also due to a decrease of the transport volume as a consequence of declining demand for transport services, falling freight rates accompanied by fixed charter rates can lead to a decrease in revenue, particularly after a phase of high demand for transport services and 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 again in the future, despite the fact that they are falling, 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 and net asset position.

Risks from the operation of vessels

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 and net asset 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

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

US dollar exchange rate fluctuations

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

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

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

Interest rate fluctuations

Interest rate fluctuations may arise as a result of raising new funds or in the case of monetary investments. Potential interest rate increase for financial debt are reduced with a balanced portfolio of fixed and variable interest rate structures. Interest rate hedges can be implemented further, if necessary. In the case of monetary investments, however, an increase in the interest rate represents an opportunity, while a decrease in the interest rate would have a negative impact on the expected interest result. The probability of occurrence of this risk in the outlook period is classified as low and the impact on earnings position and liquidity as severe.

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 pursues the goal of securing a sufficient 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. Non-compliance with the agreed reporting covenants would lead to a tightening of reporting requirements and non-compliance. Non-compliance with the agreed minimum covenants would also entitle the financial institutions concerned to call in the outstanding loan amounts immediately. This would 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 bond 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 2022 did not identify any need for an impairment charge. Against the background of the uncertainties in the macroeconomic environment e.g., changes in the interest rate level, the probability of a potential need for an impairment of goodwill or other intangible assets is now classified as low at the time of reporting.

Risks arising from terminal and logistics investments

Hapag-Lloyd holds stakes in various companies worldwide, particularly in the terminal and logistics industry, and has also entered into agreements to acquire further stakes in companies. The earnings position, and therefore the dividend distributions and investment value of the company holdings, are dependent on the demand for relevant services of the respective company. A demand decrease for example in container transport services in the terminal business would have a negative impact on the earnings position of the investments and therefore also on the earnings position of Hapag-Lloyd and could negatively affect the carrying amount of the investments and the result from investments.

Credit default risks

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 financial 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.

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 and the expansion of requirements in relation to documentation and proof could be a burden on the course of business and possibly increase the complexity of business processes due to the adjustments required.

These regulations include numerous safety, security and customs regulations in the respective countries of origin, transit and destination as well as monitoring, reporting and control regulations for example emission measurement systems. 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.

The legal anchoring of corporate due diligence obligations with respect to international supply chains entails an expansion of the scope of responsibility of companies as well as increasing requirements, among other things, for the integration of corresponding monitoring and risk mitigation processes for respecting human rights and compliance with labour rights standards. There is a risk that Hapag-Lloyd could face considerable fines in the event of a breach of due diligence obligations.

Against the background of the extraordinary market conditions in container shipping during the COVID-19 pandemic 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 the passing the increased detention and demurrage charges. A financial risk as 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, Latin America and the Middle East. 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'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 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 earnings, financial and net asset position.

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 among others disputes with foreign tax authorities, claims asserted by former employees and disputes arising from contractual relationships with suppliers, former agents and customers. Even if the Company is successful in legal disputes, they can involve higher expenses with a negative impact on the earning's position if uninsured, and can damage the Company's reputation. The impact is classified as bearable and 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, Turkey, 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.

Strategic risks

In the following, those developments are described as strategic risks which, in addition to the above-mentioned risks, could negatively affect the medium and long-term business development, i.e., after the forecast period. Depending on the manifestation of the underlying drivers, the strategic risks described below may negatively impact the earnings, financial and net asset position, and the achievement of the core objectives of the strategy and the long-term financial and non-financial targets included therein. To achieve the Company's strategic objectives, a catalogue of measures was developed. This catalogue comprises the three areas of action Simplify, Strengthen and Invest and will be complemented in the course of the year by the development of a new medium-term strategy.

Structural demand & supply imbalance

Unlike the economic and sector-specific risks described above in connection with supply and demand for container transport services, this risk describes the manifestation of a systemic imbalance of supply and demand. A sudden increase in transport and container capacities could, on the one hand, be limited in its efficiency by the fact that transport infrastructures on land are not created and expanded to the same extent. On the other hand, a simultaneous onset of structurally stagnant or declining transport demand could result from, for example, the reorganisation of supply chains due to shifts in sourcing and production locations against the backdrop of geopolitical conflicts and macro- and microeconomic deteriorations in leading and emerging economies.

Viability of core liner business model

Hapag-Lloyd's business model as globally operating liner shipping company is dependent on various internal, but also external influencing factors, whose technological as well as regulatory reform harbours uncertainty. The ability to respond quickly to customer needs for technological innovations and process improvements is a critical success factor, as is the rapid adoption of disruptive transport technologies and technological innovations. In addition, further consolidation among liner shipping companies and ongoing consolidation of the transport sector, e.g. in the form of vertical transport chain integration, could have an equally negative impact on Hapag-Lloyd's business development as the fragmentation of the competitive field due to the market entry of new, non-traditional competitors. In addition, the equal tax treatment of container transport services in the competitive environment, both locally and globally, also contributes to the viability of Hapag-Lloyd's business model. A change in the existing legal framework with regard to the continuation of the tonnage tax or even the introduction of a global minimum taxation could have a negative impact on the profitability of the liner shipping business model.

Regulatory limitation to shipping line cooperation

Regulations, such as the European Union block exemption regulation for liner shipping consortia and the U.S. Ocean Shipping Act, form a significant part of the legal framework for cooperation between container liner shipping companies in the form alliances and other standard market practices of cooperation. A repeal or more restrictive reform of these and other competition law regulations, but also a strategic realignment of competitors and alliances could lead to restricted cooperation opportunities regionally and globally. This could have a mediate negative impact on cost efficiencies, business processes and operational structures.

Response to global warming

The advancing global warming, the resilience of the implementation timeframe for climate change-related regulations and the possible acceleration of this timeframe as well as possibly insufficient contributions of the company's sustainability measures to the achievement of climate-neutral business operations could have a negative impact on Hapag-Lloyd's business performance. The resulting uncertainty is driven in particular by climate change-related physical risks such as increases in extreme weather events and transition risks in the form of insufficient technological progress in the development and regional availability of climate-neutral fuels but globally inconsistent emissions pricing and taxation regulations.

Black swan

Black swan describes extremely rare and unforeseen event that ripples through systems with complex dependencies and thus creates an impact of unexpected magnitude. Root causes for these events are diverse and can originate from natural hazards e.g., in the form of geological, meteorological, hydrological, and biological events, or could arise as a consequence of anthropogenic hazards e.g., damages to the environment or other disaster events.

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 key individual risks and opportunities. After the reporting date of 31 December 2022, 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 2023 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 2023 continues to be a market environment characterised by a strong level of competition, an imminent oversupply of transport capacities and volatile fuel prices, which could lead to a further intensification of the pressure on freight rates and 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 uncertainties in view of the current situation in Ukraine and its consequences as well as due to the 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 area of compliance is addressed separately in the compliance management. In the ICS annual report, a combined reporting of ICS and Compliance is established.

A central ICS coordination unit (ICS Office) exists for the continuous further development and safeguarding of the ICS. A central technical platform also exists. The ICS platform was overhauled in 2022 and contains the key controls defined for the ICS in a central risk control matrix. By defining the persons responsible for the controls and organisations, it also contains the organisational structure established for the ICS. In addition to controls to ensure that operating company objectives are achieved, this ICS also 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. During the year, both a global internal self-assessment of the controls of the ICS is conducted using the ICS platform and an external assessment of a part of these controls. The results are recorded and the remediation of identified weaknesses is tracked, if applicable. On this basis, the status of the ICS is agreed on in the central departments and subsidiaries with the responsible management in the first quarter of the following year. The ICS results are then summarised and evaluated in the ICS annual report. 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

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, cash in hand and cash investments in foreign currencies, while currency risks arise within the Group from financial debt obtained in EUR and EUR cash in hand and cash investments.

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 Antwerpen (Antwerp, Belgium), Hapag-Lloyd Denmark (Holte, Denmark) and Hapag-Lloyd Poland (Gdańsk, Poland).

As at 31 December 2022, Hapag-Lloyd AG's fleet comprised 243 container vessels, 88 of which it owns including leases with purchase option/obligation at end of term (previous year: 245 vessels, 76 of which it owned). The number of employees of Hapag-Lloyd AG was 4,106 on the reporting date (previous year: 3,848).

ECONOMIC REPORT

Report on Hapag-Lloyd AG's development in 2022 compared with the forecast

In the 2021 combined management report of the Hapag-Lloyd Group, earnings from operating activities before the effects of foreign currency valuation in the 2022 financial year were forecast to be at the previous year's level for Hapag-Lloyd AG. With earnings from operating activities of EUR 16,718.6 million in the 2022 financial year, the result was significantly up on the previous year's figure (prior year period: EUR 8,503.7 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 an unchanged transport volume compared with the previous year. The main reasons for these developments are described in detail in the economic report of the Group's combined management report and the following earnings, financial and net assets position of Hapag-Lloyd AG.

Earnings, financial and net asset position

The general economic and sector-specific conditions of Hapag-Lloyd AG are essentially the same as those of the Group and are described in the Economic report of the combined management report. The integration of the container liner shipping business of Deutsche Afrika-Linien GmbH & Co. KG (DAL) acquired in the current financial year had no significant impact on the earnings, financial and net asset position, with the result that the comparability of the two financial years is not impaired in this respect.

Earnings position

While the first months of the 2022 financial year were still dominated by very good demand for container transport and continuing disruptions to the global transport chains due to the COVID-19 pandemic, the further course of the financial year saw a stabilization of demand combined with a decline in freight rates at a high level. In addition, raw material and energy costs, driven by the Russia-Ukraine war, rose significantly during the year and remained at a high level. Hapag-Lloyd AG's transport volume in the 2022 financial year was at the previous year's level. In addition, the USD/EUR exchange rate of USD 1.07/EUR as at the reporting date of 31 December 2022 was stronger (previous year: USD 1.13/EUR), which also had a positive effect on earnings. At USD 1.05/EUR, the average USD/EUR exchange rate was 13 cents lower than the USD/EUR exchange rate in the corresponding prior year period (USD 1.18/EUR). These developments increased earnings from operating activities by EUR 8,214.9 million overall to EUR 16,718.6 million. In total, Hapag-Lloyd AG recorded a net profit of EUR 17,565.2 million in the 2022 financial year (prior year period: EUR 8,959.6 million).

Notes to the income statement

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Revenue	34,985.0	21,710.6
Decrease/increase in capitalised expenses for unfinished voyages	–60.8	68.1
Other own work capitalised	7.2	6.4
Other operating income	2,081.4	1,592.2
Transport expenses	–16,186.4	–11,653.0
Personnel expenses	–446.7	–369.3
Depreciation, amortisation and impairment	–567.4	–546.0
Other operating expenses	–3,093.9	–2,305.4
Operating result	**16,718.6**	**8,503.7**
Financial result	1,085.6	540.2
thereof interest result	222.4	–48.9
Taxes on income	–108.9	–19.3
Result after taxes	**17,695.3**	**9,024.6**
Other taxes	–130.1	–65.0
Net gain for the year	**17,565.2**	**8,959.6**
Retained earnings brought forward	3,439.8	631.8
Balance sheet profit	**21,005.0**	**9,591.4**
EBIT	**17,450.7**	**9,024.5**
EBIT margin (%)	**49.9**	**41.6**
EBITDA	**18,018.1**	**9,570.5**
EBITDA margin (%)	**51.5**	**44.1**

In the 2022 financial year, revenue rose by around 61% to EUR 34,985.0 million (previous year: EUR 21,710.6 million). This was due to the sharp increase in the average freight rate as a result of the high level of demand while the transport volume remained at the previous year's level. Hapag-Lloyd AG transported a total of 11,745 TTEU in the financial year (prior year period: 11,767 TTEU), which was a decrease of 22 TTEU, or 0.2%. The average freight rate for the 2022 financial year stood at USD 2,863/TEU (prior year period: USD 2,006/TEU) and therefore rose by USD 857/TEU, or approximately 43%. In particular, the first months of the financial year were characterized by continued high demand for container transport services. The war in Ukraine had a negative impact in the further course of the fiscal year due to the significant increase in energy costs and increases in inflation, so that the average freight rate declined again in the fourth quarter of the year.

Other operating income increased from EUR 1,592.2 million to EUR 2,081.4 million in the reporting year. The main reason for this was higher exchange rate gains compared to the prior year period of EUR 1,742.2 million (prior year period: EUR 1,383.6 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 2022 financial year, transport expenses rose by EUR 4,533.4 million to EUR 16,186.4 million (prior year period: EUR 11,653.0 million), representing an increase of approximately 39%. Within transport expenses, expenses for raw materials and supplies rose by EUR 1,268.9 million to EUR 2,972.4 million (prior year period: EUR 1,703.5 million) in particular as a result of the significant higher average bunker consumption price. The increase in the cost of purchased services of EUR 3,264.4 million to EUR 13,213.9 million was mainly attributable to the higher share of demurrage and storage charges for containers due to partial congestion of port and hinterland infrastructure. A rise in charter rents for vessels also contributed to the increase.

Personnel expenses rose year-on-year by approximately 21% to EUR 446.7 million (prior year period: EUR 369.3 million), primarily as a result of the special payments made in the current financial year and the growth in the number of employees. As at 31 December 2022, a total of 4,106 people (including apprentices) were employed at Hapag-Lloyd (previous year: 3,848 employees). There was a fall in the personnel expenses ratio as a percentage of revenues from 1.7% in the 2021 financial year to 1.3%.

Depreciation, amortisation and impairment of EUR 567.4 million was recorded in the 2022 financial year (prior year period: EUR 546.0 million). The increase here essentially resulted from higher depreciation due to investments in ocean-going vessels during the financial year. By contrast, the extension of the useful life of selected container vessels by up to three years in the current financial year caused depreciation to fall by EUR 57.3 million in the 2022 financial year. The rules for implementing new environmental regulations have now been clarified, with the result that the deployment planning for certain vessels was extended following a further assessment.
In the previous year, a corresponding shortening of the useful life of these container vessels led to an increase in depreciation of EUR 40.3 million.

The rise in other operating expenses of EUR 788.5 million to EUR 3,093.9 million was mainly caused by higher exchange rate losses, including bank charges, in the amount of EUR 1,631.5 million (prior year period: EUR 1,290.3 million). These were largely due to the valuation of foreign currency amounts at the reporting date and realized losses from derivative financial instruments. Losses on the disposal of current asset securities amounting to EUR 132.8 million (prior year period: EUR 0.0 million) also contributed to the increase in other operating expenses.

Earnings from operating activities in the last financial year were EUR 16,718.6 million (prior year period: EUR 8,503.7 million). Earnings before interest and taxes (EBIT) also include income from profit transfer agreements, income from investments, amortisation and write-backs of financial assets and current asset securities, expenses from the transfer of losses and other taxes and came to EUR 17,450.7 million as at the reporting date (prior year period: EUR 9,024.5 million). Compared to the Group's EBIT of EUR 17,524.5 million, the German Commercial Code (HGB) earnings are slightly lower. This was primarily caused by the inclusion of subsidiary results within the Group and different accounting and measurement principles according to IFRS and HGB.

This effect was offset by the investment income from dividend distributions included in the individual financial statements of Hapag-Lloyd AG, which totalled EUR 992.8 million in the current financial year (prior year period: EUR 511.5 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA), defined as EBIT excluding depreciation and amortisation, came to EUR 18,018.1 million (prior year period: EUR 9,570.5 million) below the Group's level of EUR 19,428.7 million (prior year period: EUR 10,852.6 million).

In the 2022 financial year, the financial result improved by EUR 545.4 million to EUR 1,085.6 million (prior year period: EUR 540.2 million). The main reasons for this were an increase in income from investments of EUR 481.3 million to EUR 992.8 million, of which dividend income from the subsidiary UASC Ltd. accounted for the largest share with a total of EUR 879.0 million (prior year period: EUR 441.6 million). Furthermore, the significant increase in the volume of money market transactions compared to the previous year led to an improved interest result of EUR 222.4 million (same period of the previous year: EUR –48.9 million) and also contributed to the increase in the financial result. This was offset in particular by foreign currency-related write-downs on current asset securities from money market transactions amounting to EUR 185.4 million.

A net profit of EUR 17,565.2 million was reported in the 2022 financial year (prior year period: EUR 8,959.6 million). Including retained earnings carried forward of EUR 3,439.8 million after distribution of a dividend of EUR 6,151.6 million, the Company recorded retained earnings of EUR 21,005.0 million (previous year: EUR 9,591.4 million).

Financial and net asset position

Changes in the asset structure

million EUR	31.12.2022	31.12.2021
Assets		
Fixed assets	10,203.8	9,050.5
thereof property, plant and equipment	7,113.8	6,068.4
Current assets	22,357.1	11,931.6
thereof cash-in-hand, bank balances and cheques	12,978.0	7,460.0
Prepaid expenses	37.3	21.7
Total Assets	**32,598.3**	**21,003.8**
Equity and liabilities		
Equity	23,678.7	12,265.1
Provisions	2,143.4	1,491.3
Financial liabilities	727.1	825.0
thereof short-term	126.4	117.9
Sundry liabilities	6,045.4	6,417.9
thereof short-term	4,712.5	4,937.8
Deferred income	3.7	4.5
Total equity and liabilities	**32,598.3**	**21,003.8**
Net financial position (liquid assets – financial debt)	12,250.8	6,635.0
Equity ratio (%)	72.6	58.4

Compared to the previous year, Hapag-Lloyd AG's balance sheet total increased by EUR 11,594.5 million, from EUR 21,003.8 million to EUR 32,598.3 million as at 31 December 2022. Fixed assets rose by EUR 1,153.3 million to EUR 10,203.8 million, and current assets by EUR 10,425.6 million to EUR 22,357.1 million.

Within fixed assets, property, plant and equipment increased by EUR 1,045.4 million to EUR 7,113.8 million. This included investments of EUR 1,553.6 million, which mainly related to additions to ocean-going vessels in the amount of EUR 916.5 million and advance payments made on vessels under construction in the amount of EUR 435.7 million. Depreciation totalling EUR 485.8 million had a negative impact on property, plant and equipment. Additions to ocean-going vessels included intragroup purchases of EUR 560.4 million. The business situation in 2022 allowed for an early repayment of financial debt of the subsidiary UASC Ltd. which led to an elimination of financing restrictions for the vessels accounted for in UASC Ltd. In order to simplify ship management, it was decided in the 2022 financial year to transfer all 29 vessels from UASC Ltd. to Hapag-Lloyd AG by the end of the second quarter of 2023, which already took place for the first six vessels by 31 December 2022. At the balance sheet date, there was an order commitment for investments totalling EUR 1,639.8 million on the basis of contractual agreements, of which EUR 862.1 million will fall due in the 2023 financial year. The order commitment related to vessel new builds in the amount of EUR 1,364.2 million. The financial obligations in connection with the new vessels are covered by financing drawn partly during the construction period and partly upon delivery of the vessels.

The increase in current assets of EUR 10,425.6 million to EUR 22,357.1 million was essentially due to the generation and investment of cash, which led to the first-time recognition of current asset securities in the amount of EUR 4,753.0 million (previous year: EUR 0.0 million) and to an increase in cash and cash equivalents from EUR 7,460.0 million to EUR 12,978.0 million. In addition to trade receivables of EUR 1,507.9 million (previous year: EUR 1,242.2 million), receivables and other assets mainly included receivables from affiliated companies of EUR 2,302.0 million (previous year: EUR 2,454.5 million).

As at 31 December 2022, Hapag-Lloyd AG had equity totalling EUR 23,678.7 million (previous year: EUR 12,265.1 million). The year-on-year change was due to a significantly increased net profit for the year of EUR 17,565.2 million (previous year: EUR 8,959.6 million). Taking into account a distribution from the previous year's retained earnings in the amount of EUR 6,151.6 million and remaining retained earnings carried forward from the previous year of EUR 3,439.8 million, as at 31 December 2022 there were retained earnings of EUR 21,005.0 million (previous year: EUR 9,591.4 million). The equity ratio was approximately 73% as at 31 December 2022 (previous year: approximately 58%).

Provisions increased from EUR 1,491.3 million to EUR 2,143.4 million in the reporting period. This includes provisions for outstanding invoices, which increased by EUR 278.2 million (31 December 2022: EUR 1,084.3 million), in particular due to cost increases and additional terminal costs, and tax provisions, which increased by EUR 145.3 million (31 December 2022: EUR 190.3 million) due to higher dividend income and income from cash investments.

Financial liabilities came to EUR 727.1 million at the reporting date (previous year: EUR 825.0 million). They comprise a euro bond issued by Hapag-Lloyd AG and liabilities to banks. The decrease in financial liabilities resulted from scheduled debt repayments during the reporting year totalling EUR 124.5 million. 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 24.8 million increase in financial liabilities (previous year: EUR 27.8 million).

Sundry liabilities decreased from EUR 6,417.9 million to EUR 6,045.4 million and essentially comprised liabilities to affiliated companies in the amount of EUR 2,472.3 million (previous year: EUR 2,425.6 million), miscellaneous loans and other financial debt in the amount of EUR 1,562.9 million (previous year: EUR 1,633.4 million), trade accounts payable in the amount of EUR 1,371.3 million (previous year: EUR 1,419.6 million) and prepayments received for not finished voyages in the amount of EUR 496.4 million (previous year: EUR 839.1 million). The decrease in advance payments for not finished voyages resulted from a lower average freight rate compared with the respective year-end.

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 13,657.1 million as at 31 December 2022 (previous year: EUR 7,976.9 million).

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

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 2022 reporting date, a significant weakening of the result of operating activities to a level without market distortions should be expected, assuming an unchanged USD/EUR exchange rate at the reporting date of 31 December 2023. This statement is to be considered in connection with the outlook for the Hapag-Lloyd Group for the 2023 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 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 exchange rate fluctuations 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. The opportunities and risks relating to Hapag-Lloyd AG's cash deposits in US dollars are reversed; a weakening of the US dollar represents a risk, while a strengthening 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 and asset position are classified as critical. Against the background of the uncertainties in the macroeconomic environment e.g., changes in the interest rate level, the probability of occurrence of such risks is now assessed as low.

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 risk and opportunity report 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 MANDATORY DISCLOSURES

DISCLOSURES AND NOTES RELEVANT TO THE TAKEOVER

REPORT PURSUANT TO SECTION 315A AND SECTION 289A 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

A shareholder agreement (the "Shareholders' Agreement") is in force 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") (CG Hold Co, HGV and Kühne are referred to collectively as the "Anchor Shareholders"). Under the Shareholders' Agreement, the Anchor Shareholders have agreed to uniformly exercise their voting rights by issuing a common voting proxy and giving binding instructions to an agent. To ensure uniform voting, the Anchor Shareholders intend to pass a resolution on how the pooled votes shall be cast prior to Annual General Meetings. If the Anchor Shareholders are unable to pass a unanimous resolution on their voting for any agenda item, the decision will be transferred to the decision-makers of the Anchor Shareholders' ultimate shareholders. If the ultimate shareholders cannot pass a unanimous decision either, the Anchor Shareholders should cast the votes (a) against the measure with regard to resolutions requiring a 75% majority of the votes cast or of the subscribed capital present at the time of adoption of the resolution pursuant to mandatory law or the articles of association or (b) each at their own discretion regarding the respective shares of each of the Anchor Shareholders on resolution proposals which, pursuant to mandatory law or the articles of association, require a simple majority.

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

Although the Shareholders' Agreement shall have a fixed term until 31 December 2026, 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. Investments in capital which 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) No 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) 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). 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) 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) 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 at least two members. The Supervisory Board determines the number of members of the Executive Board, taking into account the minimum required 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 General Meeting in accordance with Section 179 of the German Stock Corporation Act (AktG). The resolution of the General Meeting requires a majority of at least three quarters of the share capital represented when the resolution is being adopted (insofar as the articles of association do not contain any stricter requirements); Sections 179 et seq. 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 expiry of the authorisation period (30 April 2022).

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, was 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). However, the Executive Board did not make use of this authorisation.

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 vessel, container and other bank financing arrangements with outstanding repayment amounts and the fixed financing commitments regarding the newbuilds with a value totalling approximately EUR 4,058 million (approximately USD 4,330 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 679 million (around USD 725 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.

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.

[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.

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTIONS 289F (1), (2) AND 315D 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 of the German Commercial Code (HGB), along with the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG), are published in the Company's Annual Report 2022. 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, 21 February 2023

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Donya-Florence Amer

Mark Frese

Dr. Maximilian Rothkopf

Consolidated financial statements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CONSOLIDATED INCOME STATEMENT

of Hapag-Lloyd AG for the period 1 January to 31 December 2022

million EUR	Notes	1.1.–31.12.2022	1.1.–31.12.2021
Revenue	(1)	34,542.7	22,273.5
Transport expenses	(2)	13,730.7	10,323.3
Personnel expenses	(3)	982.0	810.0
Depreciation, amortisation and impairment	(4)	1,904.2	1,462.8
Other operating result	(5)	–491.3	–315.1
Operating result		**17,434.6**	**9,362.2**
Share of profit of equity-accounted investees	(12)	90.0	28.8
Result from investments	(12)	–	–1.2
Earnings before interest and taxes (EBIT)		**17,524.5**	**9,389.8**
Interest income and other finance income	(6)	252.3	21.3
Interest expenses and other finance expenses	(6)	229.7	266.5
Other financial items	(7)	–303.9	1.7
Earnings before taxes		**17,243.2**	**9,146.3**
Income taxes	(8)	200.6	61.3
Group profit/loss		**17,042.6**	**9,085.0**
thereof attributable to shareholders of Hapag-Lloyd AG	(9)	17,030.1	9,074.7
thereof attributable to non-controlling interests	(21)	12.5	10.4
Basic/diluted earnings per share (in EUR)	**(9)**	**96.89**	**51.63**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hapag-Lloyd AG for the period 1 January to 31 December 2022

million EUR	Notes	1.1.–31.12.2022	1.1.–31.12.2021
Group profit/loss		**17,042.6**	**9,085.0**
Items that will not be reclassified to profit and loss:			
Remeasurements from defined benefit plans after tax	(20)	115.8	53.7
Remeasurements from defined benefit plans before tax		116.8	57.5
Tax effect		–1.0	–3.7
Currency translation differences (no tax effect)	(20)	750.3	919.7
Items that may be reclassified to profit and loss:			
Cash flow hedges (no tax effect)	(20)	39.1	30.1
Effective share of the changes in fair value		19.0	–5.2
Reclassification to profit or loss		20.6	35.8
Currency translation differences on cash flow hedges		–0.5	–0.5
Cost of hedging (no tax effect)	(20)	0.8	0.4
Changes in fair value		–2.9	–2.8
Reclassification to profit or loss		3.8	3.2
Currency translation differences on cost of hedging		–	–
Other comprehensive income		**906.1**	**1,003.9**
Total comprehensive income		**17,948.7**	**10,089.0**
thereof attributable to shareholders of Hapag-Lloyd AG		17,935.4	10,077.6
thereof attributable to non-controlling interests	(21)	13.3	11.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 31 December 2022

ASSETS

million EUR	Notes	31.12.2022	31.12.2021
Goodwill	(10)	1,712.1	1,597.2
Other intangible assets	(10)	1,540.4	1,510.1
Property, plant and equipment	(11)	13,140.2	11,764.8
Investments in equity-accounted investees	(12)	353.4	332.4
Other financial assets[1]	(13)	49.9	15.6
Other non-financial assets[1]	(14)	22.7	20.0
Derivative financial instruments	(15)	37.3	12.5
Receivables from income taxes	(8)	5.7	5.4
Deferred tax assets	(8)	33.0	26.0
Non-current assets		**16,894.7**	**15,284.0**
Inventories	(16)	440.0	337.2
Trade accounts receivable	(13)	2,895.0	2,999.2
Other financial assets[1]	(13)	3,067.1	237.2
Other non-financial assets[1]	(14)	132.5	116.4
Derivative financial instruments	(15)	5.5	0.3
Income tax receivables	(8)	16.4	16.8
Cash and cash equivalents	(17)	15,236.1	7,723.4
Current assets		**21,792.7**	**11,430.5**
Total assets		**38,687.3**	**26,714.5**

[1] From the 2022 financial year onwards, the balance sheet items for other financial assets and liabilities have been shown separately from the balance sheet items for other non-financial assets and liabilities. The previous year's values have been adjusted accordingly.

EQUITY AND LIABILITIES

million EUR	Notes	31.12.2022	31.12.2021
Subscribed capital	(18)	175.8	175.8
Capital reserves	(18)	2,637.4	2,637.4
Earned consolidated equitty	(19)	23,447.3	12,608.8
Cumulative other equity	(20)	1,632.9	727.1
Equity attributable to shareholders of Hapag-Lloyd AG		**27,893.4**	**16,149.1**
Non-controlling interests	(21)	17.7	12.9
Equity		**27,911.1**	**16,162.0**
Provisions for pensions and similar obligations	(22)	212.5	311.1
Other provisions	(23)	80.9	101.3
Financial debt	(24)	2,319.4	2,572.1
Lease liabilities	(24)	1,725.4	1,566.4
Other financial liabilities[1]	(25)	–	2.1
Other non-financial liabilities[1]	(26)	0.2	1.2
Derivative financial instruments	(27)	–	25.9
Deferred tax liabilities	(8)	40.8	14.1
Non-current liabilities		**4,379.3**	**4,594.2**
Provisions for pensions and similar obligations	(22)	10.5	9.5
Other provisions	(23)	964.6	598.6
Income tax liabilities	(8)	165.9	49.6
Financial debt	(24)	457.3	502.0
Lease liabilities	(24)	934.7	856.7
Trade accounts payable	(25)	2,615.7	2,323.9
Contract liabilities	(25)	952.9	1,445.8
Other financial liabilities[1]	(25)	177.2	136.6
Other non-financial liabilities[1]	(26)	81.2	34.5
Derivative financial instruments	(27)	37.0	1.2
Current liabilities		**6,397.0**	**5,958.3**
Total equity and liabilities		**38,687.3**	**26,714.5**

[1] From the 2022 financial year onwards, the balance sheet items for other financial assets and liabilities have been shown separately from the balance sheet items for other non-financial assets and liabilities. The previous year's values have been adjusted accordingly.

CONSOLIDATED STATEMENT OF CASH FLOWS

of Hapag-Lloyd AG for the period 1 January to 31 December 2022

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Group profit/loss	17,042.6	9,085.0
Income tax expenses (+)/income (–)	200.6	61.3
Other finacial Items	303.9	–1.7
Interest result	–22.6	245.2
Depreciation, amortisation and impairment (+)/write-backs (–)	1,904.2	1,462.8
Profit (–)/loss (+) from disposals of non-current assets	–64.8	–12.5
Income (–)/expenses (+) from equity accounted investees and dividends from other investments	–90.8	–28.9
Other non-cash expenses (+)/income (–)	–37.3	–34.8
Increase (–)/decrease (+) in inventories	–81.8	–139.5
Increase (–)/decrease (+) in receivables and other assets	302.3	–1,383.4
Increase (+)/decrease (–) in provisions	421.2	180.0
Increase (+)/decrease (–) in liabilities (excl. financial debt)	–313.3	998.4
Payments received from (+)/made for (–) income taxes	–60.9	–26.4
Cash inflow (+)/outflow (–) from operating activities	**19,503.3**	**10,405.7**
Payments received from disposals of property, plant and equipment and intangible assets	112.6	20.2
Payments received from the disposal of other investments	–	1.3
Payments received from dividends of equity accounted investees	35.1	25.9
Payments received from the disposal of assets held for sale	–	33.6
Payments made for investments in property, plant and equipment and intangible assets	–1,440.6	–1,252.7
Payments made for investment in financial assets	–8.0	–0.9
Net cash Inflow (+)/outflow (–) from acquisition	–169.8	–69.7
Payments received for the redemption of issued loans	–	10.5
Payments received from the acquisition of shares of equity accounted investees	50.6	–
Payments made for the acquisition of shares of equity accounted investees	–15.9	–
Change of financial asstets and financial assets held for investment	–2,824.1	–
Payments received for interest [1]	194.6	4.3
Cash inflow (+)/outflow (–) from investing activities	**–4,065.4**	**–1,227.4**

[1] From the 2022 financial year onwards, payments received for interest are not reported under cash inflow/outflow from operating activities, but under cash inflow/outflow from investing activities. The previous year's values were adjusted accordingly.

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Payments made from changes in ownership interests in subsidiaries	–36.5	–0.5
Payments made for dividends	–6,165.0	–633.5
Payments received from raising financial debt	46.8	497.7
Payments made for the redemption of financial debt	–530.4	–1,411.6
Payments made for the redemption of lease liabilities	–1,055.3	–678.5
Payments made for leasehold improvements	–	–0.3
Payments made for interest and fees	–209.3	–224.8
Payments received (+) and made (–) from hedges for financial debt	–280.0	–29.4
Cash inflow (+)/outflow (–) from financing activities	**–8,229.7**	**–2,481.0**
Net change in cash and cash equivalents	**7,208.2**	**6,697.3**
Cash and cash equivalents at beginning of period	**7,723.4**	**681.3**
Change in cash and cash equivalents due to exchange rate fluctuations	304.5	344.8
Net change in cash and cash equivalents	7,208.2	6,697.3
Cash and cash equivalents at end of period	**15,236.1**	**7,723.4**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Hapag-Lloyd AG for the period 1 January to 31 December 2022

	Equity attributable	
million EUR	Subscribed capital	Capital reserves
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**
As at 1.1.2022	**175.8**	**2,637.4**
Total comprehensive income	**–**	**–**
thereof		
Group profit/loss	–	–
Other comprehensive income	–	–
Transactions with shareholders	**–**	**–**
thereof		
Distribution to shareholder	–	–
Distribution to non-controlling interests	–	–
Acquisition of shares from non-controlling interests without change of control	–	–
As at 31.12.2022	**175.8**	**2,637.4**

to shareholders of Hapag-Lloyd AG									
Retained earnings	Remeasurements from defined benefit pension plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put options on non-controlling interests	Cumulative other equity	**Total**	Non-controlling interests	**Total equity**
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**
12,608.8	**–149.6**	**–0.1**	**0.6**	**876.7**	**–0.5**	**727.1**	**16,149.1**	**12.9**	**16,162.0**
17,030.1	**115.8**	**39.1**	**0.8**	**749.6**	**–**	**905.3**	**17,935.4**	**13.3**	**17,948.7**
17,030.1	–	–	–	–	–	–	17,030.1	12.5	17,042.6
–	115.8	39.1	0.8	749.6	–	905.3	905.3	0.8	906.1
–6,191.6	**–**	**–**	**–**	**–**	**0.5**	**0.5**	**–6,191.2**	**–8.5**	**–6,199.7**
–6,151.6	–	–	–	–	–	–	–6,151.6	–	–6,151.6
–4.9	–	–	–	–	–	–	–4.9	–8.5	–13.4
–35.1	–	–	–	–	0.5	0.5	–34.7	–	–34.7
23,447.3	**–33.8**	**39.0**	**1.5**	**1,626.3**	**–**	**1,632.9**	**27,893.4**	**17.7**	**27,911.1**

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 2022 and were approved by the Executive Board of Hapag-Lloyd AG for passing on to the Supervisory Board on 21 February 2023. The Supervisory Board will review and approve the consolidated financial statements on 1 March 2023.

Effects of the Russia-Ukraine war

As a result of the war started by Russia against Ukraine in February 2022, the underlying geopolitical and economic conditions have changed. However, the direct effects of the Russia-Ukraine war had only an insignificant impact on the Hapag-Lloyd Group's business operations in the 2022 financial year, with the exception of changes in the average bunker consumption price.

Accounting principles

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

New accounting standards

The following changes to existing standards published by the IASB, which have already been endorsed, had to be applied for the first time in the 2022 financial year:

- Amendments to IFRS 3: “Business Combinations”: Reference to the Conceptual Framework.
- Amendments to IAS 16 “Property plant and equipment”: Proceeds before intended use.
- Amendments to IAS 37 “Provisions, contingent liabilities and contingent assets” Onerous contracts – Costs for fulfilment of a contract.
- Annual improvements to the IFRS, cycle 2018–2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41).

The standards to be applied for the first time in the 2022 financial year have no significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

Standards that were not yet mandatory in the financial year

The following amended standards and interpretations had been adopted by the IASB at the time these consolidated financial statements were prepared, but were not yet mandatory in the 2022 financial year

Standard/ Interpretation		Mandatory application as per	Adopted by EU Commission
IFRS 17	Insurance Contracts and Amendments to IFRS 17	1.1.2023	Endorsed
IFRS 17	Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1.1.2023	Endorsed
IAS 1 IFRS Practice Statement 2	Disclosure of Accounting Policies: Amendments to IAS 1 and IFRS Practice Statement 2	1.1.2023	Endorsed
IAS 8	Definition of Accounting Estimates: Amendments to IAS 8	1.1.2023	Endorsed
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Amendments to IAS 12	1.1.2023	Endorsed
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1.1.2024	Pending
IFRS 16	Amendments to IFRS 16: Lease Liabilities in a Sale and Leaseback	1.1.2024	Pending

None of these regulations will be applicable until the 2023 financial year or later. The Hapag-Lloyd Group has decided against early adoption of these standards. Only those provisions relevant to the Hapag-Lloyd Group are explained below. Unless stated otherwise, the Group does not currently expect there to be any significant effects on the consolidated financial statements as a result of these standards.

EU endorsement has already been given

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

The amendment to IAS 1 states that, in future, only “material” accounting policies must 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. For example, a reason for inclusion might be that the policy has been amended or relates to a voting right, because the policy is complex or highly subject to individual judgement, or because it has been 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 estimate changes. 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 methodes may include estimation methodes 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, however, there has been some uncertainty as to whether this exemption should also apply to leases and to 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.

EU endorsement still pending

Amendments to IAS 1: Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants

The amendments to IAS 1 relate to an adjustment of the criteria for classification of liabilities as current or non-current. They clarify that the classification of liabilities as current should be based on the right of an entity, at the end of the reporting period, to defer settlement of the liability by at least 12 months. If the entity has such rights, the liability is to be classified as non-current. The right to defer settlement of the liability under such circumstances 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, the amendments clarify that it is irrelevant for the classification of a liability whether the management intends or expects the liability to be settled within 12 months of the end of the reporting period. Only the rights in place at the end of the reporting period to defer settlement of the liability by at least 12 months should affect the classification of a liability. This also applies in the event of settlement within the (value) adjusting period.

Following other amendments dating from July 2020 that temporarily postponed the date at which the original amendments were to be applied for the first time from 1 January 2022 to 1 January 2023, the amendments were clarified by a further amendment to IAS 1 in October 2022. The latest amendment affects the classification of debts subject to covenants. As part of this amendment, the IASB also makes clear that covenants that must be fulfilled prior to the balance sheet date can affect whether debts are classified as current or non-current. Covenants that only have to be fulfilled after the balance sheet date, on the other hand, do not affect the classification. Instead of being taken into account as part of the classification procedure, these covenants should be disclosed in the Notes to the financial statements. This change is intended to help users of financial statements to assess the extent to which non-current liabilities might prove to be repayable within 12 months.

Amendments to IFRS 16: Lease Liability in a Sale and leaseback

The amendment to IFRS 16 affects the way lease liabilities from sale and leaseback transactions are recorded. It stipulates that, following a sale, a lessee must measure the lease liability such that they do not record any amount as profit or loss that relates to the retained right of use. The recently added paragraphs also include, among other things, a series of examples illustrating possible ways of complying with this requirement, especially in relation to variable lease payments.

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, 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 and/or transferred and the shares sold and/or received is recognised in retained earnings.

Joint arrangements and associated companies

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 included in the consolidated financial statements using the equity method. The joint arrangements within the Hapag-Lloyd Group currently include joint ventures only.

Companies in which Hapag-Lloyd Group is able to exert a significant influence over the business and financial policy (associated companies) are included in the consolidated financial statements using the equity method. Hapag-Lloyd is assumed to exert significant influence if Hapag-Lloyd AG directly or indirectly holds between 20% and 50% of the voting rights.

Where the comparison of the cost of acquiring the acquired shares with the proportional fair value of the acquired assets, liabilities and contingent liabilities at the acquisition date produces a positive difference, this difference is included as goodwill as part of the carrying value ascribed to the associated company or joint venture. A negative difference is recognised as revenue in the income statement under "Share of profit of equity-accounted investees."

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 121 (previous year: 133) companies are included in the consolidated financial statements for the 2022 financial year:

	Fully consolidated		Equity method		
	domestic	foreign	domestic	foreign	**Total**
31.12.2021	5	123	1	4	133
Additions	3	4	2	2	11
Disposal	1	22	0	0	23
31.12.2022	**7**	**105**	**3**	**6**	**121**

In the course of the 2022 financial year, four companies were added to the group of consolidated companies in connection with the acquisition of Deutsche Afrika-Linien GmbH & Co. KG (DAL). Particularly as a result of investments in terminal infrastructure, three fully consolidated and four equity-accounted consolidated companies have joined the group of consolidated companies. Six companies were liquidated during the financial year, 13 were merged with other Group companies, and four companies were de-consolidated because they were not significant in respect of the Group's net asset, financial and earnings position. These deconsolidations have not had any significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

The following companies are fully consolidated as Hapag-Lloyd AG has majority voting rights (despite a shareholding of 50% or less) 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 Cote d'Ivoire SAS	Abidjan	0.0
Hapag-Lloyd Ecuador S.A.	Guayaquil	45.0
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
Nile Dutch (Angola) – Agencia de Navegacao Lda.	Luanda	49.0

In addition, 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 of the company is held by Hapag-Lloyd AG.

Details of non-controlling interests can be found in Note (21).

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 (41).

Business acquisition

On 1 June 2022, Hapag-Lloyd acquired the container liner shipping business of Deutsche Afrika-Linien GmbH & Co. KG (DAL). As a container liner shipping company, DAL operated four liner services between Europe, South Africa and the Indian Ocean. As a result of the acquisition and takeover of the operating assets and employees belonging to the container liner shipping business, as well as the takeover of all shares and voting rights in agency companies, the entire DAL container liner shipping business was acquired. Africa is a key market for Hapag-Lloyd's strategic growth. By integrating DAL's container shipping business into the group, Hapag-Lloyd has further expanded its market position in Africa. The acquisition is particularly valuable with regard to the range of services it can provide to and from South Africa, as this allows Hapag-Lloyd to offer its customers an improved network and additional port coverage in the region.

A cash amount of EUR 176.1 million was transferred as consideration for the acquisition of the company.

Acquisition-related costs were incurred in the amount of EUR 1.7 million. These costs were recognised as other operating expenses and mainly result from consultancy fees.

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

million EUR	
Other intangible assets	21.7
Property, plant and equipment	141.2
Non-current assets	**162.9**
Inventories	1.7
Trade accounts receivable	13.7
Other assets and receivables	1.5
Cash and cash equivalents	6.3
Current assets	**23.2**
Total assets	**186.1**
Lease liabilities	3.2
Non-current liabilities	**3.2**
Other provisions	7.3
Financial debt	0.1
Lease liabilities	3.3
Trade accounts payable	14.3
Other liabilities	0.6
Current liabilities	**25.6**
Total liabilities	**28.8**
Acquired net assets attributable to Hapag-Lloyd AG shareholders	**157.3**
Consideration transferred	**176.1**
Goodwill	18.8

Goodwill (EUR 18.8 million) includes in particular non-separable intangible assets, such as employee expertise and synergies resulting from the optimisation of cargo.

In the course of the acquisition, receivables with a fair value of EUR 15.2 million were recognised, which equates to the gross values of the contractual receivables.

Since the acquisition date, revenue of EUR 49.1 million and earnings (EBIT) of EUR 12.0 million have been attributed to DAL. The calculation of these amounts was made until the gradual integration of the business into Hapag-Lloyd AG, taking into account the purchase price allocation.

Had the acquisition taken place on 1 January 2022 (pro forma analysis), Group revenue would have come to EUR 34,622.2 million and earnings (EBIT) would have totalled EUR 17,540.6 million. In calculating these amounts, it was assumed that the fair values at the time of acquisition would also have been valid if the acquisition had occurred on 1 January 2022. 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 DAL in fact been closed on 1 January 2022.

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 balance sheet 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	**31.12.2022**	31.12.2021	**2022**	2021
US dollar	1.06750	1.13180	1.05380	1.18330
British pound sterling	0.88352	0.84019	0.85494	0.86023
Chinese renminbi	7.43488	7.21581	7.09631	7.63139
Pakistani rupee	241.95421	199.76270	215.71833	192.26186

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	2–8

For intangible assets with indefinite useful lives, an annual check is carried out as to whether the assessment of an indefinite useful life can be maintained. Any changes in the 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.

Scheduled 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 below:

	Useful life in years
Buildings	40
Vessels	21–25
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 determined on the basis of their scrap values. 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 provisional 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 by one to five years. The rules for implementing these provisions have now been clarified, permitting these vessels to remain in use for longer. Therefore, these vessels are now to be decommissioned later than had been assumed in the previous year. Due to the individual extension of their useful life by one to three years, this improved EBIT both in the second half and for the 2022 financial year as a whole in the amount of EUR 77.0 million. The effect for Q4 2022 amounts to EUR 38.5 million. The effect will be reversed in the three complete consecutive financial years from 2023 onwards. 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 plus any initial direct costs. The right of use is amortised over the term of the lease and, in case of impairment, is reduced in accordance with this impairment. Please see the “New accounting standards” section for detailed information on the recognition of rights of use.

Impairment testing

Intangible assets with finite useful lives and property, plant and equipment are tested regularly for impairment if there are any indications of a possible need for impairment. Intangible assets with indefinite useful lives are tested for impairment if circumstances require, but at least annually at the end of the financial year. This test compares the recoverable amount of the asset to be tested 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 largely independently of other assets (cash-generating unit).

Container shipping in its entirety is defined as a cash-generating unit 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 section “Segment reporting”).

Goodwill is tested for impairment at least once a year. Impairment testing is also conducted if events or circumstances arise that indicate that the carrying amount could be impaired. Goodwill is tested for impairment at the level of the cash-generating unit “container shipping.”

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

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

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

The fair value is the price that independent market participants would pay at the reporting date under normal market conditions if the asset or cash-generating unit was sold. The value in use is determined by discounting the cash flows expected from future operational use as well as final 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 12 months or less, or (2), the subject of the lease is a low-value asset.

Leased items within the Hapag-Lloyd Group can be divided into the following substantive asset classes:

(1) Rented container vessels
(2) Rented containers
(3) Rented office buildings, office space and parking spaces

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, impairment and certain remeasurements of the lease liability due to modifications and reassessments.

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 three 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.

Hapag-Lloyd takes account of unilateral and bilateral rights of extension and termination in accordance with IFRS 16. In the case of unilateral rights of extension 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 on an individual basis taking account of economic factors 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 will be extended until such time as the disadvantages have been resolved. This assessment has significant effects on the amount of the lease liabilities and the right-of-use assets.

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, 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 lease back 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 lease back transactions). These sale and lease back transactions are used within the Hapag-Lloyd Group for (re-) financing of new and used container vessels and containers. Since, under the contractual bases for these transactions, Hapag-Lloyd has the right (and, in some cases, the obligation) to buy back the sold assets, the requirements of IFRS 15 regarding accounting for sales of transferred assets are regularly not fulfilled. Accordingly, Hapag-Lloyd continues to record transferred assets in its consolidated statement of financial position as well as a financial liability amounting to the proceeds of the transfer, in accordance with IFRS 9. Insofar as Hapag-Lloyd conducts sale and lease back 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 et seq.

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 under IFRS 9 (hedge accounting) but 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 2022 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 the 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 unconditional right to payment arises, starting from the handover of the goods to the transport agent.

Trade accounts receivable, a large part of other financial receivables as well as most financial instruments within 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 the term deposits with an original term of more than three months reported under other financial assets, there is a low credit risk at the reporting date due to the strong credit rating of the contracting banks. The expected credit losses are immaterial and are therefore not recognised. 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, these trade accounts receivable 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 credit losses 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 and a certain portion of cash and cash equivalents are recognised at fair value through profit and loss. These comprise securities, on the one hand, and long-term equity investments, on the other hand. Gains and losses from measurement of such financial instruments are recognised in the consolidated income statement as interest income and other financial income/interest expenses for the former, and in the result from investments for the latter.

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, short-term bank deposits and other short-term, highly-liquid investments with an original maturity of up to three months that are readily convertible to known cash amounts and are only subject to insignificant risk of changes in value. These investments also include money market funds and reverse repo transactions. Reverse repo transactions involve purchases of securities with an agreement to resell them at a fixed date in the future, including interest. Economically, they are investments collateralised by securities. Cash equivalents are held for the purpose of meeting short-term cash commitments.

Cash and cash equivalents, except for money market funds, are recognised at amortised cost. Interest income is recognised in the consolidated income statement under the item interest income and other finance income. Money-market funds are measured at fair value through profit and loss. Price gains and losses, as well as dividend income from money-market funds, are recognised in the consolidated income statement under the items interest income and other financial income or, respectively, interest expenses and other financial expenses.

Utilised overdraft facilities are not netted but reported 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 reporting date) 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. This is ensured 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 of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions. Hedging relationships in accordance with IFRS 9 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review.

Upon inception of a hedging relationship in accordance with IFRS 9, both the hedging relationships between the hedging instrument and the hedged item and between the risk management goal and the underlying strategy are documented. In addition, at the beginning of the hedging relationship and on a continual basis documentation is provided as to 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.

If the put option is not exercised, this is treated as a disposal of the anticipated shares by recognising the liability for the put option and recognising the non-controlling interests again.

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 in terms of the amount and timing of revenue recognition as revenue recognition based on 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 (28) 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 2022 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 2023 to 2027, 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 (28) 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 (29) Government assistance.

Application of discretionary decisions and estimates

The preparation of the consolidated financial statements requires the use of accounting estimates, which, by definition, rarely equal actual results. In addition, the application of the Group's accounting policies is also subject to the exercise of judgement by management. The following is an overview of issues involving a higher degree of judgement or complexity that are subject to material adjustment if the estimates and assumptions are revised within the next financial year. Detailed information of these estimates and judgements is provided in the other disclosures within the notes. This section also sets out the adjustments made in the course of this year as a result of changes to previous estimates. For further details on discretionary decisions that have an material effect on the determination of the amount and timing of contracts with customers, please refer to Note (1).

Discretionary decisions when determining the term of leases with extension and termination options and mutual cancellation rights

In the context of exercising extension and termination options for leases, discretionary decisions are made on the probability of exercising existing options. Hapag-Lloyd also assesses current market conditions and possible economic disadvantages in this regard. If, from an economic perspective, termination of agreements that include a mutual right of termination will not result in any significant disadvantages, the term of the agreement is determined after taking into account the termination notice period in the respective agreement and a possible transition period. If Hapag-Lloyd believes that there are significant disadvantages, this is taken into account when assessing the term of the agreement and the term will be extended until the disadvantages cease to exist.

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

For detailed explanations, see Note (32) Leasing.

Estimating the useful lives and residual values of property, plant and equipment

Useful lives and residual values for property, plant and equipment are estimated on the basis of past experience. The management regularly reviews the estimated useful lives and residual values for individual assets or groups of assets with similar characteristics based on changes in the quality of maintenance programmes, amended 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, the useful lives and residual values are being adjusted.

The estimation of residual values of container vessels is affected by uncertainties and fluctuations due to the long useful life of vessels, the uncertainties regarding future economic developments and the future price of steel, which is a significant parameter for determining the residual values of container vessels. As a rule, the residual value of a container vessel or a class of container vessels is determined by its scrap value. The scrap value is calculated on the basis of a container ship's empty weight and the average price of steel. The residual values of container ships are adjusted if the change in the residual value is significant as at the reporting date.

Disclosures of estimated useful lives and changes made to these estimates in the course of the financial year can be found in the "Accounting and measurement" section. The carrying amounts of property, plant and equipment are disclosed in Note (11) Property, Plant and Equipment.

Estimating obligations in relation to defined benefit pension plans

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.

For more detailed information, please see Note (22) Provisions for pensions and similar obligations.

Discretionary decisions in regard to the presentation of money market funds as cash equivalents

Hapag-Lloyd AG has invested liquid funds in money market funds. The money market funds have neither a limited term nor a fixed redemption amount. They are measured at fair value through profit or loss. Due to their specific features, the shares in the money market funds held by Hapag-Lloyd AG nevertheless meet the definition of cash equivalents and are therefore carried in the balance sheet and cash flow statement under cash and cash equivalents. This assessment was based, in case of money market funds, on an evaluation of relevant characteristics of the fund and the instruments held by the fund, such as volatility, yield, credit quality, maturity and diversification, although these assessments are partly subject to judgment.

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 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 container liner shipping segment. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

FIGURES AT COMPANY LEVEL

Transport volume per trade

TTEU	1.1.–31.12.2022	1.1.–31.12.2021
Atlantic	2,116	2,105
Transpacific	1,735	1,768
Far East	2,230	2,274
Middle East	1,514	1,557
Intra-Asia	634	608
Latin America	2,933	3,038
Africa	681	522
Total	**11,843**	**11,872**

Freight rates per trade

USD/TEU	1.1.–31.12.2022	1.1.–31.12.2021
Atlantic	2,948	1,808
Transpacific	3,835	2,746
Far East	3,134	2,479
Middle East	2,077	1,512
Intra-Asia	1,845	1,295
Latin America	2,718	1,745
Africa	2,549	1,997
Total (weighted average)	**2,863**	**2,003**

Revenue per trade

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Atlantic	5,920.5	3,215.5
Transpacific	6,314.8	4,103.7
Far East	6,634.1	4,763.6
Middle East	2,982.7	1,989.4
Intra-Asia	1,110.1	666.1
Latin America	7,565.2	4,480.8
Africa	1,646.6	880.7
Revenue not assigned to trades	2,368.7	2,173.6
Total	**34,542.7**	**22,273.5**

The item for revenue not assigned to trades mainly comprises income from demurrage and detention for containers, as well as income from charter rents and 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.–31.12.2022	1.1.–31.12.2021
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**19,428.7**	**10,852.6**
Depreciation and amortisation	–1,904.2	–1,462.8
EBIT	**17,524.5**	**9,389.8**
Earnings before taxes (EBT)	**17,243.2**	**9,146.3**
Share of profit of equity-accounted investees	**90.0**	**28.8**

Non-current assets

million EUR	31.12.2022	31.12.2021
Goodwill	1,712.1	1,597.2
Other intangible assets	1,540.4	1,510.1
Property, plant and equipment	13,140.2	11,764.8
Investments in equity-accounted investees	353.4	332.4
Total	**16,746.1**	**15,204.5**
thereof domestic	14,192.8	12,527.1
thereof foreign	2,553.3	2,677.4
Total	**16,746.1**	**15,204.5**

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, and amount to EUR 1,960.7 million (previous year: EUR 2,291.8 million).

There was no dependency on individual customers in the 2022 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 12,269.2 million to EUR 34,542.7 million in the 2022 financial year (prior year period: EUR 22,273.5 million), representing an increase of 55.1%.

This was primarily due to a increase in average freight rates of 42.2% compared with the previous year. The strengthening of the US dollar against the euro (measured by the average exchange rate) also caused revenue to increase. Adjusted for exchange rate movements, revenue would have risen by approximately EUR 9.5 billion, or 38.1%. 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 2022 financial year came to EUR 1,445.8 million (previous year: 545.7 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 can be seen 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 determination of performance progress is influenced by assumptions regarding the expected contribution margin for each transport. These assumptions are judgement-based.

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.–31.12.2022	1.1.–31.12.2021
Transport expenses for finished voyages	13,735.1	10,223.1
Bunker	2,984.6	1,678.2
Handling and haulage	6,617.3	5,389.0
Equipment and repositioning [1]	1,585.0	1,219.3
Vessel and voyage (excluding bunker) [1]	2,548.2	1,936.6
Change in transport expenses for pending voyages [2]	–4.4	100.2
Total	**13,730.7**	**10,323.3**

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.

Transport expenses rose by EUR 3,407.4 million in the 2022 financial year to EUR 13,730.7 million (prior year period: EUR 10,323.3 million). This represents an increase of 33.0%, which was primarily due to the higher bunker consumption price compared with the previous year, as well as a rise in container handling expenses. In addition, the stronger US dollar against the euro contributed to the increase in transport expenses. Adjusted for exchange rate movements, transport expenses would have risen by EUR 2.1 billion, or 18.5%.

Over the 2022 financial year, the average bunker consumption price for Hapag-Lloyd was USD 753/t, up USD 278/t (+58.5%) on the figure of USD 475/t for the prior year period. This led to an increase in fuel expenses of EUR 1,306.4 million to EUR 2,984.6 million (prior year period: EUR 1,678.2 million).

Container handling expenses rose by EUR 1,228.3 million over the reporting year to EUR 6,617.3 million (prior year period: EUR 5,389.0 million). This essentially resulted from increased demurrage and detention for containers due to partial congestion of port and hinterland infrastructure. In addition, a rise in expenses for the onward transportation of containers, mainly by feeder vessels, contributed to the increase.

Container and repositioning expenses increased year-on-year due to higher expenses for demurrage and detention for empty containers at port terminals and for repositioning them.

The increase in expenses for vessels and voyages (excluding fuel) resulted primarily from the rise in the percentage of vessels chartered 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 vessels.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2022 financial year came to 60.3% (prior year period: 53.7%).

(3) Personnel expenses

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Wages and salaries	831.6	679.0
Social security costs, pension costs and other benefits	150.3	131.0
Total	**982.0**	**810.0**

Personnel expenses rose by EUR 172.0 (21.2%) million to EUR 982.0 million in the first quarter of the 2022 financial year (prior year period: EUR 810.0 million). Increases in expenses in comparison to the previous year can be attributed to the special bonuses already paid for the 2022 financial year and the increased number of employees in the Hapag-Lloyd Group.

Adjusted for exchange rate movements, personnel expenses would have risen by EUR 72.4 million.

Pension costs include, among other things, expenses for defined benefit and defined contribution pension obligations. A detailed presentation of pension commitments is provided in Note (22) Provisions for pensions and similar obligations. Personnel expenses were effectively reduced by government assistance in the form of grants amounting to EUR 9.7 million (previous year EUR 14.5 million), which were recognised in profit and loss. For further details, please refer to Note (29) Government assistance.

The average number of employees was as follows:

	1.1.–31.12.2022	1.1.–31.12.2021
Marine personnel	1,842	1,963
Shore-based personnel	12,194	11,431
Apprentices	231	240
Total	**14,267**	**13,634**

(4) Depreciation, amortisation and impairment

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Scheduled amortisation/depreciation	1,903.6	1,465.6
Amortisation of intangible assets	92.9	83.4
Depreciation of property, plant and equipment	1,810.7	1,382.3
Reversal of impairments/Impairments	0.5	–2.8
Impairment of property, plant and equipment	0.5	8.6
Reversal of impairments on current assets held for sale	–	–11.4
Total	**1,904.2**	**1,462.8**

The amortisation of intangible assets largely concerned the customer base.

The scheduled 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 1,030.9 million (prior year period: EUR 712.8 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.–31.12.2022	1.1.–31.12.2021
Other operating income	**124.2**	**82.9**
Gains and losses from disposal of assets	64.7	12.5
Income from own cost capitalised	9.5	7.1
Miscellaneous operating income	50.0	63.4
Other operating expenses	**615.5**	**398.1**
IT and Communication expenses	253.4	209.8
Charges, fees, consultancy and other professional services	85.4	38.6
Training and other personnel expenses	43.6	24.9
Office and Administration expenses	40.4	29.0
Expenses for bad debt	39.2	22.8
Exchange rate gains/losses	33.0	7.3
Other taxes	30.1	16.7
Car and Travel expenses	15.9	6.7
Bank charges	9.2	6.0
Miscellaneous operating expenses	65.3	36.3
Total	**–491.3**	**–315.1**

Miscellaneous operating income comprises items that cannot be allocated to any of the items mentioned above. Income under this heading also includes other income from derecognition of expired liabilities.

Net exchange rate gains and losses are shown under other operating expenses and can be primarily attributed to exchange rate variations affecting assets and liabilities (excluding financial debt).

Miscellaneous operating expenses comprise items that cannot be allocated to any of the items mentioned above.

(6) Interest result

The interest result was as follows:

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Interest income and other finance income	**252.3**	**21.3**
Other interest and similar income	199.9	21.3
Other financial income	52.4	–
Interest expenses and other finance expenses	**226.7**	**243.3**
Net interest expenses from the valuation of pensions and similar obligations	3.9	2.7
Interest expenses for lease liabilities	89.0	70.3
Other interest and similar expenses	133.8	170.3
Other financial expenses	–	–
Effects from the result of embedded derivatives	**–3.0**	**–23.2**
Total	**22.6**	**–245.2**

Other interest and similar income are made up primarily of income from interest on money market transactions. This revenue increased in the reporting year, particularly as a result of significantly higher volume. Other financial income includes realised and unrealised price gains and distributions from money market funds. Other interest and similar expenses mainly comprise interest for bonds and loans as well as interest from other financial debt. The reduction in interest expenses in comparison to the prior year period can be attributed primarily to the interest saved as a result of paying off debts, along with the valuation and realisation effects associated with interest rate swaps.

The effects of the embedded derivative on results also had a positive impact on the interest result. This was due to the repayment of the euro-denominated bond the previous year.

For information on the interest expenses in relation to lease liabilities, please refer to Note (32) Leasing.

(7) Other financial items

The other financial items, which amounted to EUR –303.9 million, primarily comprise realised exchange rate effects arising from currency forward contracts for the euro dividends paid in May 2022, alongside the realised foreign currency losses from the corresponding dividend payment.

(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 2022 and 2021 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. Tax rates within the Group in 2022 ranged from 7.2% to 39.0% (previous year: 7.2% to 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.–31.12.2022	1.1.–31.12.2021
Actual income taxes	181.2	57.6
thereof domestic	108.1	17.5
thereof foreign	73.1	40.1
Deferred tax income/expenses	19.4	3.7
thereof from temporary differences	19.9	2.3
thereof from loss carry-forwards	–0.5	1.4
Total	**200.6**	**61.3**

The general increase in income taxes by EUR 139.3 million to EUR 200.6 million in the financial year is mainly due to higher current German income taxes of Hapag-Lloyd AG amounting to EUR 90.6 million. There was also an increase of EUR 33.0 million in foreign income taxes of Group companies as a result of the exceptionally positive general earnings situation. Furthermore, deferred tax liabilities of EUR 24.5 million were recognised for the first time in the financial year on an investment in a subsidiary, as future distributions of profits already retained in the country in which this subsidiary is domiciled will lead to a subsequent increase in the income tax burden. Significant offsetting effects in the financial year can be found in other deferred taxes on temporary differences of around EUR 7.5 million income.

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 EUR 90.6 million increase in domestic current income is mainly attributable to two effects. Firstly, there was a further increase in intra-Group dividend income at the level of Hapag-Lloyd AG in the financial year. Secondly, Hapag-Lloyd AG generated significant income from investments for the first time, which is not in the scope of tonnage profit calculation.

In addition, current income taxes include tax expenses relating to other periods amounting to EUR 2.5 million (prior year period: income of EUR 0.9 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 2022 and 2021 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 2022 ranged from 8.2% to 35.0% (previous year: between 8.3% and 34.9%).

The following table shows a reconciliation statement from the expected to the reported income tax expense. To calculate the expected tax expense, the Group profit is first divided between the result that falls under tonnage taxation and the result that is subject to regular taxation. The result that is subject to regular taxation is multiplied by the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

Reconciliation statement

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Earnings before taxes	17,243.2	9,146.3
thereof under tonnage tax	16,060.7	8,847.6
thereof under regular income tax	1,182.4	298.7
Expected income tax expense (+)/income (–) (tax rate 32.3%)	**381.6**	**96.4**
Difference between the actual tax rates and the expected tax rates	–222.0	–45.4
Changes in tax rate or tax law	–	0.2
Effects of income not subject to income tax	16.3	–5.4
Non-deductible expenses and trade tax additions and reductions	20.9	15.5
Effects from reassessments	21.5	–2.6
Effective tax expenses and income relating to other periods	2.5	–0.9
Tax effect from equity-acounted investees	–23.6	–17.4
Exchange rate differences	–1.8	8.8
Other differences	0.7	7.6
Income tax expense under regular income tax	**196.1**	**56.8**
Income tax expense under tonnage tax	4.5	4.5
Reported income tax expenses (+)/income (–)	**200.6**	**61.3**

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.

The position “Effects from reassessments” includes income of EUR 2.1 million (previous year: EUR 1.3 million) from the change in unrecognised corporate income tax loss carryforwards in Germany and abroad. Furthermore, EUR 0.5 million (prior year period: EUR 0.3 million) relates to the reduction in actual income taxes due to the utilization of previously unrecognised tax losses. Another significant deviation from the previous year’s effects is the first-time recognition of deferred tax liabilities on the balance sheet of a subsidiary in the amount of EUR 24.5 million. The reason for this is that future transfers of cash and cash equivalents from the subsidiary to Hapag-Lloyd will be possible through dividend distributions, which will trigger an additional tax burden in the country in which the subsidiary is domiciled.

The other differences include EUR 2.7 million in foreign withholding taxes for dividends, which are non-deductible (prior year period: EUR 5.1 million).

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

	31.12.2022		31.12.2021	
million EUR	Asset	Liabillity	Asset	Liabillity
Recognition and measurement differences for property, plant and equipment and other non-current assets	1.7	46.6	1.2	18.2
Recognition differences for receivables and other assets	2.4	1.9	1.6	0.8
Measurement of pension provisions	3.1	0.8	2.9	0.4
Recognition and measurement differences for other provisions	8.3	0.2	5.6	0.2
Other transactions	17.6	0.7	11.6	–0.3
Capitalised tax savings from recoverable loss carry-forwards	9.3	–	8.3	–
thereof utilised by tonnage tax base	–	–	–	–
Netting of deferred tax assets and liabilities	–9.4	–9.4	–5.2	–5.2
Balance sheet recognition	**33.0**	**40.8**	**26.0**	**14.1**

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

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**

million EUR	**As per 1.1.2022**	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	**As per 31.12.2022**
Recognition and measurement differences for property, plant and equipment and other non-current assets	–17.1	–27.2	–	–0.6	–44.9
Recognition differences for receivables and other assets	0.8	–0.4	–	0.1	0.5
Measurement of pension provisions	2.5	0.7	–1.0	0.1	2.3
thereof recognised directly in equity	3.4	–	–1.0	–	2.4
Recognition and measurement differences for other provisions	5.4	2.4	–	0.3	8.1
Other transactions	12.0	4.6	–	0.3	16.9
Capitalised tax savings from recoverable loss carry-frowards	8.3	0.5	–	0.5	9.3
Balance sheet recognition	**11.9**	**–19.4**	**–1.0**	**0.7**	**–7.8**

Deferred tax liabilities of EUR 24.8 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. The increase is based on a change in the future cash repatriation strategy at a subsidiary.

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 96.9 million (previous year: EUR 57.3 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 bring forward the tax losses for which no deferred tax assets were recognised are as follows:

million EUR	31.12.2022	31.12.2021
Loss carry-forwards for which deferred tax assets were recognised	**27.6**	**24.7**
Loss carry-forwards for which no deferred tax assets were recognised	**1,344.8**	**1,271.9**
thereof loss carry-forwards forfeitable in more than 5 years	–	0.1
Non-forfeitable loss carry-forwards	1,344.7	1,271.8
Total of unutilised loss carry-forwards	**1,372.4**	**1,296.6**

(9) Earnings per share

	1.1.–31.12.2022	1.1.–31.12.2021
Profit/loss attributable to shareholders in million EUR	17,030.1	9,074.7
Weighted average number of shares in million	175.8	175.8
Basic earnings per share in EUR	**96.89**	**51.63**

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 2022 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 1.1.2021	1,466.8	1,682.7	–	209.1	114.0	17.2	3,489.8
Addition from business combi-nation	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**
Historical cost							
As at 1.1.2022	1,597.2	1,825.1	–	226.8	130.1	23.5	3,802.8
Addition from business combi-nation	18.8	21.7	–	–	–	–	40.5
Additions	–	–	–	–	0.3	10.0	10.3
Disposals	–	–	–	–	0.9	–	0.9
Transfers	–	–	–	–	11.7	–11.7	–
Exchange rate differences	96.1	110.0	–	13.7	7.7	1.4	228.8
As at 31.12.2022	**1,712.1**	**1,956.8**	**–**	**240.5**	**148.9**	**23.3**	**4,081.6**
Accumulated amortisation							
As at 1.1.2022	–	575.3	–	–	120.2	–	695.5
Additions	–	88.0	–	–	5.0	–	92.9
Disposals	–	–	–	–	0.1	–	0.1
Exchange rate differences	–	33.5	–	–	7.2	–	40.7
As at 31.12.2022	**–**	**696.8**	**–**	**–**	**132.3**	**–**	**829.0**
Carrying amounts 31.12.2022	**1,712.1**	**1,260.1**	**–**	**240.5**	**16.6**	**23.3**	**3,252.5**

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,712.1 million (previous year: EUR 1,597.2 million) and the Hapag-Lloyd brand in the amount of EUR 240.5 million (previous year: EUR 226.8 million).

At the end of the 2022 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 (use of the unadjusted quoted share price of Hapag-Lloyd AG and an unadjusted quoted 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 “Container shipping” cash-generating unit must be assigned to level 2, because level 2 corresponds to the lowest input considered significant for the overall measurement.

As at the reporting date, the fair value less costs of disposal exceeded the carrying amounts of the cash-generating unit “container shipping”, so that no impairment had to be recognised.

Development expenses in the financial year totalled EUR 62.0 million (prior year period: EUR 43.3 million). Investments in internally generated intangible assets requiring capitalisation in 2022 amounted to EUR 10.2 million (previous year: EUR 7.3 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 1.1.2021	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 as 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**
Historical cost					
As at 1.1.2022	11,976.2	5,033.6	463.5	381.9	17,855.2
Addition from business combination	104.3	–	36.9	–	141.2
Additions	1,594.4	296.8	84.8	474.7	2,450.7
Disposals	234.5	157.2	63.6	–	455.4
Transfers	48.5	–	1.3	–49.8	–
Exchange rate differences	701.6	301.4	21.3	17.5	1,041.8
As at 31.12.2022	**14,190.5**	**5,474.5**	**544.2**	**824.4**	**21,033.6**
Accumulated depreciation					
As at 1.1.2022	4,085.8	1,783.2	221.5	–	6,090.4
Additions	1,321.2	444.5	51.5	–	1,817.2
Impairments	–	–	0.5	–	0.5
Impairments	–	–	5.8	–	5.8
Disposals	214.1	111.2	30.6	–	355.8
Exchange rate differences	231.7	103.1	12.1	–	346.9
As at 31.12.2022	**5,424.6**	**2,219.6**	**249.2**	**–**	**7,893.4**
Carrying amounts 31.12.2022	**8,765.8**	**3,254.9**	**295.0**	**824.4**	**13,140.2**

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 4,847.1 million as at the reporting date (previous year: EUR 4,618.0 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 investment class in the financial year are presented in Note (32) Leases.

Capitalisation of borrowing costs

During the 2022 financial year, borrowing costs of EUR 17.2 million (previous year: EUR 3.9 million) 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 4.2% p.a. for the 2022 financial year (previous year: between 3.2% and 3.6% p.a.).

Directly attributable borrowing costs of EUR 1.0 million (previous year: EUR 0.3 million) were also capitalised during the 2022 financial year. The interest rate of the corresponding loans is 2.5% p.a., as in the previous year.

(12) Investments in equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2022.

		Proportion of ownership in the group (in %)	
Name of the company	Registered office	2022	2021
Joint venture			
Consorcio Naviero Peruano S.A.	Lima	47.93	47.93
Texas Stevedoring Services LLC	Wilmington	50.00	50.00
Eurogate Container Terminal Wilhelmshaven GmbH & Co. KG	Wilhelmshaven	30.00	–
Rail Terminal Wihelmshaven GmbH	Wilhelmshaven	50.00	–
Damietta Alliance Container Terminals S.A.E.	Damietta	39.00	–
Associated companies			
Hapag-Lloyd Lanka (Pvt) Ltd	Colombo	40.00	40.00
HHLA Container Terminal Altenwerder GmbH	Hamburg	25.10	25.10
Djibouti Container Services FZCO	Djibouti	19.06	19.06
EA Technologies FZCO	Dubai	61.59	–

Joint ventures

In April 2022, Hapag-Lloyd Group acquired 30% of the shares in Eurogate Container Terminal Wilhelmshaven GmbH & Co. KG, known for short as CTW. This company is a Wilhelmshaven-based joint venture specialising in investments in the superstructure of Eurogate Container Terminal and all activities associated with operating the terminal. The cost of acquisition primarily relate to incoming payments to Hapag-Lloyd AG. The value of the shares is initially recognised at the net fair value of the identifiable assets and liabilities. The initial recognition is preliminary because the assets and liabilities have not yet been conclusively valued. The preliminary difference (EUR 49.5 million) calculated between the initially recognised value of the shares and the lower cost of acquisition has been recognised as an income which is reflected under “Share of profit of equity-accounted investees”.

In addition, Hapag-Lloyd Group also holds 50% shares in Rail Terminal Wilhelmshaven (RTW), which operates the railhead at Eurogate Container Terminal Wilhelmshaven and is responsible for loading and unloading wagons.

Hapag-Lloyd Group also has 39% shares in Damietta Alliance Container Terminals S.A.E, which was founded in December 2022 and is based in Damietta, Egypt. In the future, the company will operate a container terminal that is currently under construction in the port of Damietta.

All the new companies in which Hapag-Lloyd Group holds shares provide container logistics and terminal services on behalf of Hapag-Lloyd Group.

Proportionate cumulative losses for equity-accounted joint ventures amounted to EUR 0.1 million (prior year period: EUR –0.5 million) in the financial year.

Associated companies

In October 2022, Hapag-Lloyd Group acquired a 61.59% share in EA Technologies FZCO, Dubai Silicon Oasis, UAE. Together with its affiliate ODeX india Solutions Private Ltd, it offers a digital accounting, electronic payments and delivery documentation platform to customers in the shipping industry. The shareholder agreements stipulate that significant decisions regarding company and financial policy require qualified majorities in excess of the proportion of shares held by Hapag-Lloyd. Therefore, despite holding a majority stake of 61.59%, Hapag-Lloyd is deemed to exert significant influence over the company.

The Hapag-Lloyd Group continues to exert significant control over Djibouti Container Services FZCO, Djibouti, as its share of voting rights in the group is 21.25%.

HHLA Container Terminal Altenwerder GmbH provides terminal services for the Hapag-Lloyd Group. Financial information for this significant equity-accounted investee reported in the statement of financial position (100% values and therefore not adjusted to the percentage held) is contained in the following table:

	HHLA Container Terminal Altenwerder GmbH	
million EUR	2022	2021
Statement of comprehensive income		
Revenues	308.0	297.0
Annual result	84.1	95.0
Dividend payments to Hapag-Lloyd Group	–33.4	–24.6
Balance sheet		
Current assets	187.0	108.2
Non-current assets	92.5	81.5
Current liabilities	38.2	37.6
Non-current liabilities	76.8	71.7
Net assets	**164.5**	**80.4**
Group share in net assets	41.3	20.2
Goodwill	276.8	276.8
Pro-rata share of current financial year's profit	–	27.5
Disproportionate share of profit	16.6	–
Result related to other period	–0.9	5.0
Carrying amount of the participation at the end of the financial year	**333.8**	**329.5**

The equity-accounted share of the joint venture and the associated companies has changed as follows:

	HHLA Container Terminal Altenwerder GmbH		Non-material associated companies		Joint Venture	
million EUR	2022	2021	2022	2021	2022	2021
Participation 1.1.	**329.5**	**326.5**	**2.3**	**2.0**	**0.5**	**0.7**
Additions from acquisition of investments	–	–	15.0	–	1.3	–
Disposals	–	–	–	–	–	–
Pro-rata share of earnings after taxes	37.7	27.5	2.4	1.5	0.2	–0.2
Dividend payments	–33.4	–24.6	–1.7	–1.3	–	–
Exchange rate differences	–	–	–0.7	0.1	0.2	–
Participation 31.12.	**333.8**	**329.5**	**17.3**	**2.3**	**2.2**	**0.5**

(13) Trade accounts receivable and other financial assets

	31.12.2022		31.12.2021	
million EUR	Total	Remaining term more than a year	Total	Remaining term more than a year
Trade accounts receivable	**2,895.0**	**–**	**2,999.2**	**–**
Other financial assets	**3,116.9**	**49.9**	**252.7**	**15.6**
Investments and securities	14.8	14.8	7.6	7.6
Receivables relating to offset or advanced payments	111.4	–	129.0	–
Receivables from loans and other financial receivables	5.4	4.7	4.5	4.4
Receivables from insurance compensation	71.5	25.3	51.0	–
Receivables from deposits and prepayments	14.7	3.9	12.0	3.4
Time deposits	2,787.8	–	–	–
Interest receivables	57.6	–	0.7	–
Sundry financial assets	53.7	1.2	47.9	0.2
Total financial assets	**6,011.9**	**49.9**	**3,252.0**	**15.6**

As at 31 December 2022, in relation to vessel financing, there were assignments on earnings of a type customary on the market for trade accounts receivable resulting from revenue.

In addition to this, trade accounts receivable were pledged as part of the programme to securitise receivables. These kinds of receivables have not been derecognised by the Group, but are held according to the business model in order to collect contractual cash flows (held to collect).

Other financial assets are primarily comprised of fixed-term deposits with an initial term of over three months.

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 6,050.5 million as at 31 December 2022 (previous year: EUR 3,274.0 million) and are mostly exposed to a low to medium credit risk. As at the reporting date, gross carrying amounts of EUR 253.2 million (previous year: EUR 311.2 million) were credit-impaired or exposed to high credit risk. EUR 957.6 million (previous year: EUR 432.9 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	31.12.2022	31.12.2021
Trade accounts receivable and other financial assets		
Not overdue	5,502.1	2,905.6
Overdue up to 30 days	299.9	223.2
Overdue between 31 and 90 days	121.9	88.8
Overdue for more than 90 days	126.5	56.4
Gross carrying amount	**6,050.5**	**3,274.0**
Loss allowance	–54.1	–29.6
Carrying amount	**5,996.4**	**3,244.4**

Loss allowances

The loss allowances on trade accounts receivable and on other financial assets that fall within the scope of impairments under IFRS 9 developed as follows:

million EUR	2022	2021
Loss allowances on trade accounts receivable and other financial assets		
Loss allowances as of 1.1.	**29.6**	**27.6**
Utilisation	0.9	4.8
Impairment losses	23.9	4.5
Change of translation reserve	1.5	2.3
Loss allowances as of 31.12.	**54.1**	**29.6**

Loss allowances as at 31 December 2022 are EUR 54.1 million, of which EUR 48.6 million are attributable to credit-impaired receivables (previous year: EUR 24.3 million).

(14) Other non-financial assets

million EUR	31.12.2022 Total	31.12.2022 Remaining term more than a year	31.12.2021 Total	31.12.2021 Remaining term more than a year
Other non-financial assets				
Claims arising from the refund of other taxes	75.4	0.6	80.9	0.6
Commitment fees for loans	22.5	13.8	19.9	17.7
Prepaid expenses	42.2	1.1	32.4	0.7
Sundry non-financial assets	15.1	7.1	3.2	1.0
Total	**155.2**	**22.7**	**136.4**	**20.0**

(15) Derivative financial instruments

million EUR	31.12.2022 Total	31.12.2022 Remaining term more than a year	31.12.2021 Total	31.12.2021 Remaining term more than a year
Receivables from derivative financial instruments	42.8	37.3	12.7	12.5
thereof derivatives in hedge accounting [1]	42.4	36.8	9.6	9.3
thereof derivatives not included in hedge accounting	0.4	0.4	3.2	3.2

[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.

Derivative financial instruments are shown at fair value (market value). They serve to hedge currency risks and interest rate risks in the area of financing. This item also contains embedded derivatives in the form of buy-back options from the issued bond. A detailed description of the derivative financial instruments follows within the explanation of the financial instruments (Note (28)).

(16) Inventories

The inventories were as follows:

million EUR	31.12.2022	31.12.2021
Raw materials and supplies	437.4	332.4
Prepayments	2.5	4.8
Total	**440.0**	**337.2**

Raw materials, consumables and supplies primarily comprised fuel inventories, which rose from EUR 329.9 million in the previous year to EUR 434.7 million due to price.

Expenses of EUR 2,984.6 million for fuels were recognised in the reporting period (prior year period: EUR 1,678.2 million). Impairments for fuel inventories in the amount of EUR 15.2 million were also recognised as expenses in the financial year (prior year period: EUR 0.5 million). No write-backs were recognised.

(17) Cash and cash equivalents

million EUR	31.12.2022	31.12.2021
Cash on hand, cheques, demand deposits and overnights	647.5	1,435.7
Term deposits with up to 3-month-term	5,140.6	6,287.7
Reverse repo transactions	4,683.8	–
Money market funds	4,764.2	–
Total	**15,236.1**	**7,723.4**

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 51.6 million (previous year: EUR 22.4 million) at individual subsidiaries. These funds are not readily available to Hapag-Lloyd AG or its other subsidiaries for general use.

Demand deposits include an amount of EUR 13.7 million (previous year: EUR 9.8 million) subject to usage restrictions arising from contractual agreements with third parties. Although this amount can be called up from the bank at any time without penalty, Hapag-Lloyd is obliged by contractual obligations to keep a total amount of EUR 13.7 million in certain demand deposits as collateral for lending banks.

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

(18) Subscribed capital and capital reserves

As at 31 December 2022, 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 was 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). The authorised capital that had not been used by the end of the previous year, amounting to EUR 11.3 million, lapsed in the 2022 financial year.

(19) Retained earnings

Retained earnings essentially comprise earnings from the financial year and previous years as well as reclassifications from the capital reserves.

Dividend distribution 2022

On 31 May 2022, a dividend of EUR 35.00 (previous year EUR 3.50) per dividend-eligible individual share was paid out to the shareholders of Hapag-Lloyd AG, amounting to a total payment of EUR 6,151.6 million (previous year: EUR 615.2 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 the profit of EUR 3,439.8 million carried forward from 2021 and an annual net profit of EUR 17,565.2 million, the annual financial statements of Hapag-Lloyd AG reported retained earnings of EUR 21,005.0 million. A proposal will be made at the Annual General Meeting that the retained earnings be used to pay a dividend of EUR 63.00 per dividend-eligible share and after the distribution in the total amount of EUR 11,072.9 million the remaining profit of EUR 9,932.1 million be carried forward to the subsequent year.

(20) 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 hedging costs and the translation reserve.

The reserve for remeasurements from defined benefit pension plans (31 December 2022: EUR –33.8 million (31 December 2021: EUR –149.6 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 2022 financial year resulted in a decrease of EUR 115.8 million in the negative reserve (prior year period: EUR 53.7 million).

The reserve for cash flow hedges contains changes in the cash component of currency forward contracts and changes in the market value of interest rate swaps that are recognised in other comprehensive income and amounted to EUR 39.0 million as at 31 December 2022 (31 December 2021: EUR –0.1 million). In the 2022 financial year, resulting gains and losses totalling EUR 19.0 million were recognized in other comprehensive income as the effective portion of the hedging relationship (prior year period: EUR –5.2 million), while gains and losses totaling EUR 20.6 million (prior year period: EUR 35.8 million) were reclassified and recognised through profit or loss.

The reserve for costs of hedging contains changes in the forward component of currency forward contracts that are recognised in other comprehensive income and amounted to EUR 1.5 million as at 31 December 2022 (31 December 2021: EUR 0.6 million). In the 2022 financial year, the resulting gains and losses totalling EUR –2.9 million were recognised in other comprehensive income (prior year period: EUR –2.8 million), while gains and losses of EUR 3.8 million (prior year period: EUR 3.2 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR 1,626.3 million (31 December 2021: EUR 876.7 million) includes differences from currency translation. The differences from currency translation of EUR 750.3 million (prior year period: 919.7 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.

(21) 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 2022 financial year.

(22) 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. With one exception, serving Executive Board members do not receive any commitments for a company defined-benefit pension. 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	31.12.2022	31.12.2021
Domestic defined benefit obligations		
Net present value of defined benefit obligations	192.1	276.6
Less fair value of plan assets	8.7	9.8
Deficit (net liabilities)	**183.4**	**266.8**
Foreign defined benefit obligations		
Net present value of defined benefit obligations	142.2	209.1
Less fair value of plan assets	110.2	155.3
Deficit (net liabilities)	**32.0**	**53.7**
Total	**215.4**	**320.6**

Composition and management of plan assets

The Group’s plan assets are as follows:

million EUR	31.12.2022	31.12.2021
Equity instruments		
with quoted market price in an active market	21.4	36.2
without quoted market price in an active market	1.3	1.5
Government bonds		
with quoted market price in an active market	29.7	25.1
Corporate bonds		
with quoted market price in an active market	3.4	20.8
Other debt instruments		
(other) asset-backed securities		
with quoted market price in an active market	0.9	6.0
Derivatives		
with quoted market price in an active market	16.0	6.4
without quoted market price in an active market	5.8	6.5
Pension plan reinsurance	8.5	9.8
Real estate	0.9	1.6
Cash and cash equivalents	4.5	18.0
Other	26.3	33.2
Fair value of plan assets	**118.9**	**165.1**

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 12 years, low-risk investment forms are chosen, e.g. fixed-interest or index-linked government and corporate bonds. For any other obligations falling due, investments are made in forms with a higher risk, but which have a greater expected return.

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

The financing conditions in the United Kingdom are set by the regulatory body for pensions together with the corresponding laws and regulations. Accordingly, a valuation is carried out in line with local regulations every 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	2022	2021
Net present value of defined benefit obligations as at 1.1.	**485.7**	**523.8**
Current service cost	11.6	13.8
Interest expenses	7.0	4.8
Remeasurements:		
Gains (–)/losses (+) from changes in demographic assumptions	–1.4	–4.8
Gains (–)/losses (+) from changes in financial assumptions	–165.1	–48.0
Gains (–)/losses (+) from changes due to experience	8.2	–2.2
Past service cost	0.5	0.6
Contributions by plan participants	0.8	0.5
Benefits paid	–11.8	–11.3
Exchange rate differences	–1.2	8.3
Disposals from change in the group of consolidated companies	0.2	0.2
Net present value of defined benefit obligations as at 31.12.	**334.3**	**485.7**

The weighted average maturity of defined benefit obligations was 15.7 years as at 31 December 2022 (previous year: 20.0 years).

Development of the fair value of the plan assets

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

million EUR	2022	2021
Fair value of plan assets as at 1.1.	**165.1**	**138.6**
Interest income	3.1	2.1
Return and losses on plan assets (excluding interest income)	–44.2	3.5
Employer contributions	2.6	19.3
Contributions by plan participants	0.1	0.1
Benefits paid	–5.3	–5.0
Exchange rate differences	–2.6	6.3
Disposals from change in the group of consolidated companies	–	0.2
Fair value of plan assets as at 31.12.	**118.9**	**165.1**

Net pension expenses

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

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Current service cost	11.6	13.8
Interest expenses	7.0	4.8
Interest income	–3.1	–2.1
Past service cost	0.5	0.6
Net pension expenses	**15.9**	**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.–31.12.2022	1.1.–31.12.2021
Personnel expenses	12.1	14.4
Interest expenses (+)/interest income (–)	3.9	2.7
Total	**15.9**	**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	2022	2021
Discount factors	3.60	1.10
Expected rate of pension increases	2.20	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	2022	2021
Discount factors for pension obligations		
United Kingdom	4.80	1.65
Netherlands	3.60	1.10
Mexiko	9.42	8.19
Expected rate of pension increases		
United Kingdom	2.77	2.84
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 116.8 million before tax as at 31 December 2022 for the 2022 financial year (previous year: EUR 57.5 million) and can be broken down as follows:

million EUR	31.12.2022	31.12.2021
Actuarial gains (+)/losses (–) from		
Changes in demographic assumptions	1.4	4.8
Changes in financial assumptions	165.1	48.0
Changes from experience	–8.2	2.2
Return on plan assets (excluding interest income)	–44.2	3.5
Exchange rate differences	2.6	–0.9
Remeasurements	**116.8**	**57.5**

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR –33.8 million as at 31 December 2022 (previous year: EUR –149.6 million).

Future contribution and pension payments

For 2023, the Group is planning to make contributions to pension plan assets amounting to EUR 0.9 million (previous year: EUR 1.1 million). Payments for unfunded pension plans in 2023, including employee termination costs, are anticipated in the amount of EUR 7.4 million (previous year: EUR 6.7 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 2022:

million EUR	Δ Present value 31.12.2022	Δ Present value 31.12.2021
Discount factor 0.8% points higher	–37.1	–67.8
Discount factor 0.8% points lower	45.2	82.7
Expected rate of pension increase 0.2% higher	6.3	11.5
Expected rate of pension increase 0.2% lower	–6.0	–11.1
Life expectancy 1 year longer	9.6	17.7

The sensitivity calculations are based on the average maturity of pension provisions determined as at 31 December 2022. In order to present the effects on the present value of pension provisions as at 31 December 2022 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 2022, expenses incurred in connection with defined contribution plans totalled EUR 45.8 million (previous year: EUR 36.9 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.

(23) Other provisions

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

million EUR	As per 1.1.2021	Addition from business com-bination	Utili-sation	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
Insurance premiums	9.4	–	3.6	3.7	15.0	0.9	18.1
Provisions for other taxes	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**

million EUR	**As per 1.1.2022**	Addition from business com-bination	Utili-sation	Release	Addition	Exchange rate differences	**As per 31.12.2022**
Risks from pending transactions	227.7	–	237.0	–	325.5	12.6	328.7
Personnel costs	214.4	0.1	158.3	7.5	194.6	7.5	250.8
Guarantee, warranty and liability risks	120.6	–	31.8	–	51.0	7.0	146.8
Provisions for other taxes	18.1	–	7.1	1.4	9.7	1.1	20.4
Insurance premiums	10.3	–	1.0	–	7.2	0.5	17.0
Restructuring	26.0	–	11.7	4.4	–	0.8	10.6
Other provisions	82.9	2.1	5.8	2.4	193.0	1.4	271.3
Other provisions	**699.9**	**2.3**	**452.7**	**15.8**	**780.8**	**31.0**	**1,045.6**

The risks from pending transactions 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 (34). 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 53.9 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:

	31.12.2022				31.12.2021			
	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	328.7	327.8	0.9	–	227.7	226.7	1.0	–
Personnel costs	250.8	221.1	20.0	9.7	214.4	184.5	18.6	11.3
Guarantee, warranty and liability risks	146.8	102.9	42.7	1.3	120.6	64.5	53.2	2.9
Provisions for other taxes	20.4	20.4	–	–	18.1	18.1	–	–
Insurance premiums	17.0	17.0	–	–	10.3	10.3	–	–
Restructuring	10.6	10.6	–	–	26.0	26.0	–	–
Other Provisions	271.3	264.9	4.3	2.1	82.9	68.6	7.3	6.9
Other Provisions	**1,045.6**	**964.6**	**67.9**	**13.1**	**699.9**	**598.6**	**80.1**	**21.1**

(24) Financial debt and lease liabilities

	31.12.2022				31.12.2021			
	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	2,776.7	457.3	1,657.4	662.0	3,074.1	502.0	1,638.7	933.4
Liabilities to banks[1]	1,604.5	302.1	1,202.1	100.3	1,902.5	402.0	1,249.4	251.1
Bonds	300.9	1.5	–0.5	300.0	300.8	1.5	–0.5	299.8
Other financial debt	871.3	153.6	455.8	261.8	870.7	98.5	389.8	382.5
Lease liabilities	2,660.1	934.7	1,430.4	295.0	2,423.1	856.7	1,458.3	108.1
Total	**5,436.8**	**1,392.0**	**3,087.8**	**957.0**	**5,497.2**	**1,358.6**	**3,097.0**	**1,041.5**

[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	31.12.2022	31.12.2021
Denoted in USD (excl. transaction costs)	4,949.3	5,055.6
Denoted in EUR (excl. transaction costs)	410.9	402.1
Denoted in other currencies (excl. transaction costs)	92.9	67.0
Interest liabilities	12.3	11.2
Transaction costs	–28.6	–38.7
Total	**5,436.8**	**5,497.2**

Financial debt includes liabilities to banks, bonds and other financial debt. Leasing liabilities include liabilities in the form of leases.

Liabilities to banks and other financial debt

Liabilities to banks and other financial debt primarily comprise loans and sale and leaseback agreements that are accounted for as loans to finance the fleet of vessels and containers.

Significant elements of the liabilities to banks are collateralised with vessel mortgages. Additional collateral includes mortgages associated with the Balindamm premises.

Within the scope of its order for the manufacturing and delivery of six large container ships, each with a size of 23,660 TEU and which are expected to be delivered between June 2023 and February 2024, 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 build agreement up until delivery of the container vessels. In the third and fourth quarters of 2022, the second tranche of the construction period loan totalling EUR 49.5 million was drawn for these three vessels. 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 on the part of any banks.

Overall, such sale and leaseback transactions of this kind resulted in liabilities to banks totalling EUR 1,068.9 million as at the reporting date (previous year: EUR 1,273.4 million) and other financial debt totalling EUR 861.6 million (previous year: EUR 860.7 million).

Bonds

During the previous year, 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.

Lease liabilities

Details of lease liabilities within the Hapag-Lloyd Group are given in Note (32) Leases.

Credit facilities

The Hapag-Lloyd Group had total unused credit lines of EUR 679.2 million as at 31 December 2022 (31 December 2021: EUR 516.9 million).

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

	Financial debt				Liabilities (+)/assets (–) from derivative financial instruments in hedge accounting		
million EUR	Liabilities to banks	Bonds	Other finacial liabilities	Lease liabilities	Forward exchange contracts	Interest rate swaps	Total
As at 1 January 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.

million EUR	Financial debt: Liabilities to banks	Financial debt: Bonds	Financial debt: Other finacial liabilities	Lease liabilities	Liabilities (+)/assets (–) from derivative financial instruments in hedge accounting: Foward exchange contracts	Liabilities (+)/assets (–) from derivative financial instruments in hedge accounting: Interest rate swaps	Total
As at 1 January 2022	**1,902.5**	**300.8**	**870.7**	**2,423.1**	**16.0**	**1.3**	**5,514.4**
Changes of liabilities from financing cash flows							
Payments received from raising financial debt	0.1	–	46.7	–	–	–	46.8
Payments made for redemption of financial debt	–427.0	–	–103.4	–	–	–	–530.4
Payments made for redemption of lease liabilities	–	–	–	–1,055.3	–	–	–1,055.3
Payments received (+)/ made (–) from hedges for finacial debt	–	–	–	–	–279.3	–0.7	–280.0
Payments made for interest and fees	–72.4	–7.3	–40.6	–89.0	–	–	–209.3
Total cash-effective changes of liabilities from financing cash flows	**–499.3**	**–7.3**	**–97.3**	**–1,144.3**	**–279.3**	**–0.7**	**–2,028.2**
Effect of changes in exchange rates	115.6	0.1	60.5	140.1	0.7	0.6	317.6
Changes in fair value	–	–	–	–	297.5	–41.5	256.0
Other changes [1]	85.8	7.3	37.4	1,241.2	–	–	1,371.7
As at 31 December 2022	**1,604.6**	**300.9**	**871.3**	**2,660.1**	**34.9**	**–40.3**	**5,431.5**

[1] The other changes to lease liability can be attributed primarily to current income from IFRS 16 amounting to EUR 1,188.4 million.

(25) Trade payables and other financial liabilities

million EUR	31.12.2022 Total	31.12.2022 Remaining terms up to 1 year	31.12.2022 Remaining terms 1–5 years	31.12.2022 Remaining terms more than 5 years	31.12.2021 Total	31.12.2021 Remaining terms up to 1 year	31.12.2021 Remaining terms 1–5 years	31.12.2021 Remaining terms more than 5 years
Trade accounts payable	**2,615.7**	**2,615.7**	**–**	**–**	**2,323.9**	**2,323.9**	**–**	**–**
Other financial liabilities	**177.2**	**177.2**	**–**	**–**	**138.6**	**136.6**	**1.9**	**0.2**
Other liabilities to employees	3.2	3.2	–	–	2.9	2.7	–	0.2
Liabilities from offsetting or overpayment	43.7	43.7	–	–	33.9	33.9	–	–
Put option	–	–	–	–	1.8	–	1.8	–
Sundry financial liabilities	130.2	130.2	–	–	99.9	99.9	–	–
Total financial liabilities	**2,792.9**	**2,792.9**	**–**	**–**	**2,462.5**	**2,460.4**	**1.9**	**0.2**

(26) Contract and other non-financial liabilities

million EUR	31.12.2022 Total	31.12.2022 Remaining terms up to 1 year	31.12.2022 Remaining terms 1–5 years	31.12.2022 Remaining terms more than 5 years	31.12.2021 Total	31.12.2021 Remaining terms up to 1 year	31.12.2021 Remaining terms 1–5 years	31.12.2021 Remaining terms more than 5 years
Contract liabilities	**952.9**	**952.9**	**–**	**–**	**1,445.8**	**1,445.8**	**–**	**–**
Other non-financial liabilities	**81.4**	**81.2**	**0.2**	**–**	**35.8**	**34.5**	**1.1**	**0.1**
Other liabilities as part of social security	25.6	25.6	–	–	16.9	15.7	1.1	0.1
Other liabilities from other taxes	54.9	54.9	–	–	16.8	16.8	–	–
Prepaid income	0.9	0.7	0.2	–	1.8	1.8	–	–
Sundry non-financial liabilities	–	–	–	–	0.2	0.2	–	–
Total non-financial liabilities	**1,034.3**	**1,034.1**	**0.2**	**–**	**1,481.5**	**1,480.3**	**1.1**	**0.1**

(27) Derivate financial instruments

million EUR	31.12.2022 Total	31.12.2022 Remaining term more than 1 year	31.12.2021 Total	31.12.2021 Remaining term more than 1 year
Liabilities from derivative financial instruments	37.0	–	27.1	25.9
thereof derivatives in hedge accounting [1]	37.0	–	27.1	25.9

[1] The market values of the non-designated forward components, the changes of which are recognised in the reserve for cost of hedging, are also recognised.

Liabilities from derivative financial instruments are solely the result of currency forward contracts. A detailed description of the derivative financial instruments follows within the explanation of the financial instruments (Note (28)).

(28) Financial instruments

Financial risks and risk management

Risk management principles

The Hapag-Lloyd Group's global business activity exposes it to market risks. The market risks include, in particular, currency risk, fuel price risk and interest rate risk. The objective of financial risk management is to reduce market risks. For this purpose, selected derivative financial instruments are deployed at Hapag-Lloyd AG; these are used solely as an economic hedging measure and not for trading or other speculative purposes.

In addition to market risks, the Hapag-Lloyd Group is subject to liquidity risks and default risks, which reflect the risk of the Group itself, or one of its contractual partners, being unable to meet its contractually agreed payment obligations.

The basic features of financial risk management have been established and described in a financial management guideline approved by the Executive Board. The guideline stipulates areas of responsibility, describes the framework for action and the reporting function, and establishes the strict separation of trading and handling with binding force.

The derivative financial instruments used to limit market risks are acquired only through financial institutions with first-rate creditworthiness. The hedging strategy is approved by the Executive Board of Hapag-Lloyd AG. Implementation, reporting and ongoing financial risk management are the responsibility of the Treasury department. The derivative financial instruments employed to reduce market risks are consistent with the payment dates and the relevant risks ("Underlying") of the hedged items. Accordingly, the financial instruments designated as cash flow hedges serve to hedge the cash flows, and, as a result, increase financial security. Accounting for the hedging relationships leads to a reduction in the volatility reported in the consolidated income statement, as the effect of the hedged item on profit or loss is matched by the corresponding opposite change in the fair value of the hedging instrument in the same reporting periods in the same line items of the income statement.

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

The causes of the existing market price risks to which the Hapag-Lloyd Group is exposed lie particularly in the significant cash flows in foreign currencies at the level of Hapag-Lloyd AG, fuel consumption and interest rate risks that result from external financing.

In order to portray the market risks, IFRS 7 demands sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on profit or loss for the period and equity. The hypothetical changes in these risk variables relate to the respective portfolio of primary and derivative financial instruments on the reporting date.

The analyses of the risk reduction activities outlined below and the amounts determined using sensitivity analyses constitute hypothetical and therefore risky and uncertain information. Due to unforeseeable developments on the global financial markets, actual events may deviate substantially from the information provided.

Currency risk
Currency risks are hedged as far as they exert a significant influence on the Hapag-Lloyd Group's cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates in order to protect against future disadvantageous fluctuations of the currency exchange rate.

The Hapag-Lloyd Group's functional currency is the US dollar. Currency risks mainly result from incoming or outgoing payments in currencies other than the US dollar and from financial debt taken on in euros. Apart from the euro, the Chinese renminbi (CNY), British pound (GBP) and Pakistani rupee (PKR) 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 Dollars, 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 have a term to maturity of less 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 fixed-term components is recognised within equity in the reserve for cost of hedging.

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:

- Discrepancies in timing 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 –155.8 million.

	31.12.2022		31.12.2021	
million USD	Effect on earnings	Reserve for cost of hedging (equity)	Effect on earnings	Reserve for cost of hedging (equity)
USD/EUR				
+10%	22.2	–0.3	42.8	0.2
–10%	–22.2	0.3	–42.8	–0.2
USD/GBP				
+10%	6.1	–	7.0	–
–10%	–6.1	–	–7.0	–
USD/CNY				
+10%	–5.4	–	–6.5	–
–10%	5.4	–	6.5	–

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.

Derivative financial instruments in the form of commodity options and swaps were previously used to hedge against price fluctuations. The last of these instruments expired at the end of 2021. This means that, as in the previous year, none of these instruments were still in existence as at the balance sheet date.

The company’s increased capacity for risk and the Marine Fuel Recovery (MFR) included in freight contracts led to a change in risk management strategy in 2021. Since that date, Hapag-Lloyd no longer concludes agreements on derivative financial instruments as a means of hedging against fuel prices. Hedging against forecast bunker requirements might resume in the future depending on the company’s capacity for risk.

Interest rate risk

The Hapag-Lloyd Group is exposed to interest rate risks affecting cash flow, particularly from financial debt based on variable interest rates. In order to minimise the interest rate risk, the Group strives to achieve a balanced combination of assets and liabilities with variable and fixed interest rates. Interest rate swaps are also used to hedge against the interest rate risk. In addition, non-cash interest rate risks relating to the measurement of separately recognised embedded derivatives exist in the form of early buy-back options for issued bonds. Effects from the market valuation of these financial instruments are also reflected in the interest result. In order to reduce interest rate risk, Hapag-Lloyd designates interest swaps as hedges of the variable element of interest rate payments of hedged items. Some interest swaps hedge a portion of the nominal volume only. In this way, certain hedged items are not designated in full, but only certain risk components are hedged.

The variations in the cash flows of the hedging transactions are primarily affected by changes in the variable interest rate.

An economic relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged 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 items and the hedging instrument are matched.

Ineffectiveness in hedging relationships can arise in particular for the following reasons:

- Differences in the timing of payments 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 performed and used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2022 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 1,173.8 million that existed at the reporting date (previous year: EUR 1,321.0 million), the fair value of interest rate swaps of EUR 40.3 million (previous year: EUR –1.3 million) and the market value of embedded derivatives totalling EUR 0.4 million (previous year: EUR 3.2 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

million EUR	31.12.2022		31.12.2021	
Change in variable interest rate	+100 base points	–100 base points	+100 base points	–100 base points
Reserve for cash flow hedges	9.0	–9.2	15.7	–16.2
Earnings before taxes	–12.3	12.0	–13.0	7.0

In most cases, as part of the IBOR reform, the previous reference interest rates (the interbank offered rates – IBOR) were 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 2022, 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 2022, the nominal volume of the variable financing was USD 1,253.0 million. The nominal volume of the financial instruments in a hedging relationship for hedging interest rate risks was USD 709.2 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, 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 42.4 million (previous year: EUR 9.6 million) and negative market values totalling EUR –37.0 million (previous year: EUR –27.1 million), there is the potential to offset financial assets and financial liabilities in the amount of EUR –10.0 million (previous year: EUR –3.2 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 0.4 million (previous year: EUR 3.2 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 (31.12.2021)

	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 financial 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**

Cash flows of financial instruments (31.12.2022)

	Cash inflows and outflows				
million EUR	2023	2024	2025–2027	from 2028	**Total**
Primary financial liabilities					
Liabilities to banks	–370.6	–357.4	–987.8	–105.1	–1,820.8
Bonds	–7.5	–7.5	–22.5	–303.8	–341.3
Lease liabilities	–1,019.0	–770.3	–789.4	–326.8	–2,905.5
Other financial liabilities	–269.1	–122.8	–385.1	–301.4	–1,078.3
Trade accounts payable	–2,615.7	–	–	–	–2,615.7
Other financial liabilities	–177.2	–	–	–	–177.2
Total primary financial liabilities	**–4,459.1**	**–1,257.9**	**–2,184.7**	**–1,037.0**	**–8,938.7**
Total derivative financial liabilities	**–37.5**	**–**	**–**	**–**	**–37.5**

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 2022 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.

Cash outflows from derivative financial instruments include the undiscounted market values of the currency forward contracts used as at the balance sheet date.

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. 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:

million EUR	31.12.2022 Positive market values	31.12.2022 Negative market values	31.12.2021 Positive market values	31.12.2021 Negative market values
Hedging instruments acc. to IFRS 9 (Hedge accounting)				
Currency forward contracts	2.1	–37.0	0.3	–16.5
Interest rate swaps	40.3	–	9.3	–10.6
Hedges[1]	**42.4**	**–37.0**	**9.6**	**–27.1**
Derivative financial instruments (FVTPL)				
Embedded derivatives	0.4	–	3.2	–
Other derivative financial instruments	**0.4**	**–**	**3.2**	**–**
Total	**42.8**	**–37.0**	**12.7**	**–27.1**

[1] The market values of the non-designated 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.

Currency forward contracts are measured on the basis of their market-traded forward price as at the reporting date. The fair value of the interest rate swaps is calculated as the present value of the anticipated future cash flows.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:

	31.12.2022			31.12.2021		
	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	325.9	–	325.9	106.4	300.0	406.4
Hedged nominal in million CAD	52.5	–	52.5	52.5	–	52.5
Average hedged rate USD/EUR	1.19	–	1.19	1.14	1.21	1.19
Average hedged rate USD/CAD	0.74	–	0.74	0.79	–	0.79
Interest rate risk						
Hedged nominal in million USD	270.32	438.8	709.2	–	834.0	834.0
Average fixed interest rate	–	0.51%	1.43%	–	1.52%	1.52%

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

	31.12.2021				
Hedge of cash flows	Nominal amount	Carrying amount asset in million EUR [1]	Carryig amount liability in million EUR [1]	Line item in the statement of financial position	Change in fair value used as measurment of the ineffectiveness 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

	31.12.2022				
Hedge of cash flows	Nominal amount	Carrying amount asset in million EUR [1]	Carryig amount liability in million EUR [1]	Line item in the statement of financial position	Change in fair value used as measurement of the ineffectveness in the reporting period in million EUR
Currency risk					
Currency forward contracts (USD/EUR)	EUR 325.9 million	2.0	36.9	Derivative financial instruments	–30.0
Currency forward contracts (USD/CAD)	CAD 52.5 million	0.1	0.2	Derivative financial instruments	–0.1
Interest rate risk					
Interest rate swaps	USD 709.2 million	40.3	–	Derivative financial instruments	40.3

[1] The market values of the non-designated forward components, the changes of which are recognised in the reserve for cost of hedging, are also recognised.

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

Hedge of cash flows million EUR	31.12.2021 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

Hedge of cash flows million EUR	**31.12.2022** Change in value used as measurement of the ineffectiveness	Reserve for cash flow hedges
Currency risk		
Repayment of financial debt in EUR	30.0	–
Operational costs in CAD	0.1	–0.1
Interest rate risk		
Interest payments of variable rate loans	–40.3	39.1

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	31.12.2021 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

Hedge of cash flows million EUR	31.12.2022 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	–20.1	–	–	20.1	Other financial items
Repayment of pension obligations in EUR	0.1	–	–	–0.1	Other financial items
Operational costs in CAD	–2.5	–	–	2.4	Transport expenses/ other operating result
Interest rate risk					
Interest payments of variable rate loans	41.5	–	–	–1.8	Interest expenses

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

Cash flow hedges million EUR	2022 Reserve for cash flow hedges	2022 Reserve for cost of hedging	2021 Reserve for cash flow hedges	2021 Reserve for cost of hedging
Balance at 1.1.	**–0.1**	**0.6**	**–12.4**	**–1.9**
Change in fair value:	19.0	–2.9	–5.2	–2.8
Currency risk [1]	–22.5	–2.9	–25.9	–2.6
Fuel price risk [2]	–	–	8.7	–0.2
Interest rate risk	41.5	–	12.0	–
Reclassification into profit or loss:	20.6	3.8	35.8	3.2
Currency risk [1]	22.4	3.8	25.7	3.2
Interest rate risk	–1.8	–	10.0	–
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	–	–	–17.8	2.1
Fuel price risk [2]	–	–	–17.8	2.1
Currency translation differences:	–0.5	–	–0.5	–
Fuel price risk [2]	–	–	0.3	–0.1
Interest rate risk	–0.5	–	–0.8	–
Balance at 31.12.	**39.0**	**1.5**	**–0.1**	**0.6**

[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 trade accounts receivable, trade accounts payable and significant portions of other financial assets and other financial liabilities are a suitable approximation of the fair values, as are the carrying amounts for the amounts of cash and cash equivalents measured at amortised costs.

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.

The cash and cash equivalents include money market funds recognised in profit and loss at their fair values. A portion of these money market funds are measured on the basis of their quoted market prices. There are no quoted underlying prices for the remainder of the money market funds in respect of which dividend payments are made on an ongoing basis. For these funds, the fair value is taken from the amount invested in each individual case, plus the clearly defined dividend payments, which are themselves measured with the help of a dividend factor published daily on the market.

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.

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	Fair value of financial instruments
Assets							
Other financial assets [4]	AC	245.1	245.1	–	–	–	245.1
	n/a[3]	0.5	–	–	–	–	–
	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 financial liabilities [4]	FLAC	136.7	136.7	–	–	–	136.7
Liabilities from put options [2]	FLAC	1.8	1.8	–	–	–	2.1
Derivative financial liabilities							
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
Thereof aggregated according to IFRS 9 classification category							
Financial Assets measured at Amortised 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 Assets measured at Amortised Cost (AC)		5,536.2	5,536.2	–	–	–	–

1 The market values of the non-designated 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 there is no measurement category under IFRS 9 and/or that the financial instrument concerned falls outside the scope of IFRS 9.
4 From the 2022 financial year onwards, the balance sheet items for other financial assets and liabilities have been shown separately from the balance sheet items for other non-financial assets and liabilities. The previous year's values have been adjusted accordingly.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2022

million EUR	Classification category according to IFRS 9	Carrying amount 31.12.2022 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	Fair value of financial instruments
Assets							
Other financial assets	AC	3,101.4	3,101.4	–	–	–	3,101.4
	n/a[2]	0.7	–	–	–	–	–
	FVTPL	14.8	–	–	14.8	–	14.8
Derivative financial instruments							
Derivatives (FVTPL)	FVTPL	0.4	–	–	0.4	–	0.4
Hedges (Hedge accounting)[1]	n/a[2]	42.4	–	42.4	–	–	42.4
Trade accounts receivable	AC	2,895.0	2,895.0	–	–	–	2,895.0
Cash and cash equivalents	AC	10,471.9	10,471.9	–	–	–	10,471.9
	FVTPL	4,764.2	–	–	4,764.2	–	4,764.2
Liabilities							
Financial debt	FLAC	2,776.7	2,776.7	–	–	–	2,673.6
Lease liabilities	n/a[2]	2,660.1	–	–	–	2,660.1	–
Other financial liabilities	FLAC	177.2	177.2	–	–	–	177.2
Derivative financial liabilities							
Hedges (Hedge accounting)[1]	n/a[2]	37.0	–	37.0	–	–	37.0
Trade accounts payable	FLAC	2,615.7	2,615.7	–	–	–	2,615.7
Thereof aggregated according to IFRS 9 classification category							
Financial Assets measured at Amortised Cost (AC)		16,468.4	16,468.4	–	–	–	–
Financial Assets and Liabilities measured at Fair Value through Profit and Loss (FVTPL)		4,779.3	–	–	4,779.3	–	–
Financial Assets measured at Amortised Cost (AC)		5,569.6	5,569.6	–	–	–	–

1 The market values of the non-designated forward components, the changes of which are recognised in the reserve for cost of hedging, are also included.
2 n/a means that there is no measurement category under IFRS 9 and/or that the financial instrument concerned falls outside the scope of IFRS 9.

The fair values are allocated to different levels of the fair value hierarchy based on the input factors used in the valuation methods. An explanation of the individual levels from 1 to 3 of the fair value hierarchy can be found in the chapter "Accounting and measurement" in the Notes to the consolidated financial statements. There were no transfers between levels 1 to 3 in the previous financial year.

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

		31.12.2021			
million EUR	Classification category according to IFRS 9	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

		31.12.2022			
million EUR	Classification category according to IFRS 9	Level 1	Level 2	Level 3	**Total**
Assets					
Securities/investments	FVTPL	0.6	–	14.2	14.8
Derivative financial instruments (Hedge accounting)	n/a[2]	–	42.4	–	42.4
Derivative financial instruments (Trading)	FVTPL	–	0.4	–	0.4
Cash and cash equivalents	FVTPL	4,764.2	–	–	4,764.2
Liabilities					
Derivative financial instruments (Hedge accounting)	n/a[2]	–	37.0	–	37.0
Financial debt	FLAC	263.7	2,409.9	–	2,673.6

[1] Part of other liabilities
[2] n/a means that there is no measurement category under IFRS 9.

Net earnings

The net earnings of the financial instruments by classification category pursuant to IFRS 9 are as follows:

	31.12.2022			31.12.2021		
million EUR	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
Financial assets measured at amortised cost	199.0	–195.0	4.0	5.3	–60.9	–55.6
Financial liabilities measured at amortised cost	–126.3	83.3	–43.0	–145.0	36.8	–108.2
Financial assets and liabilities measured at fair value through profit or loss	49.3	–275.1	–225.9	–21.0	–0.5	–21.5
Total	**122.0**	**–386.8**	**–264.9**	**–160.7**	**–24.7**	**–185.3**

In addition to interest and other financial income from money market transactions and money market funds and interest expense from liabilities to banks and other financial liabilities, the net earnings mainly comprises the foreign currency valuation of financial assets and liabilities and realised and unrealised gains and losses on derivative financial instruments that are not included in a hedging relationship in accordance with 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 2022, 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

(29) Government assistance

The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 7.3 million in 2022 (prior year period: EUR 11.0 million) according to the guideline for lowering indirect labour costs in the German marine industry. Overall, the Group received assistance and subsidies of EUR 9.7 million in the reporting year (prior year period: EUR 14.5 million), which was recognised through profit and loss as a deduction from personnel expenses.

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 2022 financial year totalled EUR 27.2 million (prior year period: EUR 22.2 million). These grants have been recognised through profit and loss as a deduction from transport expenses.

(30) 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 outcomes of the legal disputes cannot be predicted with any certainty. It is possible that the outcome of individual proceedings may result in payment obligations, the amounts of which could not be foreseen with sufficient accuracy as at 31 December 2022 and will not have any significant influence on the Group's net asset, financial and earnings position. As at the reporting date, there was EUR 8.3 million in contingent liabilities from legal disputes not classified as probable (previous year: EUR 8.0 million).

On 24 February 2022, the U.S. Department of Justice Antitrust Division (DoJ) ordered Hapag-Lloyd (America) LLC to attend a meeting to provide information and testimonies in connection with a grand jury investigation into international container shipping. As part of its investigation, the DoJ summoned Hapag-Lloyd (America) LLC for a second time on 14 July 2022. Hapag-Lloyd supplied the requested data to the DoJ in good time in relation to both the first and second hearings.

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 98.4 million in contingent liabilities from tax risks not classified as probable (previous year: EUR 78.6 million). The main reasons for the increase are newly identified risks, updated risk assessments and currency conversion effects for the Southern Europe, Middle East and Asia regions.

(31) Contingencies

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

As at 31 December 2022, there were no sureties or guarantees requiring disclosure.

(32) Leases

Lessee

As a lessee, Hapag-Lloyd mainly rents container vessels, containers, office buildings, office space and parking spaces.

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 extension 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 extension options not taken into account on the balance sheet at the reporting date would give rise to potential future lease payments amounting to EUR 730.4 million (previous year: EUR 569.8 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 134.9 million (previous year: EUR 128.6 million). These potential lease payments have not yet been recognised as part of the lease liabilities.

The accelerating recovery of the supply chains disrupted by the COVID-19 pandemic and the associated normalisation of the global market conditions were taken into account as of the reporting date by adjusting the lease terms of the container lease contracts with mutual rights of termination to current situation. This resulted in a reduction of lease liabilities and right-of-use assets amounting to EUR 46.8 million. In the previous year, the adjustment of the terms of these contracts led to an increase in lease liabilities and right-of-use assets of EUR 50.3 million.

The structure of lease contracts for office buildings, office space and parking spaces also varies. Many of the lease contracts contain unilateral rights of termination. In addition, some of the lease contracts include extension options. Exercising these extension options not taken into account on the balance sheet at the reporting date would give rise to potential future lease payments amounting to EUR 101.2 million (previous year: EUR 52.0 million).

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 with terms of less than 12 months in place for rented containers and container vessels, as well as for rented office buildings, office space and parking spaces. No right-of-use assets and no lease liabilities are recognised in the consolidated statement of financial position for these short-term leases.

Hapag-Lloyd excludes IT contracts and contracts for intangible assets from the scope of application of IFRS 16.

The following table shows the development of the right-of-use assets for each substantive asset class in the 2022 financial year. No right-of use-assets were recognized in the 2022 financial year for non-substantive asset classes, which include leased vehicles and other rented business equipment. The figures for previous year have been adjusted accordingly in the following two tables.

million EUR	Chartered vessels	Rented containers	Rented office buildings, grounds and parking slots	Total
Carrying amount of right-of-use assets as at 1.1.2021	**767.4**	**496.2**	**75.5**	**1,339.1**
Depreciation in prior year period	–493.7	–195.2	–23.8	–712.8
Additions in prior year period	1,166.7	240.4	42.2	1,449.4
Additions from business combination	101.1	54.6	2.9	158.6
Disposals in prior year period	–5.3	–8.1	–10.0	–23.5
Impairments	–	–	–2.0	–2.0
Transfers	–	–10.7	–	–10.7
Exchange rate differences	100.0	46.1	6.7	152.8
Carrying amount of right-of-use assets as at 31.12.2021	**1,636.1**	**623.2**	**91.5**	**2,350.9**
Carrying amount of right-of-use assets as at 1.1.2022	**1,636.1**	**623.2**	**91.5**	**2,350.9**
Depreciation in reporting period	–766.0	–234.3	–30.7	–1,030.9
Additions in reporting period	992.8	147.2	66.2	1,206.3
Additions from business combination	–	6.1	–	6.1
Disposals in reporting period	–13.9	–20.2	–1.0	–35.1
Transfers	–	–12.1	–12.1	–24.2
Exchange rate differences	95.8	39.0	5.2	140.0
Carrying amount of right-of-use assets as at 31.12.2022	**1,944.9**	**548.9**	**119.2**	**2,613.0**

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

The remaining terms of the lease liabilities as at 31 December 2022 are presented in the table on financial debt in Note (24) Financial debt and lease liabilities.

The following table shows the effects of IFRS 16 Leases on the consolidated income statement in the 2022 financial year:

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Revenue/Other operating income	34,542.7	22,273.5
Transport expenses	13,730.7	10,323.3
Expenses from short-term leases	126.4	184.8
Planned depreciation of tangible and intangible assets	1,909.4	1,465.6
Depreciation of right-of-use assets	1,030.9	712.8
Interest expenses and other finance expenses	226.7	243.3
Interest expenses on lease liabilities	89.0	70.3

Total cash outflows for leases came to EUR 1.6 billion in the 2022 financial year (prior year period: EUR 1.2 billion).

As at 31 December 2022, future commitments under short-term leases totalled EUR 14.2 million (previous year: EUR 77.7 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 (33) Other financial obligations.

Sale and lease back transactions

Within the scope of its order for the manufacturing and delivery of six large container ships, each with a size of 23,660 TEU and expected to be delivered between June 2023 and February 2024, in December 2020 Hapag-Lloyd signed a loan commitment in the form of a so-called “Chinese lease” (sale and lease back lease transaction). For more information about this transaction, please refer to Note (24) Financial debt and lease liabilities.

Lessor

Hapag-Lloyd operates as a lessor in the context of operating lease contracts only to a limited extent. In the 2022 financial year, container vessels and other assets were let as part of operating lease contracts to an insignificant extent.

(33) Other financial obligations

The Hapag-Lloyd Group's other financial obligations totalled EUR 1,664.3 million as at 31 December 2022 and comprised purchase obligations (nominal values)

- for investments in the construction and acquisition of 15 container vessels, amounting to EUR 1,436.8 million,
- for investments in equipping the container fleet with real-time tracking amounting to EUR 92.4 million,
- for investments in the acquisition of new propellers, expanding the capacity of container vessels and for the renovation of the bulbous bow of container vessels amounting to EUR 57.5 million;
- for investments in exhaust gas cleaning systems (EGCS) on container vessels amounting to EUR 39.5 million;
- for investments in the acquisition of a new office building amounting to EUR 20.5 million,
- for investments in equipment for ballast water treatment on container vessels amounting to EUR 4.0 million, and
- for further investments on container vessels totalling EUR 13.6 million.

The Hapag-Lloyd Group's other financial obligations totalled EUR 1,924.5 million as at 31 December 2021 and comprised primarily purchase obligations (nominal values) for investments in container vessels amounting to EUR 1,898.6 million.

The future cash outflows from leases which Hapag-Lloyd has already entered into but which have not yet commenced and are therefore not yet recognised in the balance sheet, totalled EUR 1,915.9 million (31 December 2021: EUR 1,120.0 million).

(34) Share-based payment

Executive Board members

The long-term variable remuneration paid to Executive Board members underwent a structural change with effect from 1 January 2020 as part of the Long-Term Incentive Plan 2020 (LITP 2020), and revised again with effect from 2022 under the title LTIP 2020 ESG. The altered long-term variable remuneration (i.e. under LTIP 2020 LTIP 2020 ESG) is recognised according to the rules set out in IAS 19. However, the previous conditions remain in place unchanged in relation 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 and/or 2022 financial year (under the 2020 long-term incentive plan, amended in 2022 under the title – "2020 LTIP ESG") is initially set out below. The long-term variable remuneration granted until the 2019 financial year (2015 long-term incentive – 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 12 months or less, the performance component and the retention component are likewise forfeited in full.

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

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

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

With effect from 1 January 2022, LTIP 2020 was amended for future tranches such that an additional objective covering the environment, social responsibility and governance (ESG) would also be taken into account (so-called "LTIP 2020 ESG").

As part of LTIP 2020 ESG, the annual amount allocated is split up, with 40% being linked to a retention component, 40% linked to a performance component and 20% linked to an ESG component. The vesting period remains three years. The payment amount for the relevant components after three years is calculated by multiplying the proportionate allocation amount by the degree to which the relevant target is achieved. The method for determining the extent to which targets are achieved in relation to the retention and performance components has also remained unchanged. The extent to which targets have been achieved in relation to the ESG component is determined using an ESG benchmark set centrally. This benchmark represents the average efficiency ratio (AER), which is used to measure the carbon footprint of the Group's fleet. For the purposes of the calculation, the Supervisory Board sets a value based on Hapag-Lloyd AG's sustainability-linked bond framework. If this value is achieved, the ESG target is deemed to have been fully met. It thus serves as a concrete target achievement curve. The payment amounts for the three components are limited to 150% of the individual allocation amount. Similarly to the provisions of LTIP 2020, if an Executive Board member steps down from their position without cause, if their employment contract is extraordinarily terminated by Hapag-Lloyd for cause pursuant to Section 626 of the German Civil Code (BGB) ("bad leaver"), or if an Executive Board member's contract of employment runs for a period of 12 months or less, the performance, retention and ESG components are all forfeited in full. In all other cases, the performance, retention and ESG components all lapse only if the contract of employment comes to an end in the year of the award. In this situation, they lapse proportionally on the basis of the portion of the full financial year represented by the period between the end of the contract of employment and the end of the financial year. This proportionate lapse in benefits does not apply if the fact the contract of employment comes to an end during the financial year has already been taken account of in the amount to be awarded. Provided the performance, retention and ESG components do not lapse, the original three-year vesting period remains in place.

Under the LITP 2015, 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. As of the start of July 2021, the DAXglobal Shipping Index is no longer calculated or published. However, Hapag-Lloyd has entered into a contractual agreement with a service provider under which an identical index will continue to be calculated for Hapag-Lloyd as a substitute 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 LTIP 2015 are automatically made. The number of non-forfeitable virtual shares is converted into a euro amount by multiplying the non-forfeitable virtual retention and performance shares by the relevant share price. This share price is equal to the average share price over the last 60 trading days before the performance period ends.

The amount calculated in this way is paid to the respective Executive Board member as a gross amount up to a specific, individually agreed limit on 31 March of the year following the end of the performance period.

In the event that an Executive Board member's activities cease, the performance period and the employment contract will end simultaneously, insofar as the employment contract is not terminated for cause attributable to the Executive Board member or by the Executive Board member without cause. In the latter case, all entitlements under the LTIP 2015 are forfeited.

If capital measures which affect the value of real shares are carried out during the term of the 2015 LTIP, the conditions of the plan state that the Executive Board members must 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. As at 31 December 2022, there were 66,497 individual virtual shares (previous year: 106,395 shares) with a fair value of EUR 12.4 million (previous year: EUR 22.6 million).

In the reporting period, EUR 0.6 million (previous year: EUR 1.4 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 2.2 million as at 31 December 2022 (previous year: EUR 4.1 million).

Upper management levels

The long-term variable remuneration paid to upper management levels was changed with effect from 1 January 2020 as part of the Long-Term Incentive Plan 2020 (LITP 2020). The material provisions regarding the altered procedure for awarding long-term, variable remuneration to members of senior management are in line with the provisions regarding the payment of long-term, variable remuneration to the members of the Executive Board (minus the ESG components or, in other words, minus the alterations made in the 2022 financial year). The amended long-term variable remuneration paid to staff at upper management levels is recognised in accordance with the provisions of IAS 19.

However, the existing conditions continue to apply unchanged to the long-term variable remuneration granted up to the 2019 financial year. The last tranche, which was awarded in the 2019 financial year, was paid out in the 2022 financial year. With this in mind, the long-term variable remuneration granted up to the 2019 financial year under the Long-Term Incentive Plan (LTIP), which is recognised according to IFRS 2, is described below.

Until the 2019 financial year, the members of upper management levels used to receive long-term variable remuneration based on virtual shares. Under this long-term incentive plan, a specified euro amount (grant amount), which was contractually agreed on an individual basis, was granted to each plan participant on 1 January of every calendar year.

This grant amount was converted into virtual shares in the Company based on the average price of the Hapag-Lloyd AG share over the 60 trading days preceding the day on which the shares are granted. As a basic principle, the virtual shares are subject to a 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 amount paid under this system corresponds to 1.5 times the amount granted.

In the event of an early departure, the vesting period is curtailed to the end of the employment relationship and the virtual shares granted up until this time become non-forfeitable when the curtailed vesting period ends. If the curtailed vesting period ends during the year, the virtual shares granted in the year in which it ends are deemed to be non-forfeitable on a pro rata temporis basis, and the payment amount is reduced accordingly on a pro rata temporis basis. If the employment relationship ends due to extraordinary termination by the Company, all virtual shares for which the vesting period has not yet expired are forfeited.

If capital measures which affect the value of real shares are carried out during the term of the LTIP, the conditions of the plan state that the plan participants must generally be treated like owners of real shares. In addition, the same regulations as detailed above in the section on the LTIP 2015 of the Executive Board members are applicable in this regard.

The measurement of the virtual shares at the time they are granted is based on the grant amount. Virtual shares were awarded for the last time in the 2019 financial year. The embargo on these shares ended on 31 December 2021, and their equivalent value was paid to the plan participants in the 2022 financial year. Accordingly, as at 31 December 2022, there are no longer any virtual shares from this LTIP (previous year: 122,069 shares with a fair value amounting to EUR 26.0 million).

Accordingly, 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 0.0 million as at 31 December 2022 (previous year: EUR 5.5 million).

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

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

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

In the 2022 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.–31.12.2022		1.1.–31.12.2021	
million EUR	Total	Domestic	Total	Domestic
Fees for annual audit	4.2	2.8	3.5	2.4
Fees for other assurance services	0.3	0.3	0.3	0.3
Fees for tax consultancy	–	–	0.0	–
Fees for other services	0.0	–	0.0	–
Total	**4.5**	**3.1**	**3.8**	**2.7**

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 assurance services relate primarily to services in connection with the audit of the combined separate non-financial report, a review of parts of the internal control system, agreed examinatory activity relating to financial covenants, the audit of the remuneration report and other procedures agreed upon.

Other services relate to general legal advice.

(37) Share purchase agreements

On 4 October 2022, Hapag-Lloyd AG and SM SAAM Ports S.A. signed a share purchase agreement for a 100% stake in the Chilean companies SAAM Ports S.A. and SAAM Logistics S.A. The transaction includes all SM SAAM S.A. terminal business and associated logistics services. The parties to the contract agreed on a price of around USD 1 billion, which also includes the real estate assets associated with the logistics business. The parties to the contract are related parties. The vendors belong to the group of Chilean-based company Quiñenco S.A., which indirectly holds a 30% stake in Hapag-Lloyd via CSAV S.A.

On 25 January 2023, Hapag-Lloyd AG signed an agreement to purchase a 35% shareholding in J M Baxi Ports & Logistics Limited (JMBPL), a leading service provider of terminal and inland transportation services based in India, from a company run by Bain Capital Private Equity. In addition, Hapag-Lloyd has also reached an agreement with JMBPL, and with its owners, the Kotak family, to subscribe to an increase in the company's capital and to increase Hapag-Lloyd shareholding to 40%.

The closing of the transactions is dependent on the approval of the relevant competition authorities.

(38) 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 2022 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 2022, 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 %	2022	2021
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):

million EUR	Delivered goods and services and other income recognised 1.1.–31.12. 2022	1.1.–31.12. 2021	Goods and services received and other expenses recognised 1.1.–31.12. 2022	1.1.–31.12. 2021
Shareholders	2,025.5	1,067.5	128.4	118.6
Affiliated non-consolidated companies	–	–	–	–
Associated companies and Joint Ventures	43.7	31.6	215.0	173.3
Total	**2,069.2**	**1,099.1**	**343.4**	**291.9**

million EUR	Receivables 31.12.2022	31.12.2021	Liabilities 31.12.2022	31.12.2021
Shareholders	141.4	131.7	16.1	26.6
Affiliated non-consolidated companies	–	–	0.2	0.2
Associated companies and Joint Ventures	–	8.6	27.4	33.5
Total	**141.4**	**140.2**	**43.7**	**60.4**

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 2,069.2 million; previous year: EUR 1,099.1 million).

At EUR 343.4 million (previous year: EUR 291.9 million), the goods and services received and other expenses shown above are mainly for operational (transport-related) services.

In accordance with the agreement to buy 100% of the shares in SAAM Ports S.A. and SAAM Logistics S.A., the conclusion of the transaction will oblige Hapag-Lloyd to pay the agreed purchase prices of approximately USD 1 billion to the vendors. The closing of the transaction is particularly dependent on the approval of the relevant competition authorities.

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	2022	2021	2022	2021
Short-term benefits	6.4	5.5	2.7	2.2
Other long-term employee benefits	4.2	2.2	–	–
Post-employment benefits	–	0.2	–	–
Share based benefits	0.6	1.4	–	–
Total	**11.3**	**9.3**	**2.7**	**2.2**

In the 2022 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	2022	2021	2022	2021
Active board members	6.4	5.5	2.2	1.7
Former board members	1.1	1.0	–	–
Total	**7.4**	**6.5**	**2.2**	**1.7**

In the 2022 financial year, commitments related to long-term variable remuneration plans (2020 Long-Term Incentive Plan – 2020 LTIP – revised in 2022 under the title LITP 2020 ESG) were made to active Executive Board members in the amount of EUR 3.2 million (previous year: EUR 2.3 million). For further information regarding these long-term variable remuneration plans, please refer to Note (34).

The total remuneration paid to active members of the Executive Board includes annual one-off payments to a funded pension fund associated with the Executive Board members' pension schemes. Beyond the annual one-off payments, Hapag-Lloyd has no further obligations from these pension commitments to the Executive Board members due to the reinsurance.

A total of EUR 21.6 million was allocated to pension provisions for former Executive Board members as at 31 December 2022 (previous year: EUR 28.2 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.

(39) 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 2022 and has been made permanently available to shareholders on the Company’s website www.hapag-lloyd.com in the “Our Company” area in the “Investor Relations” section under “Corporate Governance” at https://www.hapag-lloyd.com/en/ir/corporate-governance/compliance-statement.html.

(40) Significant events after the balance sheet date

On 12 January 2023, Hapag-Lloyd AG acquired 49% of the shares in the Italian logistics company Spinelli S.r.l. (Spinelli). The Spinelli family continues to hold the majority of shares.

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

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
Affiliated consolidated companies			
Head office			
Hamburg-Amerika Linie GmbH	Hamburg	EUR	100.00
Hapag-Lloyd Damietta GmbH	Hamburg	EUR	100.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	EUR	94.90
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
HL Terminals GmbH	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.	Gdánsk	PLN	100.00
Hapag-Lloyd Special Finance DAC	Dublin	USD	100.00
NileDutch Africa Line B.V.	Rotterdam	EUR	100.00
NileDutch Agencies B.V.	Rotterdam	EUR	100.00
NileDutch Holding B.V.	Rotterdam	EUR	100.00
NileDutch Investments B.V.	Rotterdam	EUR	100.00
NileDutch Beheer B.V.	Rotterdam	EUR	100.00
Oy Hapag-Lloyd Finland AB	Helsinki	EUR	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

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
Hapag Lloyd Tasimacilik Destek Servis Merkezi 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
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 Africa Line (Shanghai) Ltd.	Shanghai	CNY	100.00
Middle East			
Hapag-Lloyd Africa (PTY) Ltd.	Durban	ZAR	100.00
Hapag-Lloyd Agency (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	0.00[9]
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	100.00
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	100.00
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]
Hapag-Lloyd Transport South Africa (Pty) Ltd.	Durban	ZAR	100.00
Middle East Container Repair Company LLC	Dubai	AED	49.00[2]
NileDutch (Angola) – Agencia de Navegacao Lda.	Luanda	AOA	49.00[1]
NileDutch Cameroun S.A.	Douala	XAF	90.00[6]

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
NileDutch Congo S.A.	Point-Noire	XAF	70.00[7]
NileDutch Congo Forwarding & Logistics S.A.	Point-Noire	XAF	75.00[8]
OISP Holding Limited	Dubai	AED	100.00
Simba Africa Maritime (Pty) Ltd	Durban	ZAR	100.00
United Arab Shipping Company Ltd.	Dubai	USD	100.00
United Arab Shipping Company for Maritime Services LLC	Baghdad	IQD	100.00
North America			
Florida Vessel Management LLC	Wilmington	USD	75.00
Hapag-Lloyd (America) LLC	Wilmington	USD	100.00
Hapag-Lloyd (Canada) Inc.	Montreal	CAD	100.00
Hapag-Lloyd USA LLC	Wilmington	USD	100.00
Latin America			
Agencias Grupo CSAV Mexico S.A. de C.V.	Mexico City	MXN	100.00
Andes Operador Multimodal Ltda.	São Paulo	BRL	100.00
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	UYU	100.00
CSAV Austral SpA	Santiago de Chile	USD	49.00
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	Santiago de Chile	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	100.00
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
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 Jowf Ltd.	Valletta	USD	100.00
Al Qibla Ltd.	Valletta	USD	100.00
Al Riffa Ltd.	Valletta	EUR	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

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
Jebel Ali Ltd.	Valletta	EUR	100.00
Joint Venture			
Consorcio Naviero Peruano S.A.	Lima	USD	47.93[5]
Damietta Alliance Container Terminals S.A.E.	Damietta	USD	39.00
EUROGATE Container Terminal Wilhelmshaven GmbH	Hamburg	EUR	30.00
Rail Terminal Wilhelmshaven GmbH	Hamburg	EUR	50.00
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
EA Technologies FZCO	Dubai	AED	61.59
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 Nasriyah Ltd.	Majuro	USD	100.00
Al Nefud Ltd.	Valletta	EUR	100.00
Al Oyun Ltd.	George Town	USD	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
EUROGATE Container Terminal Wilhelmshaven Beteiligungs-gesellschaft mbH	Hamburg	EUR	30.00
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
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
NileDutch Singapore Pte. Ltd.	Singapur	SGD	100.00
Norddeutscher Lloyd GmbH	Bremen	EUR	100.00
Palena Shipping Ltd.	Majuro	USD	100.00
Salahuddin Ltd.	Majuro	USD	100.00
Servicios de Procesamiento Naviero S.R.L. i.L.	Montevideo	USD	100.00
Tihama Ltd.	Valletta	EUR	100.00

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
UASAC (RUS) LLC	St. Petersburg	RUB	100.00
UASC Holding (Thailand) Ltd.	Bangkok	THB	49.95
UASC Vessel Holding Limited	Valletta	EUR	100.00
Umm Salal Ltd.	Valletta	EUR	100.00
Unidade de Negocios Empresa Africana Lda.	Luanda	AOA	100.00
United Arab Shipping Agency Co. (Egypt) S.A.E.	Alexandria	EGP	49.00[1]
United Arab Shipping Agency Company (Thailand) Ltd.	Bangkok	THB	49.00
UASAC Uruguay (S.A.)	Montevideo	UYU	94.00
United Arab Shipping Agency Company (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00
Verwaltung DAL Schiffahrts-Agentur GmbH	Hamburg	EUR	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.
6 A further 10.00 % is held by trustee on behalf of the Hapag-Lloyd Group.
7 A further 30.00 % is held by a trustee on behalf of the Hapag-Lloyd Group.
8 A further 25.00 % is held by a trustee on behalf of the Hapag-Lloyd Group.
9 100.00 % is held by a trustee on behalf of the Hapag-Lloyd Group.

Hamburg, 21 February 2023

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Donya-Florence Amer

Mark Frese

Dr. Maximilian Rothkopf

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, 21 February 2023

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Donya-Florence Amer

Mark Frese

Dr. Maximilian Rothkopf

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 2022, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2022 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 2022.

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 2022, and of its financial performance for the financial year from 1 January to 31 December 2022, 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 the 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 2022. 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 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", "Use of judgements 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 – (32) Leasing".

The financial statement risk

As at 31 December 2022, right-of-use assets of EUR 2,613 million and lease liabilities of EUR 2,660 million were recognised in the consolidated financial statements of Hapag-Lloyd AG. Right-of-use assets and lease liabilities each account for 7 % 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 on the basis of representative samples 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 for measuring lease liabilities and right-of-use assets are appropriate overall.

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 separate combined non-financial report of the Company and the Group referred to in the combined management report, 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 (i.e., fraudulent financial reporting and misappropriation of assets) 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 they have 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 the risk of not detecting a material misstatement 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 actions taken or safeguards applied to eliminate independence threats.

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 "hapaglloydag–2022–12–31-de.zip" (SHA 256-Hashwert: 131acb8b73978ac231297f02b6ca18f4bf57b35d76eb3428da03ee8a0ab1e6a0) 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 2022 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 (06.2022)). 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 Executive Board 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 they have 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 intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB, 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 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 25 May 2022. We were engaged by the Chairman of the Audit and Financial Committee of the Supervisory Board on 10 August 2022. We have been the group auditor of Hapag-Lloyd 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 entered in the company register – 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, 27 February 2023

KPMG AG
Wirtschaftsprüfungsgesellschaft

Modder	Dr. Röhricht
German Public Auditor	German Public Auditor

FINANCIAL CALENDAR

3 MAY 2023
Annual general meeting

11 MAY 2023
Publication of quarterly financial report Q1 2023

10 AUGUST 2023
Publication of quarterly financial report H1 2023

9 NOVEMBER 2023
Publication of quarterly financial report 9M 2023

IMPRINT

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Hapag-Lloyd, March 2023

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