



PROSPECTUS

for the

admission to trading

of

42,749,568 new ordinary registered shares

on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, and on the regulated market of the Hamburg Stock Exchange

– each such share with no par value, a notional value of €1.00 and full dividend rights as from January 1, 2017 –

of

**Hapag-Lloyd Aktiengesellschaft
Hamburg, Germany**

International Securities Identification Number (ISIN): DE000HLAG475

German Securities Code (*Wertpapierkennnummer*) (WKN): HLAG47

Common Code: 129212390

Trading Symbol: HLAG

Listing Agent

Berenberg

The date of this prospectus is July 19, 2017

TABLE OF CONTENTS

	<u>Page</u>
1. SUMMARY OF THE PROSPECTUS	1
2. GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS (ZUSAMMENFASSUNG DES PROSPEKTS)	34
3. RISK FACTORS	70
3.1 Risks Relating to Our Business and Industry	70
3.2 Risks Relating to Our Financial Profile	97
3.3 Risks Relating to the UASC Business Combination	100
3.4 Risks Relating to Our Shares and Our Shareholder Structure	104
4. GENERAL INFORMATION	106
4.1 Responsibility Statement	106
4.2 Purpose of this Prospectus	106
4.3 Admission to the Frankfurt and Hamburg Stock Exchange and Listing and Commencement of Trading	106
4.4 General and Specific Information on the Shares	107
4.5 Cost of the Listing	107
4.6 Interests of Parties Participating in the Listing	107
4.7 Forward-Looking Statements	108
4.8 Appraiser/Valuation Report	110
4.9 Sources of Market Data/Third Party Reports	110
4.10 Documents Available for Inspection	112
4.11 Currency Presentation	113
4.12 Presentation of Certain Financial Information	114
5. DIVIDEND POLICY	116
5.1 General Provisions Relating to Profit Allocation and Dividend Payments	116
5.2 Earnings and Dividend Per Share	117
6. CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL	118
6.1 Capitalization and Indebtedness	118
6.2 Capitalization	118
6.3 Net Indebtedness	119
6.4 Off-Balance Sheet Arrangements and Contingent Liabilities	119
6.5 Statement of Working Capital	119
7. SELECTED FINANCIAL AND OTHER INFORMATION OF OUR GROUP	120
8. PRO FORMA FINANCIAL INFORMATION	125
8.1 Overview	125
8.2 <i>Pro Forma</i> Consolidated Statement of Financial Position as of March 31, 2017	127
8.3 <i>Pro Forma</i> Consolidated Income Statement for the Financial Year ended December 31, 2016	128
8.4 <i>Pro Forma</i> Consolidated Income Statement for the three months ended March 31, 2017	128
8.5 Notes to the Pro Forma Financial Information	128
8.6 Auditor's Report to the <i>Pro Forma</i> Financial Information	135
9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS	137
9.1 Overview	137
9.2 Factors Affecting Our Results of Operations	140
9.3 Factors Affecting the Comparability of Financial Information	145
9.4 Explanation of Profit and Loss Statement Items	147
9.5 Results of Operations	149
9.6 Comparison of the Three Months Ended March 31, 2017 and 2016	149
9.7 Comparison of the Financial Years Ended December 31, 2016 and 2015	154
9.8 Comparison of the Financial Years Ended December 31, 2015 and 2014	158
9.9 Liquidity and Capital Resources	163
9.10 Capital Expenditures	166
9.11 Contractual Obligations	168
9.12 Off-Balance Sheet Arrangements	168
9.13 Equity, Pension Obligations and Provisions	168
9.14 Quantitative and Qualitative Disclosure about Market Risk	170
9.15 Critical Accounting Policies	171

	<u>Page</u>	
9.16	Recently Adopted Accounting Principles	172
9.17	Information from the Unconsolidated Financial Statements of Hapag-Lloyd AG Prepared According to HGB for the Financial Year Ended December 31, 2016	173
10.	MARKETS AND COMPETITIVE ENVIRONMENT	174
10.1	Globalization as a driver for containerization	174
10.2	Container shipping remains a growth industry	175
10.3	Container Shipping Market	176
10.4	Steady growth of supply of transport capacity with increasing focus on capacity management	178
10.5	Development of the capacity of the global container ship fleet	178
10.6	Trend towards larger vessels	179
10.7	Order book by vessel size	180
10.8	Global fleet by vessel size 2014-2017	180
10.9	Cost trends and freight rate development	180
10.10	Imbalances of the transported volume on the main trades differ on dominant and non-dominant leg	181
10.11	Inter-carrier Cooperation	182
10.12	Industry Consolidation	184
10.13	Chartering	186
10.14	The Panama Canal expansion	187
10.15	Hanjin Bankruptcy	187
11.	OUR BUSINESS	188
11.1	Overview	188
11.2	Our Strengths	190
11.3	Our Strategy	195
11.4	Our History	198
11.5	Our Services	199
11.6	Operations	201
11.7	Alliances and Cooperation Arrangements	206
11.8	Information Technology	208
11.9	Business Organization	209
11.10	Sales and Marketing	210
11.11	Customers	210
11.12	Competition	211
11.13	Employees	212
11.14	Quality, Environmental Matters and Safety	212
11.15	Insurance	213
11.16	Intellectual Property	214
11.17	Real Estate	214
11.18	Compliance	215
11.19	Legal and Tax Proceedings	215
12.	MATERIAL CONTRACTS	216
12.1	Overview of our Financing Arrangements	216
12.2	Hapag-Lloyd AG's Financing Arrangements	231
12.3	THE Alliance Heads of Agreement	282
13.	THE UASC BUSINESS COMBINATION	283
13.1	Overview	283
13.2	History of UASC	283
13.3	Business of UASC	283
13.4	Material Contracts	288
13.5	Rationale of the UASC Business Combination	345
14.	REGULATORY ENVIRONMENT	347
14.1	Permits, Licenses and Certificates	347
14.2	Maritime Regulations	347
14.3	Security and Safety Matters	348
14.4	United States	351
14.5	European Union	352
14.6	Environmental Matters	353

	<u>Page</u>
15. PRINCIPAL SHAREHOLDERS	362
15.1 Shareholder Structure	362
15.2 Shareholders' Agreement	363
16. GENERAL INFORMATION ON THE COMPANY AND THE GROUP	365
16.1 Corporate History, Name, Registered Office, Financial Year and Duration of the Company	365
16.2 Corporate Purpose	365
16.3 Group Structure	365
16.4 Significant Subsidiaries	367
16.5 Statutory Auditor	367
16.6 Notices and Paying Agent	367
17. DESCRIPTION OF SHARE CAPITAL AND APPLICABLE REGULATIONS	369
17.1 Current Share Capital of the Company	369
17.2 Share Capital of the Company and Development of Share Capital since the Company's incorporation	369
17.3 Authorized Capital	369
17.4 General Provisions Relating to Liquidation of the Company	369
17.5 General Provisions Relating to Increases or Decreases in the Share Capital	370
17.6 General Provisions Relating to Subscription Rights	370
17.7 Exclusion of Minority Shareholders	371
17.8 Shareholder Notification Requirements; Mandatory Takeover Bids; Managers' Transactions	371
18. DESCRIPTION OF THE GOVERNING BODIES OF HAPAG-LLOYD AG	374
18.1 Overview	374
18.2 Executive Board	375
18.3 Supervisory Board	379
18.4 Certain Information Regarding the Members of the Executive Board and Supervisory Board	389
18.5 General Meeting	390
18.6 Corporate Governance	391
19. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS	392
20. TAXATION	394
20.1 Taxation in the Federal Republic of Germany	394
21. FINANCIAL INFORMATION	F-1
22. VALUATION REPORT	V-1
23. GLOSSARY OF SELECTED TERMS USED IN THIS PROSPECTUS	G-1
24. RECENT DEVELOPMENTS AND OUTLOOK	O-1
24.1 Recent Developments	O-1
24.2 Outlook	O-1
25. SIGNATURE PAGE	S-1

1. SUMMARY OF THE PROSPECTUS

Summaries are made up of disclosure requirements known as elements (“**Elements**”). These Elements are numbered in Sections A - E (A.1 - E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case, the summary includes a short description of the Element with the words “not applicable”.

A – Introduction and Warnings

A.1 Warnings.

This summary should be read as an introduction to this prospectus. Any decision to invest in the shares of the Company (as defined below) should be based on consideration of the prospectus as a whole by the investor.

If any claims are asserted before a court of law based on the information contained in this prospectus, the investor appearing as plaintiff may have to bear the costs of translating the prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area.

With regard to the contents of this summary including a possible translation thereof, civil liability attaches to the persons who have assumed responsibility for the contents of this summary or who have arranged for the issuance (*von denen der Erlass ausgeht*), but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this prospectus or if it does not provide, when read together with the other parts of this prospectus, all necessary key information.

Hapag-Lloyd Aktiengesellschaft, Hamburg, Federal Republic of Germany (“**Germany**”) (the “**Company**” or “**Hapag-Lloyd AG**” and, together with its consolidated subsidiaries, but excluding United Arab Shipping Company Limited (“**UASC Limited**”) and its consolidated subsidiaries (together, “**UASC**”), “**we**”, “**us**”, “**our**”, the “**Group**”, the “**Hapag-Lloyd Group**” or “**Hapag-Lloyd**”), together with Joh. Berenberg, Gossler & Co. KG (“**Berenberg**” or the “**Listing Agent**”), assume responsibility for the content of this summary, including possible translations thereof, pursuant to Section 5 (2b) no. 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).

A.2 Information regarding the subsequent use of the prospectus.

Not applicable. Consent regarding the use of the prospectus for a subsequent resale or placement of the Company’s shares has not been granted.

B – Issuer

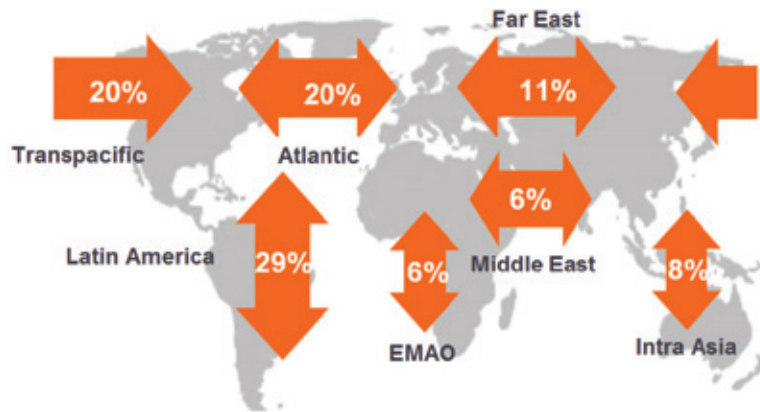
B.1 Legal and commercial name.

The Company’s legal name is Hapag-Lloyd Aktiengesellschaft.

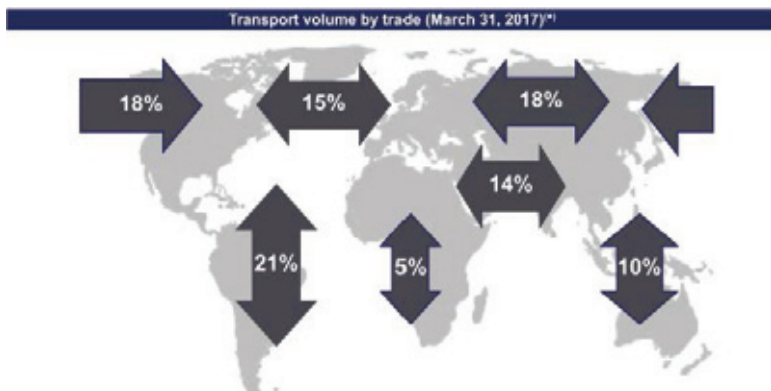
The Company is the parent company of the Hapag-Lloyd Group and its business is primarily conducted under the commercial name “**Hapag-Lloyd**”.

- B.2 Domicile, legal form, legislation under which the issuer operates, country of incorporation.** The Company has its registered office at Ballindamm 25, 20095 Hamburg, Germany, and is registered with the commercial register maintained by the local court (*Amtsgericht*) of Hamburg, Germany, under HRB 97937. The Company is a German stock corporation incorporated in Germany and governed by German law.
- B.3 Current operations and principal business activities and principal markets in which the issuer competes.** We are a leading global container liner shipping company. Measured by the capacity of our fleet, we are the largest container shipping line based in Germany and one of the largest in the world (*source*: MDS Transmodal, April 2017). We offer our customers a comprehensive range of services through an extensive network with 118 liner services worldwide, combined with the support of strong local presences with around 364 sales offices (including agents) in 121 countries as of March 31, 2017. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet our customers' transport service requirements.
- We aim to maintain a well-balanced portfolio of trades distributed among our main markets. We have a strong presence in the high-volume Far East trade (Europe-Asia), the Atlantic (Europe-North America) and Transpacific (Asia-North America) trades as well as in the Latin American trade. In addition, the EMAO (Europe-Mediterranean-African-Oceania) trade as well as the Intra-Asia trade contribute to our overall transport volume. Our extended service network ensures that we are well positioned to benefit from an increase in trade flows around the globe. We have a strong position both in the high-volume East-West trades, which accounted for 51% of our total transport volume in the financial year ended December 31, 2016 (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and our North-South trades, which accounted for 49% of our total transport volumes during the same period (Latin America, Intra-Asia, the Middle East and EMAO represented 30%, 8%, 6% and 5%, respectively). In preparation for the UASC Business Combination, we have reorganized our trades and amended the assignment of individual services. In the three months ended March 31, 2017, our East-West trades accounted for 51% (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and our North-South trades represented 49% (Latin America, Intra-Asia, the Middle East and EMAO represented 29%, 8%, 6% and 6%, respectively) of our total transport volume for the period.

The chart below shows Hapag-Lloyd's transport volumes by trade for the three months ended March 31, 2017.



After completing the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company Limited (“UASC Limited”) and its subsidiaries (together, “UASC”) with Hapag-Lloyd AG (the “UASC Business Combination”) on May 24, 2017, we expect that the combination with one of the largest container shipping companies by capacity based in the Middle East will strengthen our market position as one of the top five shipping companies by capacity and enhance our market position in the attractive Middle East trade where we intend to seize opportunities for further profitable growth. We believe that the UASC Business Combination not only significantly enhances our global reach and the network we are able to offer to our customers, but also allows us to increase our competitiveness through UASC’s young and fuel-efficient fleet with a large share of ultra-large container vessels (“ULCVs”) without having to spend additional capital expenditure on such vessels of our own and to harness further synergies. As a result of the UASC Business Combination, we expect our portfolio of trades to become even more balanced, with four of our seven reported trades (Atlantic, Transpacific, Far East and Latin America) having a transport volume of at least one million TEU. The chart below shows Hapag-Lloyd’s and UASC’s combined transport volumes by trade for the three months ended March 31, 2017.



(*) Allocation of UASC volume according to Hapag-Lloyd trade definition.

Our fleet is one of the largest container ship fleets globally (*source*: MDS Transmodal, April 2017). As of March 31, 2017, we had a fleet of 172 container ships with a total transport capacity of 1,007,519 TEU (TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot, or 6.05 m, x 8 foot or 2.43 m, x 8 foot 6 inches or 2.59 m), the standard unit of measurement of volume used in the container shipping industry), of which we owned 74, chartered 95 and finance leased three vessels.

Through the UASC Business Combination, we acquired an additional 58 vessels, including six 19,870 TEU ships, known for their ecological efficiency, as well as eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017. As of March 31, 2017, we managed a fleet of 963,126 containers with a total transport capacity of 1.58 million TEU, approximately 42% of which we owned with the remainder being rented. As a result of the UASC Business Combination, we acquired an additional 457,933 containers with a capacity of 739,331 TEU. As of March 31, 2017, our order book comprised one new vessel with a capacity of 10,500 TEU, which was delivered in April 2017. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. As a result of these investments, our ownership ratio in vessels is expected to increase.

In May 2016, we announced the founding of THE Alliance, which became our new main shipping alliance as of April 2017 and replaced our current alliance, the G6 Alliance, entirely. The G6 Alliance will cease its operations upon completion of the last voyages in July 2017. Besides us, THE Alliance consists of Mitsui O.S.K. Lines ("**MOL**"), Nippon Yusen Kaisha Lines ("**NYK**"), Kawasaki Kisen K.K. ("**K-Line**") and Yang Ming Marine Transport Corp. ("**Yang Ming**"). UASC, as part of Hapag-Lloyd, became part of THE Alliance on May 24, 2017. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance. Hapag-Lloyd AG was one of the founding members of the G6 Alliance (whose other members were, besides us, American President Lines Ltd. ("**APL**"), Hyundai Merchant Marine Co., Ltd. ("**HMM**"), MOL, NYK and Orient Overseas Container Line Limited ("**OOCL**"), which was one of the world's largest operating container shipping alliances with a total combined capacity of approximately 3.5 million TEU, representing a 17% share of the global transport capacity (*source*: MDS Transmodal, February 2016; Drewry Maritime Research, Q1 2017). In addition, we maintain cooperation arrangements with other carriers. We are one of the founding members of the Grand Alliance, which also includes OOCL and NYK, of which the majority of services were merged with those of the New World Alliance to form the G6 Alliance.

Such arrangements allow us to optimize fleet utilization by sharing capacity and to provide a range and geographic scope of network

services that would not be possible if we relied solely on our own fleet of vessels. Our ability to coordinate our route planning with our partners enables us to use capacity more efficiently and benefit from cost savings and lower capital expenditures. For the financial year ended December 31, 2016 and for the three months ended March 31, 2017, respectively, approximately 40% and 36% of our total transport volume was carried on either our owned or chartered vessels contributed to the G6 Alliance, or vessels made available to us through the G6 Alliance. The remaining portion of our transport volume was mainly carried out through one of our other cooperation agreements (excluding the G6 Alliance). In addition, we have entered into a cooperation arrangement with CMA CGM S.A. (“**CMA CGM**”) and Hamburg Süd Group (“**Hamburg Süd**”), offering new products between Asia and the western and eastern coasts of Latin America. This reflects our ongoing efforts to further strengthen our global coverage of trades, expand our product offering (e.g., reefer products) between Asia and the West and the East coast of Latin America and enhance our cost and operational efficiency.

We have entered into contractual arrangements to use terminal facilities in each of the ports called by our fleet and have strategic shareholdings in a container terminal in Hamburg, Germany. We currently own a 25.1% interest in HHLA Container Terminal Altenwerder GmbH (“**CTA**”) in the Port of Hamburg, one of the most modern container terminal facilities in the world (*source*: HHLA Hamburger Hafen und Logistik AG, November 2016).

The Group is headquartered in Hamburg, Germany. As of March 31, 2017, we had 9,413 total employees worldwide. In the financial year ended December 31, 2016 and in the three months ended March 31, 2017, we generated revenue of €7,734.2 million and €2,132.1 million (2015: €8,841.8 million; 2014: €6,807.5 million), respectively, and EBITDA of €607.4 million and €131.3 million (2015: €831.0 million; 2014: €98.9 million), respectively.

Our Strengths

We are a leading global container liner shipping company and believe that the combination of the following strengths differentiates us from our competitors and provides us with a competitive advantage:

- One of the market leaders with a strong global footprint and exposure to attractive niche businesses.
- Well-balanced route mix and exposure to attractive markets strongly supported by our membership in THE Alliance and through several cooperation agreements.
- Competitive and modern fleet with a balanced ownership structure providing operational flexibility through the cycle.
- Highly diversified and solid customer base with long-term and close customer relationships based on operational excellence and technological know-how that allows for better imbalance management (*i.e.*, management of different transport volumes of regions, which produce and export more goods than they import and consume, on the one hand, and regions, which import and consume more goods than they produce and

export, on the other hand, for example, through network planning and by charging different rates for shipping cargo).

- Proven track record on efficiency improvements through organic and inorganic growth initiatives.
- Experienced management team and supportive anchor shareholders.

Our Strategy

We are developing a defined strategy to enhance profitability in the coming years and to significantly improve earnings by harnessing synergies and streamlining our cost structure, continuing growth in volume and improving revenue quality. As a result, we focus on the following key strategic objectives:

- Further encourage growth by capitalizing on dynamic growth trends in our industry and through acquisitions.
- Deliver significant synergies from the UASC Business Combination.
- Continuously implement efficiency and cost improvement measures to enhance overall profitability.
- Further exploit the benefits from our global alliances and cooperations.
- Leverage our market position and our strong reputation for quality, reliability and seamless execution to increase revenue and improve revenue quality.

B.4a Most significant recent trends affecting the issuer and the industries in which it operates.

Between 2010 and 2016, the container shipping industry measured in terms of world container traffic has grown at a compound annual growth rate (“**CAGR**”) of 4.5% driven by the industrialization of the developing countries in Asia and Latin America as well as the globalization of industrial production, while global gross domestic product (“**GDP**”) grew by 3.5% (source: Clarksons Research, April 2017; IMF, World Economic Outlook, April 2017).

In 2015 in particular, transport volume growth has slowed to 2.2% compared to the previous years. The main reason for this moderate growth was the continued weakness in global GDP growth.

The following factors had and still have a significant impact on the growth of the container shipping industry:

Globalization. With an increasing share of industrial and consumer goods traded internationally due to globalization, further outsourcing and, in particular, increasing international separation of labor as manufacturing still continues to move away from high-labor cost locations in North America, Europe and Japan to lower-wage countries, predominantly in Asia, the demand for maritime cargo shipping continues to grow.

Shift to container shipping. The containerization of cargo reduces transit times, substantially reduces damage to and theft of goods, reduces handling costs, improves the turnaround time of ships in ports and facilitates intermodal transport in supply chains involving sea, rail, barge and road transport. In addition, transport costs have declined and operating efficiency has improved for

carriers as a result of investments in larger ships, port, intermodal and inland transport infrastructure, containers and information systems, as well as more efficient use of assets. Additional growth for containerized transports derives from specialized transport solutions for special cargo such as temperature-sensitive products.

Cost trends and freight rate development. The major cost items within transport expenses are expenses for raw materials and supplies, port, canal and terminal costs, container transport costs as well as chartering, leases and container rentals.

In the past years, the container shipping industry has faced a substantial fluctuation in bunker prices which affected transport costs. For example, bunker costs for marine fuel oil (“MFO”) 3.5% (Rotterdam) increased from US\$167.25 per metric tonne on January 1, 2009, to US\$276.75 per metric tonne on March 31, 2017 (source: Bloomberg). On March 13, 2012, it reached an all-time high of US\$719.25 per metric tonne. Particularly in 2011 and 2012, container shipping companies were negatively affected by rising fuel costs, which they were unable to completely pass on to their customers. Since the second half of 2014, the cost burden due to high bunker costs has eased. On March 31, 2017, the price for MFO 3.5% (Rotterdam) was quoted at US\$276.75 per metric tonne. The decline in the bunker price had a significant positive effect on the container liners’ overall operating costs in the financial year ended December 31, 2016 and in the three months ended March 31, 2017.

Trend towards bigger vessels. Presently, the largest vessels can carry up to approximately 21,000 TEU, whereas in 2005, there were no vessels that carried above 9,999 TEU. As of March 31, 2017, vessels that can carry more than 9,999 TEU accounted for 24% of the existing global fleet capacity (source: Drewry Maritime Research, Q1 2017). Carriers have increasingly been using larger vessels to benefit from lower operating and voyage unit costs, such as fuel, port and canal fees, manning, repairs, insurance and ship management costs. In particular, ultra-large container vessels with a capacity of more than 18,000 TEU are increasingly being used in the Far East trade. These ships have the highest fuel efficiency of the various vessel classes of the global fleet. The shift to larger vessels has been particularly prominent in the Far East-Europe and Transpacific trades, where transport volume and competitive pressures have been intense (source: MDS Transmodal, 2015).

Imbalances of the transported volume on the main trades differ on dominant and non-dominant leg. In general, all trades can be divided into a “dominant” and “non-dominant” leg. The dominant leg is the direction of shipping on the trade with the higher transport volumes. For example, on the Transpacific trade, shipments from Asia to North America form the dominant leg of the trade and shipments from North America to Asia form the non-dominant leg.

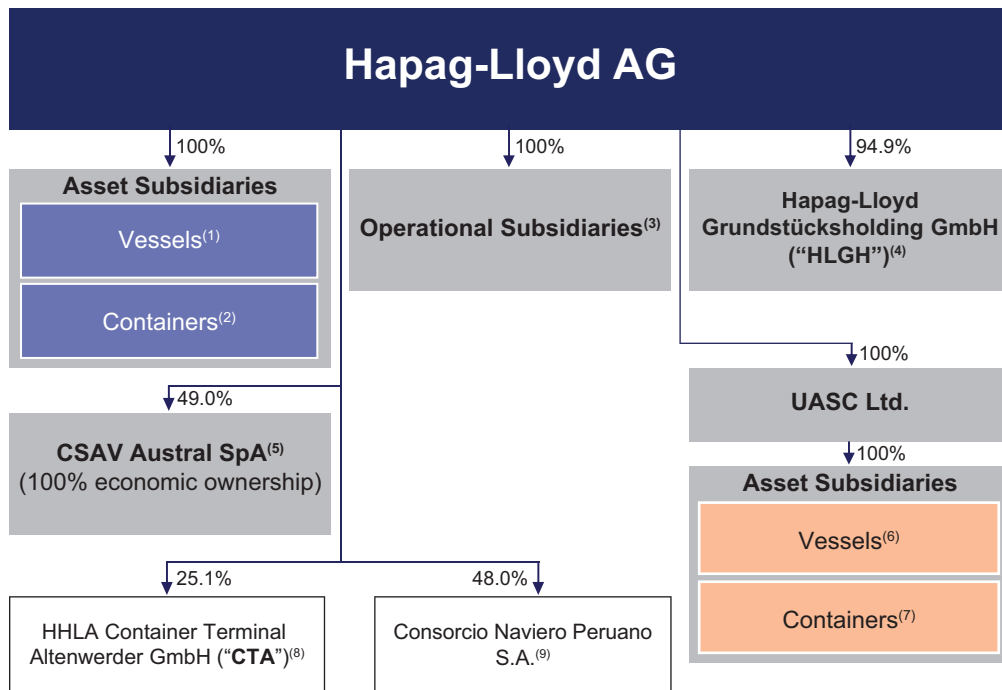
The industry refers to the different volumes as the “imbalances” on a specific trade. These imbalances exist because some regions of the world produce and export more goods than they import and consume, while others import and consume more than they produce and export. These significant global imbalances on trades have important consequences for the container shipping industry.

According to the latest International Monetary Fund (“IMF”) survey, global economic growth will reach 3.4% in 2017, as compared to 3.1% in 2016 (IMF, World Economic Outlook, October 2016; IMF, World Economic Outlook Update, January 2017). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 3.8% in 2017 compared to 1.9% in 2016. This means that the growth in global trade will outpace that of the global economy in 2017. Global container shipping volume is expected to increase by 3.7% to approximately 137 million TEU in 2017 (2016: 2.5%) (source: IHS Global Insight, February 2017). As such, the expected rise in worldwide transport volumes in container shipping for 2017 would be in line with the rate of growth for global trade. Following a rise in transport capacities of approximately 0.2 million TEU to 19.7 million TEU in 2016, a nominal increase in transport capacities of up to approximately 1.5 million TEU for 2017 is expected (source: Drewry Maritime Research, Q1 2017). The further growth in supply capacity could make it difficult once again to push through freight rate increases in 2017.

Based on unchanged optimism about the general economic and sector-specific conditions, we (excluding the integration of UASC’s business activities) expect our transport volume to increase moderately. A significant rise in the average bunker consumption price and a moderate improvement in the average freight rate are anticipated in 2017.

B.5 Description of the group and the issuer’s position within the group.

Hapag-Lloyd AG is the parent company of the Hapag-Lloyd Group. The following diagram sets forth the general organizational structure of the Company as of the date of this prospectus:



(1) All vessels are economically owned by the Company and its international as well as German subsidiaries except for vessels which are registered in the United States. These five vessels are economically and legally owned by a subsidiary in the United States. Vessels registered in Chile, Liberia, the Marshall Islands, the Isle of Man and the UK are legally owned by subsidiaries.

- (2) All containers are economically owned by the Company, some containers are legally owned by subsidiaries in the UK.
- (3) Nearly all operational subsidiaries are wholly-owned by Hapag-Lloyd AG. The group of consolidated companies includes 74 subsidiaries as of March 31, 2017 and four companies were consolidated under the equity method.
- (4) Owner of the property at Ballindamm, Hamburg (asset subsidiary).
- (5) CSAV Austral SpA (the “**Cabotage Entity**”) performs (i) cabotage services (*i.e.*, services that are subject to legal restrictions aimed at protecting transporters of goods within a country from competition from foreign carriers) in Chile, (ii) container transport between Chile and Brazil under the *Convenio sobre transporte marítimo entre Chile y Brasil 1974* (the “**Chile-Brazil Convention**”) and (iii) container transport between the *Conosur* countries (Brazil, Uruguay, Argentina, Chile, Peru and Ecuador).
- (6) All vessels are indirectly economically and legally owned by the Company through its 100% subsidiary UASC Limited, except for two vessels where legal ownership is with special purpose vehicles (*i.e.*, SNC Carla and SNC Valeria) owned by Société Générale (lender) while economic ownership remains with special purpose vehicles (*i.e.*, Al Riffa and Jebel Ali) owned by UASC Limited
- (7) All containers are indirectly economically and legally owned by the Company through its 100% subsidiary UASC Limited, except for some containers which are legally owned by the lessor under container lease agreements.
- (8) Remaining stake owned by HHLA Container Terminals GmbH, a subsidiary of Hamburger Hafen und Logistik AG (“**HHLA**”). CTA is considered an associated company of the Company.
- (9) Consorcio Naviero Peruano S.A. is considered a joint venture of the Company.

B.6 Persons who, directly or indirectly, have a (notifiable) interest in the issuer’s capital and voting rights.

As of the date hereof, the following persons, directly or indirectly, have a notifiable interest in the Company’s capital and voting rights (together, the “**Shareholders**”):

- CSAV, which holds 22.6% of the Company’s outstanding share capital through a wholly owned subsidiary, CSAV Germany Container Holding GmbH (“**CG Hold Co**”);
- HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”), which holds 14.9% of the Company’s outstanding share capital;
- Kühne Maritime GmbH and Kühne Holding AG (together, “**Kühne**”), hold 17.6% of the Company’s outstanding share capital;
- Qatar Investment Authority, through its subsidiary Qatar Holding Germany GmbH (“**Qatar Holding Germany**”), which holds 14.4% of the Company’s outstanding share capital; and
- The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”), which holds 10.1% of the Company’s outstanding share capital.

Voting rights.

Each share in the Company carries one vote at the Company’s shareholders’ meeting. There are no restrictions on voting rights. Voting rights are the same for all of the Company’s shareholders.

Direct or indirect control over the issuer and nature of such control.

The Company is directly jointly controlled for purposes of the German Securities Trading Act (*Wertpapierhandelsgesetz*) and the German Stock Corporation Act (*Aktiengesetz*) by CG Hold Co, HGV and Kühne.

On April 16, 2014, CG Hold Co, HGV and Kühne Maritime GmbH (“**Kühne Maritime**”) entered into a shareholders’ agreement regarding their investment in Hapag-Lloyd (as amended and acceded to by CSAV and Tollo Shipping Co. S.A. (“**Tollo**”) on November 17, 2014 and further amended and restated from time to time the “**Shareholders’ Agreement**”), according to which the parties have agreed to pool their voting rights in Hapag-Lloyd. Originally, such pooling took place through a consortium

company, Hamburg Container Lines Holding GmbH & Co. KG (the “**Consortium Company**”). In conjunction with the business combination of Hapag-Lloyd with UASC Limited, CG Hold Co, HGV and Kühne Maritime revised, amended and restated the Shareholders’ Agreement (the “**New Shareholder’s Agreement**”) according to which the pooling as set forth above was only applied until the date of Hapag-Lloyd’s regular annual general meeting, i.e. until May 29, 2017, 24:00hrs CET. From that point in time onwards, CG Hold Co, HGV and Kühne Maritime have agreed to uniformly exercise any and all voting rights pertaining to the shares held by them in Hapag-Lloyd, currently representing approximately 54.6% of the shares issued by Hapag-Lloyd by issuing a common voting proxy and binding instructions to an agent. Through the coordination of the voting rights, the shareholders will be in a position to exert substantial influence on the general shareholders’ meeting and, consequently, on matters decided by the general shareholders’ meeting, including the appointment of our supervisory board (also by including delegation rights (*Entsenderechte*) in favor of certain shareholders in the Company’s articles of association), the distribution of dividends or any proposed capital increase.

B.7 Selected key historical financial information.

The following selected historical financial and operational information of the Group as of and for the financial years ended December 31, 2016, 2015 and 2014 (the “**financial year 2016**”, “**financial year 2015**” and “**financial year 2014**”, respectively), including prior-year comparative figures (i) if presented as “audited”, is taken from the audited consolidated financial statements of Hapag-Lloyd AG as of and for the financial years 2016, 2015 and 2014 (together, the “**Audited Consolidated Financial Statements**”) and, (ii) if presented as “unaudited”, is either taken or derived from our Unaudited Interim Condensed Consolidated Financial Statements (as defined below) or derived from our Audited Consolidated Financial Statements or from our accounting records or management reporting or is based on calculations of these figures. The Audited Consolidated Financial Statements were prepared by the Company in accordance with the International Financial Reporting Standards, as adopted by the European Union (“**IFRS**”), and the additional requirements of German commercial law pursuant to Section 315a of the German Commercial Code (*Handelsgesetzbuch; HGB*).

The following selected financial and operational information of the Group as of and for the three months ended March 31, 2017 and 2016 is taken or derived from the Company’s unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2017 (including comparative figures for the three months ended March 31, 2016) (the “**Unaudited Interim Condensed Consolidated Financial Statements**”), our accounting records or our management reporting. The Unaudited Interim Condensed Consolidated Financial Statements were prepared by the Company in accordance with the International Accounting Standard (“**IAS**”) 34: *Interim Financial Reporting*.

Additional financial information included in this prospectus has been taken from the Company's audited unconsolidated financial statements as of and for the financial year ended December 31, 2016 (the "**Audited Unconsolidated Financial Statements**"), which were prepared in accordance with the German Commercial Code.

The container shipping business from the Chilean shipping company Compañía Sud Americana de Vapores S.A. ("**CSAV**") (including, among others, the related container vessel financings and certain corporate financings) (together, the "**CCS Activities**") are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

UASC is not included in the figures for the financial years ended December 31, 2016, 2015 and 2014, or for the three months ended March 31, 2017 and 2016. UASC has been consolidated as of May 24, 2017, the completion date of the acquisition.

The Audited Consolidated Financial Statements and the Audited Unconsolidated Financial Statements were audited by KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Ludwig-Erhard-Straße 11-17, 20459 Hamburg, Germany ("**KPMG**"), who issued in each case an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in this prospectus. The audits of the Audited Consolidated Financial Statements for each of the financial years 2016, 2015 and 2014, and the Audited Unconsolidated Financial Statements were conducted in accordance with Section 317 of the German Commercial Code and German generally accepted standards for the audit of financial statements of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*).

All of the financial data presented in the text and the tables below are shown in millions of euro (in €million), except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. In those tables, these rounded figures may not add up exactly to the totals. Financial data presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this prospectus, a dash ("–") signifies that the relevant figure is not available or equals zero, while a zero ("0.0") signifies that the relevant figure is available but has been rounded to zero.

Selected Financial Information from the Consolidated Income Statement

	For the financial year ended December 31,			For the three months ended March 31,	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(in € million)				
	(audited)			(unaudited)	
Revenue	6,807.5	8,841.8	7,734.2	1,925.7	2,132.1
Other operating income	116.8	193.7	97.1	22.5	26.3
Transport expenses ⁽²⁾	6,060.1	7,258.5	6,364.0	1,592.0	1,789.1
Personnel expenses	403.3	484.4	496.1	141.7	147.4
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	481.7	464.6	481.0	118.6	127.8
Other operating expenses	393.3	517.7	386.2	96.9	98.2
Operating result	(414.1)	310.3	104.0	(1.0)	(4.1)
Share of profit of equity accounted investees	34.2	28.5	27.1	5.8	7.6
Other financial results	(2.9)	27.6	(4.7)	0.0	0.0
Earnings before interest and income taxes (EBIT) . .	(382.8)	366.4	126.4	4.8	3.5
Interest result	(209.7)	(227.3)	(199.8)	(43.1)	(61.8)
Earnings before income taxes	(592.5)	139.1	(73.4)	(38.3)	(58.3)
Income taxes	11.2	25.2	19.7	4.5	3.8
Profit/loss	(603.7)	113.9	(93.1)	(42.8)	(62.1)

(1) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

(2) The following table presents a detailed breakdown of our transport expenses for the periods indicated.

	For the financial year ended December 31,			For the three months ended March 31,	
	2014 ^(*)	2015	2016	2016	2017
	(in € million)				
	(audited)			(unaudited)	
Cost of raw materials, supplies, and purchased goods	1,362.3	1,067.9	687.9	140.3	262.5
Cost of purchased services ^(**)	4,697.8	6,190.6	5,676.1	1,451.7	1,526.6
<i>Thereof:</i>					
<i>Port, canal and terminal costs</i>	1,989.9	2,717.2	2,651.7	651.3	718.4
<i>Container transport costs</i>	1,841.4	2,148.4	1,899.1	460.1	506.3
<i>Chartering, leases and container rentals</i>	734.0	1,168.6	934.9	282.2	242.5
<i>Maintenance and repair and other costs</i>	132.5	156.4	190.4	58.1	59.4
Transport expenses	6,060.1	7,258.5	6,364.0	1,592.0	1,789.1

(*) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

(**) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals for the periods covered.

Selected Financial Information from the Consolidated Balance Sheet

	As of December 31,			As of March 31,
	2014 ⁽¹⁾	2015	2016	2017
	(in € million)			
		(audited)		(unaudited)
Assets				
Goodwill	1,372.7	1,610.8	1,661.6	1,642.7
Other intangible assets	1,309.7	1,376.3	1,340.4	1,304.8
Property, plant and equipment	5,176.0	6,143.6	6,315.6	6,250.8
Investments in equity-accounted investees	387.0	326.6	325.7	333.2
Other assets	13.1	22.5	27.0	35.6
Derivative financial instruments	15.8	10.7	24.1	37.1
Income tax receivable	—	—	3.3	3.3
Deferred tax assets	27.9	23.6	25.2	25.7
Non-current assets	8,302.2	9,514.1	9,722.9	9,633.2
Inventories	152.1	94.1	124.5	141.7
Trade accounts receivable	703.8	716.1	677.6	690.2
Other assets	134.3	148.5	197.5	196.2
Derivative financial instruments	3.8	0.7	13.5	2.6
Income tax receivable	28.6	31.9	24.7	22.3
Cash and cash equivalents	711.4	573.7	570.2	519.8
Non-current assets held for sale	59.2	—	—	—
Current assets	1,793.2	1,565.0	1,608.0	1,572.8
Total assets	10,095.4	11,079.1	11,330.9	11,206.0
Equity and liabilities				
Subscribed capital	104.9	118.1	118.1	118.1
Capital reserves	1,651.9	1,263.2	1,061.8	1,061.8
Retained earnings	2,286.1	3,052.3	3,152.9	3,089.6
Cumulative other equity	121.4	604.8	721.8	666.9
Equity attributable to the shareholders of Hapag-Lloyd AG	4,164.3	5,038.4	5,054.6	4,936.4
Non-controlling interests	5.3	7.8	3.8	3.7
Equity	4,169.6	5,046.2	5,058.4	4,940.1
Provisions for pensions and similar obligations	208.4	186.2	238.0	240.0
Other provisions	207.0	144.2	114.0	107.3
Financial debt	3,309.1	3,297.2	3,265.5	3,519.7
Other liabilities	7.2	4.7	12.1	10.7
Derivative financial instruments	—	—	1.8	—
Deferred tax liabilities	1.5	1.5	1.8	2.2
Non-current liabilities	3,733.2	3,633.8	3,633.2	3,879.9
Provisions for pensions and similar obligations	6.5	5.6	6.6	5.0
Other provisions	385.4	285.9	211.2	224.4
Income tax liabilities	18.3	22.9	17.6	15.3
Financial debt	408.0	610.1	915.2	631.2
Trade accounts payable	1,225.4	1,293.8	1,281.6	1,280.0
Other liabilities	125.2	158.5	167.8	189.4
Derivative financial instruments	23.8	22.3	39.3	40.7
Current liabilities	2,192.6	2,399.1	2,639.3	2,386.0
Total equity and liabilities	10,095.4	11,079.1	11,330.9	11,206.0

(1) Amounts adjusted to reflect the purchase price allocation in connection with the acquisition of the CCS Activities.

Selected Financial Information from the Consolidated Cash Flow Statement

	For the financial year ended December 31,			For the three months ended March 31,	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(in € million)				
	(audited)			(unaudited)	
Cash and cash equivalents at the beginning of period	464.8	711.4	573.7	573.7	570.2
Cash inflow/(outflow) from operating activities	377.2	572.1	417.2	141.2	148.1
Cash (outflow) from investing activities	(257.6)	(606.5)	(318.4)	(107.9)	(112.5)
Cash inflow/(outflow) from financing activities	81.6	(177.1)	(119.4)	(129.6)	(79.7)
Net change in cash and cash equivalents	201.2	(211.5)	(20.6)	(96.3)	(44.1)
Cash and cash equivalents at the end of period ⁽²⁾	711.4	573.7	570.2	456.0	519.8

(1) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

(2) Cash and cash equivalents at the end of the period include exchange rate differences.

Selected Other Key Financial and Operational Information

The following tables show selected other key financial and operational information. Some of the following figures (including EBITDA) are presented as financial measures and adjustments that are not presented in accordance with IFRS, or any other internationally accepted accounting principles.

Selected Other Key Financial Information

	As of and for the financial year ended December 31,			As of and for the three months ended March 31,	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(in € million)				
	(audited, except as noted)			(unaudited)	
EBITDA (unaudited) ⁽²⁾	98.9	831.0	607.4	123.4	131.3
EBIT	(382.8)	366.4	126.4	4.8	3.5
Net debt (unaudited) ⁽³⁾	3,005.7	3,333.6	3,591.8	3,241.8	3,588.7
Working capital (unaudited) ⁽⁴⁾	(369.5)	(483.6)	(479.5)	(484.7)	(448.1)

(1) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

(2) We define EBITDA as profit/loss for the period before income taxes, interest result and amortization, depreciation and impairment. EBITDA is not a measurement of performance under IFRS and should not be considered as an alternative to (a) profit for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from *operating* investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS. We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist analysts, investors and other parties to evaluate the Hapag-Lloyd Group. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing our EBITDA to EBITDA of other companies.

The following table reconciles profit/(loss) for the period to EBITDA as defined by Hapag-Lloyd for the periods indicated:

	For the financial year ended December 31,			For the three months ended March 31,	
	2014	2015	2016	2016	2017
	(in € million)				
	(audited, except as noted)			(unaudited)	
Profit/(loss)	(603.7)	113.9	(93.1)	(42.8)	(62.1)
Income taxes	11.2	25.2	19.7	4.5	3.8
Interest results	209.7	227.3	199.8	43.1	61.8
Earnings before interest and income taxes (EBIT)	(382.8)	366.4	126.4	4.8	3.5
Amortization, depreciation and impairment	481.7	464.6	481.0	118.6	127.8
EBITDA (unaudited)	98.9	831.0	607.4	123.4	131.3

- (3) We define net debt as total financial debt less cash and cash equivalents. The following table shows the reconciliation of net debt:

	As of December 31,			As of March 31,
	2014	2015	2016	2017
	(in € million)			
	(audited, except as noted)			(unaudited)
Total financial debt	3,717.1	3,907.3	4,180.7	4,150.9
Cash and cash equivalents	711.4	573.7	570.2	519.8
Restricted Cash (other assets)	—	—	18.7	42.4
Net debt (unaudited)	3,005.7	3,333.6	3,591.8	3,588.7

- (4) Working capital is unaudited and we calculate it as inventories plus trade accounts receivable less trade accounts payable (which are presented as negative values to illustrate the calculation in the table below). Working capital is not a measurement of performance under IFRS. We believe that working capital is a useful indicator of our ability to incur and service our indebtedness and can assist analysts, investors and other parties to evaluate the Hapag-Lloyd Group. Working capital and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing our working capital to working capital of other companies.

	As of December 31,			As of March 31,	
	2014	2015	2016	2016	2017
	(in € million)				
	(audited, except as noted)			(unaudited)	
Inventories	152.1	94.1	124.5	83.5	141.7
Trade accounts receivable	703.8	716.1	677.6	672.8	690.2
Trade accounts payable	(1,225.4)	(1,293.8)	(1,281.6)	(1,241.0)	(1,280.0)
Working Capital (unaudited)	(369.5)	(483.6)	(479.5)	(484.7)	(448.1)

Selected Key Operational Information

	As of and for the financial year ended December 31,			As of and for the three months ended March 31,	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(unaudited)				
Volumes transported (1,000 TEU) ⁽²⁾	5,907	7,401	7,599	1,811	1,934
Total fleet capacity (1,000 TEU) ⁽³⁾	1,009	966	963	955	1,008
Number of Vessels ⁽³⁾	191	177	166	175	172
Container fleet (1,000 TEU)	1,619	1,564	1,576	1,508	1,583
Freight rate (US\$/TEU) ⁽⁴⁾	1,427	1,225	1,036	1,067	1,047
Bunker price (US\$/t) ⁽⁵⁾	575	312	210	197	313
Exchange rate (€/US\$)	1.3288	1.1100	1.1049	1.1030	1.0651

- (1) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.
- (2) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot (6.05 m) in length x 8-foot (2.43 m) in width x 8-foot, 6-inches (2.59 m) in height), the standard unit of measurement of volume used in the container shipping industry.
- (3) Includes the following vessels that we own and chartered out to another carrier: three vessels (20,156 TEU) as of December 31, 2014, four vessels (33,157 TEU) as of December 31, 2015 and two vessels (16,008 TEU) as of December 31, 2016.
- (4) The charged average freight rates per trade lane are weighted with their respective transport volumes per trade lane (TEU), the freight rate reflects the charged price to a customer for a transport of a 20-foot equivalent unit (TEU).
- (5) From the 2017 financial year onwards, and also the comparable Q1 2016 the average bunker consumption price used by Hapag-Lloyd is a combined figure for marine fuel oil (MFO) and marine diesel oil (MDO).

Transport Volumes

	Transport volumes				
	For the financial year ended December 31,			For the three months ended March 31,	
	2014 ^(*)	2015	2016	2016	2017
			(TEU ^(**)) (unaudited)		
Transport volume by trade route					
Atlantic	1,445,824	1,541,317	1,533,642	376,830	389,435
Transpacific	1,318,880	1,390,223	1,493,514	346,530	386,105
Far East	1,134,550	1,282,332	1,244,697	210,732	214,786
Latin America	1,157,879	2,247,134	2,248,131	535,517	551,632
Intra Asia	491,505	573,171	662,242	130,413	152,422
EMAO					
(Europe-Mediterranean-Africa-Oceania)	358,048	367,029	417,079	102,454	116,602
Middle East ^(***)	—	—	—	108,522	123,304
Total	5,906,686	7,401,206	7,599,305	1,810,998	1,934,286

(*) Including CCS Activities for December 2014.

(**) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry.

(***) In preparation of the integration of UASC, the trades have been restructured and the assignment of individual services amended. As a result, no values are provided for the Middle East trade for the financial years ended December 31, 2014, 2015 and 2016.

Average Freight Rates

	Average freight rates				
	For the financial year ended December 31,			For the three months ended March 31,	
	2014 ^(*)	2015	2016	2016	2017
			(USD/TEU ^(**)) (unaudited)		
Average freight rate by trade route^(***)					
Atlantic	1,585	1,504	1,338	1,382	1,293
Transpacific	1,768	1,599	1,222	1,351	1,218
Far East	1,179	942	765	793	897
Latin America	1,357	1,111	1,001	961	1,017
Intra Asia	796	655	538	578	539
EMAO					
(Europe-Mediterranean-Africa-Oceania)	1,407	1,210	1,052	1,079	1,009
Middle East ^(****)	—	—	—	701	791
Total	1,427	1,225	1,036	1,067	1,047

(*) Including CCS Activities for December 2014.

(**) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry.

(***) The charged average freight rates per trade lane are weighted with their respective transport volumes per trade lane (TEU), the freight rate reflects the charged price to a customer for a transport of a 20-foot equivalent unit (TEU). The average of the twelve-month periods is derived from the weighted monthly amounts.

(****) In preparation of the integration of UASC, the trades have been restructured and the assignment of individual services amended. As a result, no values are provided for the Middle East trade for the financial years ended December 31, 2014, 2015 and 2016.

Significant changes to the issuer's financial condition and operating results.

The following significant changes in our financial condition and our operating results occurred in the three months ended March 31, 2017 and 2016 and in the financial years 2016, 2015 and 2014. The financial information presented below is audited with the exception of the financial information taken or derived from the Unaudited Interim Condensed Consolidated Financial Statements.

Operating Results

Three months ended March 31, 2017 and 2016

Transport volume in the Atlantic trade increased by 3.3% to 389,435 TEU in the three months ended March 31, 2017 from 376,830 TEU in the three months ended March 31, 2016, due to higher volumes from Europe to the US. Our average freight rates fell by 6.5% to US\$1,293 per TEU in the three months ended March 31, 2017 from US\$1,382 per TEU in the three months ended March 31, 2016, as a result of continued fierce competition.

Transport volume in the Transpacific trade increased by 11.4% to 386,105 TEU in the three months ended March 31, 2017 from 346,530 TEU in the three months ended March 31, 2016, mainly due to increased transports from Asia to North America. Our average freight rates fell by 9.8% to US\$1,218 per TEU in the three months ended March 31, 2017 from US\$1,351 per TEU in the three months ended March 31, 2016, mainly as a result of intense competitive pressure on freight rates in the course of the year 2016.

Transport volume in the Far East trade increased by 1.9% to 214,786 TEU in the three months ended March 31, 2017 from 210,732 TEU in the three months ended March 31, 2016, due to higher demand for transports from Far East to Europe. Our average freight rates increased by 13.0% to US\$897 per TEU in the three months ended March 31, 2017 from US\$793 per TEU in the three months ended March 31, 2016, mainly due to a general freight rate recovery.

Transport volume in the Latin America trade increased by 3.0% to 551,632 TEU in the three months ended March 31, 2017 from 535,517 TEU in the three months ended March 31, 2016, due to higher volumes on the subtrades from Europe to Latin America and Intra America. Our average freight rates increased by 5.8% to US\$1,017 per TEU in the three months ended March 31, 2017 from US\$961 per TEU in the three months ended March 31, 2016, mainly due to a freight rate recovery for transports from Asia to Latin America.

Transport volume in the Intra-Asia trade increased by 16.9% to 152,422 TEU in the three months ended March 31, 2017 from 130,413 TEU in the three months ended March 31, 2016, due to higher transport volumes in the Middle East to Indian Subcontinent and Oceania related trades. Our average freight rates fell by 6.8% to US\$539 per TEU in the three months ended March 31, 2017 from US\$578 per TEU in the three months ended March 31, 2016, as a result of ongoing intense competition.

Transport volume in the EMAO (Europe-Mediterranean-Africa-Oceania) trade increased by 13.8% to 116,602 TEU in the three months ended March 31, 2017 from 102,454 TEU in the three

months ended March 31, 2016, mainly due to increased transports from Europe to Oceania and Africa. Our average freight rates fell by 6.4% to US\$1,009 per TEU in the three months ended March 31, 2017 from US\$1,079 per TEU in the three months ended March 31, 2016, mainly due to ongoing intense competition.

Transport volume in the Middle East trade increased by 13.6% to 123,304 TEU in the three months ended March 31, 2017 from 108,522 TEU in the three months ended March 31, 2016, due to increased transports from Europe to Middle East. Our average freight rates increased by 12.9% to US\$791 per TEU in the three months ended March 31, 2017 from US\$701 per TEU in the three months ended March 31, 2016 mainly due to generally improved market conditions.

Financial years 2016 and 2015

Revenue decreased by 12.5% to €7,734.2 million in the financial year ended December 31, 2016 from €8,841.8 million in the financial year ended December 31, 2015. This decrease in revenue was largely attributable to a further significant decline in freight rates. Transport volume increased by 2.7% to 7,599,305 TEU in the financial year ended December 31, 2016 from 7,401,206 in the financial year ended December 31, 2015. The increase in transport volumes mainly resulted from higher volumes in the trades Transpacific and Intra-Asia. During the same period, our average freight rate decreased by 15.4% from US\$1,225 per TEU in the financial year ended December 31, 2015 to US\$1,036 per TEU in the financial year ended December 31, 2016. The main reason for the decline was the persistently difficult market environment, with pressure on freight rates continuing, and the year-on-year fall in the bunker consumption price. Freight rates could not be increased as announced as a result of the continued intense competition caused by overcapacities and subdued growth in demand being felt in all trades.

The positive effect on revenues resulting from the increase in transport volumes was diminished by the decrease in freight rates.

Expressed in U.S. dollars, revenue decreased by 12.9% to US\$8,545.5 million in the financial year ended December 31, 2016 from US\$9,814.4 million in the corresponding period in 2015.

Transport volume in the Atlantic trade decreased by 0.5% to 1,533,642 TEU in the financial year ended December 31, 2016 from 1,541,317 TEU in the financial year ended December 31, 2015, due to lower transports on the North America – Europe sub trade. As a result of the ongoing difficult market environment, with pressure on freight rates persisting, our average freight rates dropped by 11.0% to US\$1,338 per TEU in the financial year ended December 31, 2016 from US\$1,504 per TEU in the financial year ended December 31, 2015.

Transport volume in the Transpacific trade increased by 7.4% to 1,493,514 TEU in the financial year ended December 31, 2016 from 1,390,223 TEU in the financial year ended December 31, 2015, mainly due to higher volumes on the Asia – North America sub trade. As a result of intense competition, our average freight rates dropped by 23.6% to US\$1,222 per TEU in the financial year ended December 31, 2016 from US\$1,599 per TEU in the financial year ended December 31, 2015.

Transport volume in the Far East trade decreased by 2.9% to 1,244,697 TEU in the financial year ended December 31, 2016 from 1,282,332 TEU in the financial year ended December 31, 2015, due to a weak market environment and a slow economic growth in China. As a result of intense competition, our average freight rates dropped by 18.8% to US\$765 per TEU in the financial year ended December 31, 2016 from US\$942 per TEU in the financial year ended December 31, 2015.

Transport volume in the Latin America trade remained nearly stable at 2,248,131 TEU in the financial year ended December 31, 2016 from 2,247,134 TEU in the financial year ended December 31, 2015, as lower volumes on the South America – Asia sub trade almost offset higher volumes on the Intra America and South America – Europe sub trades. As a result of intense competition, our average freight rates dropped by 9.9% to US\$1,001 per TEU in the financial year ended December 31, 2016 from US\$1,111 per TEU in the financial year ended December 31, 2015.

Transport volume in the Intra-Asia trade increased by 15.5% to 662,242 TEU in the financial year ended December 31, 2016 from 573,171 TEU in the financial year ended December 31, 2015, due to stronger bookings across the board. As a result of intense competition, our average freight rates dropped by 17.9% to US\$538 per TEU in the financial year ended December 31, 2016 from US\$655 per TEU in the financial year ended December 31, 2015.

Transport volume in the EMAO (Europe-Mediterranean-Africa-Oceania) trade increased by 13.6% to 417,079 TEU in the financial year ended December 31, 2016 from 367,029 TEU in the financial year ended December 31, 2015, mainly due to higher volumes on the Africa related sub trades. As a result of increased competitive pressure, our average freight rates dropped by 13.0% to US\$1,052 per TEU in the financial year ended December 31, 2016 from US\$1,210 per TEU in the financial year ended December 31, 2015.

Financial Years 2015 and 2014

Revenue increased by 29.9% to €8,841.8 million in the financial year ended December 31, 2015 from €6,807.5 million in the financial year ended December 31, 2014. This increase in revenue was largely attributable to the inclusion of the revenue from the acquired CCS Activities as well as the considerably stronger average US\$ exchange rate compared to the prior year. Transport volume increased from 5,906,686 TEU in the financial year ended December 31, 2014 to 7,401,206 TEU in the financial year ended December 31, 2015, a 25.3% rise. During the same period, our average freight rate decreased by 14.2% from US\$1,427 per TEU in the financial year ended December 31, 2014 to US\$1,225 per TEU in the financial year ended December 31, 2015, mainly due to the initial inclusion of CCS Activities, which have a lower freight rate level overall. The ongoing difficulties in the market environment also had an impact on our freight rates.

Expressed in U.S. dollars, revenue increased by 8.5% to US\$9,814.4 million in the financial year ended December 31, 2015 from US\$9,045.8 million in the financial year ended December 31, 2014.

Transport volume in the Atlantic trade increased by 6.6% to 1,541,317 TEU in the financial year ended December 31, 2015 from 1,445,824 TEU in the financial year ended December 31, 2014, due to a rise in transport volume on the Europe-North America trade arising from increased European exports to North America as a consequence of the current strength of the U.S. dollar compared to the euro. As a result of intense competition our average freight rates dropped by 5.1% to US\$1,504 per TEU in the financial year ended December 31, 2015 from US\$1,585 per TEU in the financial year ended December 31, 2014.

Transport volume in the Transpacific trade increased by 5.4% to 1,390,223 TEU in the financial year ended December 31, 2015 from 1,318,880 TEU in the financial year ended December 31, 2014, due to increased North American exports to Asia. As a result of competitive pressure and a decline of the bunker prices, our average freight rates dropped by 9.6% to US\$1,599 per TEU in the financial year ended December 31, 2015 from US\$1,768 per TEU in the financial year ended December 31, 2014.

Transport volume in the Far East trade increased by 13.0% to 1,282,332 TEU in the financial year ended December 31, 2015 from 1,134,550 TEU in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities. The increase was less than expected due to a weakening economic environment. As a result of tremendous rate pressure arising from intense competition and a significantly decreased Shanghai Container Freight Index, our average freight rates dropped by 20.1% to US\$942 per TEU in the financial year ended December 31, 2015 from US\$1,179 per TEU in the financial year ended December 31, 2014.

Transport volume in the Latin America trade increased by 94.1% to 2,247,134 TEU in the financial year ended December 31, 2015 from 1,157,879 TEU in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities. This was partially offset by the weak economic development in Latin America and China resulting in a drop in our average freight rates of 18.1% to US\$1,111 per TEU in the financial year ended December 31, 2015 from US\$1,357 per TEU in the financial year ended December 31, 2014.

Transport volume in the Intra-Asia trade increased by 16.6% to 573,171 TEU in the financial year ended December 31, 2015 from 491,505 TEU in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities, partially offset by the weak economic growth in China. As a result of intense competition, our average freight rates dropped by 17.7% to US\$655 per TEU in the financial year ended December 31, 2015 from US\$796 per TEU in the financial year ended December 31, 2014.

Financial condition

The following financial information is taken or derived from our Audited Consolidated Financial Statements for the financial years ended December 31, 2016, 2015 and 2014 with the exception of the figures which are taken from our Unaudited Interim Condensed Consolidated Financial Statements as of and for the three months ended March 31, 2017 and 2016.

Equity decreased from €5,058.4 million in the financial year ended December 31, 2016 to €4,940.1 million in the three months ended March 31, 2017. This decrease is primarily due to the group loss for the period (€62.1 million) as well as currency translation effects (€53.9 million).

Equity increased from €5,046.2 million in the financial year ended December 31, 2015 to €5,058.4 million in the financial year ended December 31, 2016. This increase is primarily due to positive effects from the unrealized gains and losses from foreign currency translation recognized in other comprehensive income amounting to €156.5 million. This was partly offset by the Group loss of €93.1 million and the change in the reserve for the revaluation of defined benefit pension plans of €43.7 million.

Equity increased from €4,169.6 million in the financial year ended December 31, 2014 to €5,046.2 million in the financial year ended December 31, 2015, mainly due to the balance of unrealized gains and losses from currency translation recognized in other comprehensive income amounting to €452.6 million, our profit of €113.9 million, as well as the change in the reserve for the remeasurement of defined pension plans.

Recent developments

On May 24, 2017, the UASC Business Combination was completed by way of a contribution-in-kind by all entities holding UASC shares to the Company against the issuance of 45,932,023 new ordinary registered shares of the Company with no par value and a pro rata amount of the share capital attributable to each ordinary registered share of €1.00 (the “**New Shares**”) by utilizing the Company’s authorized capital 2016 that was resolved by the ordinary shareholders’ meeting of the Company on August 26, 2016 and under the exclusion of the Company’s existing shareholders’ statutory subscription rights regarding the New Shares. The consummation of the capital increase was registered with the commercial register and the New Shares were issued on May 24, 2017.

In May 2016, we announced the founding of THE Alliance, which became our new main shipping alliance as of April 2017 and replaced our current alliance, the G6 Alliance, entirely. The G6 Alliance will cease its operations upon completion of the last voyages in July 2017. Besides us, THE Alliance consists of Mitsui O.S.K. Lines (“**MOL**”), Nippon Yusen Kaisha Lines (“**NYK**”), Kawasaki Kisen K.K. (“**K-Line**”) and Yang Ming Marine Transport Corp. (“**Yang Ming**”). UASC, as part of Hapag-Lloyd, became part of THE Alliance on May 24, 2017.

On July 18, 2017, the Company issued €450 million 5.125% senior notes due 2024 under an indenture dated July 18, 2017 among the Company, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited.

B.8 Selected key *pro forma* financial information.

The following selected key *pro forma* financial information was taken from the *pro forma* financial information prepared by the Company for the purpose of this prospectus, comprising the *pro forma* consolidated interim income statement for the three months ended March 31, 2017, the *pro forma* consolidated interim statement of financial position as of March 31, 2017 and the *pro*

forma consolidated income statement for the financial year ended December 31, 2016 and notes to the *pro forma* financial information (together, the “**Pro Forma Financial Information**”).

The purpose of this *Pro Forma* Financial Information is to present the *pro forma* consolidated income statement of Hapag-Lloyd AG as of and for the three months ended March 31, 2017 and for the financial year ended December 31, 2016 as if the UASC Business Combination had occurred as of January 1, 2016, and the *pro forma* consolidated interim statement of financial position of Hapag-Lloyd AG and the capital contributions in connection therewith as if the UASC Business Combination had occurred as of March 31, 2017.

The presentation of the *Pro Forma* Financial Information is provided for illustrative purposes only. Because of its nature, the *Pro Forma* Financial Information describes only a hypothetical situation and, therefore, does not indicate the future development of our financial condition, results of operation and cash flows.

The *Pro forma* Financial Information is only meaningful if read in conjunction with the unaudited consolidated financial statements of Hapag-Lloyd AG as of and for the three months ended March 31, 2017 and the audited consolidated financial statements as of and for the financial year ended December 31, 2016.

Pro Forma Consolidated Interim Statement of Financial Position as of March 31, 2017

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Note	Pro Forma
				(in € million) (unaudited)		
Goodwill	1,642.7	16.9	1,659.6	(16.8)		1,642.8
Other intangible assets	1,304.8	32.6	1,337.4	727.8	(2)	2,065.2
Property, plant and equipment	6,250.8	4,889.1	11,139.9	(935.2)	(1) (2)	10,204.7
Investments in equity-accounted investees	333.2	165.0	498.2	(158.0)	(1)	340.2
Other assets	35.6	6.1	41.7	127.7	(1)	169.4
Derivative financial instruments	37.1	—	37.1	—	(3)	37.1
Income Tax Receivables	3.3	—	3.3	—		3.3
Deferred tax assets	25.7	0.5	26.2	—		26.2
Non-current assets	9,633.2	5,110.1	14,743.3	(254.5)		14,488.8
Inventories	141.7	51.2	192.9	—		192.9
Trade Accounts receivable	690.2	361.3	1,051.5	—		1,051.5
Other assets	196.2	4.0	200.2	—		200.2
Derivative financial instruments	2.6	—	2.6	—		2.6
Income tax receivables	22.3	—	22.3	—		22.3
Cash and cash equivalents	519.8	411.7	931.5	198.3	(1) (3) (5)	1,129.8
Current assets	1,572.8	828.2	2,401.0	198.3		2,599.3
Total assets	11,206.0	5,938.3	17,144.3	(56.2)		17,088.1
Equity	4,940.1	1,791.5	6,731.6	(34.8)	(1) (2) (3) (4)	6,696.8
Provisions for pensions and similar obligations	240.0	58.6	298.6	—		298.6
Other provisions	107.3	—	107.3	8.2	(2)	115.5
Financial liabilities	3,519.7	3,322.9	6,842.6	(165.5)	(2) (3) (5)	6,677.1
Other liabilities	10.7	11.8	22.5	—		22.5
Derivative financial instruments	—	2.3	2.3	—		2.3
Deferred tax liabilities	2.2	0.6	2.8	—		2.8
Non-current liabilities	3,879.9	3,396.2	7,276.1	(157.3)		7,118.8
Provisions for pensions and similar obligations	5.0	—	5.0	—		5.0
Other provisions	224.4	—	224.4	41.7	(2)	266.1
Income tax liabilities	15.3	—	15.3	20.4	(2)	35.7
Financial liabilities	631.2	296.9	928.1	51.2	(2) (3) (5)	979.3
Trade Accounts payable	1,280.0	453.7	1,733.7	—		1,733.7
Other liabilities	189.4	—	189.4	22.6	(2) (4)	212.0
Derivative financial instruments	40.7	—	40.7	—		40.7
Current liabilities	2,386.0	750.6	3,136.6	135.9		3,272.5
Total equity and liabilities	11,206.0	5,938.3	17,144.3	(56.2)		17,088.1

Pro Forma Consolidated Income Statement for the Financial Year ended December 31, 2016

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Note	Pro Forma
				(in € million) (unaudited)		
Revenue	7,734.2	2,261.6	9,995.8	—		9,995.8
Other operating income	97.1	33.2	130.3	—		130.3
Transport expenses	(6,364.0)	(1,900.5)	(8,264.5)	40.3	(12)	(8,224.2)
Personnel expenses	(496.1)	(190.4)	(686.5)	—		(686.5)
Depreciation, amortization and impairment	(481.0)	(249.3)	(730.3)	2.9	(7) (8) (9)	(727.4)
Other operating expenses	(386.2)	(56.9)	(443.1)	18.8	(7) (14)	(424.3)
Operating result	104.0	(102.3)	1.7	62.0		63.7
Share of profit of equity accounted investees	27.1	(1.9)	25.2	7.5	(6)	32.7
Other financial results	(4.7)	1.4	(3.3)	—		(3.3)
Earnings before interest and tax (EBIT)	126.4	(102.8)	23.6	69.5		93.1
Interest result	(199.8)	(125.9)	(325.7)	28.0	(10) (13)	(297.7)
Earnings before income taxes	(73.4)	(228.7)	(302.1)	97.5		(204.6)
Income taxes	(19.7)	(18.3)	(38.0)	—		(38.0)
Profit/loss	(93.1)	(247.0)	(340.1)	97.5		(242.6)
Thereof attributable to shareholders of Hapag-Lloyd AG	(96.6)	(257.3)	(353.9)	97.5		(256.4)
Thereof attributable to non-controlling interests	3.5	10.3	13.8	—		13.8
Basic/Diluted earnings per share (EPS) in €	(0.82)				(15)	(1.45)

Pro Forma Consolidated Interim Income Statement for the Three Months ended March 31, 2017

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Note	Pro Forma
				(in € million) (unaudited)		
Revenue	2,132.1	702.4	2,834.5	—		2,834.5
Other operating income	26.3	6.8	33.1	—		33.1
Transport expenses	(1,789.1)	(532.7)	(2,321.8)	2.2	(11)	(2,319.6)
Personnel expenses	(147.4)	(48.7)	(196.1)	—		(196.1)
Depreciation, amortization and impairment	(127.8)	(66.1)	(193.9)	1.1	(7) (8) (9)	(192.8)
Other operating expenses	(98.2)	(19.4)	(117.6)	5.0	(7) (14)	(112.6)
Operating result	(4.1)	42.3	38.2	8.3		46.5
Share of profit of equity accounted investees	7.6	0.5	8.1	0.6	(6)	8.7
Earnings before interest and tax (EBIT)	3.5	42.8	46.3	8.9		55.2
Interest result	(61.8)	(35.4)	(97.2)	7.3	(10) (13)	(89.9)
Earnings before income taxes	(58.3)	7.4	(50.9)	16.2		(34.7)
Income taxes	(3.8)	(3.3)	(7.1)	—		(7.1)
Profit/loss	(62.1)	4.1	(58.0)	16.2		(41.8)
Thereof attributable to shareholders of Hapag-Lloyd AG	(62.8)	1.5	(61.3)	16.2		(45.1)
Thereof attributable to non-controlling interests	0.7	2.6	3.3	—		3.3
Basic/Diluted earnings per share (EPS) in €	(0.53)				(15)	(0.25)

Notes to the Pro Forma Financial Information

- (1) The assumed sale of ownership-restricted real estate and an investment in an associate of UASC has an effect on the net assets of €1.7 million and €(30.2) million as of March 31, 2017. It is assumed that the ownership-restricted real estate with a carrying amount of €9.2 million as of March 31, 2017 was sold for a consideration of €10.9 million in cash. For the investment in the associate with a carrying amount of €158.0 million as of March 31, 2017 a non-current financial receivable of €127.8 million was recognized. The receivable in the notional amount of US\$152.4 million is due for payment on December 31, 2018. UASC's investment in the associate was transferred before the acquisition date to a special purpose vehicle held by the Controlling UASC Shareholders and set up for the purpose of the sale.

- (2) The acquisition of UASC was executed by a contribution in-kind with Hapag-Lloyd AG issuing 45,932,023 common shares as consideration to former shareholders of UASC. For the preparation of the Pro Forma Financial Information the amount of the consideration transferred was set at €1,286.1 million (based on the fair value of the 45,932,023 newly issued shares measured at the stock price of Hapag-Lloyd AG of €28.00 per share at acquisition date).
- (3) Capital Increase II in the amount of €374.5 million (US\$400.0 million) is mainly recognized as reducing financial debt by redeeming a financial debt facility due 2022 in the amount of €187.2 million. The remaining amount is retained as cash.
- (4) After March 31, 2017 further transaction costs in the amount of €13.1 million are expected. These transaction costs are recognized as current other liabilities in the Pro Forma consolidated interim statement of financial position as of March 31, 2017.
- (5) It is intended to prepay existing non-current financial liabilities in the amount of €33.6 million within three months after closing. Therefore, the respective financial liability is classified as short term financial liability for purposes of this Pro Forma Financial Information. The amount of the envisaged prepayment is recognized as cash and cash equivalent for purposes of this Pro Forma Financial Information respectively.
- (6) This adjustment has a continuous effect and reflects the elimination of UASC' share in the result in the sold equity-accounted investees in the amount of a negative €7.5 million and a negative €0.6 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.
- (7) This adjustment has a continuous effect and reflects the decrease in the depreciation expense of €1.2 million and €0.3 million due to the reduction of the carrying amounts of buildings due to the sale for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively. Additionally, there are additional rent expenses and ceased rent income from subleases assumed, which have a continuous effect and increase other operating expenses in the amount of €4.6 million and €1.2 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.
- (8) This adjustment has a continuous effect and reflects the additional amortization expense of €47.2 million and €11.7 million on the intangible assets with a definite useful life acquired as part of the acquisition for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively. The amount of intangible assets, estimated useful lives and amortization method are subject to the final valuation of the assets acquired at the acquisition date. For the customer relationship an estimated useful life of 30.0 years was assumed, resulting in an additional amortization expense of €20.6 million and €5.3 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively. For the favorable vessel charter contracts, an average term of the contracts of 1.6 years was assumed, resulting in an additional amortization expense of €24.4 million and €5.8 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively. For UASC' trademark an estimated useful life of 20.0 years was assumed, resulting in an additional amortization expense of €2.2 million and €0.6 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.
- (9) This adjustment has a continuous effect and reflects the decrease in the depreciation expense of €49.0 million and €12.7 million due to the reduction of the carrying amounts to their fair values as part of the acquisition for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively. The amount of property, plant and equipment useful life's and amortization method are subject to the final valuation of the assets acquired at the acquisition date. A vessel-based calculation resulted in a reduction of the depreciation expenses of €68.1 million and €17.6 million for the year ended December 31, 2016 and for the three months period ended March 31, 2017, respectively. For the containers an estimated average remaining useful life of 8.7 years was assumed at the date of acquisition resulting in an increase of the depreciation expenses of €19.3 million and €5.0 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively. For the buildings an estimated average remaining useful life of 13.4 years was assumed at the date of acquisition resulting in a reduction of the depreciation expenses of €0.2 million and €0.1 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.
- (10) This adjustment has a continuous effect and reflects the decrease in interest expenses of €17.0 million and €4.4 million for the year ended December 31, 2016 and for the three months period ended March 31, 2017 as a result the derecognition of capitalized transaction fees.
- (11) This adjustment has a continuous effect and reflects the decrease in transportation expenses of €2.2 million for the three months period ended March 31, 2017 as a result of the recognition of the onerous vessel charter contracts with an average remaining useful life of 1.2 years at the date of acquisition. The amount and maturities of liabilities from onerous vessel charter contracts are subject to the final valuation of the liabilities assumed at the acquisition date.
- (12) This adjustment has a continuous effect and reflects the decrease in transportation expenses of €40.3 million for the year ended December 31, 2016 as a result of the recognition of the onerous vessel charter with residual terms of 1.2 years at the date of acquisition. The amount and maturities of liabilities from onerous vessel charter contracts are subject to the final valuation of the liabilities assumed at the acquisition date.
- (13) As a result of the assumed Capital Increase II before January 1, 2016 interest expenses were reduced. As €187.2 million was used for the early redemption of financial debt, the respective interest expenses incurred for this financial debt was eliminated. Accordingly, this adjustment has a continuous effect on interest expenses. Interest expenses were reduced in the financial year 2016 by an amount of €11.0 million and in the three months ended March 31, 2017 by an amount of €2.9 million, respectively.

- (14) The acquisition resulted in one-time transaction costs in the amount of €23.4 million and €6.2 million for the year ended December 31, 2016 and for the three months period ended March 31, 2017, respectively. These costs were eliminated in the Pro Forma consolidated income statements. No further expected transaction-related one-offs were included in the Pro Forma consolidated income statements, as they are assumed to already have been incurred at the opening balance sheet date.
- (15) Capital Increase I increased the number of shares by 45,932,023. Additionally, based on the stock price at the acquisition date and exchange rate on March 31, 2017 Capital Increase II is assumed to generate 13,374,885 new shares based on the stock price at acquisition date. Both capital increases result in a dilution of the earnings/loss per share.

Selected other Pro Forma Operational Information

	As of and for the financial year ended December 31, 2016	As of and for the three months ended March 31, 2017
	(unaudited)	
Volumes transported (1,000 TEU) ⁽¹⁾	10,730	2,788
Freight rate (US\$/TEU) ⁽²⁾	920	992
Bunker price (US\$/t) ⁽³⁾	223	312
Exchange rate (€/US\$)	1.1049	1.0651
Container fleet (1,000 TEU)		2,303
Fleet capacity (1,000 TEU) ⁽⁴⁾		1,592
Number of vessels		230

- (1) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot (6.05 m) in length x 8-foot (2.43 m) in width x 8-foot, 6-inches (2.59 m) in height), the standard unit of measurement of volume used in the container shipping industry. Volumes transported reflect the combined transport volume of each of Hapag-Lloyd and UASC in the financial year ended December 31, 2016 and in the three months ended March 31, 2017. Volume as reported by the Company on end of voyage criteria and by UASC start of voyage criteria.
- (2) The freight rate has been calculated as a weighted average of Hapag-Lloyd and UASC's freight rates in the financial year ended December 31, 2016 and in the three months ended March 31, 2017 (total freight revenue divided by total volumes transported). Revenue as reported by the Company on end of voyage criteria and by UASC start of voyage criteria.
- (3) The bunker price has been calculated as a weighted average of Hapag-Lloyd and UASC's bunker price in the financial year ended December 31, 2016 and in the three months ended March 31, 2017 (total bunker cost divided by total consumption in tonnes). Bunker cost as reported by the Company on end of voyage criteria and by UASC start of voyage criteria.
- (4) The pro forma combined figure has been adjusted for 42 vessels owned by UASC (475,008 TEU) and 18 vessels chartered by UASC (119,489 TEU) as per December 31, 2016. The pro forma combined figure has been adjusted for 42 vessels owned by UASC (475,008 TEU) and 17 vessels chartered by UASC (109,917 TEU) as per March 31, 2017.

- B.9 Profit forecast and estimate.** Not applicable. No profit forecast or estimate is being presented by the Company.
- B.10 Qualifications in the audit report on the historical financial information.** Not applicable. The auditor's reports on the historical financial information included in this prospectus have been issued without qualification.
- B.11 Insufficiency of the issuer's working capital for its present requirements.** Not applicable. The Company's working capital is sufficient for its present requirements, that is, for at least twelve months following the date of this prospectus.

C – Securities

- C.1 Type and class of the securities offered and being admitted to trading.** Ordinary registered shares of the Company with no par value (*Stückaktien*), each such share with a notional value of €1.00 in the share capital and with full dividend rights as from January 1, 2017.
- Security identification number.** International Securities Identification Number (ISIN):
DE000HLAG475
German Securities Code (*Wertpapierkennnummer*, WKN):
HLAG47

Common Code: 129212390

Ticker Symbol: HLAG

- C.2 Currency.** Euro.
- C.3 The number of shares issued and fully paid.** As of the date of this prospectus, the share capital of the Company amounts to €164,042,940.00 and is divided into 164,042,940 ordinary registered shares with no par value (*Stückaktien*). The share capital of the Company is fully paid up.
- Notional value of each share in the share capital.** Each no par value ordinary share of the Company represents a notional value of €1.00 in the share capital.
- C.4 Rights attached to the securities.** Each share in the Company carries one vote at the Company's shareholders' meeting. There are no restrictions on voting rights. The shares carry full dividend rights as from January 1, 2017, *i.e.* for the full financial year 2017 and for all subsequent financial years.
- C.5 A description of any restrictions on the free transferability of the securities.** Not applicable. There are no restrictions on the transferability of the Company's shares.
- C.6 Application for admission to trading on a regulated market and identity of regulated markets where the securities are to be traded.**
- As of the date of this prospectus, 118,110,917 of the Company's shares are admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard) and on the regulated market segment (*regulierter Markt*) of the Hamburg Stock Exchange.
- On July 12, 2017 the Company applied for admission of an additional 42,749,568 of the Company's shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard) and on the regulated market segment (*regulierter Markt*) of the Hamburg Stock Exchange.
- The Company expects the listing approval for each stock exchange to be announced on July 19, 2017. Trading of these shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Hamburg Stock Exchange is currently expected to commence on July 21, 2017.
- C.7 Dividend policy.** Our dividend policy will be reviewed from time to time and declaration and payment of any future dividends will be at the discretion of the Company's executive board and the general meeting of shareholders after taking into account various factors, including our business prospects, future earnings, cash requirements, financial condition, expansion plans and the requirements of German law and/or the laws of the jurisdiction where our subsidiaries are organized. Our general dividend policy is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. In general, we aim to pay a dividend of 20% to 30% of our consolidated profit for the respective financial year if this is

compliant with the German Commercial Code (*Handelsgesetzbuch*) and the restrictions in certain financing arrangements as well as subject to market conditions, our growth and development plans and the need to maintain a reasonable level of liquidity.

For the financial years ended December 31, 2016, 2015 and 2014, the Company's unconsolidated loss in accordance with the German Commercial Code (*Handelsgesetzbuch*) amounted to €(201.4) million, €(635.7) million and €(845.2) million, respectively. In respect of the last three financial years, no dividend distributions were made to shareholders.

D – Risks

D.1 Key risks specific to the issuer and its industry.

Risks Relating to Our Business and Industry

- The cyclical and volatile nature of the container shipping industry as well as imbalances of supply and demand make it difficult for us to manage capacity requirements.
- The current and future market conditions could have a negative effect on transport volumes and freight rates, as well as on our financial position.
- Increases in container vessel charter rates from current levels, which we may not be able to pass on to our customers, and short-term declines in freight rates at unchanged charter rates could have an adverse effect on our business.
- The container shipping industry is highly competitive and subject to ongoing consolidation and competition may intensify even further which could negatively affect our market position and financial performance.
- The formation of larger alliances could represent a competitive disadvantage.
- We may be unable to retain our service contracts related to our flag-protected cabotage business, as well as our contracts with the U.S. government.
- The risk of customer churn associated with high levels of competition is exacerbated by the fact that we generally do not enter into long-term or exclusive contracts with our customers.
- Container ship capacities have increased in recent years, leading to overload and/or overcapacity and congestion in certain ports and access to ports could be limited or unavailable for other reasons.
- There is a considerable time lag between the ordering and the delivery of new vessels, leading to a heightened sensitivity exposure to intermittent changes in shipping market conditions.
- Our operating and financial performance is subject to seasonal fluctuations and could be adversely affected by unfavorable developments.
- Changing trading patterns, trade flows and sharpening trade imbalances may adversely impact our cost structure.

- We may not be able to maintain and effectively utilize the much larger fleet of the Group.
- Increases in bunker fuel prices may significantly increase our costs of operation.
- Political crises and their consequences in the Middle East, Ukraine and elsewhere could affect regional or global economic growth and capital flows which could in turn negatively impact transport volumes and our financing arrangements, respectively.
- Political, economic, social and other risks prevalent in markets in which we operate may negatively impact our operations.
- Risks inherent in the operation of oceangoing vessels and the handling of transported goods could lead to substantial damages and harm our business and reputation.
- Acts of piracy on oceangoing vessels remain a considerable risk for oceangoing vessels and could adversely affect our business and results of operations.
- We could face substantial liability if we fail to comply with existing environmental regulations, and we may be adversely affected by changes to those regulations.
- Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems.
- We are subject to certain competition and antitrust laws with which we must comply and where non-compliance could lead to the imposition of fines or similar sanctions.
- Compliance breaches could result in investigations by relevant authorities, fines, damage claims, payment claims, the termination of relationships with customers or suppliers and reputational damage.
- Changes to the liability regime for the international maritime carriage of goods could adversely affect our business.
- We may not be fully protected against damage, losses and certain liabilities under our insurance coverage or indemnities covering liabilities and our insurance premiums may increase in the event of war or terrorist attacks.
- If we are unable to implement our planned improvements successfully and achieve our anticipated cost savings, our growth and profitability may be adversely affected.
- Our success depends to a large extent on IT systems, and these systems may not continue to generate operational efficiencies and yield management benefits.
- The termination of our or other shipping companies' membership in THE Alliance or the Grand Alliance, or the termination of THE Alliance or the Grand Alliance as a whole, could have an adverse effect on the geographic scope of our service network and the deployment of our vessels.
- We may be unable to retain existing customers upon the expiration of our existing contracts or may be unable to attract new customers.

- Differences in views with our joint venture participants may cause our joint ventures not to operate according to their business plans, which may adversely affect our results of operations.
- The value of our 25.1% interest in CTA is influenced by a variety of economic factors, which are beyond our control.
- Our business may be adversely affected by protectionist policies and regulatory regimes adopted by countries globally.
- Our business faces risks in connection with currency exchange rates and interest rate fluctuations.
- We operate in a capital-intensive industry and our future sources of financing are not necessarily secured.
- Ordering newbuild or acquiring second-hand vessels exposes us to the risk of default or faulty performance of the contracting parties and we may not be compensated for expenses incurred.
- Compliance with the requirements imposed on our vessels by classification institutions may be very costly.
- We rely on third-party contractors and suppliers to provide various services and unsatisfactory or faulty performance of the contractor could have a material adverse effect on our business.
- Labor disturbances by our own employees or third parties, with which we work, could disrupt our business.
- Changes in tax laws or in their interpretation could result in higher tax expenses.
- We are dependent on our reputation and on maintaining good relationships with our customers, business partners, employees and regulators.
- Our operations are subject to the general risks of litigation and tax proceedings.
- Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the EU and other jurisdictions.
- Maritime claimants could arrest our vessels, which could lead to an interruption of our business or require us to pay large sums of funds to have the arrest lifted.
- Goodwill and other identifiable intangible assets represent a significant portion of our total assets and we may not be able to realize the full value of our intangible assets.
- The market value of our vessels may fluctuate significantly, and we may incur losses when we sell vessels following a decline in their market value.
- The valuation of vessels is inherently subjective and uncertain as well as based on assumptions which may prove to be inaccurate or affected by factors outside of our control. Furthermore, the valuation report and financial information contained in this prospectus may incorrectly assess the value of our vessels.

- A downgrade in the rating of Hapag-Lloyd AG could increase its refinancing costs and preclude its access to certain financing markets and products, thereby impairing its liquidity and profitability.
- The extended Panama Canal has led to a substantial shift of larger vessels into the Transpacific trade, which may impact freight rates negatively in the future.

Risks Relating to Our Financial Profile

- We may not be profitable in future reporting periods and our leverage, which increased substantially as a result of the UASC Business Combination, may make it difficult for us to operate our businesses.
- We are subject to significant restrictive debt covenants, which limit our operating flexibility and, if we default under our debt covenants, we will not be able to meet our payment obligations.
- The derivative instruments we employ for hedging purposes involve risks and may not be successful.
- Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.
- The Hanjin bankruptcy may result in more restrictive bank lending and credit support to the container shipping industry, including Hapag-Lloyd, which may have a material adverse effect on our financial condition and future operations.

Risks Relating to the UASC Business Combination

- The anticipated synergies from the UASC Business Combination might not materialize and we might not be able to fully exploit economies of scale.
- *Pro Forma* Financial Information describes only a hypothetical situation and, therefore, may not reflect the actual results of operation of the Group following the completion of the UASC Business Combination.
- Hapag-Lloyd may not be successful in integrating UASC into its existing business in the manner, or within the timeframe, as currently anticipated or only at a higher expense.
- The integration of UASC might result in the loss of key personnel or customers, business interruptions and disturbances.
- We have incurred substantial indebtedness as a result of the UASC Business Combination.
- We may not be able to maintain and fully utilize the much larger fleet of the Group following the UASC Business Combination.
- We could be exposed to risks of UASC which have not been detected during our due diligence preceding the UASC Business Combination.

- The UASC Business Combination will entitle certain counterparties of UASC to terminate their agreements as a result of change of control provisions.
- The UASC Business Combination will increase our exposure to the highly competitive Far East trade and will increase our exposure to the Middle East.

D.3 Key risks specific to the securities.

Risks Relating to Our Shares and Our Shareholder Structure

- Our share price may fluctuate significantly, and investors could lose all or part of their investment.
- Our largest shareholders are in a position to exert substantial influence on the Company. The interests pursued by each of these shareholders could differ from the interests of our other shareholders.
- Future sales of a substantial number of our shares may depress the market price of our shares and make it more difficult to sell equity or equity-related securities in the future.
- Future offerings of debt or equity securities by us may adversely affect the market price of the shares, and future capitalization measures could lead to substantial dilution of existing shareholders' interests in the Company.
- The payment of future dividends will depend on our financial condition and results of operations, as well as on our operating subsidiaries' distributions to us.
- An investment in our shares by an investor whose principal currency is not the euro may be affected by exchange rate fluctuations.

E – Offer

E.1 The total net proceeds.	Not applicable. This prospectus does not relate to an offering of shares.
Estimate of the total expenses of the issue/ offer, including estimated expenses charged to the investor by the issuer.	Investors will not be charged with expenses by the Company or the Listing Agent. The costs related to the listing of the shares are expected to total approximately €1.4 million.
E.2a Reasons for the offering.	Not applicable. This prospectus does not relate to an offering of shares.
Use of proceeds, estimated net amount of the proceeds.	Not applicable. This prospectus does not relate to an offering of shares. Accordingly, there are no proceeds to the Company or any shareholder of the Company.
E.3 Offer conditions.	Not applicable. This prospectus does not relate to an offering of shares.
E.4 A description of any interest that is material to the issue/ offer including conflicting interests.	Not applicable. This prospectus does not relate to an offering of shares.

- | | | |
|------------|--|--|
| E.5 | Name of the person or entity offering to sell the security. | Not applicable. This prospectus does not relate to an offering of shares. |
| | Lock-up agreement: the parties involved; and indication of the period of the lock-up. | Not applicable. No party has entered into any lock-up agreement in relation to the Company's shares. |
| E.6 | Amount and percentage of immediate dilution resulting from the offering. | Not applicable. This prospectus does not relate to an offering of shares. |
| E.7 | Estimated expenses charged to the investor by the issuer. | Not applicable. Investors will not be charged with expenses by the Company or the Listing Agent. |

2. GERMAN TRANSLATION OF THE SUMMARY OF THE PROSPECTUS (ZUSAMMENFASSUNG DES PROSPEKTS)

Zusammenfassungen bestehen aus geforderten Angaben, die als „Punkte“ bezeichnet sind. Diese Punkte sind in den Abschnitten A – E (A.1 – E.7) fortlaufend nummeriert. Diese Zusammenfassung enthält alle Punkte, die für die vorliegende Art von Wertpapier und Emittent in eine Zusammenfassung aufzunehmen sind. Da einige Punkte nicht behandelt werden müssen, können in der Nummerierungsreihenfolge Lücken auftreten. Selbst wenn ein Punkt wegen der Art des Wertpapiers und des Emittenten in die Zusammenfassung aufgenommen werden muss, ist es möglich, dass in Bezug auf diesen Punkt keine relevanten Informationen gegeben werden können. In solchen Fällen enthält die Zusammenfassung eine kurze Beschreibung des Punkts mit dem Hinweis „Entfällt“.

A – Einleitung und Warnhinweise

A.1 Warnhinweise.

Diese Zusammenfassung sollte als Einleitung zu diesem Prospekt verstanden werden. Bei jeder Entscheidung zur Anlage in die Aktien der Gesellschaft (wie nachfolgend definiert) sollte sich der Anleger auf die Prüfung des gesamten Prospekts stützen.

Für den Fall, dass vor einem Gericht Ansprüche auf Grund der in diesem Prospekt enthaltenen Informationen geltend gemacht werden, könnte der als Kläger auftretende Anleger in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen haben.

Die Personen, welche die Verantwortung für diese Zusammenfassung einschließlich etwaiger Übersetzungen hiervon übernommen haben oder von denen der Erlass ausgeht, können für den Inhalt dieser Zusammenfassung einschließlich ihrer deutschen Übersetzung haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen dieses Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen vermittelt.

Die Hapag-Lloyd Aktiengesellschaft, Hamburg, Bundesrepublik Deutschland („**Deutschland**“) (die „**Gesellschaft**“ oder „**Hapag-Lloyd AG**“ und gemeinsam mit ihren konsolidierten Tochtergesellschaften aber ausgenommen United Arab Shipping Company Limited („**UASC Limited**“) und ihre konsolidierten Tochtergesellschaften (zusammen „**UASC**“) „**wir**“, „**uns**“, „**unser**“, die „**Gruppe**“, die „**Hapag-Lloyd Gruppe**“ oder „**Hapag-Lloyd**“), zusammen mit Joh. Berenberg, Gossler & Co. KG („**Berenberg**“ oder „**Börsenzulassungsbeauftragte**“), übernehmen nach § 5 Abs. 2b Nr. 4 Wertpapierprospektgesetz die Verantwortung für den Inhalt dieser Zusammenfassung, einschließlich etwaiger Übersetzungen.

A.2 Angabe über spätere Verwendung des Prospekts.

Entfällt. Eine Zustimmung zur Verwendung des Prospekts für eine spätere Weiterveräußerung oder Platzierung der Aktien der Gesellschaft ist nicht erteilt worden.

B – Emittent

B.1 Juristische und kommerzielle Bezeichnung.

Die juristische Bezeichnung der Gesellschaft ist Hapag-Lloyd Aktiengesellschaft.

Die Gesellschaft ist die Muttergesellschaft der Hapag-Lloyd Gruppe und ihr Geschäft wird im Wesentlichen unter der kommerziellen Bezeichnung „**Hapag-Lloyd**“ durchgeführt.

B.2 Sitz und Rechtsform des Emittenten, geltendes Recht, Land der Gründung.

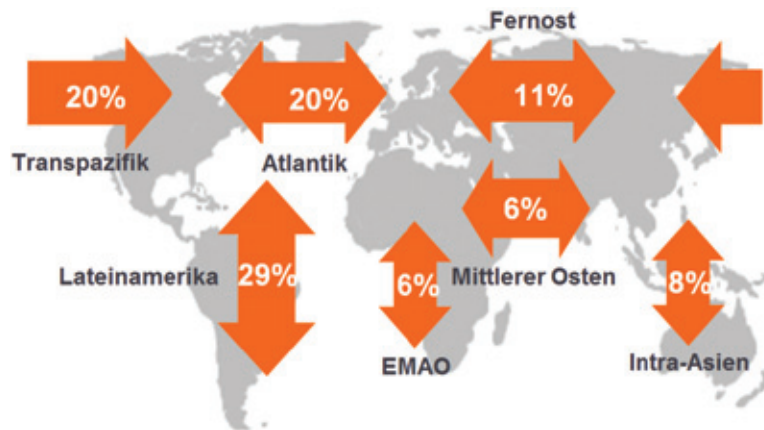
Die Gesellschaft hat ihren Sitz am Ballindamm 25, 20095 Hamburg, Deutschland, und ist im Handelsregister des Amtsgerichts Hamburg, Deutschland, unter HRB 97937 eingetragen. Die Gesellschaft ist eine deutsche Aktiengesellschaft, die in Deutschland gegründet wurde und deutschem Recht unterliegt.

B.3 Derzeitige Geschäfts- und Haupttätigkeit sowie Hauptmärkte, auf denen der Emittent vertreten ist.

Wir sind eine weltweit führende Containerschiffahrtsgesellschaft. Gemessen an der Kapazität unserer Schiffsflotte sind wir in Deutschland das größte und weltweit eines der größten Containerschiffahrtsunternehmen (*Quelle*: MDS Transmodal, April 2017). Im Rahmen unseres umfassenden Serviceangebots können unsere Kunden auf ein weitreichendes Netzwerk von 118 Liniendiensten weltweit zurückgreifen und dabei von unserer starken Präsenz vor Ort mit rund 364 Vertriebsbüros (einschließlich Agenturen) in 121 Ländern weltweit (Stand: 31. März 2017) profitieren. Wir bieten weltweit sowohl Komplettlösungen im Bereich Containertransport von Tür zu Tür sowie von Hafen zu Hafen als auch zahlreiche Kombinationsmöglichkeiten an, die spezifisch auf die Transportservicebedürfnisse unserer Kunden zugeschnitten sind.

Wir streben an unser ausgewogenes Portfolio an Handelsrouten zu halten, das unsere wichtigsten Märkte abdeckt. Wir haben eine starke Präsenz in den hochvolumigen Fahrtgebieten Fernost (Europa-Asien), Atlantik (Europa-Nordamerika), Transpazifik (Asien-Nordamerika) sowie Lateinamerika. Daneben tragen auch die Fahrtgebiete EMAO (Europa-Mittelmeer-Afrika-Ozeanien) und Intra-Asien zu unserem gesamten Transportvolumen bei. Mit unserem erweiterten Liniendienstnetz sind wir gut positioniert, um von wachsenden Verkehrsströmen in der ganzen Welt zu profitieren. Wir verfügen über eine starke Position sowohl im volumenstarken Ost-West-Fahrtgebiet, welches 51 % unseres gesamten Transportvolumens in dem zum 31. Dezember 2016 endenden Geschäftsjahr ausmachte (Atlantik, Transpazifik und Fernost jeweils 20%, 20% und 11%) und in unserem Nord-Süd-Fahrtgebiet, auf welches für die gleichen Zeitperioden 49% unseres gesamten Transportvolumens ausmachte (Lateinamerika, Intra-Asien, Mittlerer Osten und EMAO jeweils 30%, 8%, 6% und 5%). In Vorbereitung auf die UASC Business Combination haben wir unsere Fahrtgebiete neu strukturiert und die Zuordnung einzelner Dienste verändert. In den am 31. März 2017 endenden drei Monaten entfielen 51% unseres Gesamttransportvolumens auf unser Ost-West-Fahrtgebiet (Atlantik, Transpazifik und Fernost 20%, 20% und 11%) und 49% auf unser Nord-Süd-Fahrtgebiet (Lateinamerika, Intra-Asien, Mittlerer Osten und EMAO jeweils 29%, 8%, 6% und 6%).

Die untenstehende Grafik zeigt Hapag-Lloyds Transportvolumen je Fahrtgebiet für die zum 31. März 2017 endenden drei Monate.



Nachdem wir am 24. Mai 2017 die Kombination aller Aktivitäten, Aktiva, Passiva, vertraglicher Beziehungen und Mitarbeiter der United Arab Shipping Company Limited („UASC Limited“) und ihrer Tochtergesellschaften (zusammen „UASC“) (die „UASC Business Combination“) mit der Hapag-Lloyd AG abgeschlossen haben, erwarten wir, dass die Kombination mit einer der größten, im Mittleren Osten basierten Containerschiffahrtsgesellschaften gemessen an der Transportkapazität, unserer Marktposition als eine der top fünf Schiffahrtsgesellschaften stärkt und eine Verbesserung unserer Marktposition in der attraktiven Route Mittlerer Osten nach sich ziehen wird, wo wir versuchen, Möglichkeiten für weiteres profitables Wachstum zu nutzen. Wir gehen davon aus, dass die UASC Business Combination einerseits unsere internationale Ausrichtung und das globale Netzwerk, welches wir unseren Kunden anbieten können, fördert. Des Weiteren wird uns ermöglicht, unsere Wettbewerbsfähigkeit durch die neue und verbrauchsarme Flotte von UASC mit einem großen Anteil an übergroßen Containerschiffen (*ultra-large container vessels* „ULCVs“) zu steigern, ohne dass dies zusätzlichen eigenen Investitionsaufwand erfordert und darüber hinaus Synergieeffekte zu nutzen. Wir erwarten, dass unser Fahrtgebietenportfolio durch die UASC Business Combination noch ausgewogener wird. Vier von sieben unserer angegebenen Fahrtgebiete (Atlantik, Transpazifik, Fernost und Lateinamerika) weisen ein Transportvolumen von mindestens 1 Mio. TEU auf.

Die untenstehende Grafik zeigt das gemeinsame Transportvolumen von Hapag-Lloyd und UASC je Fahrtgebiet für die zum 31. März 2017 endenden drei Monate.

Transportvolumen je Fahrtgebiet (31. März 2017)*



(*) Verteilung des UASC-Volumens gemäß Hapag-Lloyds Fahrtgebietsdefinition

Unsere Containerschiffsflotte gehört zu den größten weltweit (*Quelle: MDS Transmodal, April 2017*). Zum 31. März 2017 umfasste sie 172 Containerschiffe mit einer Gesamttransportkapazität von 1.007.519 TEU (TEU ist eine 20-Fuß-Container-Einheit (*20-foot equivalent unit*) (d.h. ein Standardcontainer von 20-Fuß bzw. 6,05 m Länge, 8-Fuß bzw. 2,43 m Breite und 8-Fuß 6-Inch bzw. 2,59 m Höhe), die Standardmaßeinheit für das in der Containerschiffverkehrsbranche genutzte Volumen), wovon 74 in unserem Eigentum standen, 95 gechartert und drei im Wege von Finanzierungs-Leasing geleast waren.

Durch die UASC Business Combination haben wir zusätzliche 58 Containerschiffe, darunter sechs Schiffe über 19.870 TEU, erworben, welche sich durch ihre ökologische Effizienz auszeichnen. Daneben haben wir ebenfalls elf neu konstruierte Schiffe über 14.993 TEU erworben, von denen die letzten beiden Schiffe in 2017 geliefert werden. Zum 31. März 2017 umfasste unser Containerbestand 963.126 Container mit einer Transportkapazität von insgesamt 1,58 Mio. TEU von denen rund 42 % in unserem Eigentum standen und die übrigen gemietet waren. Durch die UASC Business Combination haben wir zusätzliche 457.933 Container mit einer Kapazität von 739.331 TEU erworben. Zum 31. März 2017 umfasste unser Orderbuch ein neues Schiff mit einer Kapazität von 10.500 TEU, das im April 2017 geliefert wurde. Das Orderbuch von UASC umfasst zwei neue Schiffe mit einer Kapazität von je 14.993 TEU, deren Auslieferung in 2017 geplant ist. Infolge der dieser Investitionen erwarten wir, dass sich der Anteil der in unserem Eigentum stehenden Schiffe erhöhen wird.

Im Mai 2016 haben wir die Gründung der THE Alliance angekündigt, welche zum April 2017 unsere neue Hauptschiffverkehrsallianz geworden ist und somit vollständig die G6 Alliance ersetzt hat. Die G6 Alliance wird ihren Betrieb nach Abschluß der letzten Reisen im Juli 2017 einstellen. Neben uns besteht THE Alliance aus Mitsui O.S.K. Lines („**MOL**“), die Nippon Yusen Kaisha Lines („**NYK**“), Kawasaki Kisen K.K. („**K-Line**“) und Yang Ming Marine Transport Corp. („**Yang Ming**“). UASC ist als Teil von Hapag-Lloyd am 24. Mai, 2017 Teil von der THE Alliance geworden. Am 31. Oktober 2016 haben K-Line, MOL und NYK ihre Absicht verkündet, eine Joint

Venture-Gesellschaft zu etablieren um das Containerschiffahrtsgeschäft (inklusive des Terminalgeschäfts außerhalb Japans) der drei Gesellschaften zu integrieren und einen Integrationsvertrag und eine Aktionärsvereinbarung zu unterzeichnen. Wir erwarten, dass die geplante Integration des Containerschiffahrtsgeschäfts von K-Line, MOL und NYK keine negative Auswirkungen auf den Aufbau oder den Betrieb der THE Allianz haben wird. Hapag-Lloyd AG war eines der Gründungsmitglieder der G6 Alliance (deren weitere Mitglieder die American President Lines Ltd. („APL“), die Hyundai Merchant Marine Co., Ltd. („HMM“), MOL, NYK und die Orient Overseas Container Line Limited („OOCL“) waren), einer der ehemals größten Containerschiffahrtsallianzen der Welt mit einer Gesamtkapazität von zusammengekommen rund 3,5 Mio. TEU. Dies entspricht einem Anteil von rund 17 % an der weltweiten Transportkapazität (*Quelle*: MDS Transmodal, Februar 2016; Drewry Maritime Research, Q1 2017). Darüber hinaus haben wir Kooperationsvereinbarungen mit anderen Reedereien geschlossen. Daneben sind wir eines der Gründungsmitglieder der Grand Alliance, der auch OOCL und NYK angehören. Die von dieser Allianz angebotenen Liniendienste wurden zum überwiegenden Teil mit denen der New World Alliance in der G6 Alliance zusammengeführt.

Diese Vereinbarungen ermöglichen durch die gemeinsame Nutzung von Kapazitäten nicht nur die Optimierung unserer Flottenauslastung, sondern auch eine größere Bandbreite und geografische Ausdehnung des Liniendienstnetzes, die wir nicht bieten könnten, wenn wir ausschließlich unsere eigene Schiffsflotte einsetzen würden. Da wir in der Lage sind, unsere Routenplanung mit unseren Partnern zu koordinieren, können wir unsere Kapazitäten effizienter nutzen und somit nicht nur Kosten sparen, sondern auch den Investitionsaufwand senken. In dem zum 31. Dezember 2016 endenden Geschäftsjahr und den zum 31. März 2017 endenden drei Monaten wurden entsprechend rund 40% bzw. 36% unseres Gesamttransportvolumens entweder über eigene oder gecharterte Schiffe, die von uns im Rahmen der G6 Alliance eingesetzt wurden, oder über Schiffe, die uns von der G6 Alliance zur Verfügung gestellt wurden, abgewickelt. Der verbleibende Anteil unseres Transportvolumens wurde hauptsächlich durch eines unserer anderen Kooperationsabkommen (die G6 Alliance ausgeschlossen) durchgeführt. Wir haben zudem eine Kooperationsvereinbarung mit CMA CGM S.A. („CMA CGM“), Hamburg Süd Group („Hamburg Süd“) abgeschlossen, dank der wir neue Produkte zwischen Asien und der West- und Ostküste Lateinamerikas anbieten können. Dies ist ein Ergebnis unserer fortwährenden Anstrengungen zur Stärkung unserer weltweiten Abdeckung von Handelsrouten, zum Ausbau unseres Produktangebots (bspw. im Bereich Reeferprodukte) zwischen Asien und der West- und Ostküste Lateinamerikas sowie zur Steigerung unserer betrieblichen und Kosteneffizienz.

Wir haben vertragliche Vereinbarungen über die Nutzung von Terminals in jedem der von unserer Flotte bedienten Häfen abgeschlossen und verfügen über eine strategische Beteiligung an einem Container-Terminal in Hamburg, Deutschland. Derzeit halten wir eine 25,1%ige Beteiligung an der HHLA Container

Terminal Altenwerder GmbH („CTA“) im Hafen Hamburg, einem der modernsten Terminals weltweit (*Quelle: HHLA Hamburger Hafen und Logistik AG, November 2016*).

Der Hauptsitz der Gruppe befindet sich in Hamburg, Deutschland. Zum 31. März 2017 beschäftigten wir weltweit insgesamt 9.413 Mitarbeiter. In dem zum 31. Dezember 2016 endenden Geschäftsjahr und den zum 31. März 2017 endenden drei Monaten erzielten wir Umsätze in Höhe von € 7.734,2 Mio. und € 2.132,1 Mio (2015: € 8.841,8 Mio.; 2014: € 6.807,5 Mio.) sowie ein EBITDA von € 607,4 Mio. und € 131,3 Mio. (2015: € 831,0 Mio.; 2014: € 98,9 Mio.).

Unsere Stärken

Wir sind eine der führenden weltweit tätigen Containerschiffahrtsgesellschaften und sind davon überzeugt, dass uns die Kombination aus den folgenden Stärken von unseren Mitbewerbern abgrenzt und uns einen Wettbewerbsvorteil einbringt:

- Einer der Marktführer mit einer umfassenden globalen Präsenz und mit Zugang zu attraktiven Nischengeschäften.
- Ausgewogenes Linienangebot und Zugang zu attraktiven Märkten, wobei wir stark von unserer Mitgliedschaft in THE Alliance sowie von verschiedenen Kooperationsvereinbarungen unterstützt werden.
- Wettbewerbsfähige und moderne Flotte mit ausgewogener Eigentumsstruktur, mit der wir flexibel auf die jeweilige konjunkturelle Lage reagieren können.
- Stark diversifizierter und solider Kundenstamm mit langjährigen und engen Kundenbeziehungen basierend auf operativer Exzellenz und technischem Knowhow, das uns ein besseres Management von Ungleichgewichten ermöglicht (d.h. Management der unterschiedlichen Transportvolumina von Regionen, die mehr Waren produzieren und exportieren als sie importieren und konsumieren auf der einen Seite, und Regionen, die mehr Waren importieren und konsumieren als sie produzieren und exportieren auf der anderen Seite, beispielsweise durch Netzwerkplanung und die Berechnung von unterschiedlichen Frachtraten).
- Nachgewiesene Erfolge bei Effizienzsteigerungen durch organische und anorganische Wachstumsinitiativen.
- Erfahrenes Führungsteam und unterstützende Hauptaktionäre.

Unsere Strategie

Wir entwickeln eine definierte Strategie, um unsere Rentabilität im Laufe der nächsten Jahre zu steigern und eine signifikante Gewinnverbesserung zu erzielen. Dies geschieht durch die Nutzung von Synergien, eine verbesserte Kostenstruktur, fortwährendes Volumenwachstum sowie durch eine beträchtliche Verbesserung der Erlösqualität. Folglich konzentrieren wir uns insbesondere auf die folgenden strategischen Ziele:

- Weitere Wachstumssteigerung durch die Ausnutzung dynamischer Wachstumstendenzen in unserer Branche und durch Akquisitionen.
- Generierung beträchtlicher Synergien durch die UASC Business Combination.

- Fortlaufende Umsetzung von Maßnahmen zur Effizienzsteigerung und Kostenoptimierung zur Verbesserung der Rentabilität.
- Weitere Ausschöpfung der Vorteile unserer weltweiten Allianzen und Kooperationen.
- Nutzung unserer Marktposition und unserer starken Reputation in Bezug auf Qualität, Verlässlichkeit und reibungsloser Abwicklung zur Erlössteigerung und Verbesserung der Erlösqualität.

B.4a Wichtigste jüngste Trends, die sich auf den Emittenten und die Branchen, in denen er tätig ist, auswirken.

Zwischen 2010 und 2016 wuchs die Containerschiffahrtsbranche gemessen am Containerverkehr mit einer durchschnittlichen jährlichen Wachstumsrate von 4,5 % aufgrund der Industrialisierung der Entwicklungsländer in Asien und Lateinamerika sowie der Globalisierung der Industrieproduktion, während das weltweite Bruttoinlandsprodukt („BIP“) um 3,5 % stieg (*Quelle*: Clarksons Research, April 2017; IMF, World Economic Outlook, April 2017).

Insbesondere 2015 verringerte sich das Transportvolumen auf 2,2 % im Vergleich zum Vorjahr. Der Hauptgrund für das moderate Wachstum ist das weiterhin schwache Wachstum des globalen BIPs.

Die folgenden Faktoren hatten und haben weiterhin wesentliche Auswirkungen auf das Wachstum der Containerschiffahrtsbranche:

Globalisierung. Mit dem steigendem Anteil von aufgrund der Globalisierung international gehandelten Industrie- und Konsumgütern vermehrtem Outsourcing und insbesondere der wachsenden internationalen Arbeitstrennung aufgrund der fortgesetzten Verlagerung der Herstellung von Standorten mit hohen Lohnkosten in Nordamerika, Europa und Japan in Niedriglohnländer, überwiegend nach Asien, wächst die Nachfrage nach Frachtschiffahrt weiter.

Verlagerung zur Containerschiffahrt. Die Containerisierung von Fracht verringert Transitzeiten, vermindert in wesentlichem Umfang Schäden an und den Diebstahl von Waren, reduziert Abwicklungskosten, verbessert Umschlagzeiten von Schiffen in Häfen und erleichtert den intermodalen Transport in den Logistikketten auf dem Seeweg, auf der Schiene, in der Binnenschiffahrt und auf der Straße. Darüber hinaus sind Transportkosten gesunken und die Wirtschaftlichkeit hat sich für Reedereien durch Investitionen in größere Schiffe, die Infrastruktur von Häfen sowie des Intermodal- und Binnenverkehrs, Container und Informationssysteme sowie durch den effizienteren Einsatz von Wirtschaftsgütern verbessert. Zusätzliches Wachstum des containerisierten Transports resultiert aus spezialisierten Transportlösungen für Spezialverladungen wie beispielsweise für temperaturempfindliche Produkte.

Entwicklung der Kosten und Frachtraten. Die wesentlichen Kostenpunkte bei den Transportkosten umfassen Aufwendungen für Roh-, Hilfs- und Betriebsstoffe, Hafen-, Kanal- und Terminalkosten sowie Charter-, Leasing- und Containermieten. In den letzten Jahren hat die Containerschiffahrtsindustrie erhebliche Fluktuation in Bunkerpreisen gesehen, welche sich auf die

Transportkosten ausgewirkt haben. Zum Beispiel lag am 1. Januar 2009 der Preis für 3,5-prozentiges Marines Rückstandsöl („MFO“) (Rotterdam) bei US\$ 167,25 je metrischer Tonne im Vergleich zu US\$ 276,75 je metrischer Tonne am 31. März 2017 (*Quelle: Bloomberg*). Am 13. März 2012 wurde ein Höchststand von US\$ 719,25 je metrischer Tonne erreicht. Insbesondere in den Jahren 2011 und 2012 haben sich steigende Treibstoffkosten, die nicht vollständig auf die Kunden umgelegt werden konnten, nachteilig auf die Containerschiffahrtsgesellschaften ausgewirkt. Seit dem zweiten Halbjahr 2014 hat sich die Kostenbelastung durch hohe Bunkerkosten entspannt. Am 31. März 2017 lag der Preis für 3,5-prozentiges MFO (Rotterdam) bei US\$ 276,75 je metrischer Tonne. Der Rückgang der Bunkerpreise hatte wesentliche positive Auswirkungen auf die Gesamtbetriebskosten von Containerschiffahrtsgesellschaften in den zum 31. Dezember 2016 endenden Geschäftsjahr und den zum 31. März 2017 endenden drei Monaten.

Trend zu größeren Schiffen. Die größten Schiffe verfügen derzeit über eine Kapazität von rund 21.000 TEU; im Gegensatz dazu verfügte im Jahr 2005 kein Schiff über eine Kapazität von mehr als 9.999 TEU. Zum 31. März 2017 machten Schiffe mit einer Kapazität von über 9.999 TEU 24 % der Kapazität der weltweiten Flotte aus (*Quelle: Drewry Maritime Research, Q1 2017*). Reedereien nutzen verstärkt größere Schiffe, um von den niedrigeren Betriebs- und Transportstückkosten, beispielsweise Kosten für Treibstoff, Hafen- und Kanalgebühren, Besatzung, Reparaturen, Versicherungen und Schiffsmanagement, zu profitieren. Insbesondere werden Großschiffe mit einer Kapazität von über 18.000 TEU verstärkt im Fahrtgebiet Fernost eingesetzt. Diese Schiffe verfügen über die höchste Brennstoffeffizienz der verschiedenen Schiffsklassen der globalen Flotte. Die Verlagerung hin zu größeren Schiffen fand vornehmlich in den Fahrtgebieten Fernost-Europa und Transpazifik statt, da dort intensiver Transportvolumen- und Wettbewerbsdruck herrscht (*Quelle: MDS Transmodal, 2015*).

Ungleichgewichte des Transportvolumens in den Hauptfahrtgebieten unterschiedlich auf dem „dominant leg“ und dem „non-dominant leg“. Grundsätzlich können alle Fahrtgebiete in ein „dominant leg“ und ein „non-dominant leg“ unterteilt werden. Das „dominant leg“ ist die Fahrtrichtung im Fahrtgebiet mit den höheren Transportvolumina. Im Fahrtgebiet Transpazifik bilden beispielsweise Transporte von Asien nach Nordamerika das „dominant leg“ des Fahrtgebiets, während die Transporte von Nordamerika nach Asien das „non-dominant leg“ bilden.

In der Branche werden die unterschiedlichen Volumina als „Ungleichgewichte“ eines bestimmten Fahrtgebietes bezeichnet. Diese Ungleichgewichte bestehen, da einige Regionen in der Welt mehr Waren produzieren und exportieren als sie importieren und konsumieren, während andere Regionen mehr Waren importieren und konsumieren als sie produzieren und exportieren. Diese wesentlichen globalen Ungleichgewichte in den Fahrtgebieten haben erhebliche Auswirkungen auf die Containerschiffahrtsbranche.

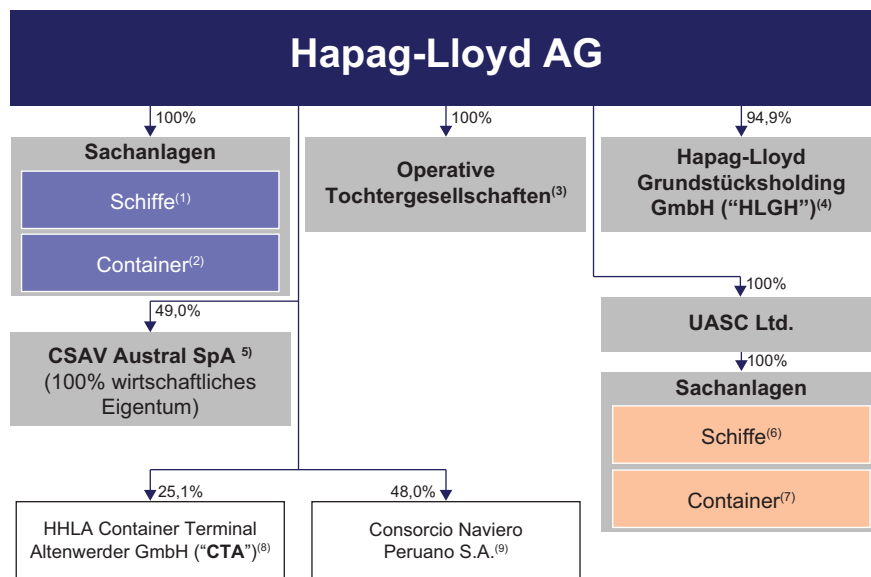
Laut aktueller Studie des Internationalen Währungsfonds („IWF“) wird das globale Wirtschaftswachstum im Jahr 2017 3,4% erreichen. 2016 lag es bei 3,1% (IWF, World Economic Outlook,

Oktober 2016; IWF, World Economic Outlook Update, Januar 2017). Laut IWF wird das globale Handelsvolumen, welches ausschlaggebend für die Nachfrage nach Containerschiffahrtsdiensten ist, im Jahr 2017 um 3,8% ansteigen. 2016 lag es bei 1,9%. Dies bedeutet, dass der globale Handel im Jahr 2017 stärker wachsen wird als die globale Wirtschaft. Das Volumen der globalen Containerschiffahrt steigt voraussichtlich um 3,7% auf ca. 137 Millionen TEU im Jahr 2017 (2016: 2,5%) (Quelle: IHS Global Insight, Februar 2017). Somit würde der erwartete Anstieg des weltweiten Containerschiffahrtsvolumens für 2017 der Wachstumsrate des globalen Handels entsprechen. In Folge eines Anstiegs an Transportkapazitäten um ca. 0,2 Millionen TEU auf 19,7 Millionen TEU im Jahr 2016 wird ein nominaler Anstieg der Transportkapazitäten um bis zu ca. 1,5 Millionen TEU für 2017 erwartet (Quelle: Drewry Maritime Research, Q1 2017). Der weitere Anstieg der Versorgungskapazität könnte eine Durchsetzung von Frachtratenerhöhungen 2017 erneut erschweren.

Auf Grund unveränderten Optimismus in Bezug auf die generellen wirtschaftlichen und sektorspezifischen Voraussetzungen erwarten wir (ohne Berücksichtigung der UASC Business-Aktivitäten) eine moderate Erhöhung unseres Transportvolumens. Für 2017 wird ein signifikanter Anstieg der durchschnittlichen Bunkerverbrauchspreise und eine leichte Verbesserung der durchschnittlichen Frachtrate erwartet.

B.5 Beschreibung des Konzerns und der Stellung des Emittenten innerhalb dieses Konzerns.

Die Hapag-Lloyd AG ist die Muttergesellschaft der Hapag-Lloyd Gruppe. Die folgende Grafik stellt die grundsätzlichen Organisationsstruktur der Gesellschaft zum Datum dieses Prospekts dar:



- (1) Alle Schiffe stehen im wirtschaftlichen Eigentum der Gesellschaft und ihrer internationalen und deutschen Tochtergesellschaften, ausgenommen die in den Vereinigten Staaten registrierten Schiffe. Das wirtschaftliche und rechtliche Eigentum an diesen fünf Schiffen wird von einer Tochtergesellschaft in den Vereinigten Staaten gehalten. Das rechtliche Eigentum an den in Chile, Liberia, den Marshallinseln, der Isle of Man und dem Vereinigten Königreich registrierten Schiffen wird von Tochtergesellschaften gehalten.
- (2) Alle Container stehen im wirtschaftlichen Eigentum der Gesellschaft; das rechtliche Eigentum an bestimmten Containern wird von Tochtergesellschaften im Vereinigten Königreich gehalten.

- (3) Nahezu alle operativen Tochtergesellschaften sind 100%ige Tochtergesellschaften der Hapag-Lloyd AG. Die Gruppe der konsolidierten Gesellschaften umfasst 74 Tochtergesellschaften zum 31. März 2017 sowie vier Gesellschaften, die unter der Equitymethode konsolidiert wurden.
- (4) Eigentümer des Grundstücks Ballindamm, Hamburg (vermögenshaltende Tochtergesellschaft).
- (5) Die CSAV Austral SpA (das „**Kabotage-Unternehmen**“) erbringt: (i) Kabotage-Dienstleistungen (d. h., Dienstleistungen, die gesetzlichen Beschränkungen unterliegen, durch die die in einem Land ansässigen Transportunternehmen gegen den Wettbewerb durch ausländische Transportunternehmen geschützt werden) in Chile, (ii) Containertransporte zwischen Chile und Brasilien im Rahmen des *Convenio sobre transporte marítimo entre Chile y Brasil 1974* (die „**Konvention Chile-Brasilien**“) und (iii) Containertransporte zwischen den *Conosur*-Ländern (Brasilien, Uruguay, Argentinien, Chile, Peru und Ecuador).
- (6) Alle Schiffe stehen indirekt im wirtschaftlichen und rechtlichen Eigentum der Gesellschaft durch ihre 100%ige Tochtergesellschaft UASC Limited mit Ausnahme von zwei Schiffen, die rechtlich im Besitz von Zweckgesellschaften (d.h. SNC Carla und SNC Valeria) der Société Générale (Darlehensgeber) stehen, während das wirtschaftliche Eigentum bei Zweckgesellschaften (d.h. Al Riffa und Jebel Ali) der UASC Ltd steht.
- (7) Alle Container stehen indirekt im wirtschaftlichen und rechtlichen Eigentum der Gesellschaft durch ihre 100%ige Tochtergesellschaft UASC Limited, mit der Ausnahme von einigen Containern, die gemäß Container-Pachtverträgen im rechtlichen Eigentum der jeweiligen Verpächtern stehen.
- (8) Eigentümerin des verbleibenden Anteils ist die HHLA Container Terminals GmbH, eine Tochtergesellschaft der Hamburger Hafen und Logistik AG („**HHLA**“). CTA wird als assoziiertes Unternehmen der Gesellschaft betrachtet.
- (9) Die Consorcio Naviero Peruano S.A. wird als Joint Venture der Gesellschaft betrachtet.

B.6 Personen, die eine (meldepflichtige) direkte oder indirekte Beteiligung am Eigenkapital des Emittenten und den Stimmrechten halten.

Zum Datum dieses Prospekts halten die folgenden Personen eine meldepflichtige direkte oder indirekte Beteiligung am Eigenkapital und den Stimmrechten der Gesellschaft (zusammen die „**Aktionäre**“):

- die CSAV hält 22,6 % des ausgegebenen Grundkapitals der Gesellschaft durch ihre 100%ige Tochtergesellschaft CSAV Germany Container Holding GmbH („**CG Hold Co**“);
- die HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH („**HGV**“) hält 14,9 % des ausgegebenen Grundkapitals der Gesellschaft;
- die Kühne Maritime GmbH und Kühne Holding AG (zusammen „**Kühne**“) halten zusammen 17,6 % des ausgegebenen Grundkapitals der Gesellschaft;
- Qatar Investment Authority, durch ihre Tochtergesellschaft Qatar Holding Germany GmbH („**Qatar Holding Germany**“), welche 14,4 % des ausgegebenen Grundkapitals der Gesellschaft hält; und
- der Public Investment Fund des Königreichs Saudi-Arabien („**PIF**“) hält 10,1 % des ausgegebenen Grundkapitals der Gesellschaft.

Stimmrechte.

Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Beschränkungen des Stimmrechts. Es gibt keine unterschiedlichen Stimmrechte für die Aktionäre der Gesellschaft.

Unmittelbare oder mittelbare Beherrschung des Emittenten und Art der Beherrschung.

Die Gesellschaft wird von CG Hold Co, HGV und Kühne gemeinsam unmittelbar im Sinne des Wertpapierhandelsgesetzes und des Aktiengesetzes kontrolliert.

Am 16. April 2014 haben CG Hold Co, HGV und Kühne Maritime GmbH („**Kühne Maritime**“) eine Aktionärsvereinbarung in Bezug auf ihr Investment in Hapag-Lloyd geschlossen (in der am 17. November 2014 geänderten Fassung, der CSAV und die Tollo

Shipping Co. S.A. („Tollo“) beigetreten sind, sowie in der jeweils weiterhin geänderten Fassung, die „**Aktionärsvereinbarung**“, in der die Parteien vereinbart haben, ihre Stimmrechte in Hapag-Lloyd zu bündeln. Ursprünglich erfolgte diese Bündelung durch eine Konsortialgesellschaft, die Hamburg Container Lines Holding GmbH & Co KG (die „**Konsortialgesellschaft**“). In Zusammenhang mit dem Unternehmenszusammenschluss von Hapag-Lloyd und UASC Limited haben CG Hold Co, HGV und Kühne Maritime die Aktionärsvereinbarung überarbeitet (die „**neue Aktionärsvereinbarung**“) infolge dessen eine Bündelung wie oben beschrieben nur bis zum Tag der regulären jährlichen Hauptversammlung von Hapag-Lloyd, d.h. bis 29. Mai 2017, 24:00 Uhr MEZ Anwendung fand. Ab diesem Zeitpunkt haben CG Hold Co, HGV und Kühne Maritime vereinbart, alle Stimmrechte in Bezug auf die durch sie gehaltenen Anteile an Hapag-Lloyd einheitlich auszuüben, welche gegenwärtig ca. 54,6% der von Hapag-Lloyd ausgegebenen Aktien ausmachen; dies wird durch die Ausgabe einer allgemeinen Stimmrechtsvollmacht und durch bindende Anweisungen an einen Vertreter umgesetzt. Durch Koordination der Stimmrechte werden die Aktionäre in der Lage sein, einen erheblichen Einfluss auf die Hauptversammlung und folglich auf von der Hauptversammlung beschlossene Angelegenheiten auszuüben, einschließlich der Bestellung unseres Aufsichtsrats (auch durch Aufnahme einer Bestimmung über Entsenderechte zugunsten bestimmter Aktionäre in der Satzung der Gesellschaft), der Ausschüttung von Dividenden oder geplanter Kapitalerhöhungen.

B.7 Ausgewählte wesentliche historische Finanzinformationen.

Die nachfolgenden ausgewählten historischen Finanz- und Geschäftsinformationen der Gruppe für die zum 31. Dezember 2016, 2015 und 2014 endenden Geschäftsjahre („**Geschäftsjahr 2016**“, „**Geschäftsjahr 2015**“ und „**Geschäftsjahr 2014**“) mit Vergleichszahlen für die jeweils vorangegangenen Geschäftsjahre sind (i) sofern sie als „geprüft“ dargestellt werden, aus den geprüften Konzernabschlüssen der Hapag-Lloyd AG für die Geschäftsjahre 2016, 2015 und 2014 (zusammen die „**Geprüften Konzernabschlüsse**“) entnommen und (ii), sofern sie als ungeprüft dargestellt werden entweder aus unseren Ungeprüften Verkürzten Konzernzwischenabschlüssen (wie unten definiert), aus unseren Geprüften Konzernabschlüssen oder aus unseren Buchführungsunterlagen oder unserer Management Berichterstattung entnommen oder aus diesen oder dieser abgeleitet. Die Geprüften Konzernabschlüsse wurden von der Gesellschaft nach den International Financial Reporting Standards, wie sie in der Europäischen Union anzuwenden sind („**IFRS**“), und den ergänzend nach § 315a Handelsgesetzbuch („**HGB**“) anzuwendenden handelsrechtlichen Rechnungslegungsvorschriften aufgestellt.

Die nachfolgenden ausgewählten Finanz-, und Geschäftsinformationen der Gruppe für die und zum 31. März 2017 und 2016 endenden drei Monate sind aus den ungeprüften verkürzten Konzernzwischenabschlüssen der Gesellschaft für die zum 31. März 2017 endenden drei Monate (inklusive Vergleichszahlen zu den zum 31. März 2016 endenden drei Monaten) (den „**Ungeprüften Verkürzten Konzernzwischenabschlüssen**“), unseren Rechnungsunterlagen oder unseren Managementberichten entnommen. Die Ungeprüften Verkürzten Konzernzwischenabschlüsse wurden von der Gesellschaft gemäß der International Accounting Standards („**IAS**“) 34: *Interim Financial Reporting* erstellt.

Zusätzliche in diesem Prospekt enthaltene Finanzinformationen stammen aus dem geprüften Jahresabschluss der Gesellschaft für das zum 31. Dezember 2016 endende Geschäftsjahr (der „**Geprüfte Jahresabschluss**“), der nach den Vorschriften des Handelsgesetzbuches erstellt wurde.

Die Containerschiffaktivitäten der chilenischen Schiffahrtsgesellschaft Compañía Sud Americana de Vapores S.A. („**CSAV**“) (inklusive hiermit in Verbindung stehende Schiffsfinauzierungen und bestimmte Unternehmensfinanzierungen) (die „**CCS-Aktivitäten**“) sind im Geschäftsjahr 2014 ab dem Konsolidierungszeitpunkt, dem 2. Dezember 2014, erfasst und somit in den Finanzzahlen nur für den Monat Dezember enthalten.

UASC ist nicht in den Finanzzahlen für die zum 31. Dezember endenden Geschäftsjahre 2016, 2015 und 2014 oder für die zum 31. März 2017 und 2016 endenden drei Monate enthalten. UASC wurde zum 24. Mai 2017, dem Vollzugsdatum der Akquisition, konsolidiert.

Die Geprüften Konzernanschlüsse und der Geprüfte Jahresabschluss wurden durch die KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Ludwig-Erhard-Straße 11-17, 20459 Hamburg, Deutschland („**KPMG**“), geprüft und jeweils mit einem uneingeschränkten Bestätigungsvermerk versehen, der diesem Prospekt beigelegt ist. Die Abschlussprüfungen der Geprüften Konzernanschlüsse für jedes der Geschäftsjahre 2016, 2015 und 2014 und der Geprüfte Jahresabschluss wurden entsprechend den Vorgaben des § 317 HGB unter Beachtung der vom Institut der Wirtschaftsprüfer in Deutschland e.V. festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchgeführt.

Sämtliche Finanzdaten, die im Text und den nachfolgenden Tabellen dargestellt sind, sind in Millionen Euro angegeben (Mio. €), sofern nicht anders angegeben. Bestimmte Finanzdaten (einschließlich von Prozentsätzen) in den nachfolgenden Tabellen wurden entsprechend anerkannter kaufmännischer Standards gerundet, wobei zusammengerechnete Werte (Gesamt- oder Zwischensummen oder Differenzen oder Zahlenverhältnisse) auf den zugrundeliegenden nichtgerundeten Werten basieren. Es ist möglich, dass diese gerundeten Werte sich nicht auf die Gesamtwerte in diesen Tabellen aufaddieren lassen. In Klammern dargestellte Finanzdaten stehen für einen negativen Wert der entsprechenden Zahl. Im Hinblick auf die in diesem Prospekt enthaltenen Finanzdaten bedeutet ein Bindestrich („-“), dass die entsprechende Zahl nicht verfügbar ist oder einer Null gleicht, während eine Null („0,0“) bedeutet, dass die entsprechende Zahl verfügbar, aber auf Null gerundet worden ist.

Ausgewählte Finanzinformationen aus der Konzern-Gewinn- und Verlustrechnung

	Für das Geschäftsjahr endend zum 31. Dezember			Für die zum 31. März endenden drei Monate	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(in Mio. €)				
	(geprüft)			(ungeprüft)	
Umsatzerlöse	6.807,5	8.841,8	7.734,2	1.925,7	2.132,1
Sonstige betriebliche Erträge	116,8	193,7	97,1	22,5	26,3
Transportaufwendungen ⁽²⁾	6.060,1	7.258,5	6.364,0	1.592,0	1.789,1
Personalaufwendungen	403,3	484,4	496,1	141,7	147,4
Abschreibungen	481,7	464,6	481,0	118,6	127,8
Sonstige betriebliche Aufwendungen	393,3	517,7	386,2	96,9	98,2
Ergebnis der betrieblichen Tätigkeiten	(414,1)	310,3	104,0	(1,0)	(4,1)
Ergebnis aus nach der Equity-Methode einbezogenen					
Unternehmen	34,2	28,5	27,1	5,8	7,6
Übriges Finanzergebnis	(2,9)	27,6	(4,7)	0,0	0,0
Ergebnis vor Zinsergebnis und Ertragsteuern (EBIT)	(382,8)	366,4	126,4	4,8	3,5
Zinsergebnis	(209,7)	(227,3)	(199,8)	(43,1)	(61,8)
Ergebnis vor Ertragsteuern	(592,5)	139,1	(73,4)	(38,3)	(58,3)
Ertragsteuern	11,2	25,2	19,7	4,5	3,8
Konzernergebnis	(603,7)	113,9	(93,1)	(42,8)	(62,1)

(1) Die CCS-Aktivitäten sind im Geschäftsjahr 2014 ab dem Konsolidierungszeitpunkt, dem 2. Dezember 2014, erfasst und somit in den Finanzzahlen nur für den Monat Dezember enthalten.

(2) Die nachfolgende Tabelle zeigt eine detaillierte Darstellung unserer Transportaufwendungen in den genannten Zeiträumen:

	Für das Geschäftsjahr endend zum 31. Dezember			Für die zum 31. März endenden drei Monate	
	2014	2015	2016	2016	2017
	(in Mio. €)				
	(geprüft)			(ungeprüft)	
Aufwendungen für Roh-, Hilfs- und Betriebsstoffe	1.362,3	1.067,9	687,9	140,3	262,5
Aufwendungen für bezogene Leistungen ^(*)	4.697,8	6.190,6	5.676,1	1.451,7	1.526,6
Davon:					
Hafen-, Kanal- und Terminalkosten	1.989,9	2.717,2	2.651,7	651,3	718,4
Containertransportkosten	1.841,4	2.148,4	1.899,1	460,1	506,3
Charter-, Leasing- und Containermieten	734,0	1.168,6	934,9	282,2	242,5
Instandhaltung/Reparatur/Sonstiges	132,5	156,4	190,4	58,1	59,4
Transportaufwendungen	6.060,1	7.258,5	6.364,0	1.592,0	1.789,1

(*) Die CCS-Aktivitäten sind im Geschäftsjahr 2014 ab dem Konsolidierungszeitpunkt, dem 2. Dezember 2014, erfasst und somit in den Finanzzahlen nur für den Monat Dezember enthalten.

(**) Bei den Aufwendungen für bezogene Leistungen gab es eine Reklassifizierung zwischen Hafen-, Kanal- und Terminalkosten und Charter-, Leasing- und Containermieten für die dargestellten Perioden.

Ausgewählte Finanzinformationen aus der Konzernbilanz

	Zum 31. Dezember			Zum 31.
	2014 ⁽¹⁾	2015	2016	März
	<i>(in Mio. €)</i>			
		(geprüft)		(ungeprüft)
Aktiva				
Geschäfts- oder Firmenwerte	1.372,7	1.610,8	1.661,6	1.642,7
Sonstige immaterielle Vermögenswerte	1.309,7	1.376,3	1.340,4	1.304,8
Sachanlagen	5.176,0	6.143,6	6.315,6	6.250,8
Nach der Equity-Methode einbezogene Unternehmen	387,0	326,6	325,7	333,2
Sonstige Forderungen	13,1	22,5	27,0	35,6
Derivative Finanzinstrumente	15,8	10,7	24,1	37,1
Ertragsteuerforderungen	—	—	3,3	3,3
Aktive latente Ertragsteuern	27,9	23,6	25,2	25,7
Langfristige Vermögenswerte	8.302,2	9.514,1	9.722,9	9.633,2
Vorräte	152,1	94,1	124,5	141,7
Forderungen aus Lieferungen und Leistungen	703,8	716,1	677,6	690,2
Sonstige Forderungen	134,3	148,5	197,5	196,2
Derivative Finanzinstrumente	3,8	0,7	13,5	2,6
Ertragsteuerforderungen	28,6	31,9	24,7	22,3
Zahlungsmittel und Zahlungsmitteläquivalente	711,4	573,7	570,2	519,8
Zur Veräußerung gehaltene langfristige Vermögenswerte	59,2	—	—	—
Kurzfristige Vermögenswerte	1.793,2	1.565,0	1.608,0	1.572,8
Summe Aktiva	10.095,4	11.079,1	11.330,9	11.206,0
Passiva				
Gezeichnetes Kapital	104,9	118,1	118,1	118,1
Kapitalrücklagen	1.651,9	1.263,2	1.061,8	1.061,8
Erwirtschaftetes Konzerneigenkapital	2.286,1	3.052,3	3.152,9	3.089,6
Kumuliertes übriges Eigenkapital	121,4	604,8	721,8	666,9
Eigenkapital der Aktionäre der Hapag-Lloyd AG	4.164,3	5.038,4	5.054,6	4.936,4
Anteile nicht beherrschender Gesellschafter	5,3	7,8	3,8	3,7
Eigenkapital	4.169,6	5.046,2	5.058,4	4.940,1
Rückstellungen für Pensionen und ähnliche Verpflichtungen	208,4	186,2	238,0	240,0
Sonstige Rückstellungen	207,0	144,2	114,0	107,3
Finanzschulden	3.309,1	3.297,2	3.265,5	3.519,7
Sonstige Verbindlichkeiten	7,2	4,7	12,1	10,7
Derivative Finanzinstrumente	—	—	1,8	—
Passive latente Ertragsteuern	1,5	1,5	1,8	2,2
Langfristige Schulden	3.733,2	3.633,8	3.633,2	3.879,9
Rückstellungen für Pensionen und ähnliche Verpflichtungen	6,5	5,6	6,6	5,0
Sonstige Rückstellungen	385,4	285,9	211,2	224,4
Ertragsteuerschulden	18,3	22,9	17,6	15,3
Finanzschulden	408,0	610,1	915,2	631,2
Verbindlichkeiten aus Lieferungen und Leistungen	1.225,4	1.293,8	1.281,6	1.280,0
Sonstige Verbindlichkeiten	125,2	158,5	167,8	189,4
Derivative Finanzinstrumente	23,8	22,3	39,3	40,7
Kurzfristige Schulden	2.192,6	2.399,1	2.639,3	2.386,0
Summe Passiva	10.095,4	11.079,1	11.330,9	11.206,0

(1) Die Beträge wurden angepasst, um die Kaufpreisallokation im Zusammenhang mit der Akquisition der CCS-Aktivitäten zu reflektieren.

Ausgewählte Finanzinformationen aus der Konzernkapitalflussrechnung

	Für das Geschäftsjahr endend zum 31. Dezember			Für die zum 31. März endenden drei Monate	
	2014 ⁽¹⁾	2015	2016	2016	2017
		(geprüft)	(in Mio. €)	(ungeprüft)	
Zahlungsmittel und Zahlungsmitteläquivalente am Anfang der Periode	464,8	711,4	573,7	573,7	570,2
Mittelzufluss (+) /-abfluss (-) aus der laufenden Geschäftstätigkeit	377,2	572,1	417,2	141,2	148,1
Mittelzufluss (+) /-abfluss (-) aus der Investitionstätigkeit	(257,6)	(606,5)	(318,4)	(107,9)	(112,5)
Mittelzufluss (+) /-abfluss (-) aus der Finanzierungstätigkeit	81,6	(177,1)	(119,4)	(129,6)	(79,7)
Zahlungswirksame Veränderungen der Zahlungsmittel und Zahlungsmitteläquivalente Zahlungsmittel und	201,2	(211,5)	(20,6)	(96,3)	(44,1)
Zahlungsmitteläquivalente am Ende der Periode⁽²⁾	711,4	573,7	570,2	456,0	519,8

(1) Die CCS-Aktivitäten sind im Geschäftsjahr 2014 ab dem Konsolidierungszeitpunkt, dem 2. Dezember 2014, erfasst und somit in den Finanzzahlen nur für den Monat Dezember enthalten.

(2) Zahlungsmittel und Zahlungsmitteläquivalente am Ende der Periode berücksichtigen Wechselkursdifferenzen.

Ausgewählte andere wesentliche Finanz- und Geschäftsinformationen

In den nachfolgenden Tabellen sind ausgewählte andere wesentliche Finanz- und Geschäftsinformationen aufgeführt. Einige der folgenden Zahlen (einschließlich EBITDA) sind als finanzielle Messgrößen und Bereinigungen angegeben, die nicht nach IFRS oder sonstigen international anerkannten Rechnungslegungsgrundsätzen dargestellt werden.

Ausgewählte andere wesentliche Finanzinformationen

	Für das und zum 31. Dezember endende Geschäftsjahr			Für die und zum 31. März endenden drei Monate	
	2014 ⁽¹⁾	2015	2016	2016	2017
			(in Mio. €)		
	(geprüft, soweit nicht anders angegeben)			(ungeprüft)	
EBITDA (ungeprüft)⁽²⁾	98,9	831,0	607,4	123,4	131,3
EBIT	(382,8)	366,4	126,4	4,8	3,5
Nettoverschuldung (ungeprüft) ⁽³⁾	3.005,7	3.333,6	3.591,8	3.241,8	3.588,7
Nettoumlaufvermögen (ungeprüft)⁽⁴⁾	(369,5)	(483,6)	(479,5)	(484,7)	(448,1)

(1) Die CCS-Aktivitäten sind im Geschäftsjahr 2014 ab dem Konsolidierungszeitpunkt, dem 2. Dezember 2014, erfasst und somit in den Finanzzahlen nur für den Monat Dezember enthalten.

(2) Wir definieren EBITDA als Konzernergebnis vor Ertragsteuern, Zinsergebnis, Abschreibungen und Wertminderungen auf immaterielle Vermögenswerte und Sachanlagen. Das EBITDA ist keine Leistungskennzahl nach IFRS und sollte nicht als Ersatz für (a) den (in Übereinstimmung mit den IFRS) ermittelten Periodenüberschuss als Kennzahl für die betriebliche Leistung, (b) die Mittel zu-/abflüsse aus Investitions- und Finanzierungstätigkeiten im Rahmen des operativen Geschäfts als Kennzahl für unsere Fähigkeit zur Deckung unseres Barmittelbedarfs oder (c) sonstige Leistungskennzahlen für die Berichterstattung nach IFRS verwendet werden. Unserer Ansicht nach ist das EBITDA ein sinnvoller Indikator für unsere Fähigkeit, Verbindlichkeiten einzugehen und zu bedienen und kann Analysten, Investoren und sonstigen Parteien bei der Bewertung von der Hapag-Lloyd Gruppe unterstützen. Das EBITDA und vergleichbare Kennzahlen werden von unterschiedlichen Unternehmen für verschiedene Zwecke eingesetzt und häufig so berechnet, dass den Umständen dieser Unternehmen Rechnung getragen wird. Investoren sollten dies bei einem Vergleich unseres EBITDA mit dem anderer Unternehmen bedenken.

Die nachfolgende Tabelle zeigt für jeden Zeitraum eine Überleitung des Konzernergebnisses zu EBITDA entsprechend der Definition von Hapag-Lloyd für die angegebenen Zeiträume:

	Für das Geschäftsjahr endend zum 31. Dezember			Für die zum 31. März endenden drei Monate	
	2014	2015	2016	2016	2017
	(in Mio. €)				
	(geprüft, soweit nicht anders angegeben)			(ungeprüft)	
Konzernergebnis	(603,7)	113,9	(93,1)	(42,8)	(62,1)
Ertragsteuern	11,2	25,2	19,7	4,5	3,8
Zinsergebnis	209,7	227,3	199,8	43,1	61,8
Ergebnis vor Zinsergebnis und Ertragsteuern (EBIT)	(382,8)	366,4	126,4	4,8	3,5
Abschreibungen auf immaterielle Vermögenswerte und Sachanlagen	481,7	464,6	481,0	118,6	127,8
EBITDA (ungeprüft)	98,9	831,0	607,4	123,4	131,3

- (3) Wir definieren die Nettoverschuldung als Finanzschulden abzüglich Zahlungsmittel und Zahlungsmitteläquivalente. Die nachfolgende Tabelle zeigt die Herleitung der Nettoverschuldung:

	Zum 31. Dezember			Zum 31. März	
	2014	2015	2016	2017	
	(in Mio. €)				
	(geprüft, soweit nicht anders angegeben)			(ungeprüft)	
Finanzschulden (Gesamt)	3.717,1	3.907,3	4.180,7	4.150,9	
Zahlungsmittel und				519,8	
Zahlungsmitteläquivalente	711,4	573,7	570,2		
Beschränkt verfügbare Zahlungsmittel	—	—	18,7	42,4	
Nettoverschuldung (ungeprüft)	3.005,7	3.333,6	3.591,8	3.588,7	

- (4) Das Nettoumlaufvermögen (*Working Capital*) ist ungeprüft und wird von uns aus Vorräten zuzüglich Forderungen aus Lieferungen und Leistungen abzüglich Verbindlichkeiten aus Lieferungen und Leistungen (die zur Illustration der Berechnung in untenstehender Tabelle als negative Werte ausgewiesen sind) berechnet. Das Nettoumlaufvermögen ist keine Leistungskennzahl nach IFRS. Wir sind der Ansicht, dass das Nettoumlaufvermögen ein sinnvoller Indikator für unsere Fähigkeit ist, Verschuldung einzugehen und zu bedienen und kann Analysten, Investoren und sonstigen Parteien bei der Bewertung von der Hapag-Lloyd Gruppe unterstützen. Das Nettoumlaufvermögen und vergleichbare Kennzahlen werden von unterschiedlichen Unternehmen für verschiedene Zwecke eingesetzt und häufig so berechnet, dass den Umständen dieser Unternehmen Rechnung getragen wird. Investoren sollten unser Nettoumlaufvermögen daher mit Bedacht mit dem anderer Unternehmen vergleichen.

	Zum 31. Dezember			Zum 31. März	
	2014	2015	2016	2016	2017
	(in Mio. €)				
	(geprüft, soweit nicht anders angegeben)			(ungeprüft)	
Vorräte	152,1	94,1	124,5	83,5	141,7
Forderungen aus Lieferungen und Leistungen	703,8	716,1	677,6	672,8	690,2
Abzüglich Verbindlichkeiten aus Lieferungen und Leistungen	(1.225,4)	(1.293,8)	(1.281,6)	(1.241,0)	(1.280,0)
Nettoumlaufvermögen (ungeprüft)	(369,5)	(483,6)	(479,5)	(484,7)	(448,1)

Ausgewählte wesentliche Geschäftsinformationen

	Für das und zum Geschäftsjahr endend zum 31. Dezember			Für die und zum 31. März endenden drei Monate	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(ungeprüft)				
Transportmengen (1.000 TEU) ⁽²⁾	5.907	7.401	7.599	1.811	1.934
Kapazität der Schiffe insgesamt (1.000 TEU) ⁽³⁾	1.009	966	963	955	1.008
Anzahl der Schiffe ⁽³⁾	191	177	166	175	172
Kapazität der Container insgesamt (1.000 TEU)	1.619	1.564	1.576	1.508	1.583
Frachtrate (US\$/TEU) ⁽⁴⁾	1.427	1.225	1.036	1.067	1.047
Bunkerpreis (US\$/t) ⁽⁵⁾	575	312	210	197	313
Wechselkurs (€/US\$)	1,3288	1,1100	1,1049	1,1030	1,0651

- (1) Die CCS-Aktivitäten sind im Geschäftsjahr 2014 ab dem Konsolidierungszeitpunkt, dem 2. Dezember 2014, erfasst und somit in den Finanzzahlen nur für den Monat Dezember enthalten.

- (2) TEU ist ein 20-Fuß-Container-Einheit (20-foot equivalent unit) (d.h. ein Standardcontainer von 20-Fuß bzw. 6,05 m Länge, 8-Fuß bzw. 2,43 m Breite und 8-Fuß 6-Inch bzw. 2,59 m Höhe), die Standardmaßeinheit für das in der Containerschiffahrtsbranche genutzte Volumen.

- (3) Enthält die folgenden Schiffe, die sich in unserem Eigentum befinden und die wir an einen anderen Reeder verchartert haben: drei Schiffe (20.156 TEU) zum 31. Dezember 2014, vier Schiffe (33.157 TEU) zum 31. Dezember 2015 und zwei Schiffe (16.008 TEU) zum 31. Dezember 2016.
- (4) Die pro Handelsroute in Rechnung gestellten durchschnittlichen Frachtraten sind mit ihren jeweiligen Transportvolumina pro Handelsroute (TEU) gewichtet; die Frachtrate entspricht dem einem Kunden für den Transport einer 20-Fuß-Container-Einheit (20-foot equivalent unit; TEU) in Rechnung gestellten Preis.
- (5) Beginnend mit dem Geschäftsjahr 2017 einschließlich der Vergleichszahlen für Q1 2016 ist der durchschnittliche Bunker-Verbrauchspreis, der von Hapag-Lloyd verwendet wird, eine kombinierte Zahl auf Marine Fuel Oil (MFO) und Marine Diesel Oil (MDO).

Transportvolumen

	Transportvolumen				
	Für das Geschäftsjahr endend zum 31. Dezember			Für die zum 31. März endenden drei Monate	
	2014 ^(*)	2015	2016	2016	2017
			(TEU ^(**))		
			(ungeprüft)		
Transportvolumen nach Fahrtgebiet					
Atlantik	1.445.824	1.541.317	1.533.642	376.830	389.435
Transpazifik	1.318.880	1.390.223	1.493.514	346.530	386.105
Fernost	1.134.550	1.282.332	1.244.697	210.732	214.786
Lateinamerika	1.157.879	2.247.134	2.248.131	535.517	551.632
Intra-Asien	491.505	573.171	662.242	130.413	152.422
EMAO					
(Europa-Mittelmeer-Afrika-Ozeanien)	358.048	367.029	417.079	102.454	116.602
Mittlerer Osten ^(***)	—	—	—	108.522	123.304
Summe	5.906.686	7.401.206	7.599.305	1.810.998	1.934.286

(*) Einschließlich der CCS-Aktivitäten für Dezember 2014.

(**) TEU ist eine 20 Fuß entsprechende Frachteinheit (bezieht sich auf einen Standardcontainer mit einer Länge von 20 Fuß (6,05 Meter), einer Breite von 8 Fuß (2,43 Meter) und einer Höhe von 8 Fuß und 6 Inches (2,59 Meter)). Diese Standardgröße wird zur Volumenmessung in der Schifffahrtsindustrie verwendet.

(***) In Vorbereitung auf die Integration von UASC wurden die Fahrtgebiete neu strukturiert und die Zuordnung einzelner Dienste verändert. Als Folge werden keine Werte für die Handelsroute Mittlerer Osten für die zum 31. Dezember 2014, 2015 und 2016 endenden Geschäftsjahre ausgewiesen.

Durchschnittliche Frachtraten

	Durchschnittliche Frachtraten				
	Für das Geschäftsjahr endend zum 31. Dezember			Für die zum 31. März endenden drei Monate	
	2014 ^(*)	2015	2016	2016	2017
			(USD/TEU ^(**))		
			(ungeprüft)		
Durchschnittliche Frachtraten nach Fahrtgebiet^(***)					
Atlantik	1.585	1.504	1.338	1.382	1.293
Transpazifik	1.768	1.599	1.222	1.351	1.218
Fernost	1.179	942	765	793	897
Lateinamerika	1.357	1.111	1.001	961	1.017
Intra-Asien	796	655	538	578	539
EMAO (Europa-Mittelmeer-Afrika-Ozeanien)	1.407	1.210	1.052	1.079	1.009
Mittlerer Osten ^(***)	—	—	—	701	791
Summe	1.427	1.225	1.036	1.067	1.047

(*) Einschließlich der CCS-Aktivitäten für Dezember 2014.

(**) TEU ist eine 20 Fuß entsprechende Frachteinheit (bezieht sich auf einen Standardcontainer mit einer Länge von 20 Fuß (6,05 Meter), einer Breite von 8 Fuß (2,43 Meter) und einer Höhe von 8 Fuß und 6 Inches (2,59 Meter)). Diese Standardgröße wird zur Volumenmessung in der Schifffahrtsindustrie verwendet.

(***) Die pro Fahrtgebiet in Rechnung gestellten durchschnittlichen Frachtraten sind mit ihren jeweiligen Transportvolumina pro Fahrtgebiet (TEU) gewichtet; die Frachtrate entspricht dem einem Kunden für den Transport einer 20-Fuß-Container-Einheit (20-foot equivalent unit; TEU) in Rechnung gestellten Preis. Der Durchschnitt des Zwölfmonatezeitraums ist von den gewichteten monatlichen Beträgen abgeleitet.

(****) In Vorbereitung auf die Integration von UASC wurden die Fahrtgebiete neu strukturiert und die Zuordnung einzelner Dienste verändert. Als Folge werden keine Werte für die Handelsroute Mittlerer Osten für die zum 31. Dezember 2014, 2015 und 2016 endenden Geschäftsjahre ausgewiesen.

**Wesentliche
Änderungen der
Finanzlage und des
Betriebsergebnisses
des Emittenten.**

In den zum 31. März 2017 endenden drei Monaten und den Geschäftsjahren 2016, 2015 und 2014 sind die folgenden wesentlichen Änderungen unserer Finanzlage und unseres operativen Ergebnisses eingetreten. Die nachfolgenden Finanzinformationen sind geprüft mit Ausnahme der aus den ungeprüften verkürzten Konzernzwischenabschlüssen entnommenen Finanzinformationen.

Operatives Ergebnis

Zum 31. März 2017 und 2016 endende drei Monate.

Das Transportvolumen im Fahrtgebiet Atlantik stieg in den am 31. März 2017 endenden drei Monaten um 3,3 % auf 389.435 TEU gegenüber 376.830 TEU in den am 31. März 2016 endenden drei Monaten, was auf höhere Volumina zwischen Europa und den USA zurückzuführen war. Unsere durchschnittlichen Frachtraten sanken infolge von intensivem Wettbewerb in den am 31. März 2017 endenden drei Monaten um 6,5 % auf US\$ 1.293 je TEU gegenüber US\$ 1.382 je TEU in den am 31. März 2016 endenden drei Monaten.

Das Transportvolumen im Fahrtgebiet Transpazifik stieg in den am 31. März 2017 endenden drei Monaten um 11,4 % auf 386.105 TEU gegenüber 346.530 TEU in den am 31. März 2016 endenden drei Monaten, was hauptsächlich auf eine Steigerung der Transporte von Asien nach Nordamerika zurückzuführen war. Unsere durchschnittlichen Frachtraten sanken hauptsächlich infolge von intensivem Wettbewerbsdruck auf die Frachtraten im Jahr 2016 in den am 31. März 2017 endenden drei Monaten um 9,8 % auf US\$ 1.218 je TEU gegenüber US\$ 1.351 je TEU in den am 31. März 2016 endenden drei Monaten.

Das Transportvolumen im Fahrtgebiet Fernost stieg in den am 31. März 2017 endenden drei Monaten um 1,9 % auf 214.786 TEU gegenüber 210.732 TEU in den am 31. März 2016 endenden drei Monaten, was auf eine erhöhte Nachfrage nach Transporten von Fernost nach Europa zurückzuführen war. Unsere durchschnittlichen Frachtraten stiegen hauptsächlich infolge einer generellen Erholung der Frachtraten in den am 31. März 2017 endenden drei Monaten um 13,0 % auf US\$ 897 je TEU gegenüber US\$ 793 je TEU in den am 31. März 2016 endenden drei Monaten.

Das Transportvolumen im Fahrtgebiet Lateinamerika stieg in den am 31. März 2017 endenden drei Monaten um 3,0 % auf 551.632 TEU gegenüber 535.517 TEU in den am 31. März 2016 endenden drei Monaten, was auf ein erhöhtes Volumen der Transporte von Europa zu Lateinamerika und Intra Amerika zurückzuführen war. Infolge einer generellen Erholung der Frachtraten für Fahrten von Asien nach Lateinamerika stiegen unsere durchschnittlichen Frachtraten in den am 31. März 2017 endenden drei Monaten um 5,8 % auf US\$ 1.017 je TEU gegenüber US\$ 961 je TEU in den am 31. März 2016 endenden drei Monaten.

Das Transportvolumen im Fahrtgebiet Intra-Asien stieg in den am 31. März 2017 endenden drei Monaten um 16,9 % auf 152.422 TEU gegenüber 130.413 TEU in den am 31. März 2016 endenden drei Monaten, was auf höhere Transportvolumen im Mittleren Osten zum Indischen Subkontinent und Transporte mit Bezug zu Ozeanien zurückzuführen war. Infolge fortlaufenden intensiven Wettbewerbs sanken unsere durchschnittlichen Frachtraten in den am 31. März 2017 endenden drei Monaten um 6,8 % auf US\$ 539 je TEU gegenüber US\$ 578 je TEU in den am 31. März 2016 endenden drei Monaten.

Das Transportvolumen im Fahrtgebiet EMAO (Europa – Mittelmeer – Afrika - Ozeanien) stieg in den am 31. März 2017 endenden drei Monaten um 13,8 % auf 116.602 TEU gegenüber 102.454 TEU in den am 31. März 2016 endenden drei Monaten, was hauptsächlich auf eine erhöhte Nachfrage nach Fahrten von Europa nach Ozeanien und Afrika zurückzuführen war. Infolge fortlaufenden intensiven Wettbewerbs sanken unsere durchschnittlichen Frachtraten in den am 31. März 2017 endenden drei Monaten um 6,4 % auf US\$ 1.009 je TEU gegenüber US\$ 1.079 je TEU in den am 31. März 2016 endenden drei Monaten.

Das Transportvolumen im Fahrtgebiet Mittlerer Osten stieg in den am 31. März 2017 endenden drei Monaten um 13,6 % auf 123.304 TEU gegenüber 108.522 TEU in den am 31. März 2016 endenden drei Monaten, was auf eine erhöhte Nachfrage an Transporten von Europa nach Mittlerer Osten zurückzuführen war. Unsere durchschnittlichen Frachtraten stiegen hauptsächlich aufgrund verbesserter Marktbedingungen in den am 31. März 2017 endenden drei Monaten um 12,9 % auf US\$ 791 je TEU gegenüber US\$ 701 je TEU in den am 31. März 2016 endenden drei Monaten.

Geschäftsjahre 2015 und 2016

In dem am 31. Dezember 2016 endenden Geschäftsjahr sanken die Umsatzerlöse um 12,5% auf €7.734,2 Mio. gegenüber €8.841,8 Mio. in dem am 31. Dezember 2015 endenden Geschäftsjahr. Diese Verringerung war weitestgehend auf einen weiteren signifikanten Verfall der Frachtraten zurückzuführen. Das Transportvolumen stieg um 2,7% von 7.401.206 TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr auf 7.599.305 TEU in dem am 31. Dezember 2016 endenden Geschäftsjahr. Der Anstieg resultiert vornehmlich aus einem generell höheren Transportvolumen auf den Fahrtgebieten Transpazifik und Intra-Asien. Im gleichen Zeitraum sank unsere durchschnittliche Frachtrate um 15,4 % von US\$1.225 je TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr auf US\$ 1.036 je TEU in dem am 31. Dezember 2016 endenden Geschäftsjahr, was vor allem auf das schwierige Marktumfeld, den anhaltenden Druck auf die Frachtraten und dem gegenüber dem Vorjahr fallenden Bunkerpreisen zurückzuführen war. Die Frachtraten konnten nicht wie angekündigt erhöht werden, aufgrund des fortdauernden intensiven Wettbewerbs der durch Überkapazitäten und gedämpftes Nachfragewachstum hervorgerufen wurde und der sich auf allen Fahrtgebieten bemerkbar machte.

Die positiven Auswirkungen des Anstiegs des Transportvolumens wurden durch den Abfall der Frachtraten vermindert.

Ausgedrückt in U.S.-Dollar sanken die Umsatzerlöse in dem am 31. Dezember 2016 endenden Geschäftsjahr um 12,9 % auf US\$ 8.545,5 Mio. gegenüber US\$9.814,4 Mio. in dem am 31. Dezember 2015 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Atlantik fiel in dem am 31. Dezember 2016 endenden Geschäftsjahr um 0,5 % auf 1.533.642 TEU gegenüber 1.541.317 TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr, was auf ein geringeres Transportvolumen auf dem Unterfahrtgebiet Nordamerika – Europa zurückzuführen war. Infolge des anhaltend schwierigen Marktumfeldes mit andauerndem Druck auf die Frachtraten sanken unsere durchschnittlichen Frachtraten in dem am 31. Dezember 2016 endenden Geschäftsjahr um 11,0 % auf US\$ 1.338 je TEU gegenüber US\$ 1.504 je TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Transpazifik stieg in dem am 31. Dezember 2016 endenden Geschäftsjahr um 7,4 % auf 1.493.514 TEU gegenüber 1.390.223 TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr, was hauptsächlich auf ein höheres Transportvolumen auf dem Unterfahrtgebiet Asien - Nordamerika zurückzuführen war. Infolge von intensivem Wettbewerb sanken unsere durchschnittlichen Frachtraten in dem am 31. Dezember 2016 endenden Geschäftsjahr um 23,6 % auf US\$ 1.222 je TEU gegenüber US\$ 1.599 je TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Fernost sank in dem am 31. Dezember 2016 endenden Geschäftsjahr um 2,9 % auf 1.244.697 TEU gegenüber 1.282.323 TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr, was auf ein schwaches Marktumfeld und geringes wirtschaftliches Wachstum in China zurückzuführen war. Infolge von intensivem Wettbewerb sanken unsere durchschnittlichen Frachtraten in dem am 31. Dezember 2016 endenden Geschäftsjahr um 18,8 % auf US\$ 765 je TEU gegenüber US\$ 942 je TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Lateinamerika blieb bei 2.248.131 TEU in dem am 31. Dezember 2016 endenden Geschäftsjahr nahezu stabil gegenüber 2.247.134 TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr, da ein geringeres Transportvolumen auf dem Unterfahrtgebiet Südamerika - Asien durch höhere Volumina auf dem Unterfahrtgebiet Intra-Amerika und Südamerika – Europa fast ausgeglichen wurde. Infolge von intensivem Wettbewerb sanken unsere durchschnittlichen Frachtraten in dem am 31. Dezember 2016 endenden Geschäftsjahr um 9,9 % auf US\$ 1.001 je TEU gegenüber US\$ 1.111 je TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Intra-Asien stieg in dem am 31. Dezember 2016 endenden Geschäftsjahr um 15,5 % auf 662.242 TEU gegenüber 573.171 TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr, was auf generell stärkere Buchungen zurückzuführen war. Infolge von intensivem Wettbewerb sanken unsere durchschnittlichen Frachtraten in dem am 31. Dezember 2016 endenden Geschäftsjahr um 17,9 % auf US\$ 538 je TEU gegenüber US\$ 655 je TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet EMAO (Europa – Mittelmeer – Afrika - Ozeanien) stieg in dem am 31. Dezember 2016 endenden Geschäftsjahr um 13,6% auf 417.079 TEU gegenüber 367.029 TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr, was auf ein höheres Transportvolumen auf Afrika-bezogenen Unterfahrtgebieten zurückzuführen war. Infolge von gestiegenem Wettbewerbsdruck sanken unsere durchschnittlichen Frachtraten in dem am 31. Dezember 2016 endenden Geschäftsjahr um 13,0 % auf US\$ 1.052 je TEU gegenüber US\$ 1.210 je TEU in dem am 31. Dezember 2015 endenden Geschäftsjahr.

Geschäftsjahre 2015 und 2014

Die Umsatzerlöse stiegen in dem am 31. Dezember 2015 endenden Geschäftsjahr um 29,9 % auf €8.841,8 Mio. gegenüber €6.807,5 Mio. in dem am 31. Dezember 2014 endenden Geschäftsjahr. Dieser Anstieg war in erster Linie auf die Berücksichtigung der Umsatzerlöse aus den CCS-Aktivitäten und dem beachtlich stärkeren durchschnittlichen U.S. Dollar – Wechselkurses gegenüber dem Vorjahr zurückzuführen. Das Transportvolumen stieg von 5.906.686 TEU im zum 31. Dezember 2014 endenden Geschäftsjahr auf 7.401.206 TEU im zum 31. Dezember 2015 endenden Geschäftsjahr, was einem Anstieg von 25,3 % entspricht. Im selben Zeitraum sank unsere durchschnittliche Frachtrate um 14,2 % von US\$ 1.427 je TEU im zum 31. Dezember 2014 endenden Geschäftsjahr auf US\$ 1.225 je TEU im zum 31. Dezember 2015 endenden Geschäftsjahr, was vor allem auf die anfängliche Berücksichtigung der CCS-Aktivitäten zurückzuführen war, die insgesamt ein niedrigeres Frachtrateniveau haben. Die fortwährenden Schwierigkeiten im Marktumfeld hatten ebenfalls Auswirkungen auf unsere Frachtraten

Ausgedrückt in US-Dollar stiegen die Umsatzerlöse in dem am 31. Dezember 2015 endenden Geschäftsjahr um 8,5 % auf US\$ 9.814,4 Mio. gegenüber US\$ 9.045,8 Mio. in dem am 31. Dezember 2014 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Atlantik stieg in dem am 31. Dezember 2015 endenden Geschäftsjahr um 6,6 % auf 1.541.317 TEU gegenüber 1.445.824 TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr. Der Anstieg war auf die Zunahme des Transportvolumens auf der Europa-Nordamerika-Route zurückzuführen, welches durch einen Exportanstieg von Europa nach Nordamerika als Konsequenz des gegenwärtig starken U.S. Dollars im Vergleich zum Euro hervorgerufen wurde. Infolge von intensivem Wettbewerb sanken unsere durchschnittlichen Frachtraten in dem am 31. Dezember 2015 endenden Geschäftsjahr um 5,1 % auf US\$ 1.504 je TEU gegenüber US\$ 1.585 je TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Transpazifik stieg in dem am 31. Dezember 2015 endenden Geschäftsjahr um 5,4 % auf 1.390.223 TEU gegenüber 1.318.880 TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr. Der Anstieg war auf die Zunahme der Exporte von Nordamerika nach Asien zurückzuführen. Infolge erhöhten Wettbewerbsdrucks und eines Rückgangs der Bunkerölpreise sanken unsere durchschnittlichen Frachtraten in dem am 31. Dezember 2015 endenden Geschäftsjahr um 9,6 % auf US\$ 1.599 je TEU gegenüber US\$ 1.768 je TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Fernost stieg in dem am 31. Dezember 2015 endenden Geschäftsjahr um 13,0 % auf 1.282.332 TEU gegenüber 1.134.550 TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr, was auf die Berücksichtigung der CCS-Aktivitäten zurückzuführen war. Der Anstieg fiel auf Grund einer Abflachung der Konjunktur geringer aus als erwartet. In Folge des enormen Ratendrucks auf Grund der intensiven Wettbewerbssituation und eines signifikant abgefallenen Shanghai Containerfrachtindexes sanken unsere Frachtraten in dem am 31. Dezember 2015 endenden Geschäftsjahr um 20,1 % auf US\$ 942 je TEU gegenüber US\$ 1.179 je TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Lateinamerika stieg in dem am 31. Dezember 2015 endenden Geschäftsjahr um 94,1 % auf 2.247.134 TEU gegenüber 1.157.879 TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr. Der Anstieg war auf die Berücksichtigung der CCS-Aktivitäten zurückzuführen, die teilweise durch die schwache wirtschaftliche Entwicklung in Lateinamerika und China aufgehoben wurde. Unsere durchschnittliche Frachtrate sank in dem am 31. Dezember 2015 endenden Geschäftsjahr um 18,1 % auf US\$ 1.111 je TEU gegenüber US\$ 1.357 je TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr.

Das Transportvolumen im Fahrtgebiet Intra-Asien stieg in dem am 31. Dezember 2015 endenden Geschäftsjahr um 16,6 % auf 573.171 TEU gegenüber 491.505 TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr. Der Anstieg war auf die Berücksichtigung der CCS-Aktivitäten, die teilweise durch das schwache Wirtschaftswachstum in China aufgehoben wurde zurückzuführen. Infolge der intensiven Wettbewerbssituation sanken unsere durchschnittlichen Frachtrate in dem am 31. Dezember 2015 endenden Geschäftsjahr um 17,7 % auf US\$ 655 je TEU gegenüber US\$ 796 je TEU in dem am 31. Dezember 2014 endenden Geschäftsjahr.

Finanzlage

Die nachfolgend ausgewählten Finanzinformationen sind unserem Geprüften Konzernabschluss für die am 31. Dezember 2016, 2015 bzw. 2014 endenden Geschäftsjahre entnommen oder aus diesem abgeleitet mit Ausnahme der aus den Ungeprüften Verkürzten Konzernzwischenabschlüssen entnommenen Zahlen für die und zum 31. März 2017 und 2016 endenden drei Monate.

Das Eigenkapital verringerte sich von €5.058,4 Mio. im zum 31. Dezember 2016 endenden Geschäftsjahr auf €4.940,1 Mio. in den zum 31. März 2017 endenden drei Monaten. Diese Verringerung ist hauptsächlich auf den Konzernverlust für diesen Zeitraum (€62,1 Mio.) und Wechselkursschwankungen (€53,9 Mio.) zurückzuführen.

Gegenüber dem zum 31. Dezember 2015 endenden Geschäftsjahr steigerte sich das Eigenkapital in dem zum 31. Dezember 2016 endenden Geschäftsjahr von €5.046,2 Mio. auf €5.058,4 Mio. Diese Steigerung ist hauptsächlich auf positive Effekte von nicht erzielten Gewinnen und Verlusten aus Fremdwährungs-umrechnungen zurückzuführen, die im sonstigen Ergebnis mit

insgesamt €156,5 Mio erfasst sind. Dies wurde teilweise durch das negative Ergebnis der Gruppe von €93,1 Mio. und Veränderungen bei Rückstellungen für die Neubewertung für festgelegte Pensionspläne i.H.v. € 43,7 Mio. aufgehoben.

Gegenüber dem zum 31. Dezember 2014 endenden Geschäftsjahr erhöhte sich das Eigenkapital in den zum 31. Dezember 2015 endenden Geschäftsjahr von €4,169.6 Mio. auf €5.046,2 Mio. Diese Steigerung ist hauptsächlich auf den Saldo von nicht erzielten Gewinnen und Verlusten aus Fremdwährungsumrechnungen, der im sonstigen Ergebnis mit insgesamt €452,6 Mio. erfasst ist, unseren Gewinn von €113,9 Mio. sowie die Änderung der Rückstellung für die Neubewertung für festgelegte Pensionspläne zurückzuführen.

Aktuelle Entwicklungen

Am 24. Mai 2017 wurde die UASC Business Combination im Wege der Sacheinlage in die Gesellschaft durch alle Gesellschaften, die Aktien der UASC hielten, gegen Ausgabe von 45.932.023 neuen auf den Namen lautenden Stammaktien ohne Nennbetrag (Stückaktien) und eines auf die einzelne Aktie entfallenden anteiligen Betrags des Grundkapitals von € 1.00 (die „**Neuen Aktien**“) abgeschlossen. Die Neuen Aktien resultieren aus dem genehmigten Kapital 2016 der Gesellschaft, das von der ordentlichen Hauptversammlung der Gesellschaft am 26. August 2016 beschlossen wurde und unter Ausschluss des gesetzlichen Bezugsrechts der Aktionäre auf die Neuen Aktien ausgenutzt wurde. Die Durchführung der Kapitalerhöhung wurde beim Handelsregister eingetragen und die Ausgabe der Neuen Aktien erfolgte am 24. Mai 2017.

Im Mai 2016 haben wir die Gründung der THE Alliance angekündigt, welche zum April 2017 unsere neue Hauptschifffahrtsallianz geworden ist und somit vollständig die G6 Alliance ersetzt hat. Die G6 Alliance wird ihren Betrieb nach Abschluß der letzten Reisen im Juli 2017 einstellen. Neben uns besteht THE Alliance aus Mitsui O.S.K. Lines („**MOL**“), die Nippon Yusen Kaisha Lines („**NYK**“), Kawasaki Kisen K.K. („**K-Line**“) und Yang Ming Marine Transport Corp. („**Yang Ming**“). UASC ist als Teil von Hapag-Lloyd am 24. Mai 2017 Teil von der THE Alliance geworden.

Am 18. Juli 2017 hat die Gesellschaft aufgrund eines Anleihevertrags vom 18. Juli 2017 zwischen der Gesellschaft, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. und Deutsche Trustee Company Limited €450 Millionen 5,125% Schuldverschreibungen mit Fälligkeit 2024 ausgegeben.

B.8 Ausgewählte wesentliche Pro-forma-Finanzinformationen.

Die nachfolgenden ausgewählten wesentlichen *Pro-Forma*-Finanzinformationen entstammen den *Pro-Forma*-Finanzinformationen, die die Gesellschaft zum Zwecke dieses Prospekts erstellt hat und die aus der *Pro-Forma*-Zwischen-Konzerngewinn- und Verlustrechnung für die zum 31. März 2017 endenden drei Monate, aus der *Pro-Forma*-Zwischen-Konzernbilanzaufstellung zum 31. März 2017 und die *Pro-Forma*-

Konzerngewinn- und Verlustrechnung für das am 31. Dezember 2016 endende Geschäftsjahr und Erläuterungen zu den *Pro-Forma*-Finanzinformationen bestehen (zusammen, die „**Pro-Forma-Finanzinformationen**“).

Der Zweck dieser *Pro-Forma*-Finanzinformationen ist es, die *Pro-Forma*-Konzerngewinn- und Verlustrechnung der Hapag-Lloyd AG für das am 31. Dezember 2016 endende Geschäftsjahr und für die zum 31. März 2017 endenden drei Monate so darzustellen, als wäre die UASC Business Combination am 1. Januar 2016 vollzogen worden, und die *Pro-Forma*-Zwischen-Konzernbilanz der Hapag-Lloyd AG und die Kapitaleinlagen in diesem Zusammenhang so darzustellen, als wäre die UASC Business Combination am 31. März 2017 vollzogen worden.

Die *Pro-Forma*-Finanzinformationen sind ausschließlich zu illustrativen Zwecken gedacht. Aufgrund ihres Charakters beschreiben die *Pro-Forma*-Finanzinformationen lediglich eine hypothetische Situation und geben keine Auskunft über die zukünftige Entwicklung bezüglich unserer Finanzlage, operativen Ergebnissen und Zahlungsströmen.

Die *Pro-Forma*-Konzern-Finanzinformationen können sinngemäß nur in Zusammenhang mit dem ungeprüften Konzernabschluss zum Ende der und für die am 31. März 2017 endenden drei Monate und zum geprüften Konzernabschluss für das zum 31. Dezember 2016 endende Geschäftsjahr gelesen werden.

Pro-Forma Finanzinformationen aus der Zwischen-Konzernbilanz zum 31. März 2017

	Hapag-Lloyd	UASC	Zwischen-summe (in Mio. €) (ungeprüft)	Pro Forma Anpassungen	Anmerkung	Pro Forma
Geschäfts- oder Firmenwert	1.642,7	16,9	1.659,6	(16,8)		1.642,8
Sonstige immaterielle Vermögenswerte	1.304,8	32,6	1.337,4	727,8	(2)	2.065,2
Sachanlagen	6.250,8	4.889,1	11.139,9	(935,2)	(1) (2)	10.204,7
Nach der Equity-Methode einbezogene Unternehmen	333,2	165,0	498,2	(158,0)	(1)	340,2
Sonstige Forderungen	35,6	6,1	41,7	127,7	(1)	169,4
Derivative Finanzinstrumente	37,1	—	37,1	—	(3)	37,1
Ertragssteuerforderungen	3,3	—	3,3	—		3,3
Aktive latente Ertragssteuern	25,7	0,5	26,2	—		26,2
Langfristige Vermögenswerte	9.633,2	5.110,1	14.743,3	(254,5)		14.488,8
Vorräte	141,7	51,2	192,9	—		192,9
Forderungen aus Lieferungen und Leistungen	690,2	361,3	1.051,5	—		1.051,5
Sonstige Forderungen	196,2	4,0	200,2	—		200,2
Derivative Finanzinstrumente	2,6	—	2,6	—		2,6
Ertragssteuerforderungen	22,3	—	22,3	—		22,3
Zahlungsmittel und Zahlungsmitteläquivalente	519,8	411,7	931,5	198,3	(1) (3) (5)	1.129,8
Kurzfristige Vermögenswerte	1.572,8	828,2	2.401,0	198,3		2.599,3
Summe Aktiva	11.206,0	5.938,3	17.144,3	(56,2)		17.088,1
Eigenkapital	4.940,1	1.791,5	6.731,6	(34,8)	(1) (2) (3) (4)	6.696,8
Rückstellungen für Pensionen und ähnliche Verpflichtungen	240,0	58,6	298,6	—		298,6
Sonstige Rückstellungen	107,3	—	107,3	8,2	(2)	115,5
Finanzverbindlichkeiten	3.519,7	3.322,9	6.842,6	(165,5)	(2) (3) (5)	6.677,1
Sonstige Verbindlichkeiten	10,7	11,8	22,5	—		22,5
Derivative Finanzinstrumente	—	2,3	2,3	—		2,3
Passive latent Ertragssteuern	2,2	0,6	2,8	—		2,8
Langfristige Schulden	3.879,9	3.396,2	7.276,1	(157,3)		7.118,8
Rückstellungen für Pensionen und ähnliche Verpflichtungen	5,0	—	5,0	—		5,0
Sonstige Rückstellungen	224,4	—	224,4	41,7	(2)	266,1
Ertragssteuerschulden	15,3	—	15,3	20,4	(2)	35,7
Finanzverbindlichkeiten	631,2	296,9	928,1	51,2	(2) (3) (5)	979,3
Verbindlichkeiten aus Lieferungen und Leistungen	1.280,0	453,7	1.733,7	—		1.733,7
Sonstige Verbindlichkeiten	189,4	—	189,4	22,6	(2) (4)	212,0
Derivative Finanzinstrumente	40,7	—	40,7	—		40,7
Kurzfristige Schulden	2.386,0	750,6	3.136,6	135,9		3.272,5
Summe Passiva	11.206,0	5.938,3	17.144,3	(56,2)		17.088,1

Pro Forma Konzern-Gewinn- und Verlustrechnung für das zum 31. Dezember 2016 endende Geschäftsjahr

	Hapag-Lloyd	UASC	Zwischen-summe (in Mio. €) (ungeprüft)	Pro Forma Anpas-sungen	An-merkung	Pro Forma
Umsatzerlöse	7.734,2	2.261,6	9.995,8	—		9.995,8
Sonstige betriebliche Erträge	97,1	33,2	130,3	—		130,3
Transportaufwendungen	(6.364,0)	(1.900,5)	(8.264,5)	40,3	(12)	(8.224,2)
Personalaufwendungen	(496,1)	(190,4)	(686,5)	—		(686,5)
Abschreibungen	(481,0)	(249,3)	(730,3)	2,9	(7) (8) (9)	(727,4)
Sonstige betriebliche Aufwendungen	(386,2)	(56,9)	(443,1)	18,8	(7) (14)	(424,3)
Ergebnis der betrieblichen Tätigkeit	104,0	(102,3)	1,7	62,0		63,7
Ergebnis aus nach der Equity-Methode einbezogenen Unternehmen	27,1	(1,9)	25,2	7,5	(6)	32,7
Übriges Finanzergebnis	(4,7)	1,4	(3,3)	—		(3,3)
Ergebnis vor Zinsergebnis und Ertragssteuern (EBIT)	126,4	(102,8)	23,6	69,5		93,1
Zinsergebnis	(199,8)	(125,9)	(325,7)	28,0	(10) (13)	(297,7)
Ergebnis vor Ertragssteuern	(73,4)	(228,7)	(302,1)	97,5		(204,6)
Ertragssteuern	(19,7)	(18,3)	(38,0)	—		(38,0)
Konzernergebnis	(93,1)	(247,0)	(340,1)	97,5		(242,6)
Hiervon den Aktionären der Hapag-Lloyd AG zurechenbar	(96,6)	(257,3)	(353,9)	97,5		(256,4)
Hiervon den Minderheitenbeteiligungen zurechenbar	3,5	10,3	13,8	—		13,8
Unverwässertes/Verwässertes Ergebnis je Aktie in €	(0,82)				(15)	(1,45)

Pro Forma Zwischen-Konzern-Gewinn- und Verlustrechnung für die zum 31. März 2017 endenden drei Monate

	Hapag-Lloyd	UASC	Zwischen-summe (in Mio. €) (ungeprüft)	Pro Forma Anpas-sungen	An-merkung	Pro Forma
Umsatzerlöse	2.132,1	702,4	2.834,5	—		2.834,5
Sonstige betriebliche Erträge	26,3	6,8	33,1	—		33,1
Transportaufwendungen	(1.789,1)	(532,7)	(2.321,8)	2,2	(11)	(2.319,6)
Personalaufwendungen	(147,4)	(48,7)	(196,1)	—		(196,1)
Abschreibungen	(127,8)	(66,1)	(193,9)	1,1	(7) (8) (9)	(192,8)
Sonstige betriebliche Aufwendungen	(98,2)	(19,4)	(117,6)	5,0	(7) (14)	(112,6)
Ergebnis der betrieblichen Tätigkeit	(4,1)	42,3	38,2	8,3		46,5
Ergebnis aus nach der Equity- Methode einbezogenen Unternehmen	7,6	0,5	8,1	0,6	(6)	8,7
Ergebnis vor Zinsergebnis und Ertragssteuern (EBIT)	3,5	42,8	46,3	8,9		55,2
Zinsergebnis	(61,8)	(35,4)	(97,2)	7,3	(10) (13)	(89,9)
Ergebnis vor Ertragssteuern	(58,3)	7,4	(50,9)	16,2		(34,7)
Ertragssteuern	(3,8)	(3,3)	(7,1)	—		(7,1)
Konzernergebnis	(62,1)	4,1	(58,0)	16,2		(41,8)
Hiervon den Aktionären der Hapag-Lloyd AG zurechenbar	(62,8)	1,5	(61,3)	16,2		(45,1)
Hiervon den Minderheitenbeteiligungen zurechenbar	0,7	2,6	3,3	—		3,3
Unverwässertes/Verwässertes Ergebnis je Aktie in €	(0,53)				(15)	(0,25)

Anmerkungen zu den Pro-Forma Finanzinformationen

- (1) Der angenommene Verkauf von Immobilien mit beschränkten Eigentumsrechten sowie Anteile an einem assoziierten Unternehmen von UASC wirken sich auf die Netto-Vermögenswerte in Höhe von €1,7 Mio. bzw. €(30,2) Mio. zum 31. März 2017 aus. Es wird angenommen, dass die Immobilien mit beschränkten Eigentumsrechten mit einem Buchwert zum 31. März 2017 von €9,2 Mio. für €10,9 Mio. in bar verkauft wurde. Für die Anteile an dem assoziierten Unternehmen mit einem Buchwert von €158,0 Mio. zum 31. März 2017 wurde eine langfristige Finanzforderung in Höhe von €127,8 Mio. berücksichtigt. Die Zahlung der Forderung in Höhe eines Nominalwertes von US\$ 152,4 Mio. wird zum 31. Dezember 2018 fällig. Die Anteile an dem assoziierten Unternehmen wurde vor dem Akquisitionsdatum auf eine Zweckgesellschaft übertragen, welche von den UASC - Mehrheitsgesellschaftern gehalten wird und zum Zwecke des Verkaufs errichtet wurde.
- (2) Der Erwerb von UASC wurde mittels einer Sacheinlage durchgeführt, wofür die Hapag-Lloyd AG 45.932.023 Stammaktien zu Gunsten früherer Gesellschafter der UASC emittierte. Zur Vorbereitung der Pro-Forma -Finanzinformationen wurde der hierfür transferierte Betrag auf €1.286,1 Mio. festgesetzt (basierend auf dem Fair-Value der 45.932.023 neu ausgegebenen Aktien und gemessen am Aktienkurs der Hapag-Lloyd AG in Höhe von €28,00 pro Aktie zum Erwerbszeitpunkt).
- (3) Kapitalerhöhung II in Höhe von €374,5 Mio. (US\$ 400,0 Mio.) wird hauptsächlich als Rückführung einer Kreditfazilität mit einer Laufzeit bis 2022 in Höhe von €187,2 Mio. berücksichtigt. Der Restbetrag wird als liquide Zahlungsmittel einbehalten.
- (4) Nach dem 31. März 2017 werden weitere Transaktionskosten in Höhe von €13,1 Mio. erwartet. Diese Transaktionskosten werden als kurzfristige sonstige Verbindlichkeiten in den Pro-Forma-konsolidierten Zwischenbericht zum 31. März 2017 berücksichtigt.
- (5) Bestehende langfristige Verbindlichkeiten sollen in Höhe von €33,6 Mio. innerhalb von drei Monaten nach Vollzug zurückgezahlt werden. Aus diesem Grund wird die jeweilige finanzielle Verbindlichkeit für die Zwecke dieser Pro-Forma-Finanzinformation als kurzfristige Verbindlichkeit klassifiziert. Der Betrag der geplanten Rückzahlung wird für die Zwecke dieser Pro-Forma Finanzinformation als Zahlungsmittel und Zahlungsmitteläquivalente berücksichtigt.
- (6) Diese Anpassung hat einen langfristigen Effekt und spiegelt die Beseitigung des UASC-Anteils aus dem Ergebnis der at-equity bewerteten Beteiligungsgesellschaft mit einem Negativbetrag in Höhe von -€7,50 Mio. zum Stichtag am 31. Dezember 2016 und einem Negativbetrag in Höhe von -€0,6 Mio. für den Dreimonatszeitraum bis zum Stichtag am 31. März 2017 wieder.
- (7) Diese Anpassung hat einen langfristigen Effekt und spiegelt den Rückgang des Abschreibungsaufwands in Höhe von €1,2 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und €0,3 Mio. für den Dreimonatszeitraum zum Stichtag 31. März 2017 aufgrund der Verringerung der Buchwerte von Gebäuden in Folge des Verkaufs wieder. Darüber hinaus gibt es zusätzliche Mietaufwendungen und weggefallene Mieterträge aus übernommenen Untervermietungen, die sich auch weiterhin auswirken und den sonstigen Betriebsaufwand in Höhe von jeweils €4,6 Mio. und €1,2 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und für den Dreimonatszeitraum zum Stichtag 31. März 2017 erhöhen.
- (8) Diese Anpassung hat einen langfristigen Effekt und spiegelt den zusätzlichen Abschreibungsaufwand in Höhe von €47,2 Mio. und €11,7 Mio. auf die immateriellen Vermögenswerte mit einer bestimmten Laufzeit wieder, welche im Rahmen des Erwerbs für das am 31. Dezember 2016 endende Geschäftsjahr und für den Dreimonatszeitraum zum Stichtag 31. März 2017 angeschafft wurden. Die Höhe der immateriellen Vermögenswerte, die geschätzte Laufzeit und die Abschreibungsmethode unterliegen der endgültigen Bewertung der zum Erwerbszeitpunkt erworbenen Vermögenswerte. Für die Kundenbeziehung wurde eine geschätzte Laufzeit von 30,0 Jahren angenommen, was zu einem zusätzlichen Abschreibungsaufwand in Höhe von €20,6 Mio. und €5,3 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und für den Dreimonatszeitraum zum Stichtag 31. März 2017 führte. Für die vorteilhaften Schiffscharterverträge wurde eine durchschnittliche Laufzeit der Verträge von 1,6 Jahren angenommen, was zu einem zusätzlichen Abschreibungsaufwand von €24,4 Mio. und €5,8 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und für den Dreimonatszeitraum zum Stichtag 31. März 2017 führte. Für das Markenzeichen der UASC wurde eine geschätzte Laufzeit von 20,0 Jahren angenommen, was zu einem zusätzlichen Abschreibungsaufwand von €2,2 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und €0,6 Mio. und für den Dreimonatszeitraum zum Stichtag 31. März 2017 führte.
- (9) Diese Anpassung hat einen langfristigen Effekt und spiegelt den Rückgang des Abschreibungsaufwands in Höhe von €49,0 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und €12,7 Mio für den Dreimonatszeitraum zum Stichtag 31. März 2017 aufgrund der Verringerung der Buchwerte auf ihre beizulegenden Zeitwerte im Rahmen des Erwerbs wieder. Der Betrag der Sachanlagen unterliegt der endgültigen Bewertung der zum Erwerbszeitpunkt erworbenen Vermögenswerte. Eine schiffsbasierte Berechnung führte zu einer Verringerung der Abschreibungsaufwendungen in Höhe von €68,1 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und €17,6 Mio für den Dreimonatszeitraum zum Stichtag 31. März 2017. Für die Container wurde eine geschätzte durchschnittliche Restlaufzeit von 8,7 Jahren zum Erwerbszeitpunkt angenommen, was zu einer Erhöhung der Abschreibungsaufwendungen in Höhe von €19,3 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und €5,0 Mio. für den Dreimonatszeitraum zum Stichtag 31. März 2017 führte. Für die Gebäude wurde eine geschätzte durchschnittliche Restlaufzeit von 13,4 Jahren zum Erwerbszeitpunkt angenommen, was zu einer Verringerung der Abschreibungsaufwendungen in Höhe von €0,2 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und €0,1 Mio. für den Dreimonatszeitraum zum Stichtag 31. März 2017 führte.
- (10) Diese Anpassung hat einen langfristigen Effekt und spiegelt den Rückgang der Zinsaufwendungen in Höhe von €17,0 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr und €4,4 Mio. für den Dreimonatszeitraum zum Stichtag 31. März 2017 als Folge der Ausbuchung von aktivierten Transaktionsgebühren wieder.
- (11) Diese Anpassung hat einen langfristigen Effekt und spiegelt den Rückgang der Transportaufwendungen in Höhe von €2,2 Mio. für den Dreimonatszeitraum zum Stichtag 31. März 2017 infolge der Berücksichtigung der belastenden

Schiffcharterverträge mit einer durchschnittlichen Restlaufzeit von 1,2 Jahren zum Erwerbszeitpunkt wieder. Der Betrag und die Fälligkeit der Verbindlichkeiten aus belastenden Schiffcharterverträgen unterliegen der abschließenden Bewertung der zum Erwerbszeitpunkt übernommenen Verbindlichkeiten.

- (12) Diese Anpassung hat einen langfristigen Effekt und spiegelt den Rückgang der Transportaufwendungen in Höhe von €40,3 Mio. für das am 31. Dezember 2016 endende Geschäftsjahr infolge der Berücksichtigung des belastenden Schiffcharterverträgen mit Restlaufzeiten von 1,2 Jahren zum Erwerbszeitpunkt wieder. Der Betrag und die Fälligkeit der Verbindlichkeiten aus belastenden Schiffcharterverträgen unterliegen der abschließenden Bewertung der zum Erwerbszeitpunkt übernommenen Verbindlichkeiten.
- (13) Infolge der angenommenen Kapitalerhöhung II vor dem 1. Januar 2016 wurden die Zinskosten reduziert. €187,2 Mio. wurden für die frühzeitige Rückzahlung von Finanzverbindlichkeiten verwendet, wodurch die entsprechenden Zinsaufwendungen für diese Finanzverbindlichkeiten wegfielen. Diese Anpassung wirkt sich entsprechend auch weiter auf Zinsaufwendungen aus. Im Finanzjahr 2016 wurden die Zinsaufwendungen um €11,0 Mio. und im Dreimonatszeitraum zum Stichtag 31. März 2017 um €2,9 Mo. reduziert.
- (14) Durch die Übernahme entstanden einmalige Transaktionskosten in Höhe von €23,4 Mio. für das Geschäftsjahr 2016 und in Höhe von €6,2 Mio. für den Dreimonatszeitraum zum Stichtag 31. März 2017. Diese Kosten wurden aus den Pro-Forma - konsolidierten Gewinn- und Verlustrechnungen herausgenommen. In den Pro-Forma-konsolidierten Gewinn- und Verlustrechnungen wurden keine weiteren erwarteten transaktionsbezogenen einmaligen Kosten aufgenommen, da insofern angenommen wurde, dass diese bereits zum Stichtag der Eröffnungsbilanz angefallen sind.
- (15) Kapitalerhöhung I erhöhte die Anzahl der Aktien um 45.932.023. Zusätzlich wird angenommen, dass Kapitalerhöhung II durch den Aktienkurs zum Akquisitionszeitpunkt und durch den Wechselkurs am 31. März 2017 13.374.885 neue Aktien basierend auf dem Aktienkurs zum Akquisitionszeitpunkt generiert. Beide Kapitalerhöhungen führen zu einer Verwässerung des Gewinns/Verlusts pro Aktie.

Ausgewählte andere Pro-Forma-Geschäftsinformationen

	Für das Geschäftsjahr endend zum 31. Dezember 2016	Für die zum 31. März endenden drei Monate
	(ungeprüft)	
Transportmengen (1.000 TEU) ⁽¹⁾	10.730	2.788
Frachtrate (US\$/TEU) ⁽²⁾	920	992
Bunkerpreis (US\$/t) ⁽³⁾	223	312
Wechselkurs (€/US\$)	1,1049	1,0651
Container Flotte		2.303
Flottenkapazität ⁽⁴⁾		1.592
Anzahl Schiffe		230

- (1) TEU ist eine 20 Fuß entsprechende Frachteinheit (bezieht sich auf einen Standardcontainer mit einer Länge von 20 Fuß (6,05 Meter), einer Breite von 8 Fuß (2,43 Meter) und einer Höhe von 8 Fuß und 6 Inches (2,59 Meter)), diese Standardgröße wird zur Volumenmessung in der Schifffahrtsindustrie verwendet. Bei den Transportmengen handelt es sich um die gemeinsamen Transportmengen von Hapag-Lloyd und UASC in dem zum 31. Dezember 2016 endenden Geschäftsjahr und den zum 31. März 2017 endenden drei Monaten. Das Volumen entspricht dem der von der Hapag-Lloyd AG am Ende der Verschiffung und von UASC zu Beginn der Verschiffung gemeldeten Volumina.
- (2) Die Frachtrate wurde als gewichteter Durchschnitt der Frachtrate von Hapag-Lloyd und UASC in dem zum 31. Dezember 2016 endenden Geschäftsjahr und den zum 31. März 2017 endenden drei Monaten (Summe der Frachterlöse dividiert durch die Summe der Transportmengen) berechnet. Der Umsatz entspricht dem der von der Hapag-Lloyd AG am Ende der Verschiffung und von UASC zu Beginn der Verschiffung gemeldeten Umsätze.
- (3) Der Bunkerpreis ergibt sich aus dem gewichteten Durchschnitt des Bunkerpreises von Hapag-Lloyd und UASC in dem zum 31. Dezember 2016 endenden Geschäftsjahr und den zum 31. März 2017 endenden drei Monaten (Summe der Bunkerkosten dividiert durch den Verbrauch in Tonnen). Der Bunkerpreis entspricht dem der von der Hapag-Lloyd AG am Ende der Verschiffung und von UASC zu Beginn der Verschiffung gemeldeten Bunkerpreise.
- (4) Die *pro forma* Angabe zum 31. Dezember 2016 wurde um 42 Schiffe (475.008 TEU), die im Eigentum der UASC stehen sowie 18 Schiffe (119.489 TEU), die von UASC gecharterd werden, angepasst. Die *pro forma* Angabe zum 31. März 2017 wurde um 42 Schiffe (475.008 TEU), die im Eigentum der UASC stehen sowie 17 Schiffe (109.917 TEU), die von UASC gecharterd werden, angepasst.

B.9 Gewinnprognosen und -schätzungen.

Entfällt. Die Gesellschaft hat keine Gewinnprognose und -schätzungen abgegeben.

B.10 Beschränkungen im Bestätigungsvermerk zu den historischen Finanzinformationen.

Entfällt. Die in diesem Prospekt enthaltenen geprüften historischen Finanzinformationen wurden mit uneingeschränkten Bestätigungsvermerken versehen.

- B.11 Nicht Ausreichen des Geschäftskapitals des Emittenten zur Erfüllung bestehender Anforderungen.** Entfällt. Das Geschäftskapital der Emittentin reicht aus, um die bestehenden Anforderungen zu erfüllen, d.h. mindestens für die dem Datum dieses Prospekts folgenden zwölf Monate.

C – Wertpapiere

- C.1 Art und Gattung der anzubietenden und zum Handel zuzulassenden Wertpapiere** Auf den Namen lautenden Stammaktien der Gesellschaft ohne Nennbetrag (*Stückaktien*), jede dieser Stückaktien mit einem anteiligen Betrag des Grundkapitals von €1,00 und voller Gewinnberechtigung ab dem 1. Januar 2017.
- Wertpapierkennung.** International Securities Identification Number (ISIN): DE000HLAG475
- Wertpapierkennnummer (WKN): HLAG47
- Common Code: 129212390
- Trading Symbol: HLAG
- C.2 Währung.** Euro.
- C.3 Zahl der ausgegebenen und voll eingezahlten Aktien.** Zum Datum dieses Prospekts beträgt das Grundkapital der Gesellschaft €164.042.940,00 und ist in 164.042.940 auf den Namen lautende Stammaktien ohne Nennbetrag (Stückaktien) eingeteilt. Das Grundkapital der Gesellschaft ist vollständig eingezahlt.
- Anteiliger Betrag pro Aktie am Grundkapital.** Jede nennwertlose Stückaktie der Gesellschaft repräsentiert einen anteiligen Betrag des Grundkapitals von € 1,00.
- C.4 Mit den Wertpapieren verbundene Rechte.** Jede Aktie der Gesellschaft berechtigt zu einer Stimme in der Hauptversammlung der Gesellschaft. Es bestehen keine Stimmrechtsbeschränkungen. Die Aktien sind mit voller Dividendenberechtigung ab dem 1. Januar 2017, d.h. für das gesamte Geschäftsjahr 2017 und für sämtliche folgende Geschäftsjahre, ausgestattet.
- C.5 Beschreibung aller etwaigen Beschränkungen für die freie Übertragbarkeit der Wertpapiere.** Entfällt. Es bestehen keine Verkaufsbeschränkungen oder Einschränkungen in Bezug auf die Übertragbarkeit der Aktien der Gesellschaft.
- C.6 Antrag auf Zulassung der Wertpapiere zum Handel an einem geregelten Markt und Nennung aller geregelten Märkte, an denen die Wertpapiere gehandelt werden sollen.** Zum Datum dieses Prospekts sind 118.110.917 Aktien der Gesellschaft zum Handel im regulierten Markt an der Frankfurter Wertpapierbörse und zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (*Prime Standard*) sowie zum Handel im regulierten Markt an der Hamburger Wertpapierbörse zugelassen.

Am 12. Juli 2017 hat die Gesellschaft die Zulassung von zusätzlichen 42.749.568 Aktien der Gesellschaft zum Handel im regulierten Markt an der Frankfurter Wertpapierbörse und zum Teilbereich des regulierten Marktes mit weiteren Zulassungsfolgepflichten (*Prime Standard*) sowie zum Handel im regulierten Markt an der Hamburger Wertpapierbörse beantragt.

Die Gesellschaft erwartet den Zulassungsbeschluss für die jeweilige Börse für den 19. Juli 2017. Der Handel dieser Aktien an der Frankfurter Wertpapierbörse und der Hamburger Wertpapierbörse wird voraussichtlich am 21. Juli 2017 beginnen.

C.7 Dividendenpolitik.

Unsere Dividendenpolitik wird von Zeit zu Zeit einer Prüfung unterzogen, und die Erklärung und Ausschüttung von zukünftigen Dividenden steht im Ermessen des Vorstands der Gesellschaft sowie der Hauptversammlung, wobei verschiedene Faktoren Berücksichtigung finden, unter anderem unsere Geschäftsaussichten, künftige Erträge, der Bedarf an Barmitteln, die Finanzlage, Expansionspläne sowie Anforderungen deutschen Rechts und/oder des Rechts anderer Jurisdiktionen, in welchen unsere Tochtergesellschaften errichtet sind. Allgemein zielt unsere Dividendenpolitik darauf ab, Dividenden in einer Höhe auszuschütten, die mit unserem Wachstum und den Plänen für unsere weitere Entwicklung vereinbar ist, und dabei gleichzeitig in angemessenem Umfang Liquidität vorzuhalten. Grundsätzlich beabsichtigen wir derzeit, eine Dividende in Höhe von 20-30 % des jeweiligen Konzernergebnisses auszuschütten, soweit dies im Einklang mit dem Handelsgesetzbuch und Einschränkungen in bestimmten Finanzierungsvereinbarungen möglich ist sowie vorbehaltlich des Marktumfelds, unserer Wachstums- und Entwicklungspläne sowie des Erfordernisses, ein angemessenes Liquiditätsniveau vorzuhalten.

In den zum 31. Dezember 2016, 2015 und 2014 endenden Geschäftsjahren betragen die Jahresfehlbeträge der Gesellschaft gemäß handelsrechtlichen Jahresabschlüssen €(201,4) Mio., €(635,7) Mio. und €(845,2) Mio. In Bezug auf die letzten drei Geschäftsjahre wurden keine Dividenden an die Aktionäre ausgeschüttet.

D – Risiken

D.1 Zentrale Risiken, die dem Emittenten und seiner Branche eigen sind.

Risiken in Bezug auf unsere Geschäftstätigkeit und unsere Branche

- Die Konjunkturabhängigkeit und der volatile Charakter der Containerschiffverkehrsbranche sowie Ungleichgewichte bei Angebot und Nachfrage machen es schwierig für uns, Kapazitätsanforderungen zu steuern
- Die gegenwärtigen und zukünftigen Marktbedingungen könnten negative Auswirkungen auf Transportmengen und Frachtraten sowie auf unsere Finanzlage haben.
- Erhöhung von gegenwärtigen Charraten für Containerschiffe, die wir möglicherweise nicht an unsere Kunden weitergeben können, sowie kurzfristig sinkende Frachtraten bei unveränderten Charraten könnten sich nachteilig auf unsere Geschäftstätigkeit auswirken.

- Die Containerschiffahrtsbranche ist von großem Wettbewerbsdruck und fortlaufender Konsolidierung geprägt und der Wettbewerbsdruck kann möglicherweise noch weiter zunehmen, was unsere Marktstellung und unser Finanzergebnis negativ beeinflussen könnte.
- Die Gründung von größeren Allianzen könnte einen Wettbewerbsnachteil darstellen.
- Wir sind möglicherweise nicht in der Lage, unsere Dienstleistungsverträge in Bezug auf unser Kabotagegeschäft, das nur unter der jeweiligen Landesflagge durchgeführt werden darf, sowie unsere Verträge mit der US-Regierung fortzuführen.
- Das Risiko von Kundenabwanderungen verbunden mit einem sehr starken Wettbewerb wird durch den Umstand verschärft, dass wir grundsätzlich keine Langzeit- oder Exklusivverträge mit unseren Kunden eingehen.
- Die Kapazitäten von Containerschiffen sind in den letzten Jahren gestiegen, was zu Überladungen und/oder Überkapazitäten sowie in bestimmten Häfen zu Überlastungen führen kann und der Zugang zu Häfen könnte aus anderen Gründen beschränkt oder nicht verfügbar sein.
- Da zwischen der Bestellung und der Auslieferung neuer Schiffe erhebliche Zeit vergeht, besteht eine erhöhte Anfälligkeit für zeitweise Änderungen im Marktumfeld der Schifffahrtsindustrie.
- Unser Betriebs- und Finanzergebnis unterliegt saisonalen Schwankungen und kann von ungünstigen Entwicklungen nachteilig beeinflusst werden.
- Änderungen der Handelsstrukturen, Handelsströme und sich verschärfende Handelsungleichgewichte können sich nachteilig auf unsere Kostenstruktur auswirken.
- Möglicherweise sind wir nicht in der Lage, die erheblich größere Flotte der Gruppe zu erhalten und effektiv zu nutzen.
- Höhere Bunkerölpreise können unsere Betriebskosten deutlich steigen lassen.
- Politische Krisen und deren Auswirkungen im Mittleren Osten, in der Ukraine und anderorts könnten das regionale und globale Wirtschaftswachstum und Kapitalflüsse beeinflussen, was wiederum einen negativen Einfluss auf die Transportmengen und unsere Finanzierungsvereinbarungen haben könnte..
- Politische, wirtschaftliche, soziale und andere Risiken, die in Märkten vorherrschen, in denen wir tätig sind, können sich negativ auf unseren Geschäftsbetrieb auswirken.
- Risiken, die mit dem Betrieb von Hochseeschiffen und dem Transport von Gütern einhergehen, könnten zu erheblichen Schäden führen und unsere Geschäftstätigkeit und unseren guten Ruf schädigen.

- Die Zahl der Angriffe von Piraten auf Hochseeschiffe stellt weiterhin ein beträchtliches Risiko dar, welches sich nachteilig auf unsere Geschäftstätigkeit und unser Betriebsergebnis auswirken
- Wir könnten erheblichen haftungsrechtlichen Risiken ausgesetzt sein, wenn wir geltende Vorschriften nicht einhalten, und Änderungen dieser Vorschriften könnten sich nachteilig auf uns auswirken.
- Es könnten zusätzliche oder neue Abkommen geschlossen oder Gesetze und Vorschriften erlassen werden, die die Einführung eines kostenintensiven Emissionskontrollsystems fordern könnten.
- Wir unterliegen bestimmten wettbewerbs- und kartellrechtlichen Vorschriften, die wir einhalten müssen und deren Nichtbefolgung zu Geldbußen oder ähnlichen Sanktionen führen könnte.
- Complianceverstöße könnten Ermittlungen durch die zuständigen Behörden, Geldbußen, Schadensersatzforderungen, Zahlungsansprüche, die Beendigung von Kunden- und Lieferantenbeziehungen sowie einen Reputationsschaden nach sich ziehen.
- Änderungen der haftungsrechtlichen Vorschriften für den internationalen Seetransport von Gütern könnten sich nachteilig auf unsere Geschäftstätigkeit auswirken.
- Wir sind möglicherweise im Rahmen unserer Versicherungsdeckung oder von Vereinbarungen über die Freistellung von Haftungsrisiken nicht in vollem Umfang gegen Schadensfälle, Verluste und bestimmte haftungsrechtliche Risiken abgesichert, und im Falle eines Krieges oder von Terroranschlägen könnten unsere Versicherungsprämien steigen.
- Sollte es uns nicht gelingen, die von uns beabsichtigten Verbesserungen erfolgreich umzusetzen und unsere erwarteten Kosteneinsparungen zu erzielen, könnte dies unseren Wachstum und unsere Rentabilität nachteilig beeinflussen.
- Unser Erfolg ist weitgehend von IT-Systemen abhängig, und die von diesen Systemen generierten betrieblichen Effizienzen und Vorteile für die Containereinsatzplanung sind möglicherweise nicht von Dauer.
- Die Kündigung unserer Mitgliedschaft oder der Mitgliedschaft anderer Schifffahrtsunternehmen in THE Alliance oder der Grand Alliance, oder die Auflösung der THE Alliance oder der Grand Alliance könnte sich nachteilig auf die geographische Ausdehnung unseres Liniendienstnetzwerks und den Einsatz unserer Schiffe auswirken.
- Wir sind möglicherweise nicht in der Lage, Bestandskunden nach Ablauf der Altverträge zu halten bzw. Neukunden zu gewinnen.
- Meinungsverschiedenheiten mit unseren Joint-Venture-Partnern können zur Folge haben, dass unsere Joint Ventures nicht entsprechend ihren Geschäftsplänen operieren können, was sich nachteilig auf unsere Ertragslage auswirken kann.

- Der Wert unserer 25,1%igen Beteiligung in CTA ist abhängig von diversen wirtschaftlichen Faktoren, welche sich unserer Kontrolle entziehen.
- Unsere Geschäftstätigkeit kann durch in einem oder mehreren Ländern eingeführte protektionistische Maßnahmen und aufsichtsrechtliche Vorschriften nachteilig beeinflusst werden
- Unser Unternehmen ist Risiken im Zusammenhang mit Wechselkurs- und Zinsänderungen ausgesetzt.
- Wir sind in einer kapitalintensiven Branche tätig, und unsere zukünftigen Finanzquellen sind nicht zwingend sichergestellt.
- Die Bestellung neuer Schiffe oder der Erwerb von Schiffen aus zweiter Hand könnte ein Ausfall- oder Schlechterfüllungsrisiko von vertragsschließenden Parteien haben, und wir werden möglicherweise nicht für solche Kosten entschädigt.
- Die Einhaltung der Vorschriften, die unseren Schiffen von Klassifizierungs-Institutionen auferlegt werden kann sehr kostenintensiv sein.
- In Bezug auf die Erbringung verschiedener Dienstleistungen sind wir auf Subunternehmer angewiesen, und eine nicht den Anforderungen genügende Erfüllung oder Schlechterfüllung des Subunternehmers könnte eine wesentliche Beeinträchtigung unserer Geschäftstätigkeit zu Folge haben.
- Arbeitskämpfe durch unsere eigenen Mitarbeiter oder dritter Parteien, mit denen wir zusammenarbeiten, könnten unseren Geschäftsablauf stören.
- Änderungen in Bezug auf Steuergesetze oder deren Auslegung könnten zu einer höheren steuerlichen Belastung führen.
- Wir sind von unserer Reputation und dem Erhalt guter Beziehungen zu unseren Kunden, Geschäftspartnern, Mitarbeitern und Regulierungsbehörden abhängig.
- Unsere Geschäftstätigkeit unterliegt generellen Prozess- und Steuerrisiken.
- Aufgrund unserer internationalen Tätigkeiten erhöhen sich die mit Wirtschafts- und Handelssanktionen der Vereinigten Staaten, der EU oder anderer Staaten verbundenen Compliance-Risiken
- Anspruchsteller von Seeforderungen könnten unsere Schiffe in Arrest nehmen, was zu einer Betriebsunterbrechung führen könnte, oder uns zur Zahlung einer großen Geldsumme zur Aufhebung des Arrests verpflichten könnte.
- Geschäfts- oder Firmenwert und sonstige immaterielle Vermögenswerte stellen einen erheblichen Teil unserer gesamten Aktiva dar, und wir sind möglicherweise nicht in Lage, den vollständigen Wert unserer immateriellen Vermögenswerte auszuschöpfen.
- Der Marktwert unserer Schiffe kann erheblichen Schwankungen unterliegen, und wir erleiden möglicherweise Verluste, wenn wir Schiffe nach einem Rückgang ihres Marktwertes veräußern.

- Die Bewertung von Schiffen ist naturgemäß subjektiv und unsicher und beruht auf Annahmen, die sich als fehlerhaft oder von durch außerhalb unseres Einflussbereichs liegenden Faktoren beeinträchtigt herausstellen könnte. Zudem geben das Sachverständigengutachten und die Finanzinformationen, die in diesem Prospekt enthalten sind, möglicherweise eine unzutreffende Einschätzung des Wertes unserer Schiffe wieder.
- Eine Herabstufung des Ratings der Hapag-Lloyd AG könnte ihre Refinanzierungskosten erhöhen und ihr den Zugang zu bestimmten Finanzierungsmärkten und -produkten verwehren und somit ihre Liquidität und Rentabilität beeinträchtigen.
- Die Erweiterung des Panamakanals hat zu einem wesentlichen Zufluss von Schiffen auf den transpazifischen Handel geführt, was sich in Zukunft negativ auf Frachtraten auswirken könnte.

Risiken in Bezug auf unser Finanzprofil

- In zukünftigen Berichtszeiträumen erzielen wir unter Umständen keinen Gewinn, und unsere Fremdmittelaufnahmen, die infolge der UASC Business Combination erheblich zugenommen haben, erschweren uns möglicherweise unseren Geschäftsbetrieb.
- Wir unterliegen wesentlichen restriktiven Verpflichtungen aus Kreditverträgen, die unsere betriebliche Flexibilität einschränken, und im Fall ihrer Nichteinhaltung werden wir nicht in der Lage sein, unseren Zahlungsverpflichtungen nachzukommen.
- Die Derivate, die wir zu Absicherungszwecken einsetzen, sind mit Risiken verbunden und bringen möglicherweise nicht den gewünschten Erfolg.
- Aufgrund unserer variabel verzinsten Schulden sind wir einem Zinsrisiko ausgesetzt, durch welches sich unsere Schuldendienstverpflichtungen erheblich erhöhen könnten.
- Der Hanjin-Konkurs könnte restriktivere Bankkreditvergabe und Bankkreditsupportregelungen für die Containerschiffindustrie nach sich ziehen, Hapag-Lloyd inbegriffen, was nachteilige Auswirkungen auf unsere Finanzlage und künftige Tätigkeiten haben könnte.

Risiken in Bezug auf die UASC Akquisition

- Die antizipierten Synergieeffekte der UASC Business Combination könnten nicht eintreten, so dass wir möglicherweise nicht in der Lage sind, Größenvorteile vollständig zu nutzen.
- *Pro-Forma*-Finanzinformationen beschreiben lediglich eine hypothetische Situation und spiegeln daher möglicherweise nicht die tatsächliche Ertragslage der Gruppe nach Vollzug der UASC Business Combination.
- Hapag-Lloyd ist möglicherweise nicht in der Lage, UASC erfolgreich in seine Geschäftstätigkeit zu integrieren in der Art und Weise oder innerhalb des zeitlichen Rahmens, der hierfür gegenwärtig vorgesehen ist oder nur in Verbindung mit höheren Aufwendungen.

- Die Integration von UASC könnte zum Verlust von Schlüsselpersonal oder Hauptkunden sowie Unterbrechungen und Störungen in der Geschäftstätigkeit führen.
- Wir haben im Zuge der UASC Business Combination eine erhebliche Verschuldung auf uns genommen.
- Möglicherweise sind wir nicht in der Lage, die erheblich größere Flotte nach der UASC Business Combination der Gruppe zu erhalten und effektiv zu nutzen.
- Wir könnten Risiken von UASC ausgesetzt sein, die im Rahmen der der UASC Business Combination vorausgegangenem Due Diligence- Prüfung nicht erkannt wurden.
- Die UASC Business Combination wird bestimmte Gegenparteien der UASC das Recht einräumen, ihre Verträge in Folge von Change of Control – Klauseln zu beenden.
- Die UASC Business Combination erhöht unsere Involvierung auf dem hochkompetitiven Fernosthandel und im Mittleren Osten.

D.3 Zentrale Risiken, die den Wertpapieren eigen sind.

Risiken in Bezug auf unsere Aktien und unsere Aktiönersstruktur

- Unser Anteilspreis könnte starken Schwankungen unterliegen, so dass Anleger möglicherweise einen Teil ihrer Anlage oder die gesamte Anlage verlieren.
- Unsere bedeutendsten Anteilseigner sind in der Lage, substanziellen Einfluss auf das Unternehmen auszuüben. Die Interessen, die durch jeden dieser Anteilseigner verfolgt werden, könnten von denen unserer anderen Anteilseigner abweichen.
- Zukünftige Verkäufe einer großen Zahl unserer Aktien könnten den Marktpreis unserer Aktien fallen lassen und den Verkauf weiteren Eigenkapitals oder eigenkapitalsverwandter Wertpapiere erschweren.
- Zukünftige Angebote von Schuld- oder Eigenkapitaltiteln durch uns könnten sich nachteilig auf den Marktpreis der Aktien auswirken, und zukünftige Kapitalisierungsmaßnahmen könnten zu einer erheblichen Verwässerung der Beteiligungen der Altaktionäre an der Gesellschaft führen.
- Die Zahlung künftiger Dividenden hängt von unserer Finanz- und Ertragslage, sowie von den Ausschüttungen unserer operativen Tochtergesellschaften an uns ab.
- Eine Anlage in unsere Aktien durch einen Anleger dessen Hauptwährung nicht der Euro ist, kann durch Wechselkursschwankungen beeinflusst werden.

E – Angebot

E.1 Gesamtnettoerlöse.

Entfällt. Dieser Prospekt bezieht sich nicht auf ein Aktienangebot. Die im Zusammenhang mit der Börsenzulassung der Aktien erwarteten Kosten belaufen sich auf insgesamt ungefähr € 1,4 Mio.

Geschätzte Gesamtkosten der Emission/des Angebots, einschließlich der geschätzten Kosten, die dem Anleger vom Emittenten oder Anbieter in Rechnung gestellt werden.

Anlegern werden keine Kosten der Gesellschaft oder der Börsenzulassungsbeauftragten in Rechnung gestellt.

- | | | |
|-------------|--|---|
| E.2a | Gründe für das Angebot. | Entfällt. Dieser Prospekt bezieht sich nicht auf ein Aktienangebot. |
| | Zweckbestimmung der Erlöse, geschätzte Nettoerlöse. | Entfällt. Dieser Prospekt bezieht sich nicht auf ein Aktienangebot. Demzufolge gibt es keine Erlöse für die Gesellschaft oder für etwaige Aktionäre der Gesellschaft. |
| E.3 | Angebotskonditionen. | Entfällt. Dieser Prospekt bezieht sich nicht auf ein Aktienangebot. |
| E.4 | Wesentliche Interessen, einschließlich Interessenkonflikten, an dem Angebot. | Entfällt. Dieser Prospekt bezieht sich nicht auf ein Aktienangebot. |
| E.5 | Name der Person/des Unternehmens, die/das das Wertpapier zum Verkauf anbietet. | Entfällt. Dieser Prospekt bezieht sich nicht auf ein Aktienangebot. |
| | Bei Lock-up-Vereinbarungen die beteiligten Parteien und die Lock-up-Frist. | Entfällt. Keine Partei hat eine Lock-up Vereinbarung abgeschlossen. |
| E.6 | Betrag und Prozentsatz der aus dem Angebot resultierenden unmittelbaren Verwässerung. | Entfällt. Dieser Prospekt bezieht sich nicht auf ein Aktienangebot. |
| E.7 | Schätzung der Ausgaben, die dem Anleger vom Emittenten in Rechnung gestellt werden. | Nicht anwendbar. Die Emittenten oder die Börsenzulassungsbeauftragte werden keine Gebühren oder Steuern erheben. |

3. RISK FACTORS

Prospective investors should carefully consider the risks discussed below, in addition to the other information contained in this prospectus, before making an investment decision with respect to the shares of Hapag-Lloyd Aktiengesellschaft, Hamburg, Federal Republic of Germany (“Germany”) (the “Company” “Hapag-Lloyd AG” and, together with its consolidated subsidiaries, but excluding United Arab Shipping Company Limited (“UASC Limited”) and its consolidated subsidiaries (together, “UASC”), “we”, “us”, “our”, the “Hapag-Lloyd Group”, the “Group” or “Hapag-Lloyd”). The occurrence of any of the events or circumstances described in these risk factors, individually or together with additional risks and uncertainties not currently known to us or that we might currently deem immaterial, could have a material adverse effect on our business, results of operations and financial condition of our Group. The order in which the risk factors are presented below is not an indication of the likelihood of the risks actually materializing, of the significance or degree of the risks described or of the scope of any potential harm to our business, results of operations and financial condition.

The risk factors are based on assumptions that could turn out to be incorrect. Furthermore, other risks, facts or circumstances not presently known to us, or that we currently deem to be immaterial could, individually or cumulatively, prove to be important and could have a material adverse effect on our business results of operations and financial condition. The value of the shares of the Company could decline as a result of the occurrence of any such risks, facts or circumstances or as a result of the events or circumstances described in these risk factors, and investors could lose all or part of their investment.

3.1 Risks Relating to Our Business and Industry

(a) The cyclical and volatile nature of the container shipping industry as well as imbalances of supply and demand make it difficult for us to manage capacity requirements.

Container shipping is heavily dependent on the prevailing conditions in the world’s economies. Fluctuations in the economic climate have an above-average effect on this industry. The container shipping industry has, thus, historically exhibited highly cyclical economic conditions, with high volatility in freight rates, primarily due to fluctuations in the demand for container shipping services and the global supply of capacity. Changes in the demand for container shipping (including in our main markets in the Americas, Asia and Europe) are difficult to predict and are generally beyond our control. Container shipping links developed economies and emerging economies and as a result, demand is influenced by, among other factors, global and regional economic growth, the shift in manufacturing away from the Western hemisphere towards emerging economies in Asia and Latin America, the demand for consumer goods in North America and Europe, changes in seaborne and other transportation patterns, consumption and sourcing patterns, prices of commodities as negotiated by major importers and exporters, changes in weather patterns, environmental concerns, political conditions, armed conflicts, canal and port closures, changes in fuel and lubricant prices and changes in the regulatory regimes affecting shipping. In recent years, demand for containerized transports has been below expectations as global trade has grown less than expected. The International Monetary Fund’s (“IMF”) growth forecast for world trade for 2017 is 3.8% (source: IMF, World Economic Outlook, October 2016; IMF, World Economic Outlook Update, April 2017). The global supply of capacity is determined by the number and size of container ships in the world (including the charter market), their deployment into trades (a trade combines liner services between two land masses), the impact of port congestion, the delivery of new ships, the availability of financing for container ships, the conversion of container ships to other uses and the scrapping of older ships as well as the availability of containers. The continued increases in transport capacity have negatively affected freight rates in all trades as demand remained subdued. Such supply may also be affected by regulation of maritime transportation practices, by governmental or international authorities, including changes in environmental and other regulations that may limit the useful lives of vessels. Furthermore, the global supply of capacity has also been affected by slow steaming and super-slow steaming initiatives as reduced average speed required more ships on a given trade to maintain the same schedule. If individual competitors, or the industry as a whole, were to end slow steaming, the global supply of capacity would increase significantly. The existing order book of approximately 3.1 million TEU of additional capacity is due to be delivered until 2020 (source: MDS Transmodal, April 2017). Against this background, balancing supply and demand will be a critical factor to achieve sustainable freight rates in the coming years. Demand for container transport has slowed in recent years from growth rates

of 5.3% in 2014 to 3.4% in 2016 as global GDP growth was negatively affected by diminishing growth in China, Brazil and the European Union (*source*: Clarksons Research, Q1 2017 and IMF, April 2017). We cannot predict when or even if supply and demand for container shipping capacity will balance.

The market is generally oversupplied as a result of high levels of ordering of vessels which occurred in the past years, combined with slower than expected growth in the industry's key markets and regions, which are the three East-West trades (Asia-Europe, Atlantic and Transpacific), the North-South trade as well as the Intra-Asia trade. Historically, carriers have responded to periods of high demand for container shipping services and increasing freight rates by investing in new vessels and containers. These investments tend to lead to lower freight rates as newly available vessel and container capacity catches up with, and exceeds, demand for container shipping services. Moreover, over the last years, the chase for fuel efficiency and economies of scale drove the trend towards increasingly large vessels which caused an additional increase of capacity and put freight rates under significant pressure. As of March 31, 2017, the segment of container vessels with a capacity of 14,000 TEU or higher (referred to as ultra-large container vessels ("ULCV")), which predominantly serve the major East-West trade lanes, comprised 130 vessels with a transport capacity of 2.11 million TEU (*source*: Drewry Container Forecaster, Q1 2017). The order book as of March 31, 2017 consisted of 95 of these vessels with a capacity of 1.68 million TEU. These vessels are expected to be delivered by 2020 (2017: 40 vessels, 2018: 44 vessels, 2019: 7 vessels, 2020: 4 vessels). In the subsegment of vessels with a capacity of more than 18,000 TEU, 54 vessels with a capacity of 1.09 million TEU have been or are expected to be delivered between 2017 and 2020 (*source*: MDS Transmodal, April 2017). The increasing capacity of ULCVs is expected to exacerbate the existing pricing constraints. Furthermore, as vessels generally have an economic life of about 25 years and must be ordered up to three years in advance, there can be periods of excess or deficit capacity relative to the demand for shipping transport volumes. Due to the lead time for new vessels of up to three years, new capacity may enter the market after demand has already peaked so that it can often take several years to correct a market imbalance. Increases or decreases in capacity, or lower than anticipated increases in the demand for container shipping can lead to significantly lower freight rates, reduced shipping transport volume or a combination of both, which could severely impact our profitability and have a material adverse effect on our business, financial condition and results of operations. Furthermore, during times of low demand we may be unable to always use the full capacity of our vessels or to maintain the freight rates required to avoid adverse effects on our margins, which may in itself have a material adverse effect on our business, net assets, cash flows and results of operations.

(b) The current and future market conditions could have a negative effect on transport volumes and freight rates, as well as on our financial position.

Since 2001, the container shipping industry has recorded annual growth in transport volume of between 2.4% and 13.7% with the exception of 2009 when transport volume declined by 9.0% (*source*: Clarksons Quarterly, Q1 2017). Demand for container transport has slowed in recent years from growth rates of 5.3% in 2014 to 3.4% in 2016 as global GDP growth was negatively affected by diminishing growth in China, Brazil and the European Union (*source*: Clarksons Quarterly, Q1 2017 and IMF, April 2017). However, there can be no assurance that setbacks in economic activity will not occur and transport volume of the container shipping industry will continue to remain at equivalent or above levels recorded in the previous years. Therefore, if the global economy, the global financial and credit markets or the container shipping market itself were to experience significant disruptions in the future, our business, results of operations and financial condition could be negatively affected, including in the following ways:

- slower than expected or even negative volume growth or transport volume could lead to increased overcapacities;
- oversupply of capacity could lead to continuous pressure on freight rates and any increase in oversupply may result in increased pressure on freight rates;
- we may not be able to obtain financing for new vessels, capital expenditures and business operations at similar or more favorable terms or at all;
- the market value of our vessels could decrease at a higher rate than anticipated, which may cause us to recognize losses if any of our vessels are sold or could cause breaches of loan-to-value covenants in any existing financings; and

- we may be subject to risk of loss resulting from defaults or delays in payment by our customers who are subject to their own operating and regulatory risks.

Additionally, there are differences in the growth rates of transport volumes and the level of freight rates among the different trades in which we operate, and the performance of our transport volumes and freight rates is dependent on the activity of those lines. For example, our East-West trades represented 51% (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and our North-South trades represented 49% of our total transport volumes (Latin America, Intra-Asia, the Middle East and EMAO represented 30%, 8%, 6% and 5%, respectively) in the financial year ended December 31, 2016. In preparation for the UASC Business Combination (as defined below), we have reorganized our trades and amended the assignment of individual services. In the three months ended March 31, 2017, our East-West trades accounted for 51% (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and our North-South trades represented 49% of our total transport volumes (Latin America, Intra-Asia, the Middle East and EMAO represented 29%, 8%, 6% and 6%, respectively). The development of our transport volumes and freight rates are particularly dependent on the growth of those trades which may develop differently than expected in the future. In particular, recent growth in the Far East and Latin America trades has not been as stable as in the Atlantic and Transpacific trades. In 2015, volume growth in the Far East, Atlantic, Transpacific and Latin America trades was (1.8)%, 1.8%, 3.1% and 2.0% compared to 1.0%, 2.1%, 5.7% and 1.5%, respectively, in 2016 (*source*: Clarksons Research, February 2017). This instability is mainly attributable to slower economic growth in China, which is experiencing continued weak growth with a gross domestic product (“GDP”) growth rate of 6.7% in 2016 and an expected GDP growth rate of 6.6% in 2017 (*source*: IMF, April 2017, January 2016 and January 2014) compared to growth rates of 7.7% to 6.9% from 2012 to 2015. Latin America and the Caribbean similarly witnessed economic growth decline from 3.0% in 2012 to (1.0)% in 2016, although positive growth is expected to return in 2017 (*source*: IMF, April 2017, January 2016, January 2014). Moreover, the combination of the container shipping business from the Chilean shipping company Compañía Sud Americana de Vapores S.A. (“CSAV”) (together, the “CCS Activities”) in 2014 has increased our exposure to the Latin American trades significantly. According to a recent publication of the IMF (April 2017), Latin America and the Caribbean grew by 0.1% in 2015. Despite negative growth of (1.0)% for 2016, GDP growth is expected to recover to 1.1% in 2017. Growth in Latin America is very much influenced by the economic performance of the largest regional economy, Brazil, which has been in an economic recession since 2015 when GDP declined by (3.8)%. The Brazilian economy contracted by 3.6% in 2016, but is expected to grow by 0.2% in 2017 (*source*: IMF, January 2017). In the financial year ended December 31, 2016 and in the three months ended March 31, 2017, our transport volume on the Far East trade (including the Middle East) represented 16% and 17% of our total transport volume, respectively, and our transport volume on the Latin America trade represented 30% and 29% of our total transport volume, respectively. The current pace of economic growth may have a negative impact on the region’s import and export activities, and therefore also on demand for container shipments and consequently on our revenue and results of operations.

As demand growth was below expectations in recent years and newly delivered vessels increased the available transport capacity, freight rates and spot market freight rates in particular in all trades have been fluctuating strongly and have been on a general and more rapid decline beginning with the second quarter of 2015. There was additional significant downward pressure on freight rates in the first half of 2016 as measured by key spot-market rates, which drove freight rates to a historic low point. For example, spot market freight rates on the Far East trade, measured by the Shanghai-Europe Freight Index have declined from around US\$1,765/TEU quoted on January 3, 2014 to a low of around US\$205/TEU quoted on March 18, 2016 before recovering to US\$921/TEU quoted on February 24, 2017. In the same period, spot-market rates on the Transpacific trade fell from around US\$1,815/TEU quoted on January 3, 2014 to a low of US\$761/TEU quoted on March 18, 2016 before recovering to US\$1,650/TEU quoted on February 24, 2017. Spot-market rates on the Latin American trade had an even wider fluctuation declining from around US\$1,649/TEU quoted on January 3, 2014 to US\$99/TEU quoted on February 19, 2016 before moving to US\$1,757/TEU quoted on February 24, 2017 (*source*: Shanghai Shipping Exchange, February 2017). Spot market rates are widely used by freight forwarders as a market trend indicator. Freight rates quoted and booked by carriers may differ greatly depending on the cargo mix transported among other factors. Although there has been a recovery of key spot-market rates recently, there can be no assurance that such a recovery will continue or be sustainable. Moreover, we cannot predict when or even if supply and demand for container shipping capacity will balance which may in turn support sustainable freight rates.

The development of the container shipping industry depends on the dynamics of the GDP growth in major consumption areas, the economic performance of newly industrialized countries in Asia and Latin America and on the development of global trade in general. As the global economy is subject to considerable uncertainties and could experience further recessions or other general downturns, this could likely result in another significant decline in container shipping transport volumes and related revenues on a global basis, possibly at a time in which we are scheduled to take delivery of newbuild vessels and incur the related capital expenditures for such vessels. Although the global economy has recovered from the severe downturn in 2008 and 2009 to a certain extent, there can be no assurance that any recovery is sustainable or that there will be no recurrence of the global financial and economic crisis or similar adverse market conditions.

(c) Increases in container vessel charter rates from current levels, which we may not be able to pass on to our customers, and short-term declines in freight rates at unchanged charter rates could have an adverse effect on our business.

As of March 31, 2017, the percentage of our fleet's total transport capacity (measured in TEU) owned or leased by us amounted to approximately 56.9%. We source the remaining 43.1% through vessel charters. As of March 31, 2017, in addition to the 74 container ships that we own, we had three container ships on long-term finance leases, nine container ships on long-term charters, 20 container ships on mid-term charters and 66 on short-term charters. Through the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company Limited ("**UASC Limited**") and its subsidiaries (together, "**UASC**") with Hapag-Lloyd AG (the "**UASC Business Combination**"), we have access to an additional 0.6 million TEU and 58 vessels.

Under a vessel time charter agreement, a vessel is provided by a ship owner to a container carrier for a fixed period of time with the vessel owner typically also providing the vessel's crew, insurance and maintenance. As charter rates (and short-term charter rates in particular) tend to fluctuate significantly in response to market participants' perceptions of supply and demand on the shipping markets, adding additional chartered-in capacity at current market rates is likely to be more expensive in times of strong demand than the cost of owned vessel capacity. Furthermore, we cannot be certain that vessel charter rates will not rise materially in the future. If vessel charter rates rise materially, we may not be able to pass on such increased operating costs to our customers, which would adversely affect our margins and results of operations. Furthermore, large vessels are relatively scarce in the vessel charter market; if we are unable to charter large vessels cost-effectively or at all when we need them, we may be forced to charter smaller vessels as substitutes on certain services and the competitiveness and the profitability of these services may be negatively affected. If the demand for container shipping increases more than anticipated in order to adequately service our customers, we may be forced to increase the percentage of chartered capacity as compared to owned capacity, which could increase our exposure to container vessel charter rates and which could lead to decreased margins and have a material adverse effect on our business, financial condition and results of operations.

Short-term charter rates have historically tracked freight rates (which are affected by expected changes in the supply of, and demand for, container shipping services and container vessels), but usually with a time lag of several months. These time lags occur because at any given point in time, ship providers and carriers are bound by the terms of existing charter agreements. Therefore, a ship provider cannot immediately raise its charter rates to reflect an increase in demand, but must wait until existing charter agreements expire. Similarly, a carrier is unable to negotiate reduced charter rates immediately in response to falling demand for ship capacity or oversupply of vessel capacity. As a result, after a decrease in freight rates, carriers like us that hold a proportion of their vessels under ship charters may face a growing differential between the declining freight rates they charge their customers and the fixed charter rates they are obligated to pay. This differential is particularly pronounced after a period of high demand for charter vessels. As a result, we may be unable to reduce our ship charter costs to further compensate for declining freight rates for a period of up to several months. These factors could have a material adverse effect on our business, financial condition and results of operations.

(d) The container shipping industry is highly competitive and subject to ongoing consolidation and competition may intensify even further which could negatively affect our market position and financial performance.

Our business is subject to intense competition from other container shipping carriers, some of which, including A.P. Møller-Maersk A/S (“**Maersk**”), MSC Mediterranean Shipping Company S.A. (“**MSC**”) and CMA CGM S.A. (“**CMA CGM**”) are larger than we are in terms of revenue, container shipping transport volumes or total capacity and may have greater financial resources. Such competitors may be better positioned to achieve, maintain and exploit economies of scale and invest in more technologically advanced vessels and may, therefore, be able to offer more attractive schedules, services and rates. Smaller competitors may have different advantages, such as relying on cooperation arrangements for sufficient slot availability and thereby avoiding the cost of owning and chartering their own vessels.

Container shipping is a highly competitive industry. There are low barriers to entry for shipping companies to enter trades or services they are not presently in or expand their services into existing trades. Additional ships and containers can be chartered or rented, which reduces the need for financing and allows for a swift business expansion if necessary.

In addition, container shipping has gone through a phase of consolidation in recent years which intensified in 2016. This consolidation process in the shipping industry has been driven by merger and acquisition activities. In addition to our acquisition of the CCS Activities (the “**CCS Activities Business Combination**”) and the UASC Business Combination, CMA CGM acquired the German short sea shipping group Oldenburg-Portugiesische Dampfschiffs-Rhederei GmbH & Co. KG (*source*: CMA CGM Press Release, November 26, 2014) and, in March 2015, Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG (“**Hamburg Süd**”) acquired the container liner activities of Compañía Chilena de Navegación Interoceánica S.A. including the related general agency functions of Agunsa Agencias Universales S.A. with headquarters in Valparaíso and Santiago de Chile (*source*: HSDG Press Release, March 31, 2015).

In February 2016, the two Chinese shipping companies China Ocean Shipping Company (“**COSCO**”) and China Shipping Group (“**CSCL**”) merged to form China COSCO Shipping Group (“**China COSCO**”). China COSCO has a fleet of 278 container ships with a total capacity of around 1.6 million TEU, making it the fourth-largest container shipping company in the world (*source*: MDS Transmodal, April 2017). CMA CGM completed the merger with Neptune Orient Lines (“**NOL**”) in September 2016.

On July 15, 2016, Hapag-Lloyd AG and UASC Limited entered into a business combination agreement (the “**UASC BCA**”) in connection with the UASC Business Combination.

On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders’ agreement. Subject to regulatory approval and the approval by shareholders this would create the sixth-largest global container shipping company with a transport capacity of about 1.4 million TEU. The new company is expected to start its operations on April 1, 2018.

On December 1, 2016, Maersk reached an agreement to acquire Hamburg Süd, subject to final agreement and regulatory approvals. Hamburg Süd has a global market share of 3.0%, compared to Maersk’s 15.6%, and has its stronghold on the North-South and Latin America trades. On February 6, 2017, Maersk Line and Hamburg Süd announced the entry into a slot purchase agreement on the East-West Trades. Effective April 1, 2017, subject to satisfaction of maritime filing requirements, Hamburg Süd’s volumes on the East-West trades will be shipped on vessels available in the 2M network.

On July 9, 2017, COSCO reached an agreement to acquire Hong Kong-based container shipping company OOCL, subject to regulatory approvals. As a result of the acquisition, COSCO will become the world’s third-largest container shipping company with 381 vessels and a total capacity of 2.3 million TEU (*source*: OOIL Group Press Release, July 9, 2017; MDS Transmodal, April 2017).

If one of our competitors would expand its market share via an acquisition or would secure a better position in an attractive market niche in which we are present or intend to enter, we could lose market share as a result of increased competition which in turn could have a material adverse effect on

our business, financial condition and results of operations. Furthermore, the ongoing consolidation in the industry may not result in a sustainable level for freight rates as carriers continue to compete against each other as well as against freight forwarders.

(e) The formation of larger alliances could represent a competitive disadvantage.

Market participants in the container shipping industry have recently accelerated the pooling of operations and equipment and most of our competitors have established or are members of strategic alliances aimed at gaining a competitive edge through cost synergies, joint procurement and joint operations. We are both a part of and compete against such alliances. For a description of the inherent risks we face through our membership in THE Alliance, which replaced the G6 Alliance as of April 2017, please see 3.1(z) “—*The termination of our or other shipping companies’ membership in THE Alliance or the Grand Alliance, or the termination of THE Alliance or the Grand Alliance as a whole, could have an adverse effect on the geographic scope of our service network and the deployment of our vessels*”. In July 2014, Maersk and MSC signed a 10-year vessel sharing agreement (the “VSA”) for the three East-West trades (Asia-Europe, Atlantic and Transpacific). The service cooperation under the VSA is called “2M”, includes about 185 vessels with a capacity of approximately 2.1 million TEU and commenced its operations in January 2015 (*source*: Maersk Line, July 2014). In March 2017, Korean shipping company Hyundai Merchant Marine (“HMM”) reached an agreement with Maersk and MSC to share surplus capacity and cargo slots effective April 2017, subject to certain regulatory approvals. The initial term of the cooperation is three years with an option to extend and covers key East-West trades. Maersk and MSC will take over a number of charters and operations of vessels currently chartered to HMM. Another major cooperation, named “Ocean Three”, between container shipping lines was announced in September 2014. CMA CGM, CSCL and UASC also offer joint services on East-West trades (Asia-Europe, Asia-Mediterranean, Transpacific and Asia-United States East Coast). The cooperation includes vessel sharing agreements, slot exchange as well as slot charter agreements. These agreements became operational in January 2015 (*source*: Maersk Line, July 2014). The Ocean Three was replaced in April 2017 by the Ocean Alliance, which was established by CMA CGM (including the shipping company American President Lines Ltd. (“APL”), which was taken over by CMA CGM), Orient Overseas Container Line (“OOCL”), Evergreen Marine Corp. (Taiwan) Ltd. (“Evergreen”) and China COSCO. In January 2015, the CKYHE Alliance consisting of Evergreen Marine and the former CKYH Alliance comprised of COSCO, “K” Line, Yang Ming and Hanjin commenced operations, after CKYHE and Evergreen Marine had already cooperated for several years. Furthermore, the carriers Hamburg Süd and UASC announced on September 24, 2014, the signing of a global cooperation agreement, which became effective in the beginning of 2015, in which they have agreed to cooperate on several of their respective core trades, initially by means of slot exchanges and potentially by way of shared vessel deployment at a later stage. In May 2015, CMA CGM, Hamburg Süd and UASC launched a new Atlantic service with a total of 15 ships in the 3,800-4,800 TEU class, nine to be provided by CMA CGM, five by Hamburg Süd and one by UASC. These various alliances have varying degrees of presence in the respective trades. Different cost advantages may arise as a result of the expansion of the networks and the range of services offered to customers and we may not be able to match the cost advantages offered by other container liner shipping companies. Moreover, we may not be able to fully realize other benefits from our membership in THE Alliance which we are currently anticipating, or we may fail to realize any benefits at all.

(f) We may be unable to retain our service contracts related to our flag-protected cabotage business, as well as our contracts with the U.S. government.

We have three flag-protected cabotage services which are subject to legal requirements and restrictions to participate in the trade. These services comprise: (i) a maritime trade route between Chile and Brazil requiring carriers to perform the service on a Chilean flag or a Brazilian flag vessel; (ii) an intra-Chile route requiring a Chilean flag vessel; and (iii) an intra-Peru feeder service requiring a Peruvian flag vessel. The general requirement for a vessel to fly the flag of a country is that the vessel must be registered in the respective country, in accordance with applicable laws. For such purposes, Chilean, Brazilian and Peruvian legislation generally provide that the owner of the vessel must be a national or resident of such country and the vessel shall be manned by a national captain and crew. In connection with these cabotage operations, we rely on the maintenance and ownership of certain aging vessels enabling us to continue such services. Such services are subject to changes in the respective regulatory or legal regimes. In addition, these services require certain licenses. We may be subject to fines if we do not comply with these regimes or fail to obtain, extend or renew the required

licenses. In addition, we may not be able to timely adapt to changes in the regulatory or legal regimes which could lead to a material adverse effect on our business, financial condition and results of operations.

In addition, our U.S. flag business includes our participation in the Maritime Security Program (“MSP”) of the U.S. Maritime Administration of the Department of Transportation. Under this program, our five U.S. flag ships, manned by U.S. crews, receive certain subsidies every year. The MSP contracts run through October 2025. Our future participation in this program is subject to meeting a number of qualifications and requirements for participation in the MSP program and annual funding by the U.S. government. This business segment also relies on our continuing business with the U.S. government. Our U.S. flag business accounted for 0.6%, 0.5% and 0.4% of our total transport volume for each of the financial years 2015 and 2016, and in the three months ended March 31, 2017, respectively.

(g) The risk of customer churn associated with high levels of competition is exacerbated by the fact that we generally do not enter into long-term or exclusive contracts with our customers.

Generally, we do not enter into long-term or exclusive agreements with our customers and many of our customers maintain close relations with other container carriers. Thus, customers could, depending on overall supply available on the market, opt for the services of our competitors on all or some trades without facing discernible constraints. Moreover, competition with other carriers is primarily on a service-by-service and not a global basis. Consequently, our competitors may choose to establish services on the same routes as our established services and attempt to undercut our freight rates on those routes. Correspondingly, there are few if any competitive barriers for existing container carriers wishing to enter or expand their presence in a regional market or on a particular trade. This risk is exacerbated by the possibility that other or new market participants may be attracted by the opportunity to acquire vessels at relatively low price levels that are prevalent in certain market segments and to extend their services to additional routes operating such vessels acquired at comparatively low prices.

The competitive environment potentially threatens revenues and may prevent us from charging freight rates that are necessary for us to operate our services profitably. These factors may have a material adverse effect on our business, financial condition and results of operations.

(h) Container ship capacities have increased in recent years, leading to overload and/or overcapacity and congestion in certain ports and access to ports could be limited or unavailable for other reasons.

In recent years, container ship capacities have increased globally at a faster rate than the rate at which some container ports have increased their capacities. These factors have led to considerable delays in the processing of container shipments in affected ports, many of which (such as in the United States) cannot accommodate larger ships. As a result of longer load and unload times, increases in container ship capacities could lead to further port congestion, which could have a material adverse effect on container shipping traffic on affected services. Decisions on port expansions or port access (such as dredging for ultra-large vessels) are made by national or local governments and are outside of our control, determination or influence. Such decisions are made on the basis of local policies and concerns and the interests of the container shipping industry may not be taken into account. For example, on February 9, 2017, the German Federal Administrative Court in Leipzig ruled that plans to dredge the river Elbe in Hamburg must be improved before a stop order on the work can be lifted. The dredging would allow vessels with drafts of up to 14.5 meters to reach the Port of Hamburg (currently, the maximum is 13.5 meters) and alleviate congestion during low tide.

In addition, as industry capacity and demand for container shipping continue to grow, we could encounter difficulties in securing sufficient terminal slots to expand our operations according to our growth strategy, due to the limited availability of port facilities. While we seek to continue to secure port access by directly investing in port terminals where we have significant operations, we may face political and administrative challenges in doing so, as ports are generally considered strategic assets. Furthermore, major ports could close for a shorter or longer period of time due to maintenance works, natural disasters or other reasons beyond our control. We cannot ensure that our efforts to secure port access will be successful. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

(i) There is a considerable time lag between the ordering and the delivery of new vessels, leading to a heightened sensitivity exposure to intermittent changes in shipping market conditions.

Orders for new vessels, whether to be owned, chartered or leased, must currently be placed up to two to three years in advance. As of March 31, 2017, our order book comprised one new vessel with a capacity of 10,500 TEU, which was delivered in April 2017. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. Because orders are based on current expectations of future demand, a container shipping company is subject to the inherent risk that it will order either too much or too little vessel capacity to meet future demand, as well as the related risk of misallocating capital expenditure. In addition, the building and financing of such new ships can be delayed or disrupted, thereby extending the lag time between order and delivery. If we do not invest sufficiently in additional shipping capacities, we may be faced with the choice of either not being able to satisfy our customers' demand for our services (leading to lost revenues and market share and, potentially, strained customer relations or even a loss of customers) or chartering additional vessels via the charter market at potentially higher charter rates during phases of strong demand. If, on the other hand, we overinvest in additional container shipping capacity that we are not able to fully utilize during weaker market conditions and periods of lower demand, this would increase our costs relative to the development of our revenues. Either scenario could have a material adverse effect on our business, financial condition and results of operations.

(j) Our operating and financial performance is subject to seasonal fluctuations and could be adversely affected by unfavorable developments.

Our operating and financial performance is subject to seasonal fluctuations and relies to a large extent on the transported volume and freight rates achieved during the so-called "Peak Season", mainly determined by inventory build-up of retail goods for the Christmas season in the United States and Europe. Thus, the third quarter of the calendar year (which matches our financial year) is in general the strongest in terms of demand for the container shipping industry. Any factors that negatively affect our operating income in the stronger periods would have disproportionate effect on our financial condition and results of operations for the entire financial year.

Due to the seasonal effect, revenue and income, as well as cash flows in the individual quarters are not directly comparable. These figures therefore provide no reliable basis for projections regarding future results, and they cannot be cumulated to project the results for the entire financial year. In turn, because of the seasonal influences, the revenue and earnings of individual quarters can fluctuate significantly, which in turn may cause volatility in the market price of our shares.

(k) Changing trading patterns, trade flows and sharpening trade imbalances may adversely impact our cost structure.

The capacity utilization of our container vessels varies depending on the dominant trade flows between different world regions. Vessel capacity utilization is generally higher when transporting cargo from net export regions to net import regions (*i.e.*, the dominant leg). Considerable losses result from having to transport empty containers on the non-dominant leg without generating corresponding freight revenues. It is not guaranteed that we will always be successful in managing and minimizing the costs resulting from the non-dominant leg trade. Furthermore, sharpening imbalances in world trade patterns (*i.e.*, rising trade deficits of net importers *vis-à-vis* net export regions) may exacerbate the imbalances between the dominant and non-dominant legs of our services. This could have a material adverse effect on our business, financial condition and results of operations.

(l) We may not be able to maintain and effectively utilize the much larger fleet of the Group.

In particular as a result of the UASC Business Combination, our fleet has significantly grown. Prior to the UASC Business Combination, the Hapag-Lloyd fleet comprised 172 vessels with total transport capacity of approximately 1,007,519 TEU as of March 31, 2017. Including UASC, the respective numbers are 230 vessels and 1.6 million TEU. As of March 31, 2017, our order book comprised one new vessel with a capacity of 10,500 TEU, which was delivered in April 2017. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. Maintaining and utilizing such a large fleet may prove to be difficult and could have a material adverse effect on our business, results of operations and financial condition (see also 3.1(i) "*There is a considerable time lag between the ordering and the delivery of new vessels, leading to a heightened sensitivity exposure to intermittent changes in shipping market conditions*").

(m) Increases in bunker fuel prices may significantly increase our costs of operation.

The cost of marine or bunker fuel (fuel used aboard ships) accounts for a substantial part of our operating costs. The cost of marine or bunker fuel comprised 8.2% and 11.6% of our revenue in the financial year ended December 31, 2016 and in the three months ended March 31, 2017, respectively, as compared to 11.4% and 6.6% of our revenue in the financial year ended December 31, 2015 and in the three months ended March 31, 2016, respectively. The price of bunker fuel moves in close interdependence with crude oil prices, which in turn have historically exhibited significant volatility. Furthermore, crude oil prices are influenced by a host of economic and geopolitical factors, particularly the economic development of emerging markets such as China and India, global terrorism, political instability and tensions in North Africa and the Middle East, insurrections in the Niger Delta, and the long-term increase in global demand for oil, China and India in particular. We are also required to use higher quality bunker fuels on an increasing number of our services due to changing environmental requirements, which also increases our fuel costs. Although, in accordance with industry practice, we seek to hedge part of our exposure (as of May 2, 2017, approximately 28% of our anticipated bunker fuel consumption for the total year of 2017 was hedged compared to approximately 28% at the beginning of 2017) and to reduce bunker fuel consumption with measures such as slow steaming, there can be no assurance that we will be successful in passing on or hedging future price increases in a timely manner, either for the full amount or at all (see 3.2(c) “—Risks Relating to Our Financial Profile—The derivative instruments we employ for hedging purposes involve risks and may not be successful”). As a result, a prolonged increase in crude oil and bunker fuel prices could lead to significant increases in operating costs and materially adversely affect our business, financial condition and results of operations.

Our vessels use two different types of marine diesel fuel. The widely used MFO for long journeys at sea and the low sulfur grade oil MDO for environmentally restricted coastal areas like the North Sea and Baltic Sea as well as the west coast of the United States. The price for MFO and MDO differ greatly and exhibit substantial price fluctuations. For instance, MFO Rotterdam, which is widely used as a reference price, was quoted at US\$276.75 per metric tonne on March 31, 2017 while trading above US\$600 per metric tonne in June 2014 and declining to US\$104 per metric tonne in January 2016.

In the same period, prices for MDO were quoted between US\$930 per metric tonne in June 2014 and US\$230 per metric tonne in January 2016. On March 31, 2017, the price for MDO stood at US\$460.50 per metric tonne.

(n) Political crises and their consequences in the Middle East, Ukraine and elsewhere could affect regional or global economic growth and capital flows which could in turn negatively impact transport volumes and our financing arrangements, respectively.

Instances of political instability and military conflicts, such as the crisis in the Middle East and the conflict concerning Ukraine, have had, and may continue to have, a significant adverse effect on the general economic environment and on the markets in which we operate. One or more of these crises could escalate and affect other countries, negatively impact the global economy and have a material adverse effect on global trade. If such a scenario were to materialize, it would materially adversely affect our business, financial condition and results of operations. Furthermore, import bans against Russia have been instituted, and the country has been sanctioned by both the European Union and the United States as well as by Japan, Norway, Australia and Canada. In response, Russia imposed a total ban on food imports from the European Union, United States, Norway, Canada and Australia. These sanctions have resulted in a substantial decline in Russian imports since the beginning of 2015, and will continue to do so as sanctions applying to Russia have been extended and some carriers have therefore reduced their capacities on the trades into the Mediterranean Sea region. More recently, the diplomatic crisis currently unfolding between Qatar and Saudi Arabia, the United Arab Emirates, as well as other Arab nations has resulted in a diplomatic and economic embargo of Qatar. The nations enforcing the embargo have presented Qatar with a number of demands to be met to avoid further escalation. This embargo, and any potential further escalation, may affect regional business activities and disrupt the flow of capital between Qatar, Saudi Arabia, the United Arab Emirates, and other countries in the region. It is possible that such actions could also adversely impact commerce and trade generally within the Middle East and between the Middle East and other regions. They may also have an effect on the future availability of any undrawn debt commitments provided by the regional financial institutions. Such political crises, sanctions, embargoes, and the economic and financial impact they have, or can have, in the affected regions and on global commerce could have a material adverse effect on our business, financial condition and results of operations.

In addition, under the terms of the UASC BCA and the SSA, Hapag Lloyd AG, UASC Limited, the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. CG Hold Co and Kühne Maritime GmbH (“**Kühne Maritime**”) together will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). Should CG Hold Co and Kühne Maritime or the UASC Controlling Shareholders fail to honor their respective commitments under the UASC BCA and the SSA, as a result of the factors discussed above, or for any other reason, our intended financial profile may not be achieved which could in turn adversely affect our financial ratios.

(o) Political, economic, social and other risks prevalent in markets in which we operate may negatively impact our operations.

We operate in numerous countries and regions around the world, including emerging markets, and are thus exposed to risks in connection with political unrest, strikes, war, terrorism, piracy, natural disasters, widespread transmission of communicable infectious diseases as well as economic, financial market and other forms of instability which may adversely affect local and regional economies and infrastructures. Each of these and other factors may lead to disruptions to our or our customers’ business and seizure of, or damage to, our assets (be they owned, leased or chartered) or pure economic loss. These events could also cause the destruction of key equipment and infrastructure (including port and inland infrastructure such as railroads and highways) and the partial or complete closure of ports and sea passages, such as the Suez or Panama canals or other important bottleneck routes, potentially resulting in higher costs, or congestion of ports or sea passages, vessel delays and cancellations on some of our trades. Furthermore, these events could lead to reductions in, or a slow-down of, the growth rate of the global trade, which could reduce demand for our vessels and our services.

We are subject to numerous factors that may adversely affect the stability and development of economies relevant to our business. Events such as the European sovereign debt crisis, in particular relating to Greece, the decision in the UK to leave the European Union, the constitutional referendum in Italy or the recent presidential election in the United States of America may, among others, impact the cost and availability of credit to us, cause uncertainty and disruption in relation to our financing and may result in general economic, financial and political instability. A weakening of the economy, protracted political instability or other events affecting important importers or exporters, such as China or other relevant countries, would have a material negative impact on our business, financial condition and results of operations. Furthermore, the Chinese economy, which was previously particularly resilient to adverse developments in other countries and showed constant economic growth, has recently seen a significant deceleration. This has led to increased volatility on stock markets in China and Hong Kong. Moreover, the devaluation of the Chinese currency might impose further risks to the Chinese economy and may also affect the import of goods into China, which in turn could adversely affect the transport volumes on the Far-East trades.

Moreover, we are subject to the risk of unilateral governmental or quasi-governmental action and regulation in the countries in which we operate. Such risks include sanctions that prohibit trade in particular areas, restrictive actions such as vessel arrest, limitations on vessel operations or local ownership requirements, compulsory acquisition of our assets with no compensation or with compensation below market value, loss of contractual rights and requisition (*i.e.*, situations in which a government takes control, or becomes the owner, of a ship and effectively becomes the charterer at dictated rates). The impact of any of these events may increase the costs of operating our vessels, decrease the revenues from our vessels or even preclude the operation of vessels on certain trades, any of which may have a material adverse effect on our business, financial condition and results of operations.

(p) Risks inherent in the operation of oceangoing vessels and the handling of transported goods could lead to substantial damages and harm our business and reputation.

The operation of oceangoing vessels and the handling of transported goods carries inherent risks. These risks include, among others, the possibility of:

- marine disaster;
- environmental accidents, including oil and hazardous substance spills;
- grounding, fire, explosions and collisions;

- accidents due to handling and transport of dangerous goods or items not declared as dangerous goods;
- cargo and property losses or damage (including total loss of vessels);
- business interruptions caused by mechanical failure, IT system outages, cyber-attacks, human error, war, sabotage, terrorism, piracy, political action in various countries, or adverse sea or weather conditions;
- work stoppages or other labor problems with staff serving on vessels and at ports, substantially all of whom are unionized or covered by collective bargaining agreements;
- search and rescue operations may lead to business interruptions and may interfere with the proper operational performance of the vessel; and
- delays or other restrictions and business interruptions due to trading in areas of disease outbreaks, such as the Ebola virus outbreak in West Africa in 2015.

Vessels trading from such areas can be subject to delays and other restrictions at port clearance. During the Ebola outbreak, for instance, many ports established special screening procedures for such arriving vessels, including the taking of temperatures of crew members on board of vessels from such ports.

This could lead to delay in entry and even the denial of entry to a port, which could interrupt the business of such vessels. Any of the above occurrences could result in, *inter alia*:

- death or injury to persons;
- loss of property or environmental damage;
- delays in the delivery of cargo;
- loss of revenues from or termination of, charter contracts;
- governmental fines;
- penalties or restrictions on conducting business;
- damage to our reputation and customer relationships; and
- higher insurance rates, see 3.1(w) “—*We may not be fully protected against damage, losses and certain liabilities under our insurance coverage or indemnities covering liabilities and our insurance premiums may increase in the event of war or terrorist attacks*”.

Furthermore, the involvement of one or more of our vessels in an environmental disaster may harm our reputation as a safe and reliable containership owner and operator. Any of these circumstances or events could have a material adverse effect on our business, financial condition and results of operations.

(q) Acts of piracy on oceangoing vessels remain a considerable risk for oceangoing vessels and could adversely affect our business and results of operations.

Acts of piracy have historically affected oceangoing vessels trading in regions of the world, such as the South East Asia and the Gulf of Aden off the coast of Somalia. Since 2008, the frequency of piracy incidents against commercial shipping vessels has increased significantly, in particular in the Gulf of Aden, in the South of the Red Sea and across increasingly large swathes of the Indian Ocean. Container ships have become the target of pirate attacks as well, despite being a less vulnerable type of ship compared to other types such as oil tankers. The Joint War Committee (“JWC”) which comprises underwriting representatives from both the Lloyd’s and International Underwriting Association company markets, labels certain areas as areas of “perceived enhanced risk”, including the Gulf of Aden (since May 2008), the Southern Red Sea and the Indian Ocean (up to southern Sri Lanka), Somalia, the Arabian Sea, the Gulf of Oman (since December 2010) and the Gulf of Guinea (since August 2011). The list is subject to continual review and amendment and is used internationally as a guideline. Insurers have the right to charge additional premiums when vessels navigate in these designated regions. If we deploy our vessels in these designated regions, premiums payable for insurance coverage could increase significantly and such coverage may be more difficult or impossible to obtain. In addition, crew costs and further expenditures for heightened security measures could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, including the payment of any ransom we may be forced to make. Therefore, any acts of piracy could have a material adverse effect on our business, financial condition and results of operations.

(r) We could face substantial liability if we fail to comply with existing environmental regulations, and we may be adversely affected by changes to those regulations.

As a container carrier, we are subject to a wide variety of international, national and local laws, regulations and agreements relating to shipping operations. Such laws, regulations and agreements may change materially. In particular, additional requirements to obtain permits or authorizations may come into force which impose significant new burdens upon our business, require us to change our business strategy significantly and impact our cost structure. We could face substantial liability for penalties, fines and damages and litigation if we fail to comply with such laws, regulations and agreements.

In September 1997, the International Maritime Organization (“**IMO**”) adopted Annex VI to the International Convention for the Prevention of Pollution from Ships (“**MARPOL**”) to address air pollution from ships. Effective May 2005, Annex VI sets limits on sulfur and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special “Emission Control Areas” (“**ECA**”) to be established with more stringent controls on sulfur oxide emissions (*e.g.*, in the North Sea (including the English Channel) and the Baltic Sea: SO_x (sulfur oxide) limit in fuel is in accordance with the revised Annex VI 0.1% since January 1, 2015). In October 2008, the IMO adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which amendments entered into force on July 1, 2010. The amended Annex VI reduces air pollution from vessels by, among other things, (a) implementing a progressive reduction of sulfur oxide emissions from ships by reducing the global sulfur fuel cap initially to 3.5%, effective beginning January 1, 2012, then progressively to 0.5%, which is the effective cap beginning January 1, 2020, subject to a feasibility review to be completed no later than 2018 (Contrary to the amended Annex VI, the EU Directive 2016/802/EU, is not subject to a feasibility review. Thus, limit values of 0.5% will apply in EU waters from January 1, 2020 in any case); and (b) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. In addition, it allows for ECAs to be designed for sulfur oxide and particulate matter, or nitrogen oxide or all three types of emissions from ships. Such ECAs designed for all three types of emissions have been established in the North American area and in the United States Caribbean Sea area. In addition to the limit values, in these ECAs new vessels constructed on or after January 1, 2016 are subject to NO_x Tier III standards set forth in revised MARPOL Annex VI. From September 1, 2017, amendments to MARPOL adopted in April 2016 will enter into force concerning NO_x Tier III reporting, in particular concerning the record requirements for operational compliance with NO_x Tier III emission control areas. As a result of these amendments, certain ships will be required to maintain records of the operational status of their marine diesel engines, together with the date, time and position of the ship when operating in NO_x Emission Control Areas. In 2011, the IMO adopted further mandatory technical and operational energy efficiency measures such as the Energy Efficiency Design Index (“**EEDI**”) and the Ship Energy Efficiency Management Plan (“**SEEMP**”). In January 2014, new amendments to MARPOL entered into force, which include revised MARPOL Annex III Regulations for the prevention of pollution by harmful substances carried by sea in packaged form. These new amendments include changes to the Annex to coincide with the next revision of the mandatory International Maritime Dangerous Goods Code, specifying that goods should be shipped in accordance with relevant provisions. From March 1, 2016, amendments to MARPOL Annex I, III and VI entered into force which prohibit ships from carrying heavy fuel oil on board as ballast in the Antarctic. In October 2016, the IMO’s Marine Environment Protection Committee passed a proposal to implement NO_x Emission Control Areas in the North Sea and the Baltic. The NO_x regulations require new vessels operating in the Baltic Sea and the North Sea to reduce their NO_x emissions by 75% starting from January 1, 2021.

(s) Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems.

Currently, certain areas along our trade lanes are designated ECAs under the Annex VI amendments. The revised Annex VI lists the North American coasts as well as the Baltic Sea and the North Sea (including the English Channel) as ECAs for the control of sulfur oxide and particulate matter. Additional 200 square mile-ECAs have been proposed for the Mediterranean, Singapore and Australia. If those and additional ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are

adopted by the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations. The IMO is evaluating mandatory measures to reduce greenhouse gas emissions from international shipping, which may include market-based instruments or a carbon tax. The European Union has indicated that, while it has a preference for a global approach led by the IMO, given that there is yet to be agreement on global market-based measures or other instruments, it intends to progressively integrate maritime emissions into the EU's policy for reducing its domestic greenhouse gas emissions (the "**Emissions Trading Scheme**"). In April 2015, the EU-Commission adopted Regulation 2015/757/EU on the monitoring, reporting and verification ("**MRV**") of carbon dioxide emissions from maritime transporter that requires, *inter alia*, submission of a monitoring plan for each ship, monitoring of CO₂ emissions for each ship on a per-voyage and an annual basis. In December 2016, amendments to Regulation 2015/757/EU came into force, amending Annex I (laying down the methods for monitoring CO₂ emissions on the basis of fuel consumption) and Annex II (laying down the rules for monitoring of other relevant information'). The EU has also adopted the templates and technical rules for the submission of monitoring plans, emissions reports and documents of compliance pursuant to Regulation 2015/757/EU.

The next step in the EU strategy would be to set greenhouse gas reduction targets for the maritime transport sector (however, currently no measures have been adopted to implement reduction targets). In the United States, the Environmental Protection Agency ("**EPA**") has issued a finding that greenhouse gases threaten the public health and safety. Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the U.S. or other countries where we operate, or any treaty adopted at the international level to succeed the **Kyoto Protocol**, that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time. Although the Paris Agreement adopted in November 2015 does not directly cover maritime transport emissions, it could indirectly lead to increased costs in the future. In particular, this climate change agreement imposes greater pressure on its signatories to reach financial goals for mitigation and adaptation and to diversify financing sources in order to reach these objectives. A number of stakeholders and countries are considering whether and how international aviation and maritime transport could contribute to these financing goals. Other regulatory changes have been triggered by the adoption of the Paris Agreement, which is currently being implemented into national or regional schemes. In the EU, the Emissions Trading Scheme is currently being revised for the period 2021-2030 and will be an element of the EU's contribution to the Paris Agreement.

In addition, certain U.S. states have requirements for ships to source electric power while at berth. This practice is known as "cold ironing". As of January 1, 2014, in the California ports of Los Angeles, Long Beach, Oakland, San Francisco, San Diego and Hueneme for example, shore-based power is mandatory for minimum 50% of vessel calls for any ocean going vessel fleet. These requirements are expected to increase to 70% by January 2017, and to 80% by January 2020. Such measures involve additional costs for shipping lines for retrofitting vessels, electrical power from the municipal grid, labor and administration which we may not be able to carry or meet. A failure to conform to the new cold ironing regulations could also prevent us from docking at certain ports in the United States and elsewhere, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we may incur substantial costs in order to comply with existing and future environmental, health, security and safety and other regulatory requirements, including, among others, obligations relating to spills and discharges of oil or other hazardous substances, ballast water management, transportation of dangerous goods, maintenance and inspection, development and implementation of emergency procedures, security and insurance coverage.

Under environmental laws and regulations we could also potentially face substantial liability for penalties, fines, damages and remediation costs associated with oil and other hazardous-substance spills or other discharges involving our shipping operations. Changes in enforcement policies for existing requirements and additional laws and regulations adopted in the future could limit our ability to do business or further increase our operating costs. In addition, in the future, we may have to alter existing equipment, add new equipment to, or change operating procedures for our vessels to comply with any changes in governmental regulations, safety or other equipment standards or to meet our customers' changing needs in this respect. Finally, even if we are in compliance with relevant health, safety, security and other regulations, the ordinary course of operation of our business involves certain inherent risks to the health, safety and security of our employees and others and we could incur

substantial liability in the event of accidents, environmental contamination, exposure to hazardous substances or other events resulting in their injury or death, even if such event is not as a result of any fault on our part.

Low sulfur marine diesel fuel accounted for 9% and 8% of our bunker oil consumption in the financial year ended December 31, 2016 and in the three months ended March 31, 2017, respectively. Low sulfur marine fuel oil accounted for 7% and 9% of our bunker oil consumption in the financial year ended December 31, 2016 and in the three months ended March 31, 2017, respectively. The requirement to use marine diesel oil (“MDO”) as a result of strict environmental regulations governing the traversing of coastal regions in Europe and North America may lead to a considerable increase in transport costs given the significantly higher price of MDO. Overall, low-sulfur bunker contributed 16% and 17% of our total bunker consumption of 3.1 million tonnes and 0.8 million tonnes for the financial year ended December 31, 2016 and the three months ended March 31, 2017, respectively. Compliance with the sulfur thresholds required by stringent environmental legislation could lead to a significant rise in demand for low sulfur marine diesel fuel, both by us and by other shipping companies, and thereby result in a further rise in the price of marine fuels in affected regions, at least in the short term. This increasing share of consumption of low sulfur marine fuel may substantially impact our transport expenses and might burden our results of operations if we are not able to recover the difference in input prices through freight rate adjustments.

Any of these factors or events could have a material adverse effect on our business, financial condition and results of operations.

(t) We are subject to certain competition and antitrust laws with which we must comply and where non-compliance could lead to the imposition of fines or similar sanctions.

Unless covered by special exemptions, the shipping industry is subject to the general competition laws. These general competition laws are designed to preserve free and open competition in the marketplace in order to enhance competitiveness and economic efficiency. They generally prohibit agreements or concerted actions among competitors if they adversely affect competition, in particular if they lead to the formation of cartels or anticompetitive foreclosure. The abuse of a dominant position held by one or more shipping companies also constitutes a violation of the law.

As of July 2016, we have terminated or withdrawn our membership in conferences and voluntary (rate) discussion agreements (“VDAs”), with the exception of the Transpacific Stabilization Agreement (“TSA”), where our membership is dormant and we do not participate in any meetings, resolutions or votes. It is possible that shipping companies may face fines and other similar sanctions if they fail to comply with the regulatory regime. This may significantly impact the profitability of shipping companies that are found not to be in compliance.

In March 2017, investigators from the U.S. Department of Justice Antitrust Division (“DoJ”) served subpoenas to the respective senior personnel of major container lines present, including Hapag-Lloyd, at the biannual International Council of Containership Operators (known as “Box Club”) meeting in San Francisco. While specific allegations have not been made as of the date of this prospectus, the subpoenas were served in connection with an investigation into the global container shipping industry by the DoJ. The course and final outcome of the investigation cannot be predicted as of the date of this prospectus but may include the imposition of fines and sanctions. Hapag-Lloyd is fully cooperating with the DoJ in the ongoing investigation.

In May 2011, the European Commission’s Directorate General for Competition (“DG COMP”) carried out unannounced inspections at the premises of various carriers, including ours, in order to investigate a possible collusion amongst carriers on prices and/or capacities. In April 2013, the investigation was followed up by an extensive request for information by DG COMP directed to carriers and customers. DG COMP invited carriers, including us, to individual meetings between December 2013 and January 2014, where they expressed their concerns focused on the way General Rate Increase (“GRI”) announcements were handled by the individual carriers, and timing of such announcements. In December 2015, we offered commitments to the European Commission to increase price transparency for customers, without making any admission of infringement or liability. In particular, carriers agreed to stop publishing and communicating GRI announcements and not to make any price announcements more than 31 days before their entry into force. On July 7, 2016, the European Commission adopted a Commitment Decision, making the commitments offered by Hapag-Lloyd legally binding for a period of three years starting December 7, 2016.

On March 17, 2010, the U.S. Federal Maritime Commission (“FMC”) initiated an investigation (No. 26) on the “Vessel Space and Equipment Availability Situation on U.S. Trades”, triggered by general complaints of shippers about the shortage of vessel space and equipment and the underlying allegation of collusion between carriers. Following its investigation, the FMC did not impose fines. Instead on December 8, 2010, the FMC issued a report and adopted certain measures designed to engage oceans carriers and their customers in a dialogue in order to improve the U.S. international ocean shipping system. These measures comprise dispute resolution bodies called “Rapid Response Teams”, two working groups, an educational outreach project and the development of recommendations to enhance oversight of the global container shipping industry. While the adopted measures do not currently appear to lead to legal restrictions being imposed on our business, it cannot be ruled out that these initiatives could lead to future revised laws or other administrative burdens which may impact our flexibility or force us to incur additional costs. Between the first quarter of 2011 and the first quarter of 2013, the FMC applied special oversight requirements on the three operating global alliances, including the former G6 Alliance and the Grand Alliance, the latter of which we are a member of. Until the first quarter of 2013, the three global alliances were requested to submit minutes of their principal meetings and monitoring reports (the latter on a monthly basis, rather than on a quarterly basis as before). The filing for the G6 Alliance expansion to encompass Transpacific, North Atlantic and Far East became effective in April 2014 after a unanimous vote of the five FMC Commissioners. The agreement contains increased, partly voluntary monitoring requirements compared to the previous Grand Alliance requirements.

In the event that we are found not to be in compliance with the regulatory regime and sanctions are imposed on us as well as in case of any further drastic expansion of such governmental measures, our business, financial condition and results of operations could be materially adversely affected.

(u) Compliance breaches could result in investigations by relevant authorities, fines, damage claims, payment claims, the termination of relationships with customers or suppliers and reputational damage.

We operate in countries and regions around the world known to experience corruption and which are subject to various statutory frameworks and different cultural norms with regards to compliance issues. Our employees and agents might not act in compliance with applicable statutory provisions (including antitrust regulation, anti-corruption/anti-bribery legislation as well as data protection laws) and internal policies and we may face the risk that penalties or liabilities may be imposed on us or that our business can be adversely affected. In particular, our employees and agents might take actions that would be prohibited by the U.S. Foreign Corrupt Practices Act, the UK Bribery Act or legislation promulgated pursuant to the 1997 Organization for Economic Co-Operation and Development (“OECD”) Convention on Combating Bribery of Foreign Public Officials in International Business Transactions or other applicable anti-corruption regulations. Violations of these laws or regulation by our employees and agents could result in monetary penalties against us and could damage our reputation and, therefore, our ability to do business. Although we aim to constantly improve our compliance policies and training and keep our internal rules and procedures in line with industry standards, there can be no guarantee that we are successful in detecting all possible compliance-associated risks. Thus, our compliance system and monitoring capabilities may not be sufficient to prevent violations of legal provisions and internal policies, to identify past violations or prevent damages from fraud or similar crimes in the Group.

Furthermore, involvement in potential non-compliance related proceedings and investigations could harm our reputation and that of our management, lead to the loss of customers and have a negative impact on our efforts to compete for new customers. Customers and/or third parties could also initiate legal proceedings against us for substantial financial sums. If any of the risks described above materialize, this could have a material adverse effect on our business, results of operations and financial condition.

(v) Changes to the liability regime for the international maritime carriage of goods could adversely affect our business.

In addition to the respective national laws, there are various international treaties in place, which deal with maritime liability issues, such as the Hague Rules of 1924, the Hague Visby Rules of 1968, and the Hamburg Rules of 1980. In particular, the Hague Rules and the Hague Visby Rules are of great importance to the maritime liability regime and either one or both have been ratified by most countries

that have a relevant shipping industry. Some countries have implemented the Hague Rules and the Hague Visby Rules into national law and in other countries the treaties are applicable directly without transition into national laws.

The Hague Visby Rules contain provisions regarding the limitation of liability and the allocation of the burden of proof. Under these rules, the carrier's main duties are to properly and carefully load, handle, stow, carry, keep, care for, and discharge the goods carried and to exercise due diligence to make the ship seaworthy as well as to properly man, equip and supply the ship. In order to avoid liability for losses of or damages suffered by the goods having occurred while the goods have been in the custody of the carrier, the carrier has to prove that it has complied with such duties. The Hague Rules do not cover and limit damages caused by delay. The Hamburg Rules provide that the carrier is held responsible for the loss of or damage to goods whilst in their charge, unless it can be proven that all reasonable measures to avoid damage or loss were taken. In December 2008, the United Nations Commission on International Trade Law ("UNCITRAL") adopted a new convention on cargo liability, the Convention on Contracts for the International Carriage of Goods Wholly or Partly by Sea (the "**Rotterdam Rules**"). The Rotterdam Rules establish a new legal regime for the international maritime carriage of goods. The goal of the Rotterdam Rules is to bring increased clarity regarding who is responsible and liable for what, when, where and to what extent when it comes to transport by sea and land and to make national codes, such as the U.S. and Australian Carriage of Goods Acts, redundant. The Rotterdam Rules will not come into force until one year after ratification by 20 countries. At present, there are 25 signatories, with three countries (Spain, Togo and the Republic of Congo) having ratified the Rotterdam Rules since January 2011. When, or if, the Rotterdam Rules come into effect, they could affect our insurance premium levels and we could, therefore, face increased liability under the new regime, including the increase of liability limits, liability for delay and liability in the case of errors in navigation, which could have a material adverse effect on our financial condition and results of operations.

Furthermore, national law regarding maritime liability may change, which could lead to increased liability. As an example, in Germany, which has not yet signed the Rotterdam Rules and which is still a contracting state to the Hague Rules, a complete revision of the relevant sections of the German Commercial Code (*Handelsgesetzbuch*) dealing with maritime liability came into force in April 2013.

The newly revised law provides for, among other revisions:

- an increase of the carrier's liability limits in certain cases (such as part-damages/losses, liability for survey costs);
- an increased exposure in cases of vessel arrest (it is no longer necessary to show a particular reason for the arrest which may greatly facilitate the arrest of vessels in Germany);
- a restriction of the possibility to limit the liability by general terms and conditions beyond the statutory limits; and
- liability even in case of fire on board of the vessel and errors in navigation.

Such changes could affect our overall liability scheme and insurance premium levels. Other countries may also change their laws, which may also lead to an overall fragmentation of liability schemes and an increased liability on our operations. Any such change could have a material adverse effect on our business, financial conditions and results of operations.

The international container shipping industry is subject to various security and customs monitoring and inspection procedures in countries of origin and destination, as well as at transshipment ports. Such procedures can result in the confiscation of containers or their contents, delays in the loading, offloading, handling or delivery of containers and the levying of customs duties, fines or other penalties against exporters, importers and, in some cases, carriers.

In addition, more thorough monitoring and inspection procedures aimed at preventing terrorist attacks could increase our costs and cause disruption to our business. In the United States, Canada, China, Japan, Mexico and the European Union ("EU"), we face significant security requirements, such as the "Advance Manifest Rule", which mandates expanded disclosure regarding a ship's cargo at least 24 hours prior to loading at the foreign port of loading. The current regulations may be expanded, and similar or more intrusive and costly monitoring and inspection rules may be put in place by those countries or other countries in which we operate. In any such case, we may experience disruptions to

our business and may be unable to impose further surcharges or otherwise recover from our customers the increased costs incurred due to such measures, which may materially adversely affect our business, financial condition, and results of operations.

In response to the perceived risks to ships from terrorism, the IMO developed the International Ship and Port Facility Security Code (“ISPS Code”), which came into force on July 1, 2004. Compliance with the ISPS Code entailed ship modifications, staff training, auditing of vessels and preparation of ship security plans followed by approval of the documentation by the relevant flag state. In the United States, the U.S. Coast Guard has published similar regulations requiring shipping companies to adopt vessel security plans and to establish port security plans. The EU implemented similar obligations for shipping companies (essentially in Regulation 725/2004/EC (amended by Commission Decision 2009/83/EC and Regulation 219/2009/EC)). All our ships and all the ships we operate on long-term charters and operating leases are fully compliant. The vessels we operate on short-term charters comply with the regulations to which they are subject. Because we also transport cargo on vessels which we do not operate ourselves, and through ports over which we exercise little or no influence, we may be exposed to increased costs and business disruptions under the ISPS Code or U.S. Coast Guard regulations if another container shipping company, or port operator, or any other entity covered by the regulations with which we conduct business, fails to comply with the ISPS Code or U.S. Coast Guard regulations. There can be no assurance that the vessels of other members of the Grand Alliance or THE Alliance or of other container lines on which we use capacity comply, or will remain in compliance with, the ISPS Code or U.S. Coast Guard regulations. If these, or any similar risks, materialize, our costs may increase, with the result that our margins and profits may decrease.

In addition, since 2002, we have participated in the U.S. Customs Trade Partnership against Terrorism (“C-TPAT”) initiative, a voluntary agreement between U.S. Customs and the industry. The purpose of C-TPAT is to partner with the trade community for the purpose of protecting the U.S. and international supply chains against possible intrusion by terrorist organizations. C-TPAT requires us to document and validate our supply chain security procedures in relation to existing U.S. Customs and Border Protection (“CBP”), C-TPAT criteria or guidelines as applicable. CBP requires that C-TPAT company participants develop an internal validation process to ensure the existence of security measures documented in their Supply Chain Security Profile and in any supplemental information provided to CBP. As a part of the C-TPAT process, CBP and the C-TPAT participant jointly conduct a validation of the company’s supply chain security procedures, and the participant is issued a certificate for compliance. Should we fail to maintain the certificate, it could mean higher administrative burden through increased security screenings and the loss of customers who are increasingly requesting such certificate from their carriers.

Furthermore, Hapag-Lloyd AG has been a certified Authorized Economic Operator (“AEO”) within the EU since July 25, 2008. The creation of the AEO concept is one of the main elements of the security amendment of the EU customs rules that was enacted in 2005 and is now set out in the Union Customs Code (Regulation 952/2013 and its Delegated and Implementing Regulations). This concept aims at heightening security along the international supply chain. On the basis of Article 39 of the Union Customs Code, EU member states can grant the AEO status to any economic operator meeting the following common criteria: customs and tax compliance, appropriate record-keeping, practical standards of competence or professional qualifications, financial solvency and, where relevant, security and safety standards. Hapag-Lloyd AG is holder of the AEO Certificate “Customs Simplifications/ Security and Safety” (“AEO-F”). The AEO status entitles us to benefits in the course of customs clearance. Should we fail to maintain the certificate, it could mean higher administrative burden through increased security screenings and the loss of customers who are increasingly requesting such certificate from their carriers.

(w) We may not be fully protected against damage, losses and certain liabilities under our insurance coverage or indemnities covering liabilities and our insurance premiums may increase in the event of war or terrorist attacks.

The operation of large oceangoing vessels and the use of the heavy equipment necessary to load and prepare those vessels for transit involve inherent risks, including, among other things, those of catastrophic loss, spills, personal injury and loss of life, maritime disaster, mechanical failure, fire, collision, stranding and loss of, or damage to, cargo as well as damage to or loss of vessels or ransom payments in case of acts of piracy (see 3.1(q) “—Acts of piracy on oceangoing vessels remain a considerable risk for oceangoing vessels and could adversely affect our business and results of

operations” and 3.1(p) “—Risks inherent in the operation of oceangoing vessels and the handling of transported goods could lead to substantial damages and harm our business and reputation”). Such events may be caused by human error, accidents, war, terrorist attacks, piracy, political instability, cyber-attacks, business interruption, strikes or weather events (including earthquakes, flooding and storms). Furthermore, potential risks from nuclear contamination cannot be insured by primary insurers or re-insurers. If large numbers of containers or several of our vessels were contaminated, this could force us to replace such materials on our own costs and on short notice and/or could prevent us from covering our services as scheduled or could lead to costs for medical treatment of crew members who came in contact with contaminated materials. Any of these factors or events could result in experiencing direct losses and liabilities, loss of income, increased costs, damage to our reputation or litigation against us by third parties. There can be no certainty that our current insurance policies cover all losses and damages that may be suffered from these types of events or that we will be able to renew or expand current insurance policies on commercially reasonable terms. Additionally, our insurers may refuse to pay particular claims if we fail to take certain actions, such as failing to maintain certification of our vessels with applicable regulations. We also may be responsible for liquidated damages if we do not comply with certain provisions of some of our contracts, which are not covered by our insurance policies. The growing threat of cyber-attacks is not covered by our insurance policies. Such cyber-attacks may include viruses and internal or external security breaches which may, in particular, occur due to errors by our employees.

Furthermore, it is neither possible for us, nor are we obligated, to inspect all of our cargo comprehensively prior to shipping in order to guarantee the safety and security of workers and the goods being shipped. As a result, we cannot guarantee the security of our containers and related equipment from breaches in security and acts of terrorism, and we cannot be certain that we will be fully insured for the losses we may suffer from such acts. More stringent security, environmental or other regulations may also come into force, expanding the liability we face under our operations, and insurance for such additional liabilities may not be available at commercially reasonable rates, if at all. If our insurance fails to cover large claims and liabilities, our assets could be subject to attachment, seizure or other judicial processes, which could have a material adverse effect on our business, financial condition and results of operations.

(x) If we are unable to implement our planned improvements successfully and achieve our anticipated cost savings, our growth and profitability may be adversely affected.

We maintain a consistent focus on the improvement of our cost efficiency and revenue quality. In May 2014, we initiated our new integration project called “CUATRO” to facilitate the post-merger integration of the CCS Activities following the completion of the CCS Activities Business Combination. That year we also introduced our cost and efficiency project called “OCTAVE”. In addition, in the first quarter of 2016, the OCTAVE efficiency program was intensified and additional measures through OCTAVE II were added. CUATRO and OCTAVE (excluding OCTAVE II) projects were completed in the first quarter of 2017 and delivered annual synergies, efficiency improvements and cost savings totaling US\$600 million as against the comparable cost base in the 2014 financial year. However, lower freight rates resulting from increased competition may reduce these savings.

Furthermore, in March 2015, we launched our “Compete to Win” initiative as a new commercial approach to tackle four distinct areas of sales (sales planning and opportunity identification, pricing and yield management, sales execution and sales organization) to further enhance our sales organization, which is aimed at improving our revenue quality and profitability. This initiative is a multi-year effort to build capabilities across the worldwide sales organization. In addition, the “Close the Cost Gap” program comprises our activities around investing in our vessel and container fleet to further improve the competitive position and profitability of the Group. This includes the cost benefits from new vessels ordered in 2012 by CSAV and further investments in our fleet to improve the competitive position and profitability of the Group. With the new 9,300 TEU vessels which were delivered in 2015, the ordering of five new 10,500 TEU vessels, the last of which was delivered in April 2017 as well as UASC’s order book of two vessels each with a capacity of 14,993 TEU which are scheduled for delivery during 2017, we aim to consolidate our leadership in Latin America and strengthen our competitive advantage in the shipping of perishable goods, pharmaceuticals and healthcare products or other products that require a controlled-temperature environment (“reefer”), as both vessel types provide for a large number of reefer plugs (1,400 reefer plugs per 9,300 TEU vessel and 2,100 reefer plugs per 10,500 TEU vessel, respectively), enhancing our carriage capacities for this

cargo. Moreover, in 2015, we implemented our new management organization strategy, dedicated to further strengthen the performance of our executive board members, the heads of our regions (North America, South America, Europe and Asia) and central functions (global sales, trade management, network and operations) and, thus, to improve our competitive position as a leading container shipping company.

If the implementation of any of these programs, or any other program that we implement in order to increase cost efficiency and profitability, is not successful and the targeted cost savings and other improvements cannot be realized, our results of operations could be adversely affected. Even if we achieve the expected benefits, they may not be achieved within the anticipated time frame. The cost savings anticipated by us are based on estimates and assumptions made by us that are inherently uncertain, although considered reasonable by us, and may be subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and a number of which are beyond our control. As a result, there can be no assurance that such cost savings and operating improvements will be achieved. For example, if our transport volumes were to decline substantially due to deteriorating macroeconomic environment, the expected costs savings may be diluted.

The occurrence of any of these risks could prevent us from achieving the anticipated benefits from these programs, which could adversely affect our business, financial condition and results of operations.

(y) Our success depends to a large extent on IT systems, and these systems may not continue to generate operational efficiencies and yield management benefits.

Our ability to quickly and correctly obtain, process and transmit data related to transport volumes, freight rates, transport costs, container locations and vessel schedules is critical to the effective management of our container capacity, our vessel fleet, the handling of empty containers in order to manage and minimize imbalance costs and the provision of high-end customer service. In this context we rely to a large extent on our IT systems. These IT systems are subject to the growing threat of cyber-attacks not covered by our insurance policies. Such cyber-attacks may include viruses and internal or external security breaches which may, in particular, occur due to errors by our employees. Although our IT department has implemented several security measures to protect our IT systems & networks against cyber-attacks, total security protection cannot be assured. Consequently, a breakdown of or disruption to any of these systems due to cyber-attacks or other reasons could materially impact the relationships we have with our customers, our reputation and our operating costs and margins.

While we believe that our IT systems represent one of our competitive strengths, our competitors may at any time develop similar or better systems, thus reducing, neutralizing or even reversing any such competitive advantage. We expect to continue to commit significant financial resources, time, management expertise, technological know-how and other resources to the maintenance and further modification and enhancement of our IT systems. However, there is no guarantee that our IT systems in their present format or any improvements and new developments thereto will yield the desired results and there can be no certainty that costs incurred in this respect will pay off in the form of improved operational efficiency. In addition, we rely on various external IT providers for the provision of critical IT components, licenses and services. If we are not successful in achieving additional operational efficiencies through maintaining, improving and continuing to develop our IT systems or if we fail to maintain critical relationships with our external IT providers, our operational efficiency and cost structure relative to our competitors could deteriorate. This could have a material adverse effect on our business, financial condition and results of operations.

In addition, an important means of communication with both our clients and our vendors is e-commerce, via Web platforms or Electronic Data Interchange (“EDI”). A portion of our EDI products have been developed and are run by third-party e-commerce providers. We have no management control over these e-commerce providers, we rely on their service levels and they may not perform as anticipated. Furthermore, although our IT systems and the relevant backup systems have an identical set-up and are located in separate data center locations, there can be no assurance that both data centers and their systems will not be simultaneously damaged or destroyed in the event of a major disaster. Both the main IT systems as well as relevant backup systems may be vulnerable to damage or interruptions in operation due to fire, cyber-attacks, power loss, telecommunications systems failures, physical break-ins, hacker break-ins, a significant breakdown in internal controls, fraudulent activities

by employees, failure of security and terrorism measures or backup systems, or other events beyond our control. Any such failure in our IT systems would have a material adverse impact on our business, financial condition and results of operations.

(z) The termination of our or other shipping companies' membership in THE Alliance or the Grand Alliance, or the termination of THE Alliance or the Grand Alliance as a whole, could have an adverse effect on the geographic scope of our service network and the deployment of our vessels.

We became a member of THE Alliance as of April 2017 and we have been a member of the Grand Alliance since 1998 (together, the “**HL Alliances**”). The Grand Alliance no longer has any active services, although the Grand Alliance has not been terminated as of the date of this prospectus. THE Alliance is the result of a substantial overhaul of the global alliance structure during 2016 and includes, besides Hapag-Lloyd (including UASC), Mitsui O.S.K. Lines (“**MOL**”), Nippon Yusen Kaisha Lines (“**NYK**”), Kawasaki Kisen K.K. (“**K-Line**”) and Yang Ming Marine Transport Corp. (“**Yang Ming**”). On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. Together, the HL Alliances allow us to share vessel capacities with the other members of the respective HL Alliance.

Overall, these partnerships enable us to provide our customers with a wide range of port coverage and geographic scope and a high departure frequency of network services that would not be possible solely using our own container vessel fleet. However, the terms and conditions of the HL Alliances may change or may be discontinued by its members altogether. In addition, any member may terminate its membership with six months' notice in the case of the Grand Alliance. Each member of THE Alliance may terminate its participation with twelve months' notice not to be given prior to thirty six months having elapsed after THE Alliance commencing operations. THE Alliance has a minimum term until March 30, 2022. Furthermore, any member may be expelled by the remaining members of one of the HL Alliances after a change of control or bankruptcy event of that member, if the other members, acting unanimously, so decide.

In March 2017, investigators from the U.S. Department of Justice Antitrust Division (“**DoJ**”) served subpoenas to the respective senior personnel of major container lines present, including Hapag-Lloyd, at the biannual International Council of Containership Operators (known as “**Box Club**”) meeting in San Francisco. While specific allegations have not been made as of the date of this prospectus, the subpoenas were served in connection with an investigation into the global container shipping industry by the DoJ. In the event the dissolution or a material change to the governing structures of the HL Alliances were to be decreed under antitrust laws or other laws and regulations, in the U.S. or in other jurisdictions, we may lose our access to the respective HL Alliance's network. We would thus lose the advantages currently conferred by this network and would face a material adverse impact on the flexibility, scope and depth of our service offering and our ability to optimize schedules and capacities. The weakening of the HL Alliances by the expulsion, termination or otherwise discontinued membership (or non-participation due to internal problems) of one or more members, or our expulsion from either HL Alliance, would similarly diminish the advantages of the HL Alliance's network. Should such scenarios materialize, we could seek to form a similarly beneficial alliance with other industry members or to accede to a similar alliance, but we may not be successful in doing so on similar terms or at all. Such a scenario could have a material adverse effect on our business, financial condition and results of operations.

(aa) We may be unable to retain existing customers upon the expiration of our existing contracts or may be unable to attract new customers.

We cannot be certain that our customers will continue to use our services in the future. We face substantial competition from a number of experienced companies, including state-sponsored entities. Some of these competitors have greater financial resources than we do, and can therefore operate larger fleets and may be able to offer lower freight rates. Any increased competition may cause greater price competition for freight, as well as for the acquisition of high-quality secondhand vessels, newbuild vessels and chartered vessels. Further, since the freight rate is generally considered to be one of the principal factors in a shipper's decision to book a container, the rates offered by our competitors can place downward pressure on rates throughout the freight rate market. As a result of these factors, we may be unable to maintain or expand our relationships with existing customers or to obtain new customers on a profitable basis.

In addition, as some of our contracts with customers are longer-term in nature, if freight rates should rise or our operating costs increase, we may not be able to make the necessary adjustments to the contractually agreed rates to capitalize on such increased freight rates or address such increased operating costs until the existing contracts expire. Once our existing customer contracts expire, there is no assurance that our customers will renew the contracts on similar terms or that we will be able to attract equivalent new customers. Any negative impact would be magnified if we lost any significant customers, of which our largest ten customers by revenue together accounted for approximately 16% and 18% of our revenue in the financial year ended December 31, 2016 and in the three months ended March 31, 2017, respectively. If we lose a significant customer, we might not be able to reduce our fixed costs accordingly (see also 3.1(i) “—*There is a considerable time lag between the ordering and the delivery of new vessels, leading to a heightened sensitivity exposure to intermittent changes in shipping market conditions*”). Such developments would have a material adverse effect on our business, results of operations and financial condition and our ability to pay dividends to our shareholders.

(bb) Differences in views with our joint venture participants may cause our joint ventures not to operate according to their business plans, which may adversely affect our results of operations.

We currently participate in a number of joint ventures and associated companies (including, among others, HHLA Container Terminal Altenwerder GmbH (“CTA”) and Consorcio Naviero Peruano S.A.) and may enter into additional joint ventures in the future. The nature of a joint venture requires us to share control with unaffiliated third parties. Differences in views among joint venture participants may result in delayed decisions or failure to agree on major decisions. If these differences cause the joint ventures to deviate from their business plans or to fail to achieve their desired operating performance, our business, results of operations and financial condition could be adversely affected.

(cc) The value of our 25.1% interest in CTA is influenced by a variety of economic factors, which are beyond our control.

We currently hold a 25.1% interest in CTA, which provides terminal services in the port of Hamburg. The value of the participation could be negatively impacted by a potential decline in the container through-put volume if traffic is diverted from the Hamburg harbor or if economic conditions would cause a decline in world trade. Container through-put volume is also dependent on the continuation of the project to dredge and widen the Elbe shipping channel. Furthermore, the valuation could be negatively impacted if the terminal’s modern standards would not be maintained by the operator, the HHLA Hamburger Hafen und Logistik AG, which is beyond our control. This could lead to a material adverse effect on our business, financial condition and results of operations.

(dd) Our business may be adversely affected by protectionist policies and regulatory regimes adopted by countries globally.

There is a risk that countries could, in response to real or perceived currency manipulations or otherwise, trade imbalances or excessive state aid, resort to protectionist measures or make changes to the regulatory regimes in which we operate in order to protect and preserve domestic industries. Such measures could include raising import tariffs, providing subsidies to domestic industries, abandonment of national or international free trade zones (e.g. NAFTA), withdrawal from, or blocking of, international trade agreements and the creation of other trade barriers. A global trend towards protectionism would be harmful to the global economy in general, as protectionist measures would cause world trade to shrink and counter measures taken by protectionist policies’ target countries would increase the chance of trade wars.

As our business success hinges, among other things, on global trade volumes, the potential protectionist policies and regulatory regimes would have a material adverse effect on our business, financial condition and results of operations.

(ee) Our business faces risks in connection with currency exchange rates and interest rate fluctuations.

We are exposed to risks from currency exchange rate fluctuations. The international container shipping business operates in an environment in which the U.S. dollar prevails as a means of pricing. This refers both to operations and also to capital commitments, since vessel and container financing arrangements are usually U.S. dollar denominated and vessels and containers are principally purchased in U.S. dollars, including those vessels financed under long-term leases or other similar arrangements.

The functional currency of the Group for accounting purposes is the U.S. dollar. As we operate on a worldwide basis, we are exposed to currency exchange rate fluctuations as a result of differences in the currency mix of our revenue and transport and other expenses. In particular, we incur higher expenses in euro as compared to the revenue we generate in euro. We have a significant net exposure to the euro. This imbalance has and may continue to negatively impact our results of operations when the euro appreciates against the U.S. dollar.

At each reporting date, monetary items (such as cash, financial debt, trade accounts receivable, trade accounts payable and provisions for pensions and similar obligations) denominated in currencies other than the U.S. dollar are translated at the closing rate, while non-monetary items are translated at their historical rate for purposes of our financial statements. With regard to monetary items, we are therefore exposed to risk related to the translation of assets and liabilities denominated in currencies other than the U.S. dollar.

Hapag-Lloyd AG prepared its consolidated financial statements in euro, while the U.S. dollar is the main invoicing currency for its operations, and Hapag-Lloyd's subsidiaries' financial statements, are prepared in U.S. dollars. For consolidation purposes, our assets and liabilities are translated into euro at the exchange rate applicable as of the balance sheet data (closing rate). Expenses, income and earnings are translated at the average exchange rate for the reporting period. This conversion results in a translation risk and fluctuations in the euro/U.S. dollar exchange rate have had and may continue to have a significant impact on the reporting of our financial condition and operating result. A long-term weakening of the U.S. dollar compared to the euro may reduce our reported profitability.

Regarding the hedging of currency risks, we currently hedge up to 100% of the currency risks related to our EUR-denominated indebtedness. With regards to operational risks relating to cash flows in foreign currencies, our hedging policy allows us to hedge up to 80% of this risk, depending on the forecasted cash flow. For the financial year ended December 31, 2016, we did not hedge any currency risks relating to our operations and we do not expect to hedge any currency risks relating to our operations for the financial year ending December 31, 2017. We generally do not hedge against translation risks.

The overall risk of sharp adverse currency movements was elevated against the background of the global financial and economic crisis of 2008/2009 and the euro periphery sovereign debt crises following in its wake.

We are also exposed to interest rate risk. As of March 31, 2017, we had total financial debt of €4,150.9 million, of which approximately €2,622.4 million, or 63%, was floating rate. Fluctuations in interest rates may affect our interest on existing debt and the cost of new financing. See also 3.2(d) “—Risks Relating to our Financial Profile—Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly”.

Fluctuations in currency exchange rates and interest rates could have material adverse effects on our business, financial condition and results of operations.

(ff) We operate in a capital-intensive industry and our future sources of financing are not necessarily secured.

We operate in a very capital-intensive industry and thus have substantial capital needs in order to be able to cover our obligations in connection with our organic growth strategy, including acquiring, ordering newbuild vessels, leasing, chartering and maintaining container vessels and containers. As of March 31, 2017, our order book comprised one new vessel with a capacity of 10,500 TEU, which was delivered in April 2017. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017.

It is not certain or even probable that we will generate enough free cash flow enabling us to cover all of our potential financing needs without resorting to debt financing. Moreover, it may not be possible, irrespective of the general level of interest rates, to obtain debt financing or we may only be able to do so with difficulty, with delay or at unfavorable commercial terms. Any delays in securing financing or securing financing at favorable terms and a resulting inability to pursue our growth strategy or inability to acquire, order, lease and charter container vessels would lead to material adverse effects on our business, financial condition and results of operations.

(gg) Ordering newbuild or acquiring second-hand vessels exposes us to the risk of default or faulty performance of the contracting parties and we may not be compensated for expenses incurred.

The ordering of newbuild vessels is associated with the risk of default of the shipyard in question and of the shipyard's ability to perform the contracted works and services, in particular due to insolvency. In such cases, despite appropriate precautions (for example, the use of advance payment guarantees and insurance policies covering the amounts prepaid in the event of non-performance), a partial or complete loss of the amounts of any prepayments may occur. As a general matter, a loss of prepayments may also occur in connection with the purchase of used vessels if the seller loses its commercial ability to perform the agreements and becomes insolvent. If a loss of prepayment were to occur, this could have a material adverse effect on our business, financial condition and results of operations.

We may also incur financial losses when acquiring used or new vessels when our contract parties are not in a position to deliver the vessels at all, or are only able to deliver them after a period of delay. Furthermore, vessels delivered to us may not be fit for service or may only be fit for service to a limited degree due to defects or after significant and costly repair work. The realization of any such risk would have a material adverse effect on our business, financial condition and results of operations.

(hh) Compliance with the requirements imposed on our vessels by classification institutions may be very costly.

Every oceangoing vessel must be certified as "in class" by a classification society that has been approved by the vessel's flag state, such as the Det Norske Veritas Germanischer Lloyd (Norway/Germany) or the American Bureau of Shipping (USA). Classification societies certify that a vessel complies with the rules concerning safety and seaworthiness, international conventions and the applicable laws and regulations of the flag state.

Currently, all our vessels have the required certifications. In order to maintain certification, however, our vessels must undergo annual, intermediate and class renewal surveys every five years which may result in recommendations or requirements to undertake certain repairs or upgrades. Maintaining class certification could require us to incur substantial costs. If any of our vessels failed to maintain the required class certification, we would not be able to deploy that vessel, we might be in violation of covenants in certain of our financing agreements (such as vessel mortgages and related security documents) and premiums in connection with insurance coverage for our vessels would rise. This would have a material adverse effect on our business, financial condition and results of operations.

(ii) We rely on third-party contractors and suppliers to provide various services and unsatisfactory or faulty performance of the contractor could have a material adverse effect on our business.

We engage third-party contractors to provide various services in connection with our container shipping business. An important example is our chartering of vessels from ship owners, whereby the relevant ship owner is obligated to provide the vessel's crew, insurance and maintenance along with the vessel. There can be no assurances that the services rendered by such third-party contractors will be satisfactory and match the required quality levels. Furthermore, there is a risk that major contractors or suppliers may experience financial or other difficulties which may affect their ability to carry out their contractual obligations, thus delaying or preventing the completion of projects or the rendering of services. Such problems with third-party contractors could have a material adverse effect on our business, financial condition and results of operations.

(jj) Labor disturbances by our own employees or third parties, with which we work, could disrupt our business.

While we strive to maintain good relationships with our employees and their unions, there can be no assurance that such relationships will continue to be amicable or that we will not be affected by strikes, work stoppages, unionization efforts, or other types of conflict with labor unions or our employees, substantially all of whom are unionized. In the event that we experience a work stoppage, such work stoppage could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, future industrial action, or the threat of future industrial action, by labor unions, for example, in response to any future efforts by our management to reduce labor costs, restrain wage

increases or modify work practices in order to recover concessions made as part of our turnaround plan or by a general deterioration in the relations between management and labor unions and employee representatives could constrain our ability to carry out any such efforts or may lead to strikes and work stoppages.

Our operations also depend on stevedores and other workers employed by third parties at the ports at which our ships call. Industrial action or other labor unrest with respect to outside labor providers could prevent us from carrying out our operations according to our plans or needs, thus bringing about material adverse effects on our business, financial condition and results of operations. For instance, the handling of cargo vessels was significantly impeded at a number of ports on the west coast of the U.S., in particular in the fourth quarter of 2014 and the first quarter of 2015, due to industrial action in those locations, which also affected container shipping companies. In the event labor disputes continue for an extended period of time, this may lead to handling delays and can lead to higher transport expenses.

(kk) Changes in tax laws or in their interpretation could result in higher tax expenses.

Due to our global operations we must comply with tax laws in various countries. Tax laws and regulations are subject to interpretation and change as well as changes in interpretation by tax authorities, potentially with retroactive effect. For instance, the termination or different interpretation of double taxation avoidance treaties or increases in tax rates could lead to higher tax expenses, while non-refundable value added tax could have adverse effects on our operating costs.

Hapag-Lloyd elected to join the tonnage tax regime in Germany in 1999. Comparable tax regimes exist in several other European countries and some other jurisdiction outside of Europe. Under the tonnage tax regime, our German corporate income tax liability in respect of our container shipping activities is calculated by reference to the tonnage of our container ships, independent of actual income earned. Our income tax expense therefore varies primarily with the tonnage of our container fleet, rather than with the profitability of our business. In order to remain within the tonnage tax regime, a specified proportion of the vessels we operate must be managed in Germany (*inländische Bereederung*), registered in a German register and predominantly operated on the high seas, between a German and a foreign harbor or between non-German harbors.

Any change in or discontinuation of the tonnage tax regime, or any inability on our part to continue to participate in this regime could considerably increase our tax burden, particularly in years where we are more profitable and, as such could have a material adverse effect on our business, results of operations and financial condition.

Similarly, tax authorities may interpret the preconditions and scope of tonnage tax regimes different to us and could therefore deny tax benefits which we have claimed. This could increase our tax burden and could have a material adverse effect on our business, results of operations and financial condition.

(ll) We are dependent on our reputation and on maintaining good relationships with our customers, business partners, employees and regulators.

Our business also depends on our reputation and on maintaining good relationships with our customers, business partners, employees and regulators. Any circumstances, including in connection with the UASC Business Combination, which damage our reputation, damage our business relationships or negatively impact on the perception of the Hapag-Lloyd brands may have an adverse effect on our business and business prospects by loss of business, goodwill, customers, business partners and employees.

Furthermore, we own the trademark “Hapag-Lloyd” for the business field cargo logistics (container and cargo shipping) and any potential related future business areas, excluding air freight, whereas TUI Aktiengesellschaft (“TUI”) owns the trademark for tourism and related businesses. TUI’s own activities that use the Hapag-Lloyd brand include a cruise line and travel agencies. Any negative publicity related to the tourism business owned by TUI that uses the “Hapag-Lloyd” trademark could have a negative impact on our reputation. Loss of reputation could have a material adverse effect on our business, results of operations and financial condition.

(mm) Our operations are subject to the general risks of litigation and tax proceedings.

We are involved, on an ongoing basis, in litigation arising in the ordinary course of business or otherwise. Litigation may include claims related to commercial, labor, employment, antitrust, securities or environmental matters.

Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our brand and reputation. Litigation trends and expenses and the outcome of any litigation proceeding cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could adversely affect our financial results.

In addition, we are subject to regular tax audits, which may result in claims for significant additional taxes. Discussions or appeals concerning tax claims are currently pending with local tax authorities in a number of jurisdictions, such as India, Mexico and Brazil.

In particular, we are in dispute with the Indian tax authorities on different topics. Firstly, the Indian tax authorities disagree with the transfer pricing method chosen by us to determine the income of our Indian subsidiaries. Whereas we are of the view that the amended tax assessments are without merit, there is a risk that eventually we will have to adapt our transfer pricing to some extent. Secondly, our Indian subsidiary Hapag-Lloyd India Pvt. Ltd. is currently subject to a service tax investigation. While we are of the opinion that our practices are lawful and consistent with industry practice, there is no certainty that we will be successful in refuting any charges made for the payment of additional Indian service tax by the Indian tax authorities. To the extent that the Company can expect to incur charges which are quantifiable, these charges were accounted for by creating provisions.

In addition, the Mexican tax authorities published a letter of application designed to limit non-refundable value added tax in Mexico retroactively from 2014. To the extent that the Company can expect to incur charges in connection with these developments which are quantifiable, these charges were accounted for by creating provisions. As at March 31, 2017, we had accounted for €133.9 million in contingent liabilities from tax risks not classified as probable (December 31, 2016: €128.4 million).

If any of the risks described above materialize, this could have a material adverse effect on our business, results of operations and financial condition.

(nn) Our international activities increase the compliance risks associated with economic and trade sanctions imposed by the United States, the EU and other jurisdictions.

Our international operations could expose us to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations, including the United Nations, the European Union and their member countries. In particular, the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC, administers certain laws and regulations that impose restrictions upon U.S. companies and persons and, in some contexts, foreign entities and persons, with respect to activities or transactions with certain countries, governments, entities and individuals that are the subject of such sanctions laws and regulations. Hapag-Lloyd is acting in accordance with the applicable sanction laws. We and UASC have agency agreements with third party agents for the provision of charter ships/crews and local sales representatives in the following sanctioned countries: Balkans, Burma, Cuba, Iran, Iraq, Ivory Coast, Lebanon, Libya, Sudan, Syria, Tunisia, Ukraine and Yemen. As of March 31, 2017, the percentage of revenues in each of aforementioned sanctioned countries was at or below 0.2% of our total revenues and below 1% of UASC's revenues. None of the transported commodities have been on the sanctioned cargo list. We have agency agreements with third party agents regarding Iran and Syria. The agency agreement with Iran is active as we have started services to this country. The agency agreement with Syria is inactive as we have not started services to this country as of the date of this prospectus. We discontinued our business with Cuba in 2006, Iran in 2012 and Syria in 2013 upon the introduction of sanctions in these countries. With the integration of the CCS Activities into the Hapag-Lloyd network, all former CCS services with Cuba, Iran, and Syria were terminated. In compliance with the applicable sanctions and other laws, we have taken up services with Cuba, Iran and Sudan again and UASC has services to Iran, Syria and Sudan. In addition, we may take up services to Syria again at a later date. Under economic and trading sanction laws, governments may seek to impose modifications to business practices, and modifications to compliance programs, which may increase compliance costs, and may subject us to fines, penalties and other sanctions.

We are monitoring developments in the United States, the European Union and other jurisdictions that maintain sanction programs, including developments in the implementation and enforcement of such sanctions programs. Expansion of sanctions programs, embargoes and other restrictions in the future (including additional designations of countries subject to sanctions), or modifications in how existing sanctions are interpreted or enforced, could prevent our vessels from calling on ports in sanctioned countries or could limit cargoes. If any of the risks described above materialize, this could have a material adverse effect on our business, results of operations and financial condition.

(oo) Maritime claimants could arrest our vessels, which could lead to an interruption of our business or require us to pay large sums of funds to have the arrest lifted.

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against that vessel for unsatisfied debts, claims or damages. In many jurisdictions, a maritime lienholder may enforce its lien by arresting a vessel through foreclosure proceeding. In some jurisdictions, even the sister vessel of that vessel for which services have been provided may be arrested. The arrest or attachment of one or more of our vessels could interrupt our business or require us to pay large sums of funds to have the arrest lifted, which could have a material adverse effect on our business, financial condition and results of operations.

(pp) Goodwill and other identifiable intangible assets represent a significant portion of our total assets and we may not be able to realize the full value of our intangible assets.

As of March 31, 2017, we recognized intangible assets (consisting of goodwill and other intangible assets) amounting to €2,947.5 million, or 26.3%, of our total assets on our consolidated balance sheet. The goodwill derives from the acquisition of the shares of Hapag-Lloyd AG in March 2009 and the acquisition of the CCS Activities.

The impairment test that was carried out in the preparation of the consolidated financial statements for the financial year 2015 did not result in the recognition of any impairment with respect to intangible assets. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of the services we render, a future share price that is significantly below the net asset value per share, and a variety of other factors. All of these factors may cause an impairment of our intangible assets if they have a lasting negative impact on our business. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount which is the higher of the fair value less cost of disposal or value in use. The amount of any quantified impairment must be expensed immediately as a charge to our results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Accordingly, any determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial condition, results of operations and net worth.

In addition, a significant impairment could potentially amount to a breach of equity covenants which may result in additional financing issues.

(qq) The market value of our vessels may fluctuate significantly, and we may incur losses when we sell vessels following a decline in their market value.

The fair market value of our vessels may increase and decrease depending on a number of factors, including:

- general economic and market conditions affecting the shipping industry;
- competition from other shipping companies;
- alternative modes of transportation;
- cost of new vessels;
- governmental or other regulations;
- prevailing level of charter rates; and
- technological advances.

If the fair market value of our vessels declines below their carrying values and the vessels are designated for sale, we may be required to take an impairment charge or may incur losses if we were to sell one or more of our vessels at such time, which would adversely affect our business and financial condition as well as our results of operations. Additionally, we might be forced to write-down the carrying value of our vessels recognized in our balance sheet. In addition, if the fair market value of our vessels measured on a willing-buyer-willing-seller appraisal basis declines below certain ratios contained in our vessel financing arrangements, then this may result in a prepayment obligation of the respective debt portion and thus result in a cash outflow.

(rr) The valuation of vessels is inherently subjective and uncertain as well as based on assumptions which may prove to be inaccurate or affected by factors outside of our control. Furthermore, the valuation report and financial information contained in this prospectus may incorrectly assess the value of our vessels.

The valuation report on the value of our and UASC's owned and finance leased vessels portfolio as of March 31, 2017 (Valuation Report - Determination of the Vessel Value of Hapag-Lloyd) (the "**Valuation Report**") included in this prospectus was prepared by the independent appraiser PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, New-York-Ring 13, 22297 Hamburg, Germany ("**PwC**"). A vessel's valuation depends on assumptions that could subsequently turn out to have been incorrect. These assumptions have been affected by current expectations on the merger proceedings, which may turn out to be different. Data provided by the Company and UASC and used in the Valuation Report were examined and verified for plausibility on a random sampling basis. The valuation of the owned vessels is based on a multitude of factors that also include the appraiser's subjective judgment. These factors include, for example, the assumptions of the key performance parameters underlying in the budgets, forecasts and projections which are subject to significant business, economic, financial and competitive risks (*e.g.* cyclical and volatile nature of the container shipping industry, cyclical nature of freight rates, assumptions on market growth rates, risk of bunker fuel price fluctuation, assumptions underlying in the definition of future operating margins etc.), future changes in the vessel's scrap value, changes in cost of capital and on the valuation method used. In addition, the forward-looking estimates and forecasts were partly taken from third-party sources and could prove to be inaccurate. The market data and certain economic and industry data and forecasts used were obtained from market research, governmental and other publicly available information, independent industry publication and reports prepared by external industry consultants (*e.g.* IMF; Drewry Maritime Research, Alphaliner, MDS Transmodal, CTS, Clarksons Research). PwC relies on and refer to this external information regarding the future development of key performance parameters. PwC did not conduct its own in-depth industry or competitor analyses. In addition, the management board of Hapag-Lloyd has provided PwC with a written statement to the effect that all material information and explanations given to PwC in connection with the determination of the valuation of the owned vessels are both complete and correct. The valuation of the owned vessels contained in the Valuation Report is therefore subject to numerous uncertainties. The past or future assumptions underlying the vessel valuation may later be determined to have been erroneous.

Based on generally applicable principles, PwC determined the value of the vessels in the capacity of a neutral expert. Those principles and methods are considered today to be firmly established in the theory and practice of valuations. The valuation approach takes into account the specific role of the vessels as a portfolio to the business model of the Company. The vessels were valued under the going concern premise of value. Neither the event of a sale on short notice, nor the event of a fire sale was subject to the valuation. The valuation of the vessel portfolio was primarily based on a forecast of future financial surpluses for the combined entity (the Company and UASC). This forecast and further data provided by the Company and UASC Limited and used in the Valuation Report were examined and verified for plausibility on a random sampling basis. The free cash flows were discounted to the valuation date in order to determine value of the vessel portfolio in a range (bandwidth) by using a discount rate based on the weighted average cost of equity and debt capital (so-called WACC). The value of the vessel portfolio was allocated to its components, which consist of the single vessels included in the portfolio. The allocation procedure was principally conducted by using a scoring model, which was based on certain vessel specific indicators (*e.g.* age, specification etc.) for the contribution of the respective vessel to the overall portfolio. A negative change in one of the assumptions used or factors considered in valuing a vessel can considerably decrease the assessed value of the vessel. Moreover, a change in the factors considered may cause valuation results to differ significantly.

The Valuation Report is thus made on the basis of assumptions, which may prove in hindsight to not have been accurate. Data provided by us and used in the Valuation Report were examined and verified for plausibility on a random sampling basis. The valuation of vessels contained in the Valuation Report is therefore subject to numerous uncertainties, and there can be no assurance that the indicated vessel valuation would reflect actual sale prices in the event that such vessels were to be sold or liquidated, even if such sale or liquidation were to occur shortly after the relevant valuation date. Accordingly, the Valuation Report does not necessarily represent future or current realistically achievable sales prices of our vessels or of our vessel portfolio.

(ss) A downgrade in the rating of Hapag-Lloyd AG could increase its refinancing costs and preclude its access to certain financing markets and products, thereby impairing its liquidity and profitability.

On the date of this prospectus, Hapag-Lloyd AG is rated “B+” (Outlook Negative) by Standard & Poor’s Global Ratings (“**Standard & Poor’s**”) and “B2” (with a stable outlook) by Moody’s Investors Service (“**Moody’s**”). Future downgrades in or a loss of the financial rating of Hapag-Lloyd AG or its outstanding debt securities could lead to an increase of the interest payable under some of Hapag-Lloyd AG’s existing credit facilities and impair Hapag-Lloyd AG’s ability to obtain additional financing or refinancing on economically acceptable terms, or obtain such financing or refinancing at all. Furthermore, a downgrade or loss of rating could preclude Hapag-Lloyd AG from accessing certain financial markets and products and thereby impairing Hapag-Lloyd AG’s liquidity. This could have a material adverse effect on our business, results of operations and financial condition.

(tt) The extended Panama Canal has led to a substantial shift of larger vessels into the Transpacific trade, which may impact freight rates negatively in the future.

Depending on certain design attributes, vessels with a capacity of up to 14,000 TEU can use the extended Panama Canal. As a result, a large number of such vessels have cascaded into the Transpacific trade based on their ability to use the extended Panama Canal. These developments have led to a substantial decline in spot-market freight rates measured by the Shanghai Containerized Freight Index-USWC (Los Angeles/Long Beach/Oakland) (“**SCFI-USWC**”) in the Transpacific trade from US\$ 2,111 per TEU as of January 17, 2014 to US\$725 per TEU as of April 22, 2016 before recovering to US\$1,650 per TEU as of February 24, 2017. The cascading of larger vessels may result in overcapacity on the Transpacific trade and put further downward pressure freight rates.

3.2 Risks Relating to Our Financial Profile

(a) We may not be profitable in future reporting periods and our leverage, which increased substantially as a result of the UASC Business Combination, may make it difficult for us to operate our businesses.

Neither Hapag-Lloyd nor UASC have reported profits on a continual basis in recent years. Following the UASC Business Combination, we will depend on, *inter alia*, operational improvements and our ability to realize synergies we expect from the UASC Business Combination to achieve improved results. If we are unable to improve our operations and realize significant synergy effects, we may not be able to be profitable, which could have a material adverse effect on our Group’s business, results of operations and financial condition.

In addition to the lack of profitability, we currently have and will continue to have a substantial amount of outstanding debt with significant debt service requirements. Our net debt as of March 31, 2017 amounted to €3,588.7 million. In addition, UASC’s net debt as of March 31, 2017 amounted to €3,208.1 million. Moreover, in connection with the UASC Business Combination, we have incurred more debt. Our ability to fund working capital, capital expenditures and other expenses will depend on our future operating performance and ability to generate sufficient cash. Our significant leverage could have important consequences for our business and operations, including:

- making it more difficult for us to satisfy our obligations under our financing arrangements;
- increasing our vulnerability to a downturn in our business or general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt and reducing the availability of our cash flow to fund internal growth through capital expenditures and for other general corporate purposes;

- placing us at a competitive disadvantage compared to our competitors that have lower leverage or greater access to capital resources than we have;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- negatively impacting credit terms with our creditors;
- restricting us from exploiting certain business opportunities; and
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional capital.

Any of the above-listed factors could materially adversely affect our results of operations, financial condition and cash flows.

(b) We are subject to significant restrictive debt covenants, which limit our operating flexibility and, if we default under our debt covenants, we will not be able to meet our payment obligations.

In each case subject to certain exceptions, the indentures governing our outstanding bonds and our other financing arrangements contain covenants which may impose significant restrictions on the way we can operate, including restrictions on our ability to:

- incur or guarantee additional debt and issue preferred stock;
- enter into treasury transactions;
- make loans or extend credit;
- make certain payments, including dividends or other distributions and repayment or redemption of share capital;
- make certain investments or acquisitions, including participating in joint ventures;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliated persons;
- create unrestricted subsidiaries;
- enter into arrangements that restrict payments of dividends to us;
- sell assets, consolidate or merge with or into other companies, change our legal form, enter into corporate reconstruction;
- sell or transfer all or substantially all of our assets or those of our subsidiaries on a consolidated basis;
- issue or sell share capital;
- acquire vessels, change the flag or ship register of vessels, change the management of vessels or charter vessels; and
- create or incur certain liens.

These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. For example, low utilization of ship yards or the insolvency of other container shipping companies could drive down prices for newbuild vessels and asset values which could impair our vessel values. These covenants and restrictions may also limit our ability to ensure compliance with loan-to-value ratio requirements provided for in various asset financings following a decline of the value of the relevant security, so that we may be required to (partially) mandatorily prepay a relevant asset financing in order to ensure such compliance. For example, due to volatile market values for vessels, a loan-to-value under collateralization for the BNPP 1 Vessel Financing and BNPP 2 Vessel Financing was determined at the end of the fourth quarter of 2016 in an amount of US\$62.2 million. Of this, US\$41.0 million has been prepaid as of March 31 2017. A waiver was received for the remaining US\$21.2 million. In the first quarter of 2017, further loan-to-value tests resulted in additional under collateralization of US\$10.3 million to be paid in the second quarter of 2017. If we breach any of these covenants or restrictions, we could be in default under the terms of the indentures governing our outstanding senior

notes and/or our other financing arrangements and trigger cross-defaults between any financing investments. If the debt under our material financing arrangements that we entered into were to be accelerated, our assets may be insufficient to service our debt.

(c) The derivative instruments we employ for hedging purposes involve risks and may not be successful.

From time to time, we may enter into financial transactions to completely or partly hedge risks resulting, for example, from fluctuating currency exchange rate movements and changes in the price of bunker fuel. If commercially reasonable, we currently may hedge up to 80% of our anticipated bunker fuel consumption on a rolling twelve-month basis. Based on the rolling average calculation, the percentage of hedging varies throughout the year and diminishes usually towards the end of the rolling twelve-month period. As of March 31, 2017, approximately 28% of our anticipated bunker fuel consumption for the total year of 2017 was hedged compared to 39% at the end of the third quarter of 2016 and 28% at the end of the fourth quarter of 2016. However, there is no assurance that such hedging transactions entered into by us will adequately mitigate the negative impact of rising bunker fuel prices. Such shortfalls in hedging transactions could potentially result in significantly negative settlements.

Furthermore, when we use hedging instruments we are subject to credit risk as the counterparties to our hedging transactions may default on an obligation. In addition, we potentially forego the benefits of otherwise positive variable interest and currency exchange rate movements and favorable movements in the price of bunker fuel. In addition, there can be no certainty that we will be able to enter into hedging arrangements on commercially reasonable terms, or that our overall hedging strategy will be successful in the future. Moreover, like any other financial instrument that is subject to market risks, the derivatives we use for our hedging activities bear the risk of incremental value loss due to a variety of factors beyond our control. Any of these factors may have a material adverse effect on our business, financial condition and results of operations.

(d) Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Fluctuations in interest rates may affect our interest on existing debt and the cost of new financing. As of March 31, 2017, we had total financial debt of €4,150.9 million, of which approximately €2,622.4 million, or 63%, was floating rate. This ratio is in line with our floating rate indebtedness at the time of our initial public offering in November 2015. As of March 31, 2017, UASC had total financial debt of US\$3,894.8 million, of which approximately US\$2,752.1 million, or 71%, was floating rate. Following the UASC Business Combination, our ratio of floating rate debt has increased to 67% for the combined entity.

If interest rates increase, our debt service obligations on the variable rate indebtedness that is not hedged would increase even though the amount borrowed remained the same, which would require that we use more of our available cash to service our indebtedness. While we strive to manage our exposure to fluctuations in interest rates, we do not currently have any hedging arrangements or interest rate swaps to adjust interest-rate risk exposure. If interest rates increase dramatically, we could be unable to service our indebtedness, which would exacerbate the risks associated with our leveraged capital structure (see 3.2(a) “—*We may not be profitable in future reporting periods and our leverage, which increased substantially as a result of the UASC Business Combination, may make it difficult for us to operate our businesses*”). This could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows.

(e) The Hanjin bankruptcy may result in more restrictive bank lending and credit support to the container shipping industry, including Hapag-Lloyd, which may have a material adverse effect on our financial condition and future operations.

Hanjin Shipping Co., Ltd. (“**Hanjin**”) filed for bankruptcy in the United States and Korea and was declared bankrupt by a court in Seoul on February 17, 2017. The resulting increase in the idle fleet in the second half of 2016 has depressed the market value of container vessels and may have a negative impact on the loan-to-value clauses contained in financing arrangements. After the balance sheet date for the first quarter of 2017 (March 31, 2017), early repayments totalling US\$10.3 million (€9.6 million) were made for ship financing in agreement with the financing banks due to shortfalls in the loan-to-value-ratios. This could have a material impact on our ability to operate our business and result in a material adverse effect on our financial condition and future operations.

3.3 Risks Relating to the UASC Business Combination

(a) The anticipated synergies from the UASC Business Combination might not materialize and we might not be able to fully exploit economies of scale.

The joint team from Hapag-Lloyd and UASC expects total synergies to amount to US\$435 million per year from 2019 onwards based on a synergy report prepared by Hapag-Lloyd, UASC and a third party (the “**Synergy Report**”). In particular, the synergy effects are expected to be generated in the areas of (i) network, (ii) personnel, (iii) administrative, (iv) terminals, (v) inland and (vi) equipment. The expected synergies have been calculated on the basis of operational and financial data, including the cost structures and levels at Hapag-Lloyd and UASC, as of the fourth quarter of 2015 (or earlier). Facts and developments that occur after completion of the UASC Business Combination in the economy and/or in relevant markets may negatively affect the amount of calculated synergies. The joint team from Hapag-Lloyd and UASC expects one-off costs of approximately US\$150 million related to both the implementation of the planned synergies (synergy-related one-offs) as well as related to the successful conclusion of the UASC Business Combination (transaction-related one-offs and integration support).

These synergies and one-off costs are based on estimates and assumptions that are inherently uncertain and subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond our control. In addition, the assumptions used as a basis for the estimated synergy effects could turn out to be inappropriate or incorrect. For example, we may have underestimated the commercial loss of volume or other potential risks in calculating the expected synergies. Also, the synergies may be offset by a deterioration in the markets in which we operate, increases in other expenses, operating losses or problems in the business unrelated to the UASC Business Combination. As a result, there can be no assurance that such synergies will be realized.

The realization of synergies might be substantially impacted by future market developments such as freight rates, charter and bunker price changes, exchange rate deviations, the on-going industry consolidation as well as alterations in alliance partnerships that were not considered.

Furthermore, synergies may have been incorrectly assessed and/or calculated and assumptions on which those calculations are based may turn out to be unfounded. The achievement of the synergies is subject to significant uncertainty; synergies might fail to materialize or be significantly delayed for various factors beyond our control. Even if we realize the expected synergies, they may not be realized within the anticipated time frame. If synergies do not materialize or if we fail to fully exploit economies of scale, this could have a material adverse effect on our business, results of operations and financial condition.

The estimation of potential synergies is forward-looking and therefore subject to change resulting from a large number of factors, such as the general macroeconomic, industry, legal, regulatory and tax environment, as well as changes in the Group’s business strategy, development and investment plans. In addition, various factors in estimating the future synergies included in this prospectus of the combination of both businesses relate solely to UASC. We have only limited access to and insights into these input factors. Prospective investors should therefore be aware that the estimations of synergies to be realized by the UASC Business Combination are subject to significant uncertainty. A failure to realize the estimated synergy effects in part or at all could have a material adverse effect on our business, financial condition and results of operations.

(b) Pro Forma Financial Information describes only a hypothetical situation and, therefore, may not reflect the actual results of operation of the Group following the completion of the UASC Business Combination.

The *pro forma* financial information presented in this prospectus has been taken from the *pro forma* consolidated financial information prepared by the Company for the purpose of this prospectus, comprising the unaudited *pro forma* income statement for the financial year ended December 31, 2016 and for the three months ended March 31, 2017, the *pro forma* consolidated interim statement of financial position of Hapag-Lloyd AG as of March 31, 2017 as well as the notes to the *pro forma* financial information (together, the “**Pro Forma Financial Information**”).

Hapag-Lloyd AG’s *Pro Forma* Financial Information may not be a precise indicator of our future performance, nor reflect what our combined results of operations would have been if Hapag-Lloyd AG

and UASC had been operating as a combined company during the periods presented in the *Pro Forma* Financial Information nor indicate Hapag-Lloyd AG's or UASC's future financial condition, results of operations and cash flow.

Hapag-Lloyd AG's *Pro forma* Financial Information was prepared based on the combination of (i) the unaudited special purpose condensed financial information of UASC as of and for the year ended December 31, 2016 and the special purpose condensed financial information of UASC as of and for the three months ended March 31, 2017 (in both cases, subject to certain adjustments, assumptions and estimates as described in the notes to Hapag-Lloyd AG's *Pro Forma* Financial Information) and (ii) the audited consolidated financial statements of Hapag-Lloyd AG as of and for the financial year ended December 31, 2016 and the unaudited condensed consolidated interim financial information for the three months ended March 31, 2017 in order to provide an estimate of what our results of operations would have been if we had been operating as a combined group. Therefore, the *Pro Forma* Financial Information describes only a hypothetical situation and thus, due to its nature, the presentation does not reflect the actual results of operations of the Group following the completion of the UASC Business Combination. The presentation of the *Pro Forma* Financial Information is based on information available, preliminary estimates and certain *pro forma* assumptions, as described therein. The *Pro Forma* Financial Information has not been audited by any independent auditors and is intended for illustrative purposes only. In addition, our *Pro Forma* Financial Information may: (i) not be indicative of our future performance; (ii) not reflect what our combined results of operations would have been if we had been operating as an independent company during the periods presented; or (iii) not indicate our future results of operations. The *Pro Forma* Financial Information neither contains potential synergies nor cost savings, nor a normalization of any additional future expenses that could result from the UASC Business Combination. Furthermore, the *Pro Forma* Financial Information is only meaningful in conjunction with the Consolidated Financial Statements of Hapag-Lloyd AG.

The UASC Business Combination was executed by a contribution in-kind with Hapag-Lloyd AG issuing common shares as consideration to former shareholders of UASC, corresponding to 28% of the subscribed capital of the combined entity. The valuation and determination of the number of Hapag-Lloyd shares issued for the contribution of all UASC shares of the consideration, for purposes of preparing the *Pro Forma* Financial Information, was based on the book value of the respective equity according to the consolidated financial statements prepared by Hapag-Lloyd and UASC, respectively, in compliance with IFRS as of March 31, 2017. Due to the current stock market valuation where container shipping companies are traded at prices below their respective book values of equity the measurement of the consideration transferred using the quoted stock price of Hapag-Lloyd does not reflect the book value of its equity. Therefore, the accounting for the UASC Business Combination as reflected in the *Pro Forma* Financial Information results in a gain from a bargain purchase which is a one-time increase in other operating income of €102.4 million based on the valuation of the assets acquired and liabilities assumed in accordance with IFRS 3.

The respective estimates of the fair value of the assets acquired and liabilities assumed of UASC are based on the information that was available in the course of carrying out the UASC Business Combination, especially the financial due diligence and is dependent upon certain estimates, assumptions and assessments including, but not limited to, estimating future cash flows and developing appropriate discount rates. The fair value estimates for the assets acquired and liabilities assumed are preliminary and have been made solely for the purpose of developing such *Pro Forma* Financial Information.

A determination of the fair value of assets acquired and liabilities assumed of UASC were based on the actual assets and liabilities of UASC that existed at the time of closing of the UASC Business Combination. Such valuations could change upon the completion of the further analyses and asset valuations from those used in the *Pro Forma* Financial Information until the accounting treatment of the UASC Business Combination is finalized in the course of the preparation of the half-year 2017 accounts of the Company.

(c) Hapag-Lloyd may not be successful in integrating UASC into its existing business in the manner, or within the timeframe, as currently anticipated or only at a higher expense.

The process of integrating UASC into our existing business involves certain risks and uncertainties, and there can be no assurance that we will be able to integrate the two businesses in the manner or within the time frame currently anticipated. The necessity of combining and consolidating

the networks, IT systems, customer service platforms and other operational or administrative units makes us susceptible to failure and disruptions in these areas during the integration phase. Any material delays in the combination of our business with that of UASC could also adversely affect our ability to realize the estimated synergy effects.

The general process of integrating UASC into our Group is subject to changes in processes and potential business disruptions in particular through human error. We may not be able to successfully transfer the know-how or integrate UASC personnel. If we fail to integrate UASC into our business or if we fail to provide the necessary transitional services, this could have a material adverse effect on our business, results of operations and financial condition.

(d) The integration of UASC might result in the loss of key personnel or customers, business interruptions and disturbances.

Our ability to compete successfully and to implement our business strategies depends, in part, on our and UASC's senior management personnel. We also depend on our ability to attract and retain a highly skilled workforce over the long term, such as nautical and engineer officers. Such employees with appropriate knowledge and experience are scarce, and the employment market for such personnel is very competitive. The integration of UASC into our business could cause the departure of personnel with specialized knowledge and senior management personnel. As a result, we might not be able to retain our key personnel or to attract and retain a highly-skilled workforce. The UASC Business Combination might also result in the loss of customers, as customers might not identify with our product and service offering. In addition, the UASC Business Combination may require substantial time and attention of our management, which may draw our management's attention away from other responsibilities and could have a negative impact on our operational business.

Our business also depends on our customer goodwill, our reputation and on maintaining good relationships with our customers, business partners, employees and regulators. Any circumstances, including in connection with the UASC Business Combination, which damage our reputation, damage our business relationships or negatively impact on the perception of the Hapag-Lloyd brand may have an adverse effect on our business and business prospects by loss of business, goodwill, customers, business partners and employees.

Any of these factors could have a material adverse effect on our business, results of operations and financial condition.

(e) We have incurred substantial indebtedness as a result of the UASC Business Combination.

In connection with the UASC Business Combination, we have incurred a substantial amount of existing indebtedness from UASC in addition to our already substantial existing indebtedness prior to the UASC Business Combination. In addition, UASC refinanced a portion of its existing indebtedness prior to closing of the UASC Business Combination.

Our increased level of indebtedness as a result of the UASC Business Combination may materially impact our ability to operate our combined company. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- increase our vulnerability to adverse economic and industry conditions;
- require us to dedicate a substantial portion of cash flow from operations to payments on our indebtedness, which could reduce the availability of cash flow to fund working capital needs, capital expenditures and other general corporate needs;
- result in a downgrade of our corporate and debt credit rating, which may increase the cost of current and potential future borrowings or limit our ability to borrow additional funds; and
- limit our flexibility in planning for, or especially in reacting to, changes in our business and the industry in which we operate;

The realization of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

(f) We may not be able to maintain and fully utilize the much larger fleet of the Group following the UASC Business Combination.

As a result of the UASC Business Combination, our fleet has increased both in terms of size and capacity. As of March 31, 2017, the Hapag-Lloyd and UASC combined fleet comprised 230 vessels (including five vessels, which were chartered to third parties) with total transport capacity of approximately 1.6 million TEU. As of March 31, 2017, we had one new vessel on order with a capacity of 10,500 TEU, which was delivered in April 2017. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. Maintaining and fully utilizing such a large fleet may become difficult and could have a material adverse effect on our business, results of operations and financial condition.

(g) We could be exposed to risks of UASC which have not been detected during our due diligence preceding the UASC Business Combination.

The business of UASC may be subject to risks or problems that we may not be aware of, which may not have been detected or which have not been disclosed to us in the due diligence process or derived from the financial information of UASC and that may only emerge after consummation of the UASC Business Combination or at a much later stage. The UASC BCA provides us with limited protection against the existence of such problems or the materialization of any such risks. The existence of any such risks or problems could lead to a deterioration of the business of UASC and therefore, Hapag-Lloyd as a whole. Any such liabilities, individually or in the aggregate, could have a material adverse effect on our business, financial condition and results of operations.

(h) The UASC Business Combination will entitle certain counterparties of UASC to terminate their agreements as a result of change of control provisions.

The UASC Business Combination will constitute a change of control under certain agreements (excluding certain financing arrangements which were amended as a condition precedent under the UASC BCA prior to the closing of the UASC Business Combination) entered into by UASC and will entitle the counterparties to terminate such agreements. We cannot exclude the possibility that some of these counterparties may exercise their termination rights or try to use their termination right to negotiate more favorable contract terms, which could have a material adverse effect on our business and results of operations following the UASC Business Combination.

(i) The UASC Business Combination will increase our exposure to the highly competitive Far East trade and will increase our exposure to the Middle East.

UASC is predominantly active in the Far East trade, which is characterized by a high degree of overcapacity, declining freight rates and intense competition. As a result of the UASC Business Combination, our exposure to the Far East trade and therefore the risks inherent with that trade have increased. Prior to the UASC Business Combination, we had limited exposure to the Middle East trade. Economic growth in that region declined from 4.1% in 2012 to 3.9% in 2016 due to a substantial drop in the price for crude oil, and is expected to further decline to 2.6% in 2017 (*source*: IMF, World Economic Outlook, October 2016; IMF, World Economic Outlook Update, April 2017) with high political and economic uncertainties expected to persist.

In addition, the Middle East is a region that has been subject to ongoing political and security concerns, especially in recent years. Political instability in the Middle East has increased since the terrorist attacks of September 11, 2001, the U.S. intervention in Iraq and issues concerning Iran's nuclear program. Since December 2010, a number of Middle Eastern countries have experienced significant political and military upheaval, conflict and revolutions (such as the "Arab Spring" or the ongoing severe civil conflict in Syria). The effects of these conflicts have resulted in the destabilization of the region and brought about political, social and economic instability. The continuation of such events or the outbreak of new conflicts in the region such as the current diplomatic crisis between Qatar and Saudi Arabia as well as other Arab nations resulting in an embargo of Qatar, with the potential to escalate further, could increase the political, economic and military instability in the Middle East and could further negatively affect regional economies, their economic growth as well as activity on the Middle East trade. This may result in a decrease of our shipping volumes to and from the Middle and have a material impact on our results of operations. See 3.1(n) "*Risks Relating to Our Business and Industry—Political crises and their consequences in the Middle*

East, Ukraine and elsewhere could affect regional or global economic growth and capital flows which could in turn negatively impact transport volumes and our financing arrangements, respectively”.

3.4 Risks Relating to Our Shares and Our Shareholder Structure

(a) Our share price may fluctuate significantly, and investors could lose all or part of their investment.

The trading volume and price of our shares may fluctuate significantly. Securities markets in general have been volatile in the past. If the share price declines significantly, investors may be unable to resell our shares at or above their purchase price.

The price of our shares is affected primarily by supply and demand for our shares, as well as other factors including, but not limited to, fluctuations in the actual or projected operating results, changes in projected earnings or failure to meet securities analysts’ earnings expectations, changes in trading volumes in our shares, changes in macroeconomic conditions, the activities of competitors and suppliers, changes in the market valuations of similar companies, changes in investor and analyst perception of the Company or our industry, changes in the statutory framework in which we operate and other factors, and can therefore be subject to substantial fluctuations. In addition, general market conditions and fluctuations of share prices and trading volumes generally, could lead to pricing pressures on our shares, even though there may not necessarily be a reason for this in our business or earnings outlook.

(b) Our largest shareholders are in a position to exert substantial influence on the Company. The interests pursued by each of these shareholders could differ from the interests of our other shareholders.

As of the date of this prospectus, Compañía Sud Americana de Vapores S.A. (“**CSAV**”) holds 22.6% of the Company’s outstanding share capital through a wholly owned subsidiary, CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement GmbH (“**HGV**”) holds 14.9%, Kühne Maritime GmbH (“**Kühne Maritime**”) and Kühne Holding AG (together, “**Kühne**”) hold 17.6%, Qatar Investment Authority, through its subsidiary Qatar Holding Germany (“**Qatar Holding Germany**”) holds 14.4% and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) holds 10.1% (together, the “**Shareholders**”). On April 16, 2014, CG Hold Co, HGV and Kühne Maritime entered into a shareholders’ agreement regarding their investment in Hapag-Lloyd (as amended and acceded to by CSAV and Tollo Shipping Co. S.A. (“**Tollo**”) on November 17, 2014 and further amended and restated from time to time the “**Shareholders’ Agreement**”), according to which the parties have agreed to pool their voting rights in Hapag-Lloyd. Originally, such pooling took place through a consortium company, Hamburg Container Lines Holding GmbH & Co. KG (the “**Consortium Company**”). In conjunction with the business combination of Hapag-Lloyd with UASC Limited, CG Hold Co, HGV and Kühne Maritime revised, amended and restated the Shareholders’ Agreement (the “**New Shareholder’s Agreement**”) according to which the pooling as set forth above was only applied until the date of Hapag-Lloyd’s regular annual general meeting, i.e. until May 29, 2017, 24:00hrs CET. From that point in time onwards, CG Hold Co, HGV and Kühne Maritime have agreed to uniformly exercise any and all voting rights pertaining to the shares held by them in Hapag-Lloyd, currently representing approximately 54.6% of the shares issued by Hapag-Lloyd by issuing a common voting proxy and binding instructions to an agent. Through the coordination of their voting rights, the shareholders will be in a position to exert substantial influence on the general shareholders’ meeting and, consequently, on matters decided by the general shareholders’ meeting, including the appointment of our supervisory board (also by including delegation rights (*Entsenderechte*) in favor of certain shareholders in the Company’s articles of association), the distribution of dividends or any proposed capital increase. The common interests of these shareholders could conflict with the interests of other shareholders and they may have strategic objectives or business interests that could conflict with our own strategies or interests. If the interests of the shareholders having entered into the shareholder framework agreement and the pooling agreement conflict with our interests or the interests of our other shareholders, or if our principal shareholders engage in activities or pursue strategic objectives that conflict with our interests or the interest of our other shareholders, we and prospective investors could be disadvantaged.

(c) Future sales of a substantial number of our shares may depress the market price of our shares and make it more difficult to sell equity or equity-related securities in the future.

Sales of substantial amounts of our shares in the public market following the Listing or the perception that these sales could occur, could cause the market value of our shares to decline. These

sales could also make it more difficult for the Company to sell equity or equity-related securities in the future at a time and price that it considers appropriate. Further, a sharp decline of our share price substantially below current trading levels as a result of market development may reduce the possibilities to issue new share at an adequate price and thereby might make it impossible to raise fresh capital for financing purposes. This could negatively affect our financial solidity and increase the cost of funding.

(d) Future offerings of debt or equity securities by us may adversely affect the market price of the shares, and future capitalization measures could lead to substantial dilution of existing shareholders' interests in the Company.

We may require additional capital in the future to finance our business operations and growth. In the future, we may seek to raise capital through offerings of debt securities (potentially including convertible debt securities) or additional equity securities. An issuance of additional equity securities or securities with rights to convert into equity, such as convertible debentures and option debentures, could potentially reduce the market price of the shares and would dilute the economic and voting rights of existing shareholders if made without granting subscription rights to existing shareholders. Because the timing and nature of any future offering would depend on market conditions at the time of such an offering, we cannot predict or estimate the amount, timing or nature of future offerings. In addition, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Company, as well as the exercise of stock options by our employees in the context of any future stock option programs or the issuance of shares to employees in the context of any future employee stock participation programs, could lead to a dilution of the economic and voting rights of existing shareholders. Thus, holders of our Company's shares bear the risk of our future offerings reducing the market price of our Company's shares and/or diluting their shareholdings in the Company.

(e) The payment of future dividends will depend on our financial condition and results of operations, as well as on our operating subsidiaries' distributions to us.

Our general shareholders' meeting will decide matters relating to the payment of future dividends. These decisions will be based on the particular situation of the Company at the time, including our earnings, our financial and investment needs and the availability of distributable statement of financial position income or reserves and a sufficient cash position. Because the Company is the parent company of the Group that conducts its operational business partially through its subsidiaries, our ability to pay dividends depends directly on our operating subsidiaries' distributions of earnings or repayments under intercompany financing arrangements to the Company. The amount and timing of such distributions and repayments will depend on the laws of the operating subsidiaries' respective jurisdictions and the terms of the relevant intercompany financing arrangements. In addition, the indentures governing the respective senior notes contain restrictions regarding our ability to pay dividends to our shareholders. In particular, unless we amend or refinance our senior notes or Revolving Credit Facility, the terms of these financing arrangements effectively limit our ability to pay dividends to an amount at the lower end of our targeted dividend ratio, and if a default or an event of default were to occur thereunder, we may be unable to pay any dividend. Furthermore, our ability to pay dividends is also subject to exchange rate effects (see 3.1(ee) "*Risks Relating to Our Business and Industry—Our business faces risks in connection with currency exchange rates and interest rate fluctuations*"). Any of these factors, individually or in combination, could restrict the Company's ability to pay dividends.

In addition, dividends may only be distributed from the distributable profit of the Company. The distributable profit is calculated based on the Company's annual unconsolidated financial statements prepared in accordance with the accounting principles of the HGB. Accounting regulations under HGB differ from IFRS in material respects.

(f) An investment in our shares by an investor whose principal currency is not the euro may be affected by exchange rate fluctuations.

Our shares are quoted in euro. If such currency represents a foreign currency to an investor in this offering, such investor is particularly exposed to the risk of changes in currency exchange rates. Changes in currency exchange rates result from various factors such as macro-economic factors, speculative transactions and interventions by central banks and governments. Fluctuations in the exchange rates between the euro and other currencies will influence and potentially reduce the value of, and return on, our shares when converted into a foreign currency.

4. GENERAL INFORMATION

4.1 Responsibility Statement

Hapag-Lloyd Aktiengesellschaft, with its registered office at Ballindamm 25, 20095 Hamburg, Federal Republic of Germany (“**Germany**”), and its registered seat in Hamburg, Germany, and registered with the Commercial Register maintained by the Local Court (*Amtsgericht*) of Hamburg, Germany, under number HRB 97937 (the “**Company**” or “**Hapag-Lloyd AG**” and, together with its consolidated subsidiaries, but excluding United Arab Shipping Company Limited (“**UASC Limited**”) and its consolidated subsidiaries (together, “**UASC**”), “**we**”, “**us**”, “**our**”, the “**Group**”, the “**Hapag-Lloyd Group**” or “**Hapag-Lloyd**”), together with Joh. Berenberg, Gossler & Co. KG (“**Berenberg**” or the “**Listing Agent**”), assume responsibility for the content of this prospectus pursuant to Section 5(4) of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and hereby declare, that the information contained in this prospectus is, to the best of their knowledge, accurate and does not contain any material omissions. If any claims are asserted before a court of law based on the information contained in this prospectus, the investor appearing as plaintiff may have to bear the costs of translating the prospectus prior to the commencement of the court proceedings pursuant to the national legislation of the member states of the European Economic Area.

The information in this prospectus will not be updated subsequent to the date hereof except for any significant new event or significant error or inaccuracy relating to the information contained in this prospectus that may affect an assessment of the securities and that occurs or comes to light following the approval of the prospectus, but before the admission of the securities to trading. These updates must be disclosed in a prospectus supplement in accordance with Section 16(1) sentence 1 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*).

4.2 Purpose of this Prospectus

On May 24, 2017, the UASC Business Combination was completed by way of a contribution-in-kind by all entities holding UASC shares to the Company against the issuance of 45,932,023 new ordinary registered shares of the Company with no par value and a pro rata amount of the share capital attributable to each ordinary registered share of €1.00 (the “**New Shares**”). The New Shares originate from a capital increase against contribution-in-kind resolved by the executive board of the Company on May 18, 2017 and approved by the supervisory board of the Company on May 23, 2017 utilizing the authorized capital (Sections 202 et seq. German Stock Corporation Act – *Aktiengesetz*) resolved by the ordinary meeting of the shareholders of the Company on August 26, 2016.

The purpose of this prospectus is the admission of 42,749,568 of the New Shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange and on the regulated market of the Hamburg Stock Exchange. The remaining 3,182,455 shares of the New Shares will not be admitted to trading on a regulated market on the basis of this prospectus. Such remaining shares may be admitted to trading on a regulated market at a later stage.

4.3 Admission to the Frankfurt and Hamburg Stock Exchange and Listing and Commencement of Trading

As of the date of this prospectus, 118,110,917 of the Company’s shares are admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the subsegment thereof with additional post-admission obligations (Prime Standard) and on the regulated market segment (*regulierter Markt*) of the Hamburg Stock Exchange. On July 12, 2017 the Company has applied for admission of 42,749,568 shares to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard) and on the regulated market segment (*regulierter Markt*) of the Hamburg Stock Exchange. The Company expects the listing approval for each stock exchange to be announced on July 19, 2017. Trading of the 42,749,568 shares on the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the Hamburg Stock Exchange is currently expected to commence on July 21, 2017.

4.4 General and Specific Information on the Shares

(a) Voting Rights

Each share in the Company carries one vote at the Company's shareholders' meetings. There are no restrictions on voting rights. Voting rights are the same for all of the Company's shareholders.

(b) Dividend Rights and Share in Liquidation Proceeds

The shares carry full dividend rights as from January 1, 2017, *i.e.*, for the full financial year 2017, and for all subsequent financial years. In the event of liquidation, any proceeds would be distributed to the holders of these shares in proportion to their interest in the Company's share capital.

(c) Form and Representation of the Shares

The Company's articles of association ("**Articles of Association**") provide for all shares in the Company to be issued as ordinary registered shares with no par value (*Stückaktien*). The 118,110,917 shares in the Company that are already admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard) and on the regulated market segment (*regulierter Markt*) of the Hamburg Stock Exchange as well as 42,749,568 of the New Shares that will be admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange and on the regulated market of the Hamburg Stock Exchange on the basis of this prospectus are represented by global share certificates which are deposited with Clearstream Banking Aktiengesellschaft, Mergenthalerallee 61, 65760 Eschborn, Germany.

The remaining 3,182,455 shares of the New Shares are not represented by global share certificates. Such shares will, due to technical reasons, not be admitted to trading on a regulated market on the basis of this prospectus.

Under section 6.2 of the Articles of Association, shareholders are not entitled to have certificates issued for their holdings. The form of the share certificates is decided by the Company's executive board. The Company is authorized to issue share certificates representing multiple shares (global certificates).

(d) ISIN, WKN, Common Code and Ticker Symbol

International Securities Identification Number (ISIN)	DE000HLAG475
German Securities Code (<i>Wertpapierkennnummer</i> – WKN)	HLAG47
Common Code	129212390
Trading Symbol	HLAG

(e) Transferability of the Shares

The shares are freely transferable in accordance with the legal requirements for ordinary registered shares. There are no restrictions on transferability affecting the Company's shares.

(f) Designated Sponsor

Deutsche Bank AG and Goldman Sachs International have been appointed as designated sponsors for the shares in the Company. Designated sponsors place limited buy and sell orders for the Company's shares and thereby achieve greater liquidity in the market for the shares.

4.5 Cost of the Listing

The costs related to the listing of the shares are expected to total approximately €1.4 million. Investors will not be charged expenses by the Company or the Listing Agent.

4.6 Interests of Parties Participating in the Listing

In connection with the admission to trading of the 42,749,568 shares, the Listing Agent has formed a contractual relationship with the Company. Upon successful admission to trading of the 42,749,568 shares, the Listing Agent will receive a commission for its services performed in connection therewith. The Listing Agent has, and in the future may continue to have, from time to time, business relations with the Hapag-Lloyd Group (including lending activities) or may perform services for them in the ordinary course of business.

Since the admission to trading of the 42,749,568 shares will increase the liquidity of the Company's shares already admitted to trading on the Frankfurt and Hamburg stock exchanges, all direct and indirect shareholders in the Company have an interest in the admission to trading of the 42,749,568 shares to which this prospectus pertains.

4.7 Forward-Looking Statements

This prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events. This applies, in particular, to statements in this prospectus containing information on our future earnings, capacity, plans and expectations regarding our business growth and profitability, and the general economic and legal conditions and other factors to which we are exposed. Statements made using words such as "anticipate", "estimate", "expect", "forecast", "intend", "plan", "potential", "predict", or "projected" or the negative of such terms or other comparable terminology may be an indication of forward-looking statements.

Forward-looking statements in this prospectus relate, among other things, to:

- the implementation of our strategic plans and the impact of these plans on our assets, financial position and results of operations;
- our expectations regarding the impact of economic, operating, legal and other risks affecting our business; and
- other statements relating to our future business performance and general economic, regulatory and market trends and other circumstances relevant to our business.

The forward-looking statements contained in this prospectus are based on estimates and assessments made to the best of our present knowledge. These forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors, the occurrence or non-occurrence of which could cause our actual results, including the financial condition and results of operations as well as the profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Even if our future results are consistent with the forward looking statements contained in this prospectus, they may not be indicative of results in subsequent periods.

Actual results, performance or events may differ materially (and be more negative than) from those in such statements due to, among other reasons:

- declines in demand for container shipping and related services, including declines due to global or regional economic downturns;
- cyclical fluctuations in container vessel charter rates;
- increase of container ship capacities leading to oversupply in the market and congestion in certain ports;
- the significant time lag between the ordering and the delivery of new vessels;
- oil and gas prices, and the cost and availability of raw materials, including bunker fuel;
- competitive forces, including downward pressures on freight rates, duration of our contracts with customers and our ability to retain market share in the face of competition from existing and new market entrants;
- the loss of, or deterioration of our relationship with, any significant customers;
- changing trading patterns and sharpening trade imbalances;
- our ability to keep pace with technological changes;
- operating hazards, including marine disasters, oil spills or leaks, environmental damage, death or property damage and business interruptions caused by weather, peril of the sea, mechanical failures, war or other hostilities, piracy or hijackings, explosions, fires or human error;
- acts of piracy and terrorism;
- uncertainties inherent in operating internationally, including economic and political instability, boycotts or embargoes, labor unrest, changes in foreign governmental regulations, corruption and currency fluctuations;

- changes in governmental laws and regulations, including our ability to receive or renew applicable permits or licenses and ability to comply with requirements imposed by classification societies;
- protectionist policies adopted by countries;
- changes to competition and antitrust laws;
- changes to the liability regime for the international maritime carriage of goods;
- increased costs associated with monitoring and inspection procedures aimed at preventing terrorist attacks;
- increases in cost or lack of availability of insurance coverage;
- risks related to our ability to achieve anticipated cost savings;
- risks associated with our IT systems and our ability to continue to generate operational efficiencies;
- risks associated with our membership in THE Alliance and other forms of cooperation;
- currency exchange rate and interest rate fluctuations;
- risks associated with hedging transactions;
- loss of key management personnel and highly skilled employees;
- potential conflicts of interests of shareholders;
- inability to participate in, or discontinuation of, the tonnage tax regime in Germany;
- litigation risks;
- the availability of debt financing, including under our existing financing arrangements;
- our ability to refinance our indebtedness on acceptable terms as it comes due and the impact of changes in floating interest rates on our debt service costs;
- risks associated with the UASC Business Combination (as defined herein); and
- other factors described in this prospectus.

Investors should therefore read the entire prospectus carefully, including 3 “*Risk Factors*”, 9 “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*”, 10 “*Markets and Competitive Environment*”, 11 “*Our Business*” and 24 “*Recent Developments and Outlook*”, which include more detailed descriptions of factors that might influence our business performance and the markets in which we operate.

In light of the uncertainties and assumptions, it is also possible that the future events mentioned in this prospectus may not occur. In addition, the forward-looking estimates and forecasts reproduced in this prospectus from third-party sources could prove to be inaccurate (see 4.9 “*Sources of Market Data/Third Party Reports*” for more information on the third-party sources used in this prospectus). The foregoing may prevent us from achieving our financial and strategic objectives. In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

The forward-looking statements contained in this prospectus are only as of the date on which they were made. Investors are advised that neither we nor the Listing Agent assume any obligation and do not intend, except as required by law, to publicly release any updates or revisions to these forward-looking statements to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or to adjust them in line with future events or developments.

Moreover, it should be noted that neither we nor the Listing Agent assume any obligation and do not intend, except as required by law, to publicly release any updates or revisions to any forward-

looking statements to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based or to adjust them in line with future events or developments. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this prospectus.

4.8 Appraiser/Valuation Report

The independent, external appraiser PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, New-York-Ring 13, 22297 Hamburg, Germany (“**PwC**”), has prepared a valuation report on the value of our and the United Arab Shipping Company Limited’s (“**UASC Limited**”) owned and finance leased vessels portfolio as of March 31, 2017 (Valuation Report—Determination of the Vessel Value of Hapag-Lloyd) (the “**Valuation Report**”), which is reprinted in this prospectus on pages V-1 et seq. PwC is an experienced independent expert with respect to the valuation of vessels.

PwC has consented to the inclusion of the Valuation Report in this prospectus in the unmodified form authorized by it and has approved the context in which it is presented. For the avoidance of doubt, PwC only accepts responsibility for the Valuation Report and for no other part or parts of this prospectus. The Company affirms that, as of the date of this prospectus, no material changes in the value of the vessels appraised in the Valuation Report have occurred since the valuation date of March 31, 2017 for the total portfolio.

4.9 Sources of Market Data/Third Party Reports

In this prospectus, we rely on and refer to information regarding our business and the market in which we operate and compete. The market data and certain economic and industry data and forecasts used in this prospectus were obtained from internal surveys, market research, governmental and other publically available information, independent industry publications and reports prepared by industry consultants.

The following sources were used in the preparation of this prospectus:

- Alphaliner Monthly Monitor, April 2017
- Alphaliner Monthly Newsletter, June 2013 and April 2017
- Alphaliner Weekly Review, May 2017
- Bloomberg L.P. (www.bloomberg.com)
- Clarksons Research Quarterly, Container Intelligence Quarterly, various issues, Q1 2017
- Clarksons Research Seaborne Trade Monitor, February 2017
- Clarksons Research, February 2017
- Clarksons Research, April 2017
- CMA CGM Press Release, November 26, 2014 (<https://www.cma-cgm.com/news/662/opdr-a-major-acquisition-for-the-cma-cgm-group>)
- Container Trade Statistics, February 2017
- Drewry Maritime Research, Q4 2016
- Drewry Maritime Research, various issues, Q4 2016
- Drewry Maritime Research, Q1 2017
- Drewry Maritime Research, various issues, Q1 2017
- HSDG Press Release, March 31, 2015 (https://www.hamburgsud.com/group/en/corporatehome/press_media/releases/details/press_detail_page_910065.html)
- International Monetary Fund, World Economic Outlook, April 2017 (<http://www.imf.org/en/Publications/WEO/Issues/2017/04/04/world-economic-outlook-april-2017>)
- International Monetary Fund, World Economic Outlook Database, April 2017 (<https://www.imf.org/external/pubs/ft/weo/2017/01/weodata/index.aspx>)

- The JOC Group, Inc. (<https://www.joc.com>)
- MDS Transmodal, January 2017
- MDS Transmodal, February 2017
- MDS Transmodal, April 2017
- OECD study on Impact of Mega-Ships based on Dynamar 2015 (https://www.itf-oecd.org/sites/default/files/docs/15cspa_mega-ships.pdf)
- OOIL Group Press Release, July 9, 2017 (<http://www.ooilgroup.com/newsroom/pressrelease/2017/Documents/COSCO%20SHIPPING%20HOLDINGS%20AND%20SIPG%20JOINTLY%20OFFER%20TO%20ACQUIRE%20OOIL%20ENG.PDF>)
- Reuters Group plc (www.reuters.com)
- Verkehrsrundschau, November 26, 2014 (<http://www.verkehrsrundschau.de>)

Unless specified otherwise, market share information throughout this prospectus represents our estimates, based on our transport volumes (TEU) in the relevant market and period and transport volume data from Drewry Maritime Research, Clarksons Research, MDS Transmodal. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness. These industry publications, surveys and forecasts may not have been updated.

Information regarding the synergies from the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company Limited (“**UASC Limited**”) and its subsidiaries (together, “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”), is based on and has been extracted from a third party report (the “**Synergy Report**”), which has been prepared by Hapag-Lloyd, UASC and a third party. The information contained in this prospectus that cites the Synergy Report does not purport to be complete and is qualified in its entirety by reference to detailed information in the Synergy Report. To the extent that information has been sourced from third parties, this information has been accurately reproduced in this prospectus and, as far as we are aware and able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is, by nature, forward-looking and speculative.

The section in this prospectus entitled 10 “*Markets and Competitive Environment*” has been reviewed by the Institute for Shipping Economics and Logistics, Universitätsallee 11–13, Bremen, Germany (“**ISL**”) (expert: Prof. Dr. Burkhard Lemper, Professor at the University of Applied Science Bremen). ISL is a private independent non-profit foundation, providing maritime research. ISL has advised us that this section accurately describes the container shipping market.

Irrespective of the assumption of responsibility for the contents of this prospectus by us and the Listing Agent (see 4.1 “—*Responsibility Statement*”), neither we nor the Listing Agent have independently verified the figures, market data and other information used by third parties in their studies, publications and financial information, or the external sources on which our estimates are based. We and the Listing Agent therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this prospectus and/or for the accuracy of data on which the our estimates are based, other than its accurate reproduction.

Elsewhere in this prospectus, statements regarding the shipping industry, our position in the industry, our market share and the market shares of various industry participants are based solely on our experience, our internal studies and estimates, and our own investigation of market conditions. We cannot assure that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry and none of our internal surveys or information have been verified by any independent sources. Other market participants may use different methods of calculating market share, or may base their calculations upon different base figures, which would likely lead to differing results. We and the Listing Agent do not make any representation or warranty as to the accuracy or completeness of this information.

The statistical and graphical information contained in this prospectus is drawn from the Clarkson Research Services Limited (“**Clarksons Research**”) database and other sources. Clarksons Research has advised that (i) some information in Clarksons Research’s database is derived from estimates or subjective judgments, (ii) the information in the databases of other shipping data collection agencies may differ from the information in Clarksons Research’s database, (iii) whilst Clarksons Research has taken reasonable care in the compilation of the statistical and graphical information and believes it to be accurate and correct, data compilation is subject to limited audit and validation procedures and may accordingly contain errors, (iv) Clarksons Research, its agents, officers and employees cannot accept liability for any loss suffered in consequence of reliance on such information or in any other manner, and (v) the provision of such information does not obviate any need to make appropriate further enquiries.

In addition, we have used weighted average freight rates on an industry-wide basis elsewhere in this prospectus solely for the purposes of illustrating fundamental trends affecting the industry in the periods presented. “Weighted” means that each trade is included according to its own trade volume as compared to the trade volume of the total market. A number of industry sources compile data on average freight rates for East-West trades using different methodologies. Given the fact that the major carriers operate on different routes and that the mix of cargo varies from carrier to carrier, the effective freight rates achieved by any of the carriers for a given time period may vary considerably from the average rates reported by these industry sources. The rate structure comprises many elements that together make up the final fees charged to individual importers and exporters. Such elements include, for example, terminal-handling charges at both, load and discharge ports, bunker surcharges, currency surcharges, inland transportation costs and a variety of ancillary charges, and not all of these elements may be fully reflected in reported average freight rates. The average freight rates as reported by industry sources are typically based on industry surveys because verifiable data from third party sources is not practically available. Due to the fact that average freight rates reported by industry sources do not typically cover all of our trades (for example, Europe and Latin America) and it is not clear how intra-regional trade is allocated to trades, freight rates reported by industry sources may not reliably reflect our own experience with respect to the development of freight rates.

When we refer to the capacity of the world container fleet in this prospectus, this only includes vessels with a capacity of more than 399 TEU for reasons of comparability.

Definitions of certain key technical terms used in this prospectus can be found under 23 “*Glossary of Selected Terms Used in this Prospectus*”.

4.10 Documents Available for Inspection

For the period during which this prospectus is valid, the following documents will be available for inspection during regular business hours at the Company’s offices at Ballindamm 25, 20095 Hamburg, Germany:

- the Articles of Association;
- the Unaudited Interim Condensed Consolidated Financial Statements of Hapag-Lloyd AG prepared in accordance with the International Accounting Standard (“**IAS**”) 34: *Interim Financial Reporting* as of and for the three months ended March 31, 2017;
- the audited consolidated financial statements of Hapag-Lloyd AG as of and for the financial years ended December 31, 2016, 2015 and 2014 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”) and the additional disclosure requirements of German commercial law pursuant to Section 315a (1) German Commercial Code (*Handelsgesetzbuch*) (together, the “**Audited Consolidated Financial Statements**”);
- the audited unconsolidated financial statements of Hapag-Lloyd AG prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2016;
- the *pro forma* consolidated interim income statement for the three months ended March 31, 2017, the *pro forma* consolidated interim statement of financial position as of March 31, 2017 and the *pro forma* consolidated income statement for the financial year ended December 31, 2016 and *pro forma* notes relating thereto (together, the “**Pro Forma Financial Information**”);
- the report issued by ISL in relation to 10 “*Markets and Competitive Environment*”; and

- the Valuation Report prepared by PwC and dated July 7, 2017, relating to the value of our and UASC’s owned vessels portfolio as of March 31, 2017 (Valuation Report – Determination of the Vessel Value of Hapag-Lloyd).

The above documents are also available on our website for as long as this prospectus is valid at <http://ir.hapag-lloyd.com/websites/hapaglloyd/English/0/ir-home.html>.

Our future consolidated annual and interim financial statements will be available on the aforementioned website, from the electronic company register (*elektronisches Unternehmensregister*) (www.unternehmensregister.de) and at our offices, Ballindamm 25, 20095 Hamburg, Germany. Annual financial reports will also be published in the German Federal Gazette (*Bundesanzeiger*). Information on these websites and information accessible via these websites is neither part of, nor incorporated by reference into, this prospectus.

4.11 Currency Presentation

In this prospectus, “euro”, “EUR” and “€” refer to the single European currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time. “U.S. dollar”, “U.S. dollars” and “US\$” refer to the legal currency of the United States of America (the “United States”).

The abbreviation “t” preceding currency data stands for “thousand”, the abbreviation “m” stands for “million” and the abbreviation “bn” stands for billion. The term “billion” means “1,000 million”.

The following table shows, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate (New York) expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate (New York) is a “best market” calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate (New York) is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the Audited Consolidated Financial Statements, the *Pro Forma* Financial Information and other financial information appearing in this prospectus.

The average rate for a year means the average of the Bloomberg Composite Rates (New York) on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate (New York) between the U.S. dollar and the euro on July 17, 2017 was US\$1.1482 per €1.00.

	<u>Period end</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
	<i>(U.S. dollars per €1.00)</i>			
Year				
2012	1.3192	1.2860	1.3458	1.2061
2013	1.3743	1.3285	1.3804	1.2780
2014	1.2098	1.3284	1.3932	1.2098
2015	1.0856	1.1098	1.2002	1.0497
2016	1.0520	1.1070	1.1532	1.0389
Three months ended March 31, 2016	1.1380	1.1043	1.1380	1.0747
Three months ended March 31, 2017	1.0653	1.0657	1.0865	1.0406
Month				
January 2017	1.0701	1.0624	1.0754	1.0397
February 2017	1.0576	1.0641	1.0786	1.0537
March 2017	1.0653	1.0687	1.0865	1.0507
April 2017	1.0879	1.0717	1.0925	1.0590
May 2017	1.1244	1.1057	1.1244	1.0861
June 2017	1.1411	1.1233	1.1420	1.1124
July 1 - 17, 2017	1.1482	1.1411	1.1482	1.1347

For information on the impact of fluctuations in exchange rates on Hapag-Lloyd’s operations, see 3.1(ee) “Risk Factors—Risks Relating to Our Business and Industry—Our business faces risks in connection with currency exchange rates and interest rate fluctuations”.

4.12 Presentation of Certain Financial Information

(a) *Hapag-Lloyd AG Financial Statements*

For information regarding the presentation of financial information contained in this prospectus see the respective introductions to 7 “*Selected Financial and Other Information of Our Group*”, 9 “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*”.

The financial years ended December 31, 2016, December 31, 2015 and December 31, 2014 are also referred to in this prospectus as “**financial year 2016**”, “**financial year 2015**” and “**financial year 2014**”, respectively.

Financial data in this prospectus presented as “audited” has been taken from the Company’s Audited Consolidated Financial Statements or its Audited Unconsolidated Financial Statements. Financial data in this prospectus presented as “unaudited” is either taken or derived from its Unaudited Interim Condensed Consolidated Financial Statements or derived from the Company’s Audited Consolidated Financial Statements or from its accounting records or management reporting or is based on calculations of these figures.

(b) *Hapag-Lloyd Pro Forma Financial Information*

In this prospectus, *pro forma* financial information has been taken from the *pro forma* consolidated financial information prepared by the Company for the purpose of this prospectus, comprising the *pro forma* consolidated interim statement of financial position as of March 31, 2017, *pro forma* consolidated interim income statement for the three months ended March 31, 2017 and the *pro forma* consolidated income statement for the financial year ended December 31, 2016 and notes to the *pro forma* financial information (together, the “**Pro Forma Financial Information**”).

The purpose of this *Pro Forma* Financial Information is to present the *pro forma* consolidated income statement of Hapag-Lloyd AG as of and for the three months ended March 31, 2017 and for the financial year ended December 31, 2016 as if the UASC Business Combination had occurred as of January 1, 2016, and the *pro forma* consolidated interim statement of financial position of Hapag-Lloyd AG and the capital contributions in connection therewith as if the UASC Business Combination had occurred as of March 31, 2017.

The presentation of the *Pro Forma* Financial Information is provided for illustrative purposes only. Because of its nature, the *Pro Forma* Financial Information describes only a hypothetical situation and, therefore, does not indicate the future development of Hapag-Lloyd’s financial condition, results of operation and cash flows.

The *Pro Forma* Consolidated Financial Information is only meaningful if read in conjunction with Hapag-Lloyd AG’s unaudited consolidated financial statements as of and for the three months ended March 31, 2017 and the audited consolidated financial statements for the financial year ended December 31, 2016.

(c) *Non-IFRS Financial Measures*

This prospectus contains non-IFRS measures, including EBITDA, working capital, net debt and *pro forma* EBITDA, that are not required by, or presented in accordance with, IFRS, or any other accepted accounting principles. We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating result as reported under IFRS. Non-IFRS measures such as EBITDA, working capital and *pro forma* EBITDA are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to profit for the year or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

(d) *Presentation of Figures and Technical Terms*

All of the financial data presented in the text and the tables set out in this prospectus are shown in millions of euro (in € million), except as otherwise stated. Certain numerical figures, including

financial information presented in millions or thousands and percentages have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in tables or stated elsewhere in this prospectus. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures stated elsewhere in this prospectus. Financial data presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this prospectus, a dash (“-”) signifies that the relevant figure is not available or equals zero, while a zero (“0”) signifies that the relevant figure is available but has been rounded to zero.

Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in 9 “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations*” are calculated using the numerical data in each of the consolidated financial statements of Hapag-Lloyd AG or the tabular presentation of other information (subject to rounding) contained in this prospectus, as applicable, and not using the numerical data in the narrative description thereof.

We present the capacity of our ships as the total nominal capacity in TEU, which is based on the maximum available space, assuming an optimal distribution of containers. Capacity by TEU presented for the ships owned or operated by us may not be comparable to similarly titled measures used by other companies.

A glossary of certain technical and financial terms and abbreviations used in this prospectus is provided in 23 “*Glossary of Selected Terms Used in this Prospectus*”.

5. DIVIDEND POLICY

5.1 General Provisions Relating to Profit Allocation and Dividend Payments

The shareholders' share of profits is determined based on their respective interests in the Company's share capital. In a German stock corporation (*Aktiengesellschaft*), resolutions concerning the distribution of dividends for a given financial year, and the amount and payment date thereof, are adopted by the general shareholders' meeting (*Hauptversammlung*) of the subsequent financial year upon a joint proposal by the executive board (*Vorstand*) and the supervisory board (*Aufsichtsrat*). The shareholders' meeting must be held within the first eight months of each financial year.

Dividends may only be distributed from the distributable profit (*Bilanzgewinn*) of the Company. The distributable profit is calculated based on the Company's annual unconsolidated financial statements prepared in accordance with the accounting principles of the German Commercial Code (*Handelsgesetzbuch*) and other applicable German law. These accounting regulations differ from IFRS in material respects.

When determining the amount available for distribution, net income for the year must be adjusted for profit and loss carry-forwards from the prior year (*Gewinn-/Verlustvortrag*) and release of or allocations to reserves. Certain reserves are required to be set up by law and must be deducted when calculating the profit available for distribution. The executive board (*Vorstand*) must prepare the financial statements (balance sheet, profit and loss statement and notes to the financial statements) and the management report for the previous financial year by the statutory deadline, and present these to the auditors and then the supervisory board after preparation. At the same time, the executive board and supervisory board (*Aufsichtsrat*) must present a proposal for the allocation of the Company's distributable profit pursuant to Section 170 of the German Stock Corporation Act (*Aktiengesetz*, "AktG"). According to Section 171 AktG, the supervisory board must review the financial statements, the executive board's management report and the proposal for the allocation of the distributable profit, and report to the general shareholders' meeting in writing on the results. The supervisory board must submit its report to the executive board within one month after the documents were received. If the supervisory board approves the financial statements after its review, these are deemed adopted unless the executive board and supervisory board resolve to assign adoption of the financial statements to the general shareholders' meeting. If the executive board and supervisory board choose to allow the general shareholders' meeting to adopt the financial statements, or if the supervisory board does not approve the financial statements, the executive board must convene a general shareholders' meeting without delay.

The general shareholders' meeting's resolution on the allocation of the distributable profit must be passed with a simple majority of votes cast. If the executive board and supervisory board adopt the financial statements, they can allocate an amount of up to half of the Company's net income for the year to other surplus reserves. Additions to the legal reserves and loss carry-forwards must be deducted in advance when calculating the amount of net income for the year to be allocated to other surplus reserves. Dividends resolved by the general shareholders' meeting are due and payable immediately after the general shareholders' meeting, unless provided otherwise in the dividend resolution, in compliance with the rules of the respective clearing system. Generally, withholding tax (*Kapitalertragsteuer*) is withheld from the dividends paid. For more information on the taxation of dividends, see 20.1(b)(i) "Taxation—Taxation in the Federal Republic of Germany—Taxation of Shareholders—Taxation of Dividends".

Dividend payment claims are subject to a three-year standard limitation period. If dividend payment claims expire, then the Company becomes the beneficiary of the dividends.

Since all of the Company's dividend entitlements are evidenced by global dividend coupons deposited with Clearstream Banking Aktiengesellschaft, Clearstream Banking Aktiengesellschaft transfers the dividends to the shareholders' custodian banks for crediting to their accounts. German custodian banks are under the same obligation to distribute the funds to their customers. Shareholders using a custodian bank located outside Germany must inquire at their respective bank regarding the terms and conditions applicable in their case. Notifications of any distribution of dividends resolved upon by the general shareholders' meeting and details concerning the paying agents named by the Company in each case will be published in the German Federal Gazette (*Bundesanzeiger*).

5.2 Earnings and Dividend Per Share

Our dividend policy will be reviewed from time to time and declaration and payment of any future dividends will be at the discretion of the Company's executive board and the general meeting of shareholders after taking into account various factors, including our business prospects, future earnings, cash requirements, financial condition, expansion plans and the requirements of German law (as described above) and/or the laws of the jurisdiction where our subsidiaries are organized. Our general dividend policy following the Listing is to pay dividends at levels consistent with our growth and development plans, while maintaining a reasonable level of liquidity. In general, we aim to pay a dividend of 20% to 30% of our consolidated profit for the respective financial year if this is compliant with the German Commercial Code (*Handelsgesetzbuch*) and the restrictions in certain financing arrangements as well as subject to market conditions, our growth and development plans and the need to maintain a reasonable level of liquidity.

The Company is unable to predict the amount of future net income or distributable profits or forecast whether net income or distributable profits will be generated at all in the future. In addition, the major shareholders of the Company CSAV Germany Container Holding GmbH ("CG Hold Co"), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH ("HGV"), Kühne Maritime GmbH ("Kühne Maritime"), Qatar Investment Authority, through its subsidiary Qatar Holding LLC ("Qatar Holding") and The Public Investment Fund of the Kingdom of Saudi Arabia ("PIF") may determine the Company's dividend policy (see 3.4 "Risk Factors—Risks Relating to Our Shares and Our Shareholder Structure"). In addition to the limitations described above, the terms of certain of our financing agreements also restrict the ability to pay dividends, requiring the absence of a default (i.e., a potential event of default or an event of default) prior to and/or as a result of the making of such payment and the Company to meet or exceed certain financial thresholds prior to paying dividends. In particular, unless we amend or refinance our senior notes, Secured Revolving Credit Facility, Unsecured Revolving Credit Facility and K-Sure I Financing, the terms of such financing arrangements effectively limit our dividend paying ability to an amount at the lower end of our targeted payout ratio or may exclude the making of dividend payments at all. See 12 "Material Contracts".

The table below shows (i) the total and per share net profit as of and for the financial years ended December 31, 2016, 2015 and 2014, as shown in Hapag-Lloyd AG's Audited Consolidated Financial Statements prepared in accordance with IFRS and (ii) the total and per share net income after taxes on an unconsolidated basis, as shown in Hapag-Lloyd AG's Audited Unconsolidated Financial Statements prepared in accordance with German Commercial Code (*Handelsgesetzbuch*) for the respective periods.

	For the financial year ended December 31,		
	2014	2015	2016
	<i>(in € million, except as noted)</i>		
	(unaudited, except as noted)		
Consolidated profit/loss for the period (IFRS) attributable to the shareholders of the Company (audited)	(605.0)	111.6	(96.6)
<i>per share⁽¹⁾ (in €)</i>	(8.81)	1.04	(0.82)
Unconsolidated profit/loss for the period (HGB)	(845.2)	(635.7)	(201.4)
<i>per share⁽²⁾ (in €)</i>	(12.31)	(5.95)	(1.71)
Retained earnings	108.4	108.4	108.4

(1) Each no par value share represents €1.00 of the Company's share capital. Profit or loss per share is computed in accordance with IAS 33 by dividing the consolidated profit/loss for the period attributable to the shareholders at the Company by the weighted average number of shares outstanding in the respective financial years. 68,660,567 shares in the financial year ended December 31, 2014, 106,875,602 in the financial year ended December 31, 2015 and 118,110,917 shares in the financial year ended December 31, 2016.

(2) Profit/loss per share is computed by dividing the unconsolidated profit/loss for the financial year of the Company in accordance with the German Commercial Code (*Handelsgesetzbuch*) by the weighted average number of shares outstanding.

As of December 31, 2016, the retained earnings amounted to approximately €108.4 million. Furthermore, there are capital reserves in accordance to Section 272 (2) no. 4 German Commercial Code (*Handelsgesetzbuch*) in an amount of €273.4 million, which also can be distributed. In respect of the last three financial years, no dividend distributions were made to shareholders.

6. CAPITALIZATION AND INDEBTEDNESS; STATEMENT ON WORKING CAPITAL

6.1 Capitalization and Indebtedness

The following tables provide an overview of Hapag-Lloyd's capitalization and financial debt as of April 30, 2017 on a stand-alone basis as well as adjusted as if the acquisition of UASC by Hapag-Lloyd and the capital contributions in connection therewith and the issuance of the €450 million 5.125% senior notes due 2024 had occurred as of April 30, 2017 (“**Adjusted Capitalization**” and “**Adjusted Indebtedness**”, respectively).

The presentation of the Adjusted Capitalization and the Adjusted Indebtedness is provided for illustrative purposes only. Because of its nature, the Adjusted Capitalization and the Adjusted Indebtedness describe only a hypothetical situation and, therefore, do not indicate the future development of our financial condition, results of operation and cash flows. The Adjusted Capitalization and the Adjusted Indebtedness are only meaningful if read in conjunction with Hapag-Lloyd AG's Audited Consolidated Financial Statements, the Unaudited Interim Condensed Consolidated Financial Statements and the *Pro Forma* Financial Information presented elsewhere in this prospectus.

Investors should read these tables in conjunction with 7 “*Selected Financial and Other Information of Our Group*”, and 9 “*Management's Discussion and Analysis of Financial Conditions and Results of Operations*”.

6.2 Capitalization

	As of April 30, 2017	Adjusted Capitalization as of April 30, 2017
	<i>(€ million, except as noted)</i> (unaudited)	
Total current debt	611.7	892.3
<i>of which guaranteed</i>	—	—
<i>of which secured</i> ⁽¹⁾	575.3	849.4
<i>of which unguaranteed/unsecured</i>	36.4	42.9
Total non-current debt (excluding current portion of long-term debt)	3,492.7	6,557.1
<i>of which guaranteed</i>	—	—
<i>of which secured</i> ⁽¹⁾	2,539.2	4,839.0
<i>of which unguaranteed/unsecured</i>	953.5	1,718.1
Shareholder's equity ⁽²⁾	4,803.0	6,532.0
<i>of which share capital</i>	118.1	177.4
<i>of which legal reserve</i>	1,061.8	2,756.7
<i>of which other reserves</i>	3,623.1	3,597.9
Capitalization (total)	8,907.4	13,981.4

(1) Security mainly comprises land charge(s), bank account pledges, pledges of shares in minority participations and special purpose vehicles, ship mortgages (incl. abstract acknowledgements of debt), security over container boxes and other customary security over vessels and container boxes and rights and receivables arising in respect thereof or in connection therewith (please see 12 “*Material Contracts*”).

(2) Shareholder's equity as of April 30, 2017 includes equity attributable to the shareholders of the Company (€4,799.0 million) and non-controlling interests (€4.0 million).

6.3 Net Indebtedness

	As of April 30, 2017	Adjusted Net Indebtedness as of April 30, 2017
	<i>(€ million, except as noted)</i>	
	(unaudited)	
A. Cash	526.6	1,103.8
B. Cash equivalents	—	—
C. Trading Securities	—	—
D. Liquidity (A)+(B)+(C)	526.6	1,103.8
E. Current financial receivables	—	—
F. Current bank debt	—	271.6
G. Current portion of non-current financial debt	565.6	565.6
H. Other current financial debt	46.1	55.1
I. Current financial debt (F)+(G)+(H)	611.7	892.3
J. Net current financial indebtedness (I) – (E) – D	85.1	-211.5
K. Non-current bank loans	2,409.2	5,450.1
L. Bonds issued	903.4	891.3
M. Other non-current loans	180.2	215.7
N. Non-current financial indebtedness (K)+(L)+(M)	3,492.7	6,557.1
O. Net financial indebtedness (J) + (N)	3,577.8	6,345.6

6.4 Off-Balance Sheet Arrangements and Contingent Liabilities

As of April 30, 2017, the fair value of our obligations from operating lease contracts amounted to €994.2 million. The financial obligations for purchase obligations for investments in container vessels amounted to €0.0 million as of April 30, 2017. As of the same date, our contingent liabilities under IFRS amounted to €134.1 million.

6.5 Statement of Working Capital

From the current perspective, the Company is of the opinion that the Hapag-Lloyd Group is in a position to meet the payment obligations that become due within at least the next twelve months from the date of this prospectus.

7. SELECTED FINANCIAL AND OTHER INFORMATION OF OUR GROUP

Investors should read the following “Selected Financial and Other Information of Our Group” together with the additional financial information contained in this prospectus, in particular in 3 “Risk Factors”, 4.12 “General Information—Presentation of Certain Financial Information”, 9 “Management’s Discussion and Analysis of Financial Conditions and Results of Operations” and 11 “Our Business” contained in this prospectus, as well as in the financial statements including the related notes in 21 “Financial Information” of this prospectus.

All of the financial data presented in the text and the tables set out in this prospectus are shown in millions of euro (in €million), except as otherwise stated. Certain numerical figures, including financial information presented in millions or thousands and percentages have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. In some instances, such rounded figures and percentages may not add up to 100% or to the totals or subtotals contained in tables or stated elsewhere in this prospectus. Furthermore, totals and subtotals in tables may differ slightly from unrounded figures stated elsewhere in this prospectus. Financial data presented in parentheses denotes the negative of such number presented. In respect of financial data set out in this prospectus, a dash (“-”) signifies that the relevant figure is not available or equals zero, while a zero (“0”) signifies that the relevant figure is available but has been rounded to zero.

Financial Information included in this Prospectus

In this prospectus, the selected historical financial information of the Group as of and for the **financial** years ended December 31, 2016, 2015 and 2014 (the “**financial year 2016**”, “**financial year 2015**” and “**financial year 2014**”, respectively), including prior-year comparative figures, (i) if presented as “audited”, is taken from the audited consolidated financial statements of the Company as of and for the financial years 2016, 2015, and 2014 (together, the “**Audited Consolidated Financial Statements**”) and, (ii) if presented as “unaudited”, is either taken or derived from our Unaudited Interim Condensed Consolidated Financial Statements (as defined below) or derived from our Audited Consolidated Financial Statements or from our accounting records or management reporting or is based on calculations of these figures. The Audited Consolidated Financial Statements were prepared by the Company in accordance with the International Financial Reporting Standards, as adopted by the European Union (“**IFRS**”), and the supplementary accounting provisions of German commercial law pursuant to Section 315a (1) German Commercial Code (*Handelsgesetzbuch*).

Hapag-Lloyd AG has published consolidated financial statements for the Group for the last three financial years and for the first three months of 2017 (the “**Reporting Period**”).

The following selected historical financial information of the Group as of and for the three months ended March 31, 2017 and 2016 is taken or derived from the Company’s unaudited interim condensed consolidated financial statements as of and for the three months ended March 31, 2017 (including comparative figures for the three months ended March 31, 2016) (the “**Unaudited Interim Condensed Consolidated Financial Statements**”), the Company’s accounting records or its management reporting. The Unaudited Interim Condensed Consolidated Financial Statements were prepared by the Company in accordance with the International Accounting Standard (“**IAS**”) 34: Interim Financial Reporting. Additional financial information included in this prospectus has been taken from the audited unconsolidated financial statements of the Company for the financial year 2016 (the “**Audited Unconsolidated Financial Statements**”), which were prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*).

The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

UASC is not included in the figures for the financial years ended December 31, 2016, 2015 and 2014, or for the three months ended March 31, 2017 and 2016. UASC has been consolidated as of May 24, 2017, the completion date of the acquisition.

The Audited Consolidated Financial Statements and the Audited Unconsolidated Financial Statements were audited by KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Ludwig-Erhard-Straße 11-17, 20459 Hamburg, Germany (“**KPMG**”), who issued in each case an unqualified auditor’s report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in this prospectus. The

audits of the Audited Consolidated Financial Statements for each of the financial years 2016, 2015 and 2014, and the Audited Unconsolidated Financial Statements were conducted in accordance with Section 317 German Commercial Code (*Handelsgesetzbuch*) and German generally accepted standards for the audit of financial statements of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*).

Selected Financial Information from the Consolidated Income Statement

	For the financial year ended December 31,			For the three months ended March 31,	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(in € million)				
	(audited)			(unaudited)	
Revenue	6,807.5	8,841.8	7,734.2	1,925.7	2,132.1
Other operating income	116.8	193.7	97.1	22.5	26.3
Transport expenses ⁽²⁾	6,060.1	7,258.5	6,364.0	1,592.0	1,789.1
Personnel expenses	403.3	484.4	496.1	141.7	147.4
Depreciation, amortization and impairment of intangible assets and property, plant and equipment	481.7	464.6	481.0	118.6	127.8
Other operating expenses	393.3	517.7	386.2	96.9	98.2
Operating result	(414.1)	310.3	104.0	(1.0)	(4.1)
Share of profit of equity accounted investees	34.2	28.5	27.1	5.8	7.6
Other financial results	(2.9)	27.6	(4.7)	0.0	0.0
Earnings before interest and income taxes (EBIT)	(382.8)	366.4	126.4	4.8	3.5
Interest result	(209.7)	(227.3)	(199.8)	(43.1)	(61.8)
Earnings before income taxes	(592.5)	139.1	(73.4)	(38.3)	(58.3)
Income taxes	11.2	25.2	19.7	4.5	3.8
Profit/loss	(603.7)	113.9	(93.1)	(42.8)	(62.1)

(1) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December. See 9.3(a) "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Factors Affecting the Comparability of Financial Information—The CCS Activities Business Combination".

(2) The following table presents a detailed breakdown of our transport expenses for the periods indicated.

	For the financial year ended December 31,			For the three months ended March 31,	
	2014 ^(*)	2015	2016	2016	2017
	(in € million)				
	(audited)			(unaudited)	
Cost of raw materials, supplies, and purchased goods	1,362.3	1,067.9	687.9	140.3	262.5
Cost of purchased services ^(**)	4,697.8	6,190.6	5,676.1	1,451.7	1,526.6
<i>Thereof:</i>					
<i>Port, canal and terminal costs</i>	1,989.9	2,717.2	2,651.7	651.3	718.4
<i>Container transport costs</i>	1,841.4	2,148.4	1,899.1	460.1	506.3
<i>Chartering, leases and container rentals</i>	734.0	1,168.6	934.9	282.2	242.5
<i>Maintenance and repair and other costs</i>	132.5	156.4	190.4	58.1	59.4
Transport expenses	6,060.1	7,258.5	6,364.0	1,592.0	1,789.1

(*) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December. See 9.3(a) "Management's Discussion and Analysis of Financial Conditions and Results of Operations—Factors Affecting the Comparability of Financial Information—The CCS Activities Business Combination".

(**) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals for the periods covered.

Selected Financial Information from the Consolidated Balance Sheet

	As of December 31,			As of
	2014 ⁽¹⁾	2015	2016	March 31,
	<i>(in € million)</i>			2017
	<i>(audited)</i>			<i>(unaudited)</i>
Assets				
Goodwill	1,372.7	1,610.8	1,661.6	1,642.7
Other intangible assets	1,309.7	1,376.3	1,340.4	1,304.8
Property, plant and equipment	5,176.0	6,143.6	6,315.6	6,250.8
Investments in equity-accounted investees	387.0	326.6	325.7	333.2
Other assets	13.1	22.5	27.0	35.6
Derivative financial instruments	15.8	10.7	24.1	37.1
Income tax receivable	—	—	3.3	3.3
Deferred tax assets	27.9	23.6	25.2	25.7
Non-current assets	8,302.2	9,514.1	9,722.9	9,633.2
Inventories	152.1	94.1	124.5	141.7
Trade accounts receivable	703.8	716.1	677.6	690.2
Other assets	134.3	148.5	197.5	196.2
Derivative financial instruments	3.8	0.7	13.5	2.6
Income tax receivable	28.6	31.9	24.7	22.3
Cash and cash equivalents	711.4	573.7	570.2	519.8
Non-current assets held for sale	59.2	—	—	—
Current assets	1,793.2	1,565.0	1,608.0	1,572.8
Total assets	10,095.4	11,079.1	11,330.9	11,206.0
Equity and liabilities				
Subscribed capital	104.9	118.1	118.1	118.1
Capital reserves	1,651.9	1,263.2	1,061.8	1,061.8
Retained earnings	2,286.1	3,052.3	3,152.9	3,089.6
Cumulative other equity	121.4	604.8	721.8	666.9
Equity attributable to the shareholders of Hapag-Lloyd AG	4,164.3	5,038.4	5,054.6	4,936.4
Non-controlling interests	5.3	7.8	3.8	3.7
Equity	4,169.6	5,046.2	5,058.4	4,940.1
Provisions for pensions and similar obligations	208.4	186.2	238.0	240.0
Other provisions	207.0	144.2	114.0	107.3
Financial debt	3,309.1	3,297.2	3,265.5	3,519.7
Other liabilities	7.2	4.7	12.1	10.7
Derivative financial instruments	—	—	1.8	—
Deferred tax liabilities	1.5	1.5	1.8	2.2
Non-current liabilities	3,733.2	3,633.8	3,633.2	3,879.9
Provisions for pensions and similar obligations	6.5	5.6	6.6	5.0
Other provisions	385.4	285.9	211.2	224.4
Income tax liabilities	18.3	22.9	17.6	15.3
Financial debt	408.0	610.1	915.2	631.2
Trade accounts payable	1,225.4	1,293.8	1,281.6	1,280.0
Other liabilities	125.2	158.5	167.8	189.4
Derivative financial instruments	23.8	22.3	39.3	40.7
Current liabilities	2,192.6	2,399.1	2,639.3	2,386.0
Total equity and liabilities	10,095.4	11,079.1	11,330.9	11,206.0

(1) Amounts adjusted to reflect the purchase price allocation in connection with the acquisition of the CCS Activities. See 9.3(a) “Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Factors Affecting the Comparability of Financial Information—The CCS Activities Business Combination”.

	As of December 31,			As of March 31,	
	2014	2015	2016	2016	2017
	(in € million)				
	(audited, except as noted)			(unaudited)	
Inventories	152.1	94.1	124.5	83.5	141.7
Trade accounts receivable	703.8	716.1	677.6	672.8	690.2
Trade accounts payable	(1,225.4)	(1,293.8)	(1,281.6)	(1,241.0)	(1,280.0)
Working Capital (unaudited)	(369.5)	(483.6)	(479.5)	(484.7)	(448.1)

Selected Financial Information from the Consolidated Cash Flow Statement

	For the financial year ended December 31,			For the three months ended March 31,	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(in € million)				
	(audited)			(unaudited)	
Cash and cash equivalents at the beginning of period	464.8	711.4	573.7	573.7	570.2
Cash inflow/(outflow) from operating activities	377.2	572.1	417.2	141.2	148.1
Cash (outflow) from investing activities	(257.6)	(606.5)	(318.4)	(107.9)	(112.5)
Cash inflow/(outflow) from financing activities	81.6	(177.1)	(119.4)	(129.6)	(79.7)
Net change in cash and cash equivalents	201.2	(211.5)	(20.6)	(96.3)	(44.1)
Cash and cash equivalents at the end of period⁽²⁾	711.4	573.7	570.2	456.0	519.8

(1) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

(2) Cash and cash equivalents at the end of the period include exchange rate differences as shown in the detailed cash flow statement in 9.9 (a) “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Capital Resources—Cash Flow*”.

Selected Other Key Financial and Operational Information

The following tables show selected other key financial and operational information. Some of the following figures (including EBITDA) are presented as financial measures and adjustments that are not presented in accordance with IFRS, or any other internationally accepted accounting principles.

Selected Other Key Financial Information

	As of and for the financial year ended December 31,			As of and for the three months ended March 31,	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(in € million)				
	(audited, except as noted)			(unaudited)	
EBITDA (unaudited)⁽²⁾	98.9	831.0	607.4	123.4	131.3
EBIT	(382.8)	366.4	126.4	4.8	3.5
Net debt (unaudited) ⁽³⁾	3,005.7	3,333.6	3,591.8	3,241.8	3,588.7
Working capital (unaudited)⁽⁴⁾	(369.5)	(483.6)	(479.5)	(484.7)	(448.1)

(1) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

(2) We define EBITDA as profit/loss for the period before income taxes, interest result and amortization, depreciation and impairment. EBITDA is not a measurement of performance under IFRS and should not be considered as an alternative to (a) profit for the period (as determined in accordance with IFRS) as a measure of our operating performance, (b) cash flows from operating investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under IFRS.

We believe that EBITDA is a useful indicator of our ability to incur and service our indebtedness and can assist analysts, investors and other parties to evaluate the Hapag-Lloyd Group. EBITDA and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing our EBITDA to EBITDA of other companies.

The following table reconciles profit/ (loss) for the period to EBITDA as defined by Hapag-Lloyd for the periods indicated:

	For the financial year ended December 31,			For the three months ended March 31,	
	2014	2015	2016	2016	2017
	<i>(in € million)</i>				
	(audited, except as noted)			(unaudited)	
Profit/(loss)	(603.7)	113.9	(93.1)	(42.8)	(62.1)
Income taxes	11.2	25.2	19.7	4.5	3.8
Interest results	209.7	227.3	199.8	43.1	61.8
Earnings before interest and income taxes (EBIT)	(382.8)	366.4	126.4	4.8	3.5
Amortization, depreciation and impairment	481.7	464.6	481.0	118.6	127.8
EBITDA (unaudited)	98.9	831.0	607.4	123.4	131.3

- (3) We define net debt as total financial debt less cash and cash equivalents. The following table shows the reconciliation of net debt:

	As of December 31,			As of March 31,
	2014	2015	2016	2017
	<i>(in € million)</i>			
	(audited, except as noted)			(unaudited)
Total financial debt	3,717.1	3,907.3	4,180.7	4,150.9
Cash and cash equivalents	711.4	573.7	570.2	519.8
Restricted Cash (other assets)	—	—	18.7	42.4
Net debt (unaudited)	3,005.7	3,333.6	3,591.8	3,588.7

- (4) Working capital is unaudited and we calculate it as inventories plus trade accounts receivable less trade accounts payable (which are presented as negative values to illustrate the calculation in the table below). Working capital is not a measurement of performance under IFRS. We believe that working capital is a useful indicator of our ability to incur and service our indebtedness and can assist analysts, investors and other parties to evaluate the Hapag-Lloyd Group. Working capital and similar measures are used by different companies for differing purposes and are often calculated in ways that reflect the circumstances of those companies. Investors should exercise caution in comparing our working capital to working capital of other companies.

	As of December 31,			As of March 31,	
	2014	2015	2016	2016	2017
	<i>(in € million)</i>				
	(audited, except as noted)			(unaudited)	
Inventories	152.1	94.1	124.5	83.5	141.7
Trade accounts receivable	703.8	716.1	677.6	672.8	690.2
Trade accounts payable	(1,225.4)	(1,293.8)	(1,281.6)	(1,241.0)	(1,280.0)
Working Capital (unaudited)	(369.5)	(483.6)	(479.5)	(484.7)	(448.1)

Selected Key Operational Information

	As of and for the financial year ended December 31,			As of and for the three months ended March 31,	
	2014 ⁽¹⁾	2015	2016	2016	2017
	(unaudited)				
Volumes transported (1,000 TEU) ⁽²⁾	5,907	7,401	7,599	1,811	1,934
Total fleet capacity (1,000 TEU) ⁽³⁾	1,009	966	963	955	1,008
Number of Vessels ⁽³⁾	191	177	166	175	172
Container fleet (1,000 TEU)	1,619	1,564	1,576	1,508	1,583
Freight rate (US\$/TEU) ⁽⁴⁾	1,427	1,225	1,036	1,067	1,047
Bunker price (US\$/t) ⁽⁵⁾	575	312	210	197	313
Exchange rate (€/US\$)	1.3288	1.1100	1.1049	1.1030	1.0651

- (1) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.
- (2) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot (6.05 m) in length x 8-foot (2.43 m) in width x 8-foot, 6-inches (2.59 m) in height), the standard unit of measurement of volume used in the container shipping industry.
- (3) Includes the following vessels that we own and chartered out to another carrier: three vessels (20,156 TEU) as of December 31, 2014, four vessels (33,157 TEU) as of December 31, 2015 and two vessels (16,008 TEU) as of December 31, 2016.
- (4) The charged average freight rates per trade lane are weighted with their respective transport volumes per trade lane (TEU), the freight rate reflects the charged price to a customer for a transport of a 20-foot equivalent unit (TEU).
- (5) From the 2017 financial year onwards, and also the comparable Q1 2016 the average bunker consumption price used by Hapag-Lloyd is a combined figure for marine fuel oil (MFO) and marine diesel oil (MDO).

8. PRO FORMA FINANCIAL INFORMATION

8.1 Overview

The following Pro Forma Financial Information has been prepared in accordance with Annex I and Annex II of Commission Regulation (EC) No. 809/2004, as amended.

On July 15, 2016, Hapag-Lloyd AG and United Arab Shipping Company Limited (formerly United Arab Shipping Company (S.A.G.)) (“**UASC Limited**”) entered into a business combination agreement (the “**UASC BCA**”) to combine all activities, assets, liabilities, contractual relationships and employees of UASC and certain of its group companies (together, the “**UASC Business**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”). On July 18, 2016, CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) and Kühne Maritime GmbH (“**Kühne**”) (together, the “**HL Controlling Shareholders**”), along with Qatar Holding LLC (“**Qatar Holding**”) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (together, the “**UASC Controlling Shareholders**”), entered into a shareholders support agreement (the “**SSA**”) to comply with the commitments in relation to the UASC Controlling Shareholders and the HL Controlling Shareholders under the UASC BCA. On May 24, 2017 the UASC Business Combination was completed.

The UASC Business Combination was carried out by way of a contribution-in-kind of all existing UASC shares by (i) all entities and individuals holding UASC shares (“**Participating UASC Shareholders**”) as well as (ii) the company secretary of UASC, on behalf of certain minority shareholders that were dragged along pursuant to UASC’s articles of association (the “**Dragged UASC Shareholders**”), to Hapag-Lloyd AG against the issuance of new shares in Hapag-Lloyd AG to Participating UASC Shareholders and Dragged UASC Shareholders. The new shares originated from a capital increase against contribution-in-kind resolved by the executive board of Hapag-Lloyd AG and approved by the supervisory board of Hapag-Lloyd AG, utilizing the authorized capital resolved by the ordinary meeting of the shareholders of Hapag-Lloyd AG on August 26, 2016 (the “**Capital Increase I**”). As a result, Qatar Holding Germany (“**Qatar Holding Germany**”) and PIF received a 14.4% stake and 10.1% stake in Hapag-Lloyd AG, respectively. See “Principal Shareholders”.

Under the terms of the UASC BCA and the SSA, UASC, Hapag-Lloyd AG, the HL Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million (the “**Capital Increase II**”) converted into Euro at the time the cash capital increase is implemented within a period of six months following the completion of the UASC Business Combination. CG Hold Co and Kühne Maritime together will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50%. The Capital Increase II shall be carried out on the basis of the new authorized capital created at the regular general meeting of Hapag-Lloyd AG on May 29, 2017.

Capital Increase I and Capital Increase II comprise together the “**Transaction**” that is reflected in this unaudited *Pro Forma* Financial Information.

The acquisition of UASC by Hapag-Lloyd AG was completed on May 24, 2017 and is going to be recognized as a business combination in accordance with IFRS 3 with May 24, 2017 being the acquisition date under IFRS 3.

The purpose of this Pro Forma Financial Information is to present the Pro Forma consolidated income statement of Hapag-Lloyd AG for the financial year ended December 31, 2016 and for the three months period ended March 31, 2017, in each case as if the Transaction had occurred as of January 1, 2016, and the Pro Forma consolidated interim statement of financial position of Hapag-Lloyd AG as of March 31, 2017 as if the Transaction had occurred as of March 31, 2017.

In the preparation of the Pro Forma Financial Information, the following assumptions were applied:

- For the preparation of the Pro Forma consolidated income statements for the financial year ended December 31, 2016, and for the three months period ended March 31, 2017, the Transaction occurred on January 1, 2016.
- For the preparation of the Pro Forma consolidated interim statement of financial position as of March 31, 2017, the Transaction occurred on March 31, 2017.

- The Capital Increase II of US\$400 million converted into EUR at the time the cash capital increase was conducted as a cash contribution by new and existing shareholders and had been invested in the redemption of financial debt thus reducing interest expense, the rest was retained as cash with no further impact on results.

The functional currency of Hapag-Lloyd and UASC is U.S. dollars (US\$). For the conversion of the Pro Forma Financial Information into the presentation currency Euro, the following exchange rates were used:

<u>Per EUR</u>	<u>Closing rate</u>	<u>Average rates</u>	
	<u>March 31, 2017</u>	<u>Three months ended March 31, 2017</u>	<u>Year ended December 31, 2016</u>
U.S. dollars	1.0681	1.0651	1.1049

The presentation of the Pro Forma Financial Information is provided for illustrative purposes only. Because of its nature, the Pro Forma Financial Information describes only a hypothetical situation and, therefore, does not indicate the future development of Hapag-Lloyd's financial condition, results of operation and cash flows.

The Pro Forma Financial Information is only meaningful if read in conjunction with the consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2016 and the condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the three months ended March 31, 2017.

Due to rounding, it is possible that individual amounts in this Pro Forma Financial Information do not add up exactly to the totals shown and that the percentage figures presented do not reflect exactly the changes in the absolute figures.

8.2 Pro Forma Consolidated Interim Statement of Financial Position as of March 31, 2017

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Note	Pro Forma
	(in € million)					
	(unaudited)					
Goodwill	1,642.7	16.9	1,659.6	(16.8)		1,642.8
Other intangible assets	1,304.8	32.6	1,337.4	727.8	(2)	2,065.2
Property, plant and equipment	6,250.8	4,889.1	11,139.9	(935.2)	(1) (2)	10,204.7
Investments in equity-accounted investees	333.2	165.0	498.2	(158.0)	(1)	340.2
Other assets	35.6	6.1	41.7	127.7	(1)	169.4
Derivative financial instruments	37.1	—	37.1	—	(3)	37.1
Income Tax Receivables	3.3	—	3.3	—		3.3
Deferred tax assets	25.7	0.5	26.2	—		26.2
Non-current assets	9,633.2	5,110.1	14,743.3	(254.5)		14,488.8
Inventories	141.7	51.2	192.9	—		192.9
Trade Accounts receivable	690.2	361.3	1,051.5	—		1,051.5
Other assets	196.2	4.0	200.2	—		200.2
Derivative financial instruments	2.6	—	2.6	—		2.6
Income tax receivables	22.3	—	22.3	—		22.3
Cash and cash equivalents	519.8	411.7	931.5	198.3	(1) (3) (5)	1,129.8
Current assets	1,572.8	828.2	2,401.0	198.3		2,599.3
Total assets	11,206.0	5,938.3	17,144.3	(56.2)		17,088.1
Equity	4,940.1	1,791.5	6,731.6	(34.8)	(1) (2) (3) (4)	6,696.8
Provisions for pensions and similar obligations	240.0	58.6	298.6	—		298.6
Other provisions	107.3	—	107.3	8.2	(2)	115.5
Financial liabilities	3,519.7	3,322.9	6,842.6	(165.5)	(2) (3) (5)	6,677.1
Other liabilities	10.7	11.8	22.5	—		22.5
Derivative financial instruments	—	2.3	2.3	—		2.3
Deferred tax liabilities	2.2	0.6	2.8	—		2.8
Non-current liabilities	3,879.9	3,396.2	7,276.1	(157.3)		7,118.8
Provisions for pensions and similar obligations	5.0	—	5.0	—		5.0
Other provisions	224.4	—	224.4	41.7	(2)	266.1
Income tax liabilities	15.3	—	15.3	20.4	(2)	35.7
Financial liabilities	631.2	296.9	928.1	51.2	(2) (3) (5)	979.3
Trade Accounts payable	1,280.0	453.7	1,733.7	—		1,733.7
Other liabilities	189.4	—	189.4	22.6	(2) (4)	212.0
Derivative financial instruments	40.7	—	40.7	—		40.7
Current liabilities	2,386.0	750.6	3,136.6	135.9		3,272.5
Total equity and liabilities	11,206.0	5,938.3	17,144.3	(56.2)		17,088.1

8.3 Pro Forma Consolidated Income Statement for the Financial Year ended December 31, 2016

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Note	Pro Forma
	(in € million)					
	(unaudited)					
Revenue	7,734.2	2,261.6	9,995.8	—		9,995.8
Other operating income	97.1	33.2	130.3	—		130.3
Transport expenses	(6,364.0)	(1,900.5)	(8,264.5)	40.3	(12)	(8,224.2)
Personnel expenses	(496.1)	(190.4)	(686.5)	—		(686.5)
Depreciation, amortization and impairment	(481.0)	(249.3)	(730.3)	2.9	(7) (8) (9)	(727.4)
Other operating expenses	(386.2)	(56.9)	(443.1)	18.8	(7) (14)	(424.3)
Operating result	104.0	(102.3)	1.7	62.0		63.7
Share of profit of equity accounted investees	27.1	(1.9)	25.2	7.5	(6)	32.7
Other financial results	(4.7)	1.4	(3.3)	—		(3.3)
Earnings before interest and tax (EBIT)	126.4	(102.8)	23.6	69.5		93.1
Interest result	(199.8)	(125.9)	(325.7)	28.0	(10) (13)	(297.7)
Earnings before income taxes	(73.4)	(228.7)	(302.1)	97.5		(204.6)
Income taxes	(19.7)	(18.3)	(38.0)	—		(38.0)
Profit/loss	(93.1)	(247.0)	(340.1)	97.5		(242.6)
Thereof attributable to shareholders of Hapag-Lloyd AG	(96.6)	(257.3)	(353.9)	97.5		(256.4)
Thereof attributable to non-controlling interests	3.5	10.3	13.8	—		13.8
Basic/Diluted earnings per share (EPS) in €	(0.82)				(15)	(1.45)

8.4 Pro Forma Consolidated Interim Income Statement for the Three Months Ended March 31, 2017

	Hapag-Lloyd	UASC	Subtotal	Pro Forma Adjustments	Note	Pro Forma
	(in € million)					
	(unaudited)					
Revenue	2,132.1	702.4	2,834.5	—		2,834.5
Other operating income	26.3	6.8	33.1	—		33.1
Transport expenses	(1,789.1)	(532.7)	(2,321.8)	2.2	(11)	(2,319.6)
Personnel expenses	(147.4)	(48.7)	(196.1)	—		(196.1)
Depreciation, amortization and impairment.	(127.8)	(66.1)	(193.9)	1.1	(7) (8) (9)	(192.8)
Other operating expenses	(98.2)	(19.4)	(117.6)	5.0	(7) (14)	(112.6)
Operating result	(4.1)	42.3	38.2	8.3		46.5
Share of profit of equity accounted investees	7.6	0.5	8.1	0.6	(6)	8.7
Earnings before interest and tax (EBIT)	3.5	42.8	46.3	8.9		55.2
Interest result	(61.8)	(35.4)	(97.2)	7.3	(10) (13)	(89.9)
Earnings before income taxes	(58.3)	7.4	(50.9)	16.2		(34.7)
Income taxes	(3.8)	(3.3)	(7.1)	—		(7.1)
Profit/loss	(62.1)	4.1	(58.0)	16.2		(41.8)
Thereof attributable to shareholders of Hapag-Lloyd AG	(62.8)	1.5	(61.3)	16.2		(45.1)
Thereof attributable to non-controlling interests	0.7	2.6	3.3	—		3.3
Basic/Diluted earnings per share (EPS) in €	(0.53)				(15)	(0.25)

8.5 Notes to the Pro Forma Financial Information

(a) Introduction

On July 15, 2016, Hapag-Lloyd AG and United Arab Shipping Company Limited (formerly United Arab Shipping Company (S.A.G.)) (“UASC”) entered into a business combination agreement (the “UASC BCA”) to combine all activities, assets, liabilities, contractual relationships and employees of UASC and certain of its group companies (together, the “UASC Business”) with Hapag-Lloyd AG (the “UASC Business Combination”). On July 18, 2016, CSAV Germany Container Holding GmbH (“CG Hold Co”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“HGV”) and Kühne Maritime GmbH (“Kühne”) (together, the “HL Controlling Shareholders”), along with Qatar Holding and PIF (together, the “UASC Controlling Shareholders”), entered into a

shareholders support agreement (the “**SSA**”) to comply with the commitments in relation to the UASC Controlling Shareholders and the HL Controlling Shareholders under the UASC BCA. On May 24, 2017 the UASC Business Combination was completed.

The UASC Business Combination was carried out by way of a contribution-in-kind of all existing UASC shares by (i) all entities and individuals holding UASC shares (“**Participating UASC Shareholders**”) as well as (ii) the company secretary of UASC, on behalf of certain minority shareholders that were dragged along pursuant to UASC’s articles of association (the “**Dragged UASC Shareholders**”), to Hapag-Lloyd AG against the issuance of new shares in Hapag-Lloyd AG to Participating UASC Shareholders and Dragged UASC Shareholders. The new shares originated from a capital increase against contribution-in-kind resolved by the executive board of Hapag-Lloyd AG and approved by the supervisory board of Hapag-Lloyd AG, utilizing the authorized capital resolved by the ordinary meeting of the shareholders of Hapag-Lloyd AG on August 26, 2016 (the “**Capital Increase I**”). As a result, Qatar Holding Germany and PIF received a 14.4% stake and 10.1% stake in Hapag-Lloyd AG, respectively. See “Principal Shareholders”.

Under the terms of the UASC BCA and the SSA, UASC, Hapag-Lloyd AG, the HL Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million (the “**Capital Increase II**”) converted into Euro at the time the cash capital increase is implemented within a period of six months following the completion of the UASC Business Combination. CG Hold Co and Kühne Maritime together will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50%. The Capital Increase II shall be carried out on the basis of the new authorized capital created at the regular general meeting of Hapag-Lloyd AG on May 29, 2017.

Capital Increase I and Capital Increase II comprise together the “**Transaction**” that is reflected in this unaudited *Pro Forma* Financial Information.

The Pro Forma Financial Information comprises the Pro Forma consolidated income statements of Hapag-Lloyd AG for the financial year ended December 31, 2016 and for the three months ended March 31, 2017 and the Pro Forma consolidated interim statement of financial position of Hapag-Lloyd AG as of March 31, 2017 as well as the notes thereon (“**Pro Forma Financial Information**”). The Pro Forma Financial Information is prepared in connection with the listing prospectus of Hapag-Lloyd AG in accordance with the requirements in Appendix I No. 20.2 in connection with Appendix II of the Commission Regulation (EC) No. 809/2004.

Under consideration of the Pro Forma assumptions described below the Pro Forma Financial Information was prepared based on the International Financial Reporting Standards (IFRS) as adopted by the European Union. For the accounting policies relevant for the Pro Forma Financial Information please refer in particular to the note “Fundamental Accounting Principles” in the notes to the audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2016. The Pro Forma Financial Information should be read in conjunction with the audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2016 and the unaudited condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the three months ended March 31, 2017.

(b) Alignment of Accounting Policies

The Pro Forma Financial Information is based on the following historical financial information of Hapag-Lloyd AG and the following financial information of UASC:

- The audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2016
- The unaudited condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the three months period ended March 31, 2017
- The unaudited special purpose condensed financial information of UASC as of and for the year ended December 31, 2016
- The unaudited special purpose condensed financial information of UASC as of and for the three months ended March 31, 2017.

The historical financial information of Hapag-Lloyd AG is published in accordance with the statutory requirements in Germany. The unaudited special purpose condensed financial information of UASC was specifically compiled for the preparation of this Pro Forma Financial Information and have not been published.

The financial information of UASC as provided under the column “UASC” in the Pro Forma consolidated income statements for the financial year ended December 31, 2016 and for the three months ended March 31, 2017 as well as in the Pro Forma consolidated interim statement of financial position as of March 31, 2017, respectively, were adjusted and reclassified to align the accounting policies used in the preparation of financial information of UASC to the accounting policies that were used by Hapag-Lloyd AG in the preparation of the audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2016 and the unaudited condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the three months ended March 31, 2017.

These alignments had the following impact on the financial information of UASC:

	Equity as presented in the statement of financial position as of March 31, 2017	Net result as presented in the income statement for the three months ended March 31, 2017 <i>(in € million)</i> <i>(unaudited)</i>	Net result as presented in the income statement for the year ended December 31, 2016
Equity/Net result in the financial information of UASC	1,735.2	21.9	(306.9)
Revenue	(3.5)	(17.1)	54.6
Provisions for bad debts	3.4	(0.9)	4.1
Container Depreciation	(19.9)	(1.3)	(4.5)
Vessel Depreciation	76.3	1.6	5.7
Total Adjustments	56.3	(17.7)	59.9
Equity/Net result under the column “UASC” in the Pro Forma Financial Information	1,791.5	4.1	(247.0)

(c) Presentation of Pro Forma Financial Information

(i) Pro forma assumptions

In the audited consolidated financial statements of Hapag-Lloyd AG as of and for the year ended December 31, 2016 and in the unaudited condensed consolidated interim financial statements of Hapag-Lloyd AG as of and for the three months ended March 31, 2017 the Transaction was not reflected.

The acquisition of UASC by Hapag-Lloyd AG was completed on May 24, 2017 and is going to be recognized as a business combination in accordance with IFRS 3 with May 24, 2017 being the acquisition date under IFRS 3.

The Transaction represents a significant gross change as defined in Appendix I No. 20.2 of the Commission Regulation (EC) No. 809/2004, triggering the presentation of the Pro Forma Financial Information.

In the preparation of the Pro Forma Financial Information, the following assumptions were applied:

- For the preparation of the Pro Forma consolidated income statements for the financial year ended December 31, 2016, and for the three months period ended March 31, 2017, the Transaction occurred on January 1, 2016.
- For the preparation of the Pro Forma consolidated interim statement of financial position as of March 31, 2017, the Transaction occurred on March 31, 2017.
- The Capital Increase II of US\$400 million converted into EUR at the time the cash capital increase was conducted as a cash contribution by new and existing shareholders and had been invested in the redemption of financial debt thus reducing interest expense, the rest was retained as cash with no further impact on results.

The accounting for the Transaction as reflected in this Pro Forma Financial Information has been based upon the total consideration transferred for the acquisition and preliminary estimates of the fair value of the assets acquired and liabilities assumed of UASC. The UASC Business Combination is effected by way of a contribution-in-kind of all existing UASC shares to Hapag-Lloyd AG against the issuance of new shares in Hapag-Lloyd AG to Participating UASC Shareholders and Draggled UASC Shareholders. In this case the consideration transferred is determined by the valuation of the Hapag-Lloyd shares at May 24, 2017 and needs to be measured following the regulation of IFRS 13 which includes a fair value hierarchy ranging from observable market prices (level 1) to unobservable input parameters (level 3). For purposes of this Pro Forma Financial Information, the consideration transferred is assumed at the total amount of new shares issued in the Capital Contribution I and the respective share price of Hapag-Lloyd AG as of May 24, 2017.

The respective preliminary estimates of the fair value of the assets acquired and liabilities assumed of UASC are based on the information that was available in the course of the Transaction, especially the financial due diligence. The preliminary fair value of the assets acquired and liabilities assumed is dependent upon certain estimates, assumptions and assessments including, but not limited to, estimating future cash flows and developing appropriate discount rates. The fair value estimates for the assets acquired and liabilities assumed are preliminary and have been made solely for the purpose of developing such Pro Forma Financial Information.

A final determination of the fair value of assets acquired and liabilities assumed of UASC will be based on the actual assets and liabilities of UASC that existed at the date of the acquisition. Such valuations could change significantly upon the completion of further analyses and asset valuations from those used in the Pro Forma Financial Information. The final valuation will be completed subsequently to the acquisition date. Consequently, the accounting for the Transaction for the purpose of the Pro Forma Financial Information is incomplete and the uncertainty associated with the valuation of the assets acquired and liabilities assumed is significant.

(ii) Effects of *pro forma* presentation

The preparation of the Pro Forma Financial Information, comprising the Pro Forma consolidated income statement for the financial year ended December 31, 2016, the Pro Forma consolidated income statement for the three months ended March 31, 2017 and the Pro Forma consolidated interim statement of financial position as of March 31, 2017, as well as the notes thereon, is exclusively performed to demonstrate the hypothetical effects of the Transaction on the results of operations and financial position of Hapag-Lloyd in the financial year 2016 and the three months ended March 31, 2017 under the aforementioned Pro Forma assumptions.

Therefore, the Pro Forma Financial Information for the financial year 2016 and the three months ended March 31, 2017 represents the results of operations and financial position of Hapag-Lloyd AG with the assets, liabilities and results of operations of the acquired UASC under the aforementioned Pro Forma assumptions.

The Pro Forma Financial Information is based on a hypothetical situation and accordingly allows only limited conclusions with respect to the results of operations and financial position that would have resulted if the Pro Forma assumptions used for the Pro Forma Financial Information had existed in the periods presented in the Pro Forma Financial Information.

(d) Notes to the Pro Forma Financial Information

The Pro Forma Financial Information is subject to change based on the final determination of the fair value of the actual assets and liabilities of UASC at the acquisition date.

Notes to the Pro Forma consolidated interim statement of financial position as of March 31, 2017

(1) Pre-closing covenants as agreed in the UASC BCA

The assumed sale of ownership-restricted real estate and an investment in an associate of UASC has an effect on the net assets of €1.7 million and €(30.2) million as of March 31, 2017. It is assumed that the ownership-restricted real estate with a carrying amount of €9.2 million as of March 31, 2017 was sold for a consideration of €10.9 million in cash. For the investment in the associate with a carrying amount of €158.0 million as of March 31, 2017 a non-current financial receivable of €127.8 million was recognized. The receivable in the notional amount of US\$152.4 million is due for

payment on December 31, 2018. UASC's investment in the associate was transferred before the acquisition date to a special purpose vehicle held by the Controlling UASC Shareholders and set up for the purpose of the sale.

(2) *Capital Increase I (Acquisition of UASC)*

The acquisition of UASC was executed by a contribution in-kind with Hapag-Lloyd AG issuing 45,932,023 common shares as consideration to former shareholders of UASC.

For the preparation of the Pro Forma Financial Information the amount of the consideration transferred was set at €1,286.1 million (based on the fair value of the 45,932,023 newly issued shares measured at the stock price of Hapag-Lloyd AG of €28.00 per share at acquisition date).

The consideration transferred has been allocated to the assets acquired and liabilities assumed of UASC as follows:

	<u>As of March 31, 2017</u>	
	<i>(in € million)</i>	<i>(in € million)</i>
	(unaudited)	(unaudited)
Consideration transferred		1,286.1
./. Net assets of the UASC at their carrying amount		
Net assets of the UASC attributable to shareholders of the parent company as of		
March 31, 2017	1,784.7	
Effect on net assets from pre-closing covenants as of March 31, 2017	(28.6)	
Derecognition of goodwill recognized in the net assets of the UASC Activities as of		
March 31, 2017	(16.8)	
Net assets of the UASC at March 31, 2017 excluding goodwill		1,739.3
./. Adjustments to recognize assets acquired and liabilities assumed at fair value		
Other intangible assets	727.8	
Property plant and equipment	(926.0)	
Non-current financial debt	(55.3)	
Current financial debt	(17.6)	
Non-current other provisions	(8.2)	
Current other provisions, income tax and other liabilities	(71.5)	
Total adjustments		(350.8)
= Gain from bargain purchase		(102.4)

The valuation of the assets acquired and liabilities assumed in accordance with IFRS 3 is subject to change based on the actual assets and liabilities of UASC at acquisition date and the final determination of the fair values at acquisition date.

The €727.8 million adjustment to other intangible assets reflects the fair value adjustments on customer relationships in the amount of €639.9 million, on favorable vessel charter contracts in the amount of €41.6 million and UASC' trademark in the amount of €46.3 million. Due to its competition sensitive nature, the information that is necessary to exactly determine the value of the customer relationships could not be fully analyzed and determined yet. In the course of the final purchase price allocation subsequent to acquisition, the exact amount will be determined.

The adjustment to property, plant and equipment in the amount of a negative €926.0 million is derived from the fair value valuation of UASC' vessels (negative €1,102.8 million), from the fair value valuation of UASC' containers (€180.0 million) and from the fair value valuation of UASC' properties (negative €3.3 million). The preliminary fair values of the vessels are based on charter free market values for the relevant vessel classes on the basis of a prompt delivery between a willing buyer and willing seller and are derived from currently observable market transactions, if available. Due to the sensitivity and volatility of the second hand vessel market the final valuation of the vessels acquired upon closing could lead to substantial deviations compared to the preliminary fair values above.

The fair value step-up for financial debt in the amount of €72.9 million reflects the derecognition of capitalized transaction fees in order to present the fair value of financial debt (thereof, non-current in the amount of €55.3 million and current in the amount of €17.6 million).

The adjustment to non-current other provisions is related to onerous vessel charter contracts in the amount of €8.2 million. Pro forma adjustments relating to current other provisions in the amount of

€41.7 million are recognized for onerous vessel charter contracts. Further current liabilities in the amount of €20.4 million are recognized for income tax liabilities, in the amount of €4.8 million for other tax liabilities and in the amount of €4.7 million for a vessel delivery postponement fee.

The acquisition of UASC was executed by a contribution in-kind with Hapag-Lloyd AG issuing new common shares as consideration to former shareholders of UASC, corresponding to 28 percent of the subscribed capital of the combined entity. The measurement and determination of the number of Hapag-Lloyd Shares to be issued for the contribution of all UASC shares of the consideration was based on the carrying amount of the respective equity according to the consolidated financial statements prepared by the two companies in compliance with the International Financial Reporting as of December 31, 2015. Due to the current stock market valuation with container shipping companies being currently traded at prices below their respective book values of equity the measurement of the consideration transferred using the quoted stock price of Hapag-Lloyd does not reflect the book value of its equity. Therefore, the accounting for the Transaction results in a gain from a bargain purchase which is a one-time increase in other operating income of €102.4 million according to IFRS 3.

For the purpose of the Pro Forma Financial Information this gain is recognized directly to retained earnings and not through profit and loss due to its one-time nature. This amount is subject to the final valuation of the assets acquired and liabilities assumed. Due to the fact that this listing prospectus was prepared only shortly after the UASC Business Combination has been completed, the customer relationship cannot be reliably measured, because of insufficient data analysis. If the final amount of the customer base deviates significantly from the €639.9 million used in the Pro Forma financial information and / or the valuation of other assets acquired or liabilities assumed deviates at closing from the preliminary values, a significant change in the expected gain from a bargain purchase could result from the final purchase price allocation.

(3) Capital Increase II (Rights issue)

Capital Increase II in the amount of €374.5 million (US\$400.0 million) is mainly recognized as reducing financial debt by redeeming a financial debt facility due 2022 in the amount of €187.2 million. The remaining amount is retained as cash.

(4) Expected transaction costs

After March 31, 2017 further transaction costs in the amount of €13.1 million are expected. These transaction costs are recognized as current other liabilities in the Pro Forma consolidated interim statement of financial position as of March 31, 2017.

(5) Loan prepayment

It is intended to prepay existing non-current financial liabilities in the amount of €33.6 million within three months after closing. Therefore, the respective financial liability is classified as short term financial liability for purposes of this Pro Forma Financial Information. The amount of the envisaged prepayment is recognized as cash and cash equivalent for purposes of this Pro Forma Financial Information respectively.

Notes to the Pro Forma consolidated income statements for the financial year ended December 31, 2016 and for the three months ended March 31, 2017

(6) Effects of pre-closing covenants adjustments on investments in at-equity-accounted investees

This adjustment has a continuous effect and reflects the elimination of UASC' share in the result in the sold equity-accounted investees in the amount of a negative €7.5 million and a negative €0.6 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.

(7) Effects of pre-closing covenants adjustments on ownership-restricted real estate

This adjustment has a continuous effect and reflects the decrease in the depreciation expense of €1.2 million and €0.3 million due to the reduction of the carrying amounts of buildings due to the sale for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.

Additionally, there are additional rent expenses and ceased rent income from subleases assumed, which have a continuous effect and increase other operating expenses in the amount of €4.6 million and €1.2 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.

(8) Effects of fair value adjustments on intangible assets

This adjustment has a continuous effect and reflects the additional amortization expense of €47.2 million and €11.7 million on the intangible assets with a definite useful life acquired as part of the acquisition for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.

The amount of intangible assets, estimated useful lives and amortization method are subject to the final valuation of the assets acquired at the acquisition date.

For the customer relationship an estimated useful life of 30.0 years was assumed, resulting in an additional amortization expense of €20.6 million and €5.3 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively. For the favorable vessel charter contracts, an average term of the contracts of 1.6 years was assumed, resulting in an additional amortization expense of €24.4 million and €5.8 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively. For UASC' trademark an estimated useful life of 20.0 years was assumed, resulting in an additional amortization expense of €2.2 million and €0.6 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.

(9) Effects of fair value adjustments on property, plant and equipment

This adjustment has a continuous effect and reflects the decrease in the depreciation expense of €49.0 million and €12.7 million due to the reduction of the carrying amounts to their fair values as part of the acquisition for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.

The amount of property, plant and equipment useful life's and amortization method are subject to the final valuation of the assets acquired at the acquisition date.

A vessel-based calculation resulted in a reduction of the depreciation expenses of €68.1 million and €17.6 million for the year ended December 31, 2016 and for the three months period ended March 31, 2017, respectively. For the containers an estimated average remaining useful life of 8.7 years was assumed at the date of acquisition resulting in an increase of the depreciation expenses of €19.3 million and €5.0 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively. For the buildings an estimated average remaining useful life of 13.4 years was assumed at the date of acquisition resulting in a reduction of the depreciation expenses of €0.2 million and €0.1 million for the year ended December 31, 2016 and for the three month period ended March 31, 2017, respectively.

(10) Effects of fair value adjustments on current and non-current financial debt

This adjustment has a continuous effect and reflects the decrease in interest expenses of €17.0 million and €4.4 million for the year ended December 31, 2016 and for the three months period ended March 31, 2017 as a result the derecognition of capitalized transaction fees.

(11) Effects of fair value adjustments on non-current other provisions

This adjustment has a continuous effect and reflects the decrease in transportation expenses of €2.2 million for the three months period ended March 31, 2017 as a result of the recognition of the onerous vessel charter contracts with an average remaining useful life of 1.2 years at the date of acquisition.

The amount and maturities of liabilities from onerous vessel charter contracts are subject to the final valuation of the liabilities assumed at the acquisition date.

(12) Effects of fair value adjustments on current other provisions

This adjustment has a continuous effect and reflects the decrease in transportation expenses of €40.3 million for the year ended December 31, 2016 as a result of the recognition of the onerous vessel charter with residual terms of 1.2 years at the date of acquisition.

The amount and maturities of liabilities from onerous vessel charter contracts are subject to the final valuation of the liabilities assumed at the acquisition date.

(13) Reduction of interest expense due to decreased debt as a result of the Capital Increase II

As a result of the assumed Capital Increase II before January 1, 2016 interest expenses were reduced. As €187.2 million was used for the early redemption of financial debt, the respective interest expenses incurred for this financial debt was eliminated. Accordingly, this adjustment has a continuous effect on interest expenses. Interest expenses were reduced in the financial year 2016 by an amount of €11.0 million and in the three months ended March 31, 2017 by an amount of €2.9 million, respectively.

(14) Elimination of transaction costs

The acquisition resulted in one-time transaction costs in the amount of €23.4 million and €6.2 million for the year ended December 31, 2016 and for the three months period ended March 31, 2017, respectively. These costs were eliminated in the Pro Forma consolidated income statements. No further expected transaction-related one-offs were included in the Pro Forma consolidated income statements, as they are assumed to already have been incurred at the opening balance sheet date.

(15) Earnings per share

Capital Increase I increased the number of shares by 45,932,023. Additionally, based on the stock price at the acquisition date and exchange rate on March 31, 2017 Capital Increase II is assumed to generate 13,374,885 new shares based on the stock price at acquisition date. Both capital increases result in a dilution of the earnings/loss per share.

8.6 Auditor's Report to the Pro Forma Financial Information

Examination Report on Pro Forma Financial Information

To Hapag-Lloyd Aktiengesellschaft, Hamburg, Germany

We have examined whether the pro forma financial information of Hapag-Lloyd Aktiengesellschaft, Hamburg (the "**Company**") for the financial year ended December 31, 2016 and for the three-month period ended March 31, 2017 has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The pro forma financial information comprises a pro forma consolidated income statement for the financial year ended December 31, 2016, a pro forma consolidated income statement for the three-month period ended March 31, 2017 and a pro forma consolidated interim statement of financial position as at March 31, 2017 and pro forma notes.

The purpose of the pro forma financial information is to present the material effects the transactions described in the pro forma notes would have had on the historical financial statements if the group had existed in the structure created by the transaction throughout the entire reporting period. As pro forma financial information reflects a hypothetical situation it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period.

The compilation of pro forma financial information is the responsibility of the Company's management.

Our responsibility is to express an opinion, based on our examination, whether the pro forma financial information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. The subject matter of this engagement does neither include an examination of the basic figures including their adjustment to the accounting policies of the Company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our examination in accordance with the IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1) promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the pro forma financial information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the Company are detected with reasonable assurance.

In our opinion, the pro forma financial information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Hamburg, July 17, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Heckert
Wirtschaftsprüfer
[German Public Auditor]

Zgura
Wirtschaftsprüferin
[German Public Auditor]

9. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Investors should read the following discussion in conjunction with the sections entitled 4.12 "General Information—Presentation of Certain Financial Information", 7 "Selected Financial and Other Information of Our Group" as well as with the Consolidated Financial Statements including the notes thereto in the Section 21 "Financial Information" of this prospectus. Hapag-Lloyd AG has published consolidated financial statements for the Group for the last three financial years and for the first three months of 2017 (the "Reporting Period"). The financial statements of Hapag-Lloyd AG have been published for the financial years 2016, 2015 and 2014, and for the three months ended March 31, 2017. The CCS Activities (as defined below) are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December. UASC is not included in the figures for the financial years ended December 31, 2016, 2015 and 2014, or for the three months ended March 31, 2017. UASC has been consolidated as of May 24, 2017, the completion date of the acquisition.

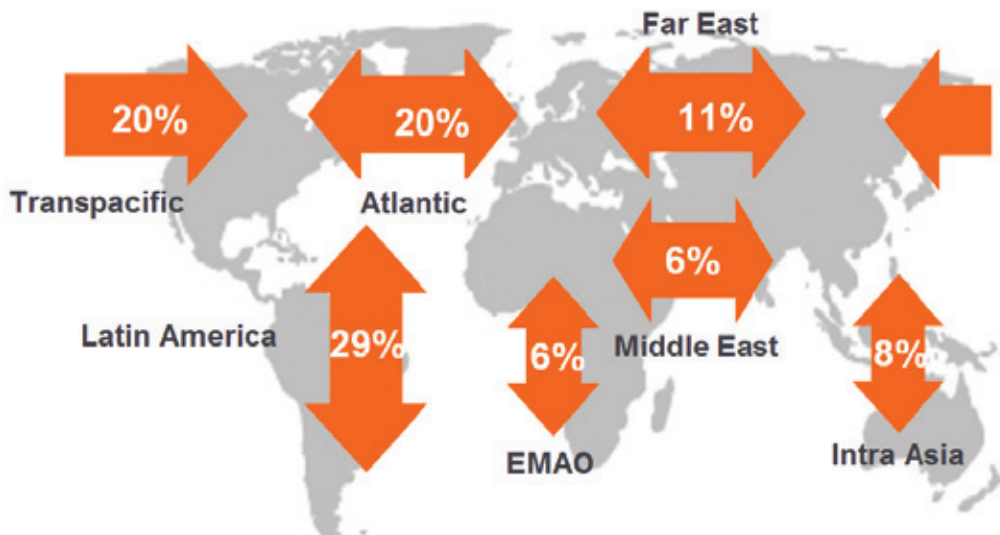
The following discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to 4.7 "General Information—Forward-Looking Statements" and 3 "Risk Factors".

9.1 Overview

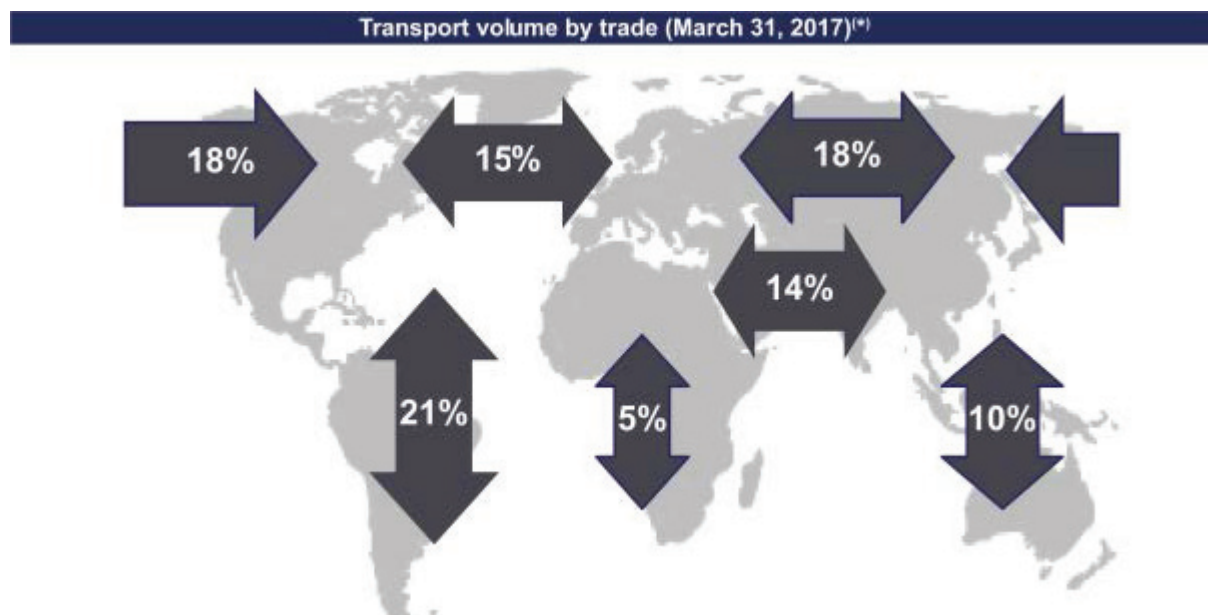
We are a leading global container liner shipping company. Measured by the capacity of our fleet, we are the largest container shipping line based in Germany and one of the largest in the world (*source*: MDS Transmodal, April 2017). We offer our customers a comprehensive range of services through an extensive network with 118 liner services worldwide, combined with the support of strong local presences with around 364 sales offices (including agents) in 121 countries as of March 31, 2017. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet our customers' transport service requirements.

We aim to maintain a well-balanced portfolio of trades distributed among our main markets. We have a strong presence in the high-volume Far East trade (Europe-Asia), the Atlantic (Europe-North America) and Transpacific (Asia-North America) trades as well as in the Latin American trade. In addition, the EMAO (Europe-Mediterranean-African-Oceania) trade as well as the Intra-Asia trade contribute to our overall transport volume. Our extended service network ensures that we are well positioned to benefit from an increase in trade flows around the globe. We have a strong position both in the high-volume East-West trades, which accounted for 51% of our total transport volume in the financial year ended December 31, 2016 (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and our North-South trades, which accounted for 49% of our total transport volumes during the same period (Latin America, Intra-Asia, the Middle East and EMAO represented 30%, 8%, 6% and 5%, respectively). In preparation for the UASC Business Combination, we have reorganized our trades and amended the assignment of individual services. In the three months ended March 31, 2017, our East-West trades accounted for 51% (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and our North-South trades represented 49% (Latin America, Intra-Asia, the Middle East and EMAO represented 29%, 8%, 6% and 6%, respectively) of our total transport volume for the period.

The chart below shows Hapag-Lloyd's transport volumes by trade for the three months ended March 31, 2017.



After completing the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company Limited (“UASC Limited”) and its subsidiaries (together, “UASC”) with Hapag-Lloyd AG (the “UASC Business Combination”) on May 24, 2017, we expect that the combination with one of the largest container shipping companies by capacity based in the Middle East will strengthen our market position as one of the top five shipping companies by capacity and enhance our market position in the attractive Middle East trade where we intend to seize opportunities for further profitable growth. We believe that the UASC Business Combination not only significantly enhances our global reach and the network we are able to offer to our customers, but also allows us to increase our competitiveness through UASC's young and fuel-efficient fleet with a large share of ultra-large container vessels (“ULCVs”) without having to spend additional capital expenditure on such vessels of our own and to harness further synergies. As a result of the UASC Business Combination, we expect our portfolio of trades to become even more balanced, with four of our seven reported trades (Atlantic, Transpacific, Far East and Latin America) having a transport volume of at least one million TEU. The chart below shows Hapag-Lloyd's and UASC's combined transport volumes by trade for the three months ended March 31, 2017.



(*) Allocation of UASC volume according to Hapag-Lloyd trade definition.

Our fleet is one of the largest container ship fleets globally (*source*: MDS Transmodal, April 2017). As of March 31, 2017, we had a fleet of 172 container ships with a total transport capacity of 1,007,519 TEU (TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot, or 6.05 m, x 8 foot or 2.43 m, x 8 foot 6 inches or 2.59 m), the standard unit of measurement of volume used in the container shipping industry), of which we owned 74, chartered 95 and finance leased three vessels.

Through the UASC Business Combination, we acquired an additional 58 vessels, including six 19,870 TEU ships, known for their ecological efficiency, as well as eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017. As of March 31, 2017, we managed a fleet of 963,126 containers with a total transport capacity of 1.58 million TEU, approximately 42% of which we owned with the remainder being rented. As a result of the UASC Business Combination, we acquired an additional 457,933 containers with a capacity of 739,331 TEU. As of March 31, 2017, our order book comprised one new vessel with a capacity of 10,500 TEU, which was delivered in April 2017. UASC's order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. As a result of these investments, our ownership ratio in vessels is expected to increase.

In May 2016, we announced the founding of THE Alliance, which became our new main shipping alliance as of April 2017 and replaced our current alliance, the G6 Alliance, entirely. The G6 Alliance will cease its operations upon completion of the last voyages in July 2017. Besides us, THE Alliance consists of Mitsui O.S.K. Lines ("**MOL**"), Nippon Yusen Kaisha Lines ("**NYK**"), Kawasaki Kisen K.K. ("**K-Line**") and Yang Ming Marine Transport Corp. ("**Yang Ming**"). UASC, as part of Hapag-Lloyd, became part of THE Alliance on May 24, 2017. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance. Hapag-Lloyd AG was one of the founding members of the G6 Alliance (whose other members were, besides us, American President Lines Ltd. ("**APL**"), Hyundai Merchant Marine Co., Ltd. ("**HMM**"), MOL, NYK and Orient Overseas Container Line Limited ("**OOCL**"), which was one of the world's largest operating container shipping alliances with a total combined capacity of approximately 3.5 million TEU, representing a 17% share of the global transport capacity (*source*: MDS Transmodal, February 2016; Drewry Maritime Research, Q1 2017). In addition, we maintain cooperation arrangements with other carriers. We are one of the founding members of the Grand Alliance, which also includes OOCL and NYK, of which the majority of services were merged with those of the New World Alliance to form the G6 Alliance.

Such arrangements allow us to optimize fleet utilization by sharing capacity and to provide a range and geographic scope of network services that would not be possible if we relied solely on our own fleet of vessels. Our ability to coordinate our route planning with our partners enables us to use capacity more efficiently and benefit from cost savings and lower capital expenditures. For the financial year ended December 31, 2016 and for the three months ended March 31, 2017, respectively, approximately 40% and 36% of our total transport volume was carried on either our owned or chartered vessels contributed to the G6 Alliance, or vessels made available to us through the G6 Alliance. The remaining portion of our transport volume was mainly carried out through one of our other cooperation agreements (excluding the G6 Alliance). In addition, we have entered into a cooperation arrangement with CMA CGM S.A. ("**CMA CGM**") and Hamburg Süd Group ("**Hamburg Süd**"), offering new products between Asia and the western and eastern coasts of Latin America. This reflects our ongoing efforts to further strengthen our global coverage of trades, expand our product offering (e.g., reefer products) between Asia and the West and the East coast of Latin America and enhance our cost and operational efficiency.

We have entered into contractual arrangements to use terminal facilities in each of the ports called by our fleet and have strategic shareholdings in a container terminal in Hamburg, Germany. We currently own a 25.1% interest in HHLA Container Terminal Altenwerder GmbH ("**CTA**") in the Port of Hamburg, one of the most modern container terminal facilities in the world (*source*: HHLA Hamburger Hafen und Logistik AG, November 2016).

The Group is headquartered in Hamburg, Germany. As of March 31, 2017, we had 9,413 total employees worldwide. In the financial year ended December 31, 2016 and in the three months ended

March 31, 2017, we generated revenue of €7,734.2 million and €2,132.1 million (2015: €8,841.8 million; 2014: €6,807.5 million), respectively, and EBITDA of €607.4 million and €131.3 million (2015: €831.0 million; 2014: €98.9 million), respectively.

For a more detailed breakdown of our total revenue by geography, see 9.6 “—Comparison of the Three Months Ended March 31, 2017 and 2016”, 9.7 “—Comparison of the Financial Years Ended December 31, 2016 and 2015” and 9.8 “—Comparison of The Financial Years Ended December 31, 2015 and 2014”.

9.2 Factors Affecting Our Results of Operations

Our results of operations during the Reporting Period have been primarily affected by the following factors.

(a) Transport Volume and Freight Rates

(i) Cyclical Nature of Freight Rates

The container shipping industry is cyclical in nature as freight rates are highly dependent on the balance between demand for container shipping services and the supply of vessel and container capacity. To the extent that the supply-demand balance shifts, freight rates are subject to volatility. The demand for container shipping services is primarily driven by global and regional economic growth, geopolitical events, and the shift in manufacturing from high-cost developed countries in North America, Europe and Japan to low-cost countries predominantly in Asia, including China and India, and changes in the regulatory regimes affecting shipping. Changes in the demand for container shipping services (including in our main markets in the Americas, Asia and Europe) are difficult to predict and are generally beyond our control. The global supply of vessel and container capacity is determined by the number and size of container ships in the world (including the charter market), their deployment into trades, the delivery of new ships, which typically involves considerable lead time, the conversion of container ships to other uses and the scrapping of older ships as well as the availability of containers, all of which are also generally beyond our control.

Container shipping freight rates on different services and directions of transport are subject to varying levels of volatility, primarily driven by the perception of market participants as to the balance between the demand for container shipping services and the global and regional supply of vessel and container capacity. Historically, freight rates on the Atlantic trade tended to be more stable compared to those on other trades, with freight rates on the Transpacific and the Far East trades showing the highest levels of volatility. Structural constraints limit the ability of carriers, including us, to quickly redeploy vessels from one trade to another in response to fluctuations in freight rates.

(ii) Impact of global economic and financial crisis.

Transport volume has largely recovered since the lower levels of 2009. In the three months ended March 31, 2017, we experienced an increase in transport volume by 6.8% to 1,934 TEU from 1,811 TEU in the three months ended March 31, 2016 due to stronger bookings in the trades Intra Asia, EMAO, Middle East and Transpacific. We experienced an increase of our transport volume of 2.7% to 7,599,305 TEU in the financial year ended December 31, 2016 as compared to 7,401,206 TEU in the financial year ended December 31, 2015 and an increase of 25.3% to 7,401,206 TEU in transport volume in the financial year ended December 31, 2015 as compared to 5,906,945 TEU in the financial year ended December 31, 2014. The main reason for the increase in 2016 was a higher volume in Transpacific and Intra-Asia trades. In 2015, the increase in transport volumes was caused by the inclusion of the container shipping business from the Chilean shipping company Compañía Sud Americana de Vapores S.A. (“CSAV”) (together, the “CCS Activities”). The combined transport volume of Hapag-Lloyd and the CCS Activities for the financial year 2014, calculated by adding Hapag-Lloyd’s transport volume for the financial year ended December 31, 2014 and the volume transported by the CCS Activities from January 1, 2014 to November 30, 2014, amounted to 7,680,838 TEU.

Global container shipping transport volume increased compared to the previous years by 3.5% in 2016 compared to 2015 and 2.2% in 2015 compared to 2014 (*source*: Clarksons Research, February ended March 31, 2017, our average freight rate decreased by US\$20 or 1.9% to US\$1,047 per TEU compared to US\$1,067 per TEU for the three months ended March 31, 2016. Our average freight rate for the financial year ended December 31, 2016 decreased by US\$189 or 15.4% to US\$1,036 per TEU,

as compared to our average freight rate of US\$1,225 per TEU for the financial year ended December 31, 2015. On a combined basis for the financial year 2014, the freight rate, calculated as a weighted average of Hapag-Lloyd's freight rates in the financial year ended December 31, 2014 and the CCS Activities' freight rates from January 1, 2014 to November 30, 2014 (total freight revenue divided by total volumes transported) amounted to US\$1,369 per TEU. Besides the initial inclusion of the CCS Activities, which had a lower freight rate level overall, the main reason for the decline was the ongoing difficult market environment, with pressure on freight rates persisting throughout the period.

(iii) Seasonality

Historically, we experience seasonal fluctuations in transport volume and freight rates. These fluctuations are largely due to the increased demand for container shipping services in the second and, in particular, third quarters of the year (so-called "peak season") in advance of the festive season in Western countries. In general, the first and fourth quarters generally show lower transport volumes due to a decrease in consumer spending in Western countries after the holidays and reduced manufacturing activities in China and Southeast Asia due to the Chinese New Year celebrations. As a result of these seasonal fluctuations, our revenue and cash flows from operations are not evenly generated throughout the year. However, with the acquisition of the CCS Activities, we have increased our exposure to the food transport business out of Latin America, which is predominantly taking place in the first quarter of the calendar year. As a result, the revenue and earnings profile we report on a quarterly basis may become less volatile.

(iv) Pricing Structure

The price that we are willing to offer to a potential customer depends on the customer's transport volumes, the type of cargo, the service needed (e.g., port-to-port or door-to-door) and our available capacity on the applicable services. Our contracts or agreements with customers are generally valid for up to one year. During the term of a contract, the freight rates are usually fixed.

The freight rate that we charge our customers is largely based on a five-part tariff. The five-part tariff splits the overall rate into the following components:

- Pre-carriage: shipment of container from the customer's chosen (inland) location to a maritime port (pre-carriage transportation).
- Origin terminal handling charge: loading and handling of container to the vessel.
- Sea freight: shipping of containers from base port to base port. Sea freight varies by commodity, trade and direction of shipment, or types of containers, such as reefers (refrigerated containers).
- Destination terminal handling charge: discharge of container from the vessel.
- On-carriage: transport of container to the customer's or consignee's required (inland) destination (on-carriage transportation).

In addition to the five-part tariff, surcharges and adjustment factors are negotiated with our customers. They account for fluctuations in bunker fuel rates and currency exchange rates as well as for peak season shipments, shipments through heavily congested ports, and other extraordinary factors. Separately, some customers are charged on the basis of a fixed all-in rate that is not split into components.

Our ability to achieve profitable freight rates depends largely on general market conditions on a particular trade route, on the perceptions of market participants with regard to the level of structural imbalance between the dominant and non-dominant legs and on the service offered. Typically, the freight rates for special and individualized services are comparatively higher and we negotiate, on an ad hoc basis, cargo-specific charges related to shipments of hazardous cargo, shipments requiring special equipment (such as reefers) or overweight or oversized containers requiring special handling. We generally have greater pricing power on the dominant legs of a trade than on the non-dominant legs. See 11.2 (d) "*Our Business—Our Strengths— Highly diversified and solid customer base with long-term and close customer relationships based on operational excellence and technological know-how that allows for better imbalance management (i.e., management of different transport volumes of regions, which produce and export more goods than they import and consume, on the one hand, and regions, which import and consume more goods than they produce and export, on the other hand, for example, through network planning and by charging different rates for shipping cargo)*".

(b) Foreign Exchange Rate Exposure

The international container shipping business operates in an environment in which the U.S. dollar prevails as the principal currency for pricing. This holds true both for operations and also for capital commitments, since vessel and container financing arrangements are usually U.S. dollar denominated and vessels and containers are principally purchased in U.S. dollars, including those vessels financed under long-term leases or other similar arrangements.

The functional currency of Hapag-Lloyd AG and most of its subsidiaries for accounting purposes is the U.S. dollar. Given that we operate on a worldwide basis, we are exposed to currency exchange rate fluctuations as a result of differences in the currency mix of our revenue and transport and other expenses. For example, average revenue per TEU will be impacted by currency fluctuation as not all of our revenue is priced in U.S. dollars.

In particular, we incur higher expenses in euro as compared to the revenue we generate in euro. We have a significant net exposure to the euro and currencies linked to the euro. This imbalance has and may continue to negatively impact our results of operations when the euro appreciates against the U.S. dollar.

Key risks arising from exchange rate fluctuations are monitored on an ongoing basis. The major foreign currency risk exposure of the Group relates to its euro cost exposure. To limit the risks of changes in exchange rates, hedging transactions can be carried out. As of March 31, 2017, this related to hedging the EUR/US\$ risks of Hapag-Lloyd's financial debt denominated in euro.

In addition to the U.S. dollar and the Euro, the Canadian dollar, Brazilian real, Indian rupee, British pound sterling, Chinese renminbi, Australian dollar, Japanese yen and Mexican peso are also significant currencies.

To the extent the proportion of revenue denominated in U.S. dollars, or euro, differs from the proportion of operating expenses denominated in U.S. dollars, or euro, our operating results are subject to foreign exchange risk. At present, we incur a greater proportion of our operating expenses denominated in euro compared to the proportion of our revenue denominated in euro and, as such, we are particularly sensitive to increases in the value of the euro. Depending on the forecasted euro cash-flows, Hapag-Lloyd's hedging policy allows hedging of up to 80% of its exposure to euro denominated expenses. In 2016 no hedging for transaction risk from operations was performed.

In addition, some of our financing arrangements are denominated in euro. The repayment amounts of euro-denominated financial debt are therefore currently hedged 100% against fluctuations of euro against the U.S. dollar.

At each reporting date, monetary items (such as cash, financial debt, trade accounts receivable, trade accounts payable and provisions for pensions and similar obligations) denominated in currencies other than the U.S. dollar are translated at the closing rate, while non-monetary items are translated at their historical rate for purposes of Hapag-Lloyd AG's financial statements. With regard to monetary items we are therefore exposed to risks related to the translation of assets and liabilities denominated in currencies other than the U.S. dollar, which are economically hedged with derivative instruments and recorded as other operating income or expense in the profit and loss statement, except that differences from the translation of the provisions for pensions and similar obligations are recorded in the personnel expenses.

Hapag-Lloyd AG reports its consolidated financial statements in euro, while the U.S. dollar is the main invoicing currency for our operations, and most of Hapag-Lloyd's subsidiaries' financial statements, including the acquired CCS entities, are prepared in U.S. dollars. For reporting purposes, our assets and liabilities are translated into euro at the exchange rate applicable as of the balance sheet data (closing rate). Expenses, income and earnings are translated at the average exchange rate for the reporting period. Any resulting exchange differences are directly recognized in equity as other comprehensive income and do not affect our profit or loss. The foreign exchange rate risk arising from this translation is not hedged.

(c) Fluctuations in Bunker Fuel Rates

The cost of marine or bunker fuel (fuel used aboard ships) is one of our significant operating costs, equal to approximately 8.2% and 11.6% of our revenue in the financial year ended December 31, 2016 and in the three months ended March 31, 2017, respectively (and 11.4% and 6.6% of our revenue

in the financial year ended December 31, 2015 and in the three months ended March 31, 2016, respectively). The price of marine or bunker fuel fluctuates largely in line with crude oil prices, which are subject to a number of economic and political factors.

In the financial year ended December 31, 2014, the cost of marine or bunker fuel comprised 19.4% of our revenue and the average combined bunker consumption price was US\$587 per tonne (MFO, MDO). In the financial year ended December 31, 2015, the cost of marine or bunker fuel comprised 11.4% of our revenue, an 8.0 percentage points decline, whereas the average bunker consumption price declined by US\$247 per tonne to US\$340 per tonne. In the financial year ended December 31, 2016, the cost of marine or bunker fuel comprised 8.2% of our revenue, a 3.2 percentage points decline, whereas the average bunker consumption price declined by US\$114 per tonne to US\$226 per tonne. In the first three months ended March 31, 2017, the cost of marine or bunker fuel comprised 11.6% of our revenue, a 3.4 percentage points increase, whereas the average bunker consumption price increased by US\$87 per tonne to US\$313 per tonne.

The bunker fuel price (US\$/mt) is strongly correlated to the Crude Oil Brent price (US\$/bbl). As of March 31, 2017, Crude Oil Brent sold for 52.83 US\$/bbl. At the same time Fuel Oil (IFO 380 CST) in the Antwerp, Rotterdam and Amsterdam barge market sold for 276.75 US\$/mt. We seek to pass fluctuations in bunker fuel prices on to customers through bunker fuel price adjustment factors that are negotiated in our customer contracts. However, the degree to which these costs can be passed through and the related implementation depends on existing market conditions. In order to mitigate the risk of increased bunker fuel prices and if commercially reasonable, we may hedge up to approximately 80% of our anticipated bunker fuel consumption on a rolling twelve-month basis. As of March 31, 2017, approximately 28% of our anticipated bunker fuel consumption for the total year of 2017 was hedged compared to 39% at the end of the third quarter of 2016 and 28% at the end of the fourth quarter of 2016. For the financial year 2016, our average bunker price (MFO) amounted to US\$210 per tonne, a decrease of US\$102 per tonne compared to the prior year period's figure of US\$312 per tonne (total bunker cost (MFO) divided by total consumption in tonnes). The weighted average bunker consumption price (MFO High Sulphur, MFO Low Sulphur, MDO Low Sulphur) stood at US\$226 per tonne in the financial year 2016.

(d) Management of Vessel and Container Capacity

Our container shipping revenue is largely the product of market-determined base freight rates and transport volumes over which we have relatively limited control. Accordingly, our profitability depends largely on our ability to identify profitable business and services, maintain and further improve our productivity and effectively manage the cost of transportation and materials and other operating costs, in particular, in respect of the positioning and transport of containers and the coordination of third-party services, such as inland transportation services.

We rely on our global information technology systems, which integrate operational and financial information throughout our organization, to maintain and increase our profitability and to manage the challenges posed by global trade imbalances and inland transportation costs. These systems have put us in a position to increase our shipping volumes while maintaining stable headcount levels. Furthermore, our information technology systems enable us to better forecast and manage changes in the global trade imbalances that characterize and affect the container shipping industry. This allows us to optimize empty container repositioning and thus considerably reduces our repositioning costs. See 11.8 "*Our Business—Information Technology*".

As is customary in the container shipping industry, to meet the demand for container shipping services from our customers, we rely on a combination of owned vessels and containers and chartered and leased vessels and leased containers. We seek to optimize the mix of owned, long-term chartered and leased and short- and mid-term chartered vessels and containers to maintain a stable base capacity and to be able to obtain additional capacity in response to demand peaks. As of March 31, 2017, our entire fleet consisted of 172 container vessels, of which we owned 77, chartered nine on a long-term basis, chartered 20 on a mid-term basis and chartered 66 on a short-term basis as well as finance leased three vessels. Our ratio of owned and long-term chartered vessels reduces our exposure to short-term charter rates and increases the stability of our costs. On the other hand, short-term charters provide us with flexibility to adjust our capacity rapidly in response to changes in demand. Since short-term charter rates, in particular, tend to fluctuate significantly in response to supply and demand in the market, we are generally only able to add additional short-term capacity in periods of peak demand at

higher charter rates. The effect of changes in charter rates on our operating costs tends to lag behind the movements in charter rates as charter contracts are typically entered into fixed rates for specified periods of time with options for renewal at agreed prices.

As of March 31, 2017, we operated a stock of 963,126 individual containers, equivalent to a total of 1.58 million TEU, of which we owned 42% and leased or rented the remaining part.

(e) Cooperation Arrangements

We operate most of our container shipping services in varying degrees of cooperation with other carriers pursuant to vessel sharing agreements, slot swap agreements or slot purchase agreements. We are a founding member of THE Alliance and the G6 Alliance which, until March 31, 2017, was one of the world's largest operating container shipping alliances with a global capacity share of approximately 17% (*source*: MDS Transmodal, February 2016) and of the Grand Alliance. Until March 31, 2017, the G6 Alliance was our largest vessel sharing agreements, covering 23 of our services. THE Alliance replaced the G6 Alliance as our largest vessel sharing alliance as of April 2017. The Grand Alliance no longer has any active services, although the Grand Alliance has not been terminated as of the date of this prospectus. The G6 Alliance (including the Grand Alliance) and other cooperation arrangements contributed 41.9% and 49.4% to our total transport volume in the financial year ended December 31, 2016, respectively, and 40.9% and 50.2% in the three months ended March 31, 2017, respectively. See 11.7(a) "*Our Business—Alliances and Cooperation Arrangements—THE Alliance and Grand Alliance*".

Each member of the Grand Alliance undertakes to provide vessels for the services covered by the current agreement and offers a part of the capacity to the Grand Alliance members. In return, we are allocated a proportionate number of slots (space required for one TEU on board a vessel) on the vessels contributed by other Grand Alliance members. The value of slots contributed, determined based on an agreed formula, is credited to the operator contributing the relevant capacity on our vessels and debited to other carriers who have been allotted slots on that service. Any imbalance between the net contribution and allocation of slots is settled by Grand Alliance members in cash on a monthly basis. The formula for establishing the value of slot contributions and allocations is adjusted periodically to reflect changed market or operating conditions. See 11.7(a) "*Our Business—Alliances and Cooperation Arrangements—THE Alliance and Grand Alliance*".

Each member of THE Alliance, provides ships for the services covered by THE Alliance's operating agreement, and each member agrees to share capacity on their ships with THE Alliance members for such services. In return, each member of THE Alliance is allocated slots on vessels contributed by other THE Alliance members covering the relevant service. In the event of over- or under-provision of slots, allocation can be reapportioned among THE Alliance members based upon their proportional allocation under the formula, and effected members can be entitled to financial compensation. These operational arrangements also applied to the former G6 Alliance in identical form. See 11.7(a) "*Our Business—Alliances and Cooperation Arrangements—THE Alliance and Grand Alliance*".

In addition, we maintain other cooperation arrangements and also coordinate with other carriers through vessel sharing or slot charter agreements on the majority of our services that are not offered through the Grand Alliance and THE Alliance. These cooperation agreements take two basic forms:

- arrangements involving two or more carriers that provide vessels. This includes agreements under which the services are operated jointly by the parties involved (referred to as vessel sharing agreements), or where each carrier continues to operate its own services with certain agreements on rationalized scheduling and where space is exchanged between carriers (referred to as slot swap or slot exchange agreements); and
- arrangements under which one carrier operates the service but charters space to other shipping lines (referred to as slot charter agreements).

Under each of our cooperation agreements, including the G6 Alliance until March 31, 2017, the Grand Alliance and THE Alliance, we remain competitors with our partner carriers with regard to cargo and retain the ability to set our own freight rates. We recognize revenue with respect to the cargo we carry in the slots on our own vessels and in slots allocated to us on other carriers' vessels, but not with respect to cargo carried on our own vessels on behalf of other carriers. We are responsible for the costs of operating our own vessels (for example, vessel charter and leases or purchase expenses,

maintenance, personnel, provisioning, bunker fuel, insurance, port costs and canal expenses), regardless of the number of our slots on our own vessels, and the cargo costs associated with the shipping of our own containers (for example, stevedoring expenses), regardless of whether these containers are shipped on our own vessels or on those of other carriers. We are not responsible for cargo costs associated with the shipment of other carriers' containers on our ships. Instead, these costs are billed by us or the supplier of the relevant services directly to such other carrier. See 11.7(b) "*Our Business—Alliances and Cooperation Arrangements—Other Cooperation Agreements*".

(f) Efficiency Improvement and Cost Saving Initiatives

(i) Project CUATRO

In May 2014, we initiated our new integration project called "CUATRO" to facilitate the post-merger integration of the CCS Activities following the completion of the acquisition of the CCS Activities (the "**CCS Activities Business Combination**"). A key focus of this project is the coordination and monitoring of the implementation of 34 CCS liner services into our services, the optimization of the global network of services and the combination of administration and business functions in the individual regions and areas of the combined container shipping operations. In the financial year ended December 31, 2014, we incurred one-off-costs in connection with the implementation of project CUATRO in the amount of €82.0 million.

(ii) Project OCTAVE

We maintain a consistent focus on the improvement of our cost efficiency and revenue quality across all areas of operations. In 2014, we introduced our cost and efficiency project called "OCTAVE" targeting short-term operational initiatives with immediate effects in the areas of: (i) inland cost and bunker procurement; (ii) our fleet and network; and (iii) our sales and product portfolio. Through these initiatives, we have reaped substantial revenue improvements and cost savings. In the first quarter of 2016, the OCTAVE efficiency program was intensified, and additional measures (OCTAVE II) were added to it. These should lead to further cost savings and efficiency improvements with a high double-digit million dollar amount by the end of 2017, in addition to the improvements already achieved. The efficiency projects have contributed to the improvement in cost structures also in 2016.

At the time of their completion in the first quarter of 2017, the CUATRO and OCTAVE (excluding OCTAVE II) projects had delivered annual synergies, efficiency improvements and cost savings totaling US\$600 million as against the comparable cost base in the 2014 financial year. More than 70% of the expected synergies, efficiency improvements and cost savings were already achieved in the 2015 financial year which had increased to more than 90% in 2016. Regarding CUATRO, we were able to generate actual synergies that were substantially greater than our initial estimates.

(g) Strategic Participation in a Container Ship Terminal

We have a strategic shareholding in one container shipping terminal. We currently own a 25.1% interest in CTA. CTA is included in the Consolidated Financial Statements of Hapag-Lloyd AG and is accounted for under the equity method from the date of acquisition. We received a dividend with respect of the financial year 2015 on the shareholdings in CTA in an amount of €21.6 million in the financial year ended December 31, 2016.

9.3 Factors Affecting the Comparability of Financial Information

(a) The CCS Activities Business Combination

The corporate merger of the CCS Activities with those of Hapag-Lloyd was completed on December 2, 2014. In the course of the implementation of the CCS Activities Business Combination, CSAV and Tollo, a wholly owned subsidiary of CSAV, incorporated the CCS Activities into CSAV Germany Container GmbH, Hamburg, ("**CC Co**"). The shares in CC Co were transferred to Hapag-Lloyd AG as a contribution-in-kind (the "**Capital Contribution I**"). Subsequent to closing, a further capital increase with a mixed contribution (cash capital increase and contribution-in-kind) in the amount of €370 million was effected (the "**Capital Contribution II**"). As of December 31, 2014, Hapag-Lloyd AG held all the shares in CC Co, which was merged into Hapag-Lloyd AG on May 19, 2015 by way of an upstream merger with economic effect from January 1, 2015. In return, CSAV received a 30% stake in Hapag-Lloyd AG through the Capital Contribution I which was then increased to a 34% stake as a result of the Capital Contribution II. The Group's container shipping activities now

encompass our container liner shipping and the container shipping activities acquired from CSAV. The inclusion of the CCS Activities as of December 2, 2014 had a material effect on our results of operations, financial position and cash flow.

Not including the newly acquired CCS Activities, our revenue increased by €39.4 million to €6,606.8 million in the financial year 2014 (previous year: €6,567.4 million). With the inclusion of the CCS Activities as of December 2, 2014, revenue increased by an additional €200.7 million. The average freight rate for the acquired CCS Activities in December 2014 was US\$1,154 per TEU. The CCS Activities transported 150 TTEU in December, representing 2.5% of the total transport volume of 5,907 TTEU as of December 31, 2014.

In the financial year ended December 31, 2014, equity increased by €1,254.5 million to €4,169.6 million, primarily as a result of the acquisition of the CCS Activities and the subsequent capital increase in the total amount of €1,600.6 million. Our liabilities rose by €1,891.1 million to €5,925.8 million in comparison to the financial year 2013, primarily as a result of the acquisition. There was a considerable change in our financial debt, which increased by €782.1 million year-on-year to €3,717.1 million. The initial inclusion of the CCS Activities contributed €535.9 million to this increase.

The CCS Activities were acquired by means of a non-cash investment involving the issuing of new shares. This led to cash inflows of €44.0 million from the liquidity reserves of the acquired companies. The following table presents the net cash inflow resulting from the company acquisition:

	<i>in € million</i> <i>(audited)</i>
Acquired net assets	623.4
Goodwill	604.0
Acquisition costs	1,227.4
./ Acquisition through issuance of shares	1,227.4
Cash-effective incidental acquisition costs	25.5
+ Acquired cash	69.5
Net payments received from acquisitions	44.0

In particular, the first-time inclusion of the CCS Activities with effect from December 2, 2014 led to an increase of €1,488.1 million in intangible assets to €2,682.4 million in the financial year 2014. The acquisition generated a preliminary goodwill of €606.9 million after the consideration was allocated to acquired assets and liabilities based on its fair value in accordance with the provisions of IFRS 3.

In the financial year ended December 31, 2014, the purchase price allocation for the acquisition of the CCS Activities was provisional, due to the date of acquisition being shortly before the balance sheet date. Overall, goodwill decreased by €2.9 million compared to the estimated value in 2014. The adjusted goodwill in 2015 amounts to €604.0 million and intangible assets, including goodwill, increased to €2,682.4 million.

The purchase price allocation is no longer provisional.

Furthermore, in connection with the acquisition, expenses were incurred for transaction and restructuring costs totaling €107.3 million in the financial year 2014 (thereof €42.4 million for personnel expenses and €64.9 million for other operating expenses in particular severance termination payments for terminals, agencies, office closures, network, IT and consultants). Transaction costs were incurred in the course of the acquisition of the CCS Activities whereas the restructuring related in particular to the business in the course of the integration in the amount of €82.0 million.

(b) Restructuring of Trades

Following the integration of the CCS Activities, the allocation of trades has been restructured in the financial year ended December 31, 2015 to align it with the main markets of Hapag-Lloyd post-CCS Business Combination. Six separate trades are now reported: Atlantic (trades between Europe and North America), Transpacific (trades between North America and Asia), Far East (trades between Europe and Asia), Latin America (trades related to Latin America), Intra-Asia (formerly part of the Australasia trade) and EMAO, which comprises the Intra-Europe trades and trades related to Africa and Oceania previously included in the Australasia and Far East trades. In the financial year ended December 31, 2014, transport volumes and average freight rates were retroactively adjusted to this new trade structure.

9.4 Explanation of Profit and Loss Statement Items

(a) Revenue

Revenue is primarily generated from the rendering of transport services plus various additional services. Our revenue consists primarily of transport revenue and, to a lesser extent, slot charter, detention and demurrage, which represents payments by customers for containers not returned on time, and other revenue. See 9.15(b) “—Critical Accounting Policies—Revenue Recognition” for a discussion of our revenue recognition policies.

(b) Other Operating Income

Other operating income consists primarily of income from the disposal of assets, exchange rate gains within Hapag-Lloyd (gains from the translation of financial assets and liabilities into U.S. dollar and income from the exercise of currency derivatives thereon), income from reversal of provisions, income from write-backs and other income (compensation from insurance claims, income from the settlement of other claims, office space rentals and various other items).

(c) Transport Expenses

Transport expenses consist of the costs of raw materials, supplies and purchased goods (mainly bunker fuel expenses including effects from fuel hedging instruments) and the costs of purchased services. The costs of purchased services encompasses port, canal and terminal costs, container transport costs, chartering, leases and container rental expenses, maintenance and repair costs and other services.

Port, canal and terminal costs mainly include stevedoring expenses, port costs and canal charges for passages through the Suez and Panama Canals as well as terminal handling costs. Container transport costs include the cost for full container transportation (other than the sea leg), particularly the inland transport from departure to the port and from the port to the destination, the cost of repositioning empty containers and cleaning and storage costs. The costs for chartering, leases and container rental include the costs for chartering vessels, renting containers and slot charter expenses. Maintenance and repair costs are costs for the repair of owned and leased vessels and containers. Other services within the purchased services include various smaller transport related expenses, such as charges on transport and trade insurances as well as exchange gains and losses on transport related costs between transaction date and settlement date or closing date.

Variable components of transport costs mainly comprise inland transportation and terminal costs which are directly linked to the individual transport. Our repositioning costs of empty containers can also be considered variable, since they diminish to a certain extent if the container move does not take place. In contrast to this, most of our costs connected to the vessel and container fleet as well as to the employed network can be considered fixed at least on a short term basis. Some of the fixed costs, however, can be adjusted over the medium term, such as by a reduction in bunker consumption with slow steaming or the termination of charter vessel contracts. Maintenance and repair costs are mainly fixed costs, as maintenance is driven by vessel classification society regulations, our own strict maintenance guidelines and associated dry-docking schedules, which require vessel dry-docking once every five years. While classification related expenses for our own and finance leased ships are capitalized, other maintenance and repair costs, including those for leased and chartered ships, are expensed under this item.

(d) Personnel Expenses

Personnel expenses consist of wages and salaries as well as social security, pension costs and other benefits. Pension costs include, among other things, expenses for defined benefit pension obligations, defined contribution payments as well as gains and losses from the translation of pension obligations denominated in currencies other than U.S. dollar. Overall, personnel expenses are not directly linked to the transported volume and are mainly considered as fixed costs.

(e) Amortization, Depreciation and Impairment

Amortization, depreciation and impairment includes depreciation of property, plant and equipment, amortization of intangible assets and impairment for intangible assets and property, plant and equipment. Costs of property, plant and equipment in use are depreciated on a straight-line basis

over the estimated useful life of the assets. We depreciate our container ships based on an estimated useful life of 25 years and our containers based on an estimated useful life of 13 years.

(f) Other Operating Expenses

Other operating expenses consist of exchange rate losses on financial assets and liabilities and bank charges, electronic data processing (“EDP”) costs, expenses for charges, fees, consultancy and other professional services, commissions, rental and leases expenses for assets other than ships and containers, other taxes (in particular freight taxes), expenses for premiums on expired currency options, personnel costs, administrative expenses and other expenses (in particular, travel costs, audit fees, insurance payments and maintenance and repair costs).

(g) Share of Profit and Loss of Companies Accounted for Under the Equity Method

The share of profit and loss of companies accounted for under the equity method contains its share of the result of companies in which we are able to exercise significant influence over the financial and operating policies (associates). To the extent that the carrying amount of the investment exceeds its recoverable amount the impairment is also recognized in this line item.

(h) Other Financial Result

Other financial result mainly comprises changes in the time value of options, the recognition of ineffective hedges through profit and loss and minor effects resulting from the application of the spot-to-spot method.

(i) Interest Result

Interest income generally consists of interest income on bank deposits. Interest expense is mainly composed of interest on bonds, interest on bank borrowings and interest on loans specifically related to the financing of ships and containers as well as fees and transaction costs for obtaining these borrowings. In addition, the interest income from fund assets for the financing of pensions and similar obligations and interest cost from valuation of pensions and similar obligations is included as interest result as well as the recognition of changes in the fair value of embedded derivatives.

(j) Income Taxes

Taxes on income comprise corporate income tax including the solidarity surcharge and trade tax in Germany as well as comparable earnings related tax in other countries. In addition, deferred taxes are recognized and the applicable deferred tax income and expense is included in this item.

9.5 Results of Operations

The following table sets forth certain of our historical revenue and expense items for each of the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2014*		2015		2016		2016		2017	
	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue	Actual	% of revenue
	(audited)						(unaudited)			
Revenue	6,807.5	100.0	8,841.8	100.0	7,734.2	100.0	1,925.7	100	2,132.1	100
Other operating income	116.8	1.7	193.7	2.2	97.1	1.3	22.5	1.2	26.3	1.2
Transport expenses	6,060.1	89.0	7,258.5	82.1	6,364.0	82.3	1,592.0	82.7	1,789.1	83.9
Personnel expenses	403.3	5.9	484.4	5.5	496.1	6.4	141.7	7.4	147.4	6.9
Amortization, depreciation and impairment	481.7	7.1	464.6	5.3	481.0	6.2	118.6	6.2	127.8	6.0
Other operating expenses	393.3	5.8	517.7	5.9	386.2	5.0	96.9	5.0	98.2	4.6
Operating result	(414.1)	(6.1)	310.3	3.5	104.0	1.3	(1.0)	(0.1)	(4.1)	(0.2)
Investments accounted for under the equity method	34.2	0.5	28.5	0.3	27.1	0.4	5.8	0.3	7.6	0.4
Other financial results	(2.9)	(0.0)	27.6	0.3	(4.7)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Earnings before interest and tax (EBIT)	(382.8)	(5.6)	366.4	4.1	126.4	1.6	4.8	0.2	3.5	0.2
Interest result	(209.7)	(3.1)	(227.3)	(2.6)	(199.8)	(2.6)	(43.1)	(2.2)	(61.8)	(2.9)
Earnings before tax	(592.5)	(8.7)	139.1	1.6	(73.4)	(0.9)	(38.3)	(2.0)	(58.3)	(2.7)
Income taxes	11.2	0.2	25.2	0.3	19.7	0.3	4.5	0.2	3.8	0.2
Profit/loss	(603.7)	(8.9)	113.9	1.3	(93.1)	(1.2)	(42.8)	(2.2)	(62.1)	(2.9)

(*) The CCS Activities are included in the figures for the financial year 2014 from the date of the consolidation, December 2, 2014, onwards and are therefore only included in the figures for the month of December.

9.6 Comparison of the Three Months Ended March 31, 2017 and 2016

The relevant amounts are reported in euro, although the U.S. dollar is the functional currency of Hapag-Lloyd AG and the majority of its subsidiaries. The expenses, income and earnings of the container shipping business are translated from the U.S. dollar as functional currency to the euro at the average exchange rate for the reporting periods. The respective average exchange rates for the periods were 1.1030 U.S. dollars/euro in the three months ended March 31, 2016 and 1.0651 U.S. dollars/euro in the three months ended March 31, 2017.

(a) Revenue

Revenue increased by 10.7% to €2,132.1 million in the three months ended March 31, 2017 from €1,925.7 million in the three months ended March 31, 2016. This increase in revenue was largely attributable to higher transport volumes, as well as exchange rate effects. Transport volume increased by 6.8% to 1,934 TEU in the three months ended March 31, 2017 from 1,811 TEU in the three months ended March 31, 2016. The increase in transport volumes mainly resulted from stronger bookings in the trades Transpacific, Middle East, Intra Asia and EMAO. During the same period, our average freight rate decreased by 1.9% from US\$1,067 per TEU in the three months ended March 31, 2016 to US\$1,047 per TEU in the three months ended March 31, 2017. The main reason for the decline was intense competition and pressure on freight rates in the first half of 2016. Since reaching all-time lows in June 2016, freight rates have slowly recovered.

The positive effect on revenues resulting from the increase in transport volumes was diminished by the decrease in freight rates.

Expressed in U.S. dollars, revenue increased by 6.9% to US\$2,270.9 million in the three months ended March 31, 2017 from US\$2,124.0 million in the corresponding period in 2016.

The following table sets forth a breakdown of our transport volumes and average freight rates by trade for the three months ended March 31, 2017 and the corresponding period in 2016.

	Transport volumes			Average freight rates		
	For the three months ended March 31,			For the three months ended March 31,		
	2016	2017	% Change	2016	2017	% Change
	(TEU ^{***})			(US\$/TEU ^{**})		
	(unaudited)					
Transport volume/average freight rate by trade route*						
Atlantic	376,830	389,435	3.3	1,382	1,293	(6.5)
Transpacific	346,530	386,105	11.4	1,351	1,218	(9.8)
Far East	210,732	214,786	1.9	793	897	13.0
Latin America	535,517	551,632	3.0	961	1,017	5.8
Intra Asia	130,413	152,422	16.9	578	539	(6.8)
EMAO (Europe-Mediterranean- Africa-Oceania)	102,454	116,602	13.8	1,079	1,009	(6.4)
Middle East	108,522	123,304	13.6	701	791	12.9
Total	1,810,998	1,934,286	6.8	1,067	1,047	(1.9)

(*) In preparation of the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

(**) The charged average freight rates per trade lane are weighted with their respective transport volumes per trade lane (TEU), the freight rate reflects the charged price to a customer for a transport of a 20-foot equivalent unit (TEU). The average of the three-month periods is derived from the weighted monthly amounts. The % of change refers to the aggregated value.

(***) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry.

Transport volume in the Atlantic trade increased by 3.3% to 389,435 TEU in the three months ended March 31, 2017 from 376,830 TEU in the three months ended March 31, 2016, due to higher volumes from Europe to the U.S. Our average freight rates fell by 6.5% to US\$1,293 per TEU in the three months ended March 31, 2017 from US\$1,382 per TEU in the three months ended March 31, 2016, as a result of continued fierce competition.

Transport volume in the Transpacific trade increased by 11.4% to 386,105 TEU in the three months ended March 31, 2017 from 346,530 TEU in the three months ended March 31, 2016, mainly due to increased transports from Asia to North America. Our average freight rates fell by 9.8% to US\$1,218 per TEU in the three months ended March 31, 2017 from US\$1,351 per TEU in the three months ended March 31, 2016, mainly as a result of intense competitive pressure on freight rates in the course of the year 2016.

Transport volume in the Far East trade increased by 1.9% to 214,786 TEU in the three months ended March 31, 2017 from 210,732 TEU in the three months ended March 31, 2016, due to higher demand for transports from Far East to Europe. Our average freight rates increased by 13.0% to US\$897 per TEU in the three months ended March 31, 2017 from US\$793 per TEU in the three months ended March 31, 2016, mainly due to a general freight rate recovery.

Transport volume in the Latin America trade increased by 3.0% to 551,632 TEU in the three months ended March 31, 2017 from 535,517 TEU in the three months ended March 31, 2016, due to higher volumes on the subtrades from Europe to Latin America and Intra America. Our average freight rates increased by 5.8% to US\$1,017 per TEU in the three months ended March 31, 2017 from US\$961 per TEU in the three months ended March 31, 2016, mainly due to a freight rate recovery for transports from Asia to Latin America.

Transport volume in the Intra-Asia trade increased by 16.9% to 152,422 TEU in the three months ended March 31, 2017 from 130,413 TEU in the three months ended March 31, 2016, due to higher transport volumes in the Middle East to Indian Subcontinent and Oceania related trades. Our average freight rates fell by 6.8% to US\$539 per TEU in the three months ended March 31, 2017 from US\$578 per TEU in the three months ended March 31, 2016, as a result of ongoing intense competition.

Transport volume in the EMAO (Europe-Mediterranean-Africa-Oceania) trade increased by 13.8% to 116,602 TEU in the three months ended March 31, 2017 from 102,454 TEU in the three months ended March 31, 2016, mainly due to increased transports from Europe to Oceania and Africa. Our

average freight rates fell by 6.4% to US\$1,009 per TEU in the three months ended March 31, 2017 from US\$1,079 per TEU in the three months ended March 31, 2016, mainly due to ongoing intense competition.

Transport volume in the Middle East trade increased by 13.6% to 123,304 TEU in the three months ended March 31, 2017 from 108,522 TEU in the three months ended March 31, 2016, due to increased transports from Europe to Middle East. Our average freight rates increased by 12.9% to US\$791 per TEU in the three months ended March 31, 2017 from US\$701 per TEU in the three months ended March 31, 2016 mainly due to generally improved market conditions.

(b) Other Operating Income

Other operating income increased by 16.9% to €26.3 million in the three months ended March 31, 2017 from €22.5 million in the three months ended March 31, 2016.

(c) Transport Expenses

The following table below sets forth our transport expenses for the three months ended March 31, 2017 and for the three months ended March 31, 2016.

	For the three months ended March 31,			
	2016		2017	
		% of total revenue		% of total revenue
<i>(in € million, except percentages)</i>				
(unaudited)				
Transport expenses				
Cost of raw materials, supplies and purchased goods	140.3	7.3%	262.5	12.3%
Cost of purchased services*	1,451.7	75.4%	1,526.6	71.6%
<i>Thereof:</i>				
<i>Port, canal and terminal costs</i>	651.3	33.8%	718.4	33.7%
<i>Container transport costs</i>	460.1	23.9%	506.3	23.7%
<i>Chartering, leases and container rentals</i>	282.2	14.7%	242.5	11.4%
<i>Maintenance/repair and other costs</i>	58.1	3.0%	59.4	2.8%
Total	1,592.0	82.7%	1,789.1	83.9%

(*) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals for Q1 2016.

Transport expenses increased by 12.4% to €1,789.1 million in the three months ended March 31, 2017 from €1,592.0 million in the three months ended March 31, 2016. These expenses constituted 83.9% and 82.7% as a percentage of total revenue for the three months ended March 31, 2017 and 2016, respectively. In general, the increase in transport expenses is attributable to an increase of €122.2 million in expenses for raw materials, supplies and purchased goods.

Cost of raw materials, supplies and purchased goods increased by 87.1% to €262.5 million in the three months ended March 31, 2017 from €140.3 million in the three months ended March 31, 2016. This increase was triggered by significantly higher bunker prices, despite a decrease in total consumption. The average bunker consumption price was US\$313 per tonne, an increase of US\$116 compared to the prior year period. From the financial year ended December 31, 2016 onwards, the average bunker consumption price given by Hapag-Lloyd is a combined figure for marine fuel oil (MFO) and marine diesel oil (MDO). The previous year's figure has been restated accordingly. Bunker efficiency improved further compared to the previous year.

Overall the costs of purchased services increased by 5.2% to €1,526.6 million in the three months ended March 31, 2017 from €1,451.7 million in the three months ended March 31, 2016. The increase in costs of purchased services was mainly due to a 6.8% growth in transport volumes. Furthermore, realized synergies and cost savings had a positive impact on transport expenses.

Port, canal and terminal cost increased by 10.3% to €718.4 million in the three months ended March 31, 2017 from €651.3 million in the three months ended March 31, 2016, mainly due to an increase in terminal costs due to higher transport volumes.

Container transport costs increased by 10.0% to €506.3 million in the three months ended March 31, 2017 from €460.1 million in the three months ended March 31, 2016. This increase was primarily attributable to higher transport volumes.

Chartering, leases and container rental expense decreased by 14.1% to €242.5 million in the three months ended March 31, 2017 from €282.2 million in the three months ended March 31, 2016. This decrease was caused by falling charter rates as well as a reduction in the use of mid- and long-term charter vessels.

Maintenance, repair and other costs increased by 2.2% to €59.4 million in the three months ended March 31, 2017 from €58.1 million in the three months ended March 31, 2016. The main reason for this increase was higher maintenance and repair costs, which were largely offset by exchange rate effects.

(d) Personnel Expenses

The following table sets forth our personnel expenses for the three months ended March 31, 2017 and for the three months ended March 31, 2016.

	Three months ended March 31,			
	2016		2017	
	% of total revenue		% of total revenue	
<i>(in € million, except percentages)</i>				
(unaudited)				
Personnel expenses				
Wages and salaries	112.5	5.8%	121.2	5.7%
Social security, pension costs and other benefits	29.2	1.5%	26.2	1.2%
Total	141.7	7.4%	147.4	6.9%

Personnel expenses increased by 4.0% to €147.4 million in the three months ended March 31, 2017 from €141.7 million in the three months ended March 31, 2016. Personnel expenses constituted 6.9% and 7.4% as a percentage of total revenue for in the three months ended March 31, 2017 and the corresponding period in 2016, respectively. The increase in personnel expenses was primarily attributable to one-off expenses in the amount of €8.6 million mainly incurred in connection with the UASC Business Combination.

(e) Amortization, Depreciation and Impairment

Amortization, depreciation and impairment increased by 7.8% to €127.8 million in the three months ended March 31, 2017 from €118.6 million in the three months ended March 31, 2016. The increase in amortization, depreciation and impairment was primarily attributable to scheduled depreciation of newbuild vessels acquired as a result of the UASC Business Combination.

(f) Other Operating Expenses

The following table below sets forth our other operating expenses for the three months ended March 31, 2017 and for the three months ended March 31, 2016.

	Three months ended March 31,			
	2016		2017	
	% of total revenue		% of total revenue	
<i>(in € million, except percentages)</i>				
(unaudited)				
Other operating expenses				
Rental and lease expenses	7.2	0.4%	7.0	0.3%
Commissions	12.4	0.6%	13.9	0.7%
Exchange rate losses and bank charges	22.1	1.1%	12.7	0.6%
Other personnel cost	5.7	0.3%	5.4	0.3%
Expenses for charges, fees, consultancy and other professional services	5.5	0.3%	9.5	0.4%
EDP costs including IT leasing	21.6	1.1%	24.1	1.1%
Administrative expenses	3.2	0.2%	3.1	0.1%
Travel expenses	3.7	0.2%	3.4	0.2%
Other taxes	4.4	0.2%	9.8	0.5%
Sundry operating expenses	11.1	0.6%	9.3	0.4%
Total	96.9	5.0%	98.2	4.6%

Other operating expenses increased by 1.3% to €98.2 million in the three months ended March 31, 2017 from €96.9 million in the three months ended March 31, 2016. Other operating expenses constituted 4.6% and 5.0% as a percentage of total revenue for the three months ended March 31, 2017 and in the three months ended March 31, 2016, respectively. This increase in other operating expenses was primarily attributable to net effects within the various positions.

(g) Operating Result

Operating result decreased by €3.1 million to a loss of €4.1 million in the three months ended March 31, 2017 from a loss of €1.0 million in the three months ended March 31, 2016 as a result of the factors described above.

(h) Investments Accounted for Under the Equity Method

Our profit or loss of investments accounted for under the equity method increased by 31.0% to €7.6 million in the three months ended March 31, 2017 from €5.8 million in the three months ended March 31, 2016.

(i) Other Financial Result

Other financial result was negligible, both in the three months ended March 31, 2017 and in the three months ended March 31, 2016.

(j) Interest Result

The following table sets forth our interest results for the three months ended March 31, 2017 and for the three months ended March 31, 2016.

	Three months ended March 31,	
	2016	2017
	<i>(in € million)</i> (unaudited)	
Interest income	1.2	1.6
Interest income from fund assets for the financing of pensions and similar obligations	1.0	0.8
Other interest and similar income	0.2	0.8
Interest expenses	(44.3)	(63.4)
Interest expense from the valuation of pensions and similar obligations	(2.3)	(1.9)
Other interest and similar expenses	(49.6)	(65.9)
Effects from the change in fair value of embedded derivatives	7.6	4.4
Total	(43.1)	(61.8)

Interest income increased by 33.3% to €1.6 million in the three months ended March 31, 2017 from €1.2 million in the three months ended March 31, 2016.

Interest expenses increased by 43.1% to €63.4 million in the three months ended March 31, 2017 from €44.3 million in the three months ended March 31, 2016. This increase was primarily attributable to the repayment of existing bonds. The early redemption of a euro and a U.S. dollar bond led to one-off effects of €14.2 million within interest expenses from repayment fees, partial de-recognition of embedded derivatives related to the bonds as well as further transaction costs incurred in connection with the early redemption. Furthermore interest expenses from newly signed vessel financings and a slightly increased interest level contributed to the decreased interest result. Offsetting this was income of €4.4 million in the three months ended March 31, 2017 (compared to €7.6 million in the three months ended March 31, 2016) from the change in the fair value of the derivatives embedded in the bonds issued.

Overall net interest expense decreased by 43.4% to €(61.8) million in the three months ended March 31, 2017 from €(43.1) million in the three months ended March 31, 2016 as a result of the increase in interest expenses described above.

(k) Income Taxes

Income taxes decreased by €0.7 million to tax expenses of €3.8 million in the three months ended March 31, 2017 from a tax expense of €4.5 million in the three months ended March 31, 2016. This increase was mainly attributable to exchange rate effects from the valuation of income tax receivables and payables.

(l) Profit/Loss for the Period

Loss for the period increased by €19.3 million to a loss of €62.1 million in the three months ended March 31, 2017 from a loss of €42.8 million in the three months ended March 31, 2016, as a result of the factors described above.

9.7 Comparison of the Financial Years Ended December 31, 2016 and 2015

The relevant amounts are reported in euro, although the U.S. dollar is the functional currency of Hapag-Lloyd AG and the majority of its subsidiaries. The expenses, income and earnings of the container shipping business are translated from the U.S. dollar as functional currency to the euro at the average exchange rate for the reporting periods. The respective average exchange rates for the periods were 1.1049 U.S. dollars/euro in the financial year ended December 31, 2016 and 1.1100 U.S. dollars/euro in the financial year ended December 31, 2015.

(a) Revenue

Revenue decreased by 12.5% to €7,734.2 million in the financial year ended December 31, 2016 from €8,841.8 million in the financial year ended December 31, 2015. This decrease in revenue was largely attributable to a further significant decline in freight rates. Transport volume increased by 2.7% to 7,599,305 TEU in the financial year ended December 31, 2016 from 7,401,206 in the financial year ended December 31, 2015. The increase in transport volumes mainly resulted from higher volumes in the trades Transpacific and Intra-Asia. During the same period, our average freight rate decreased by 15.4% from US\$1,225 per TEU in the financial year ended December 31, 2015 to US\$1,036 per TEU in the financial year ended December 31, 2016. The main reason for the decline was the persistently difficult market environment, with pressure on freight rates continuing, and the year-on-year fall in the bunker consumption price. Freight rates could not be increased as announced as a result of the continued intense competition caused by overcapacities and subdued growth in demand being felt in all trades.

The positive effect on revenues resulting from the increase in transport volumes was diminished by the decrease in freight rates.

Expressed in U.S. dollars, revenue decreased by 12.9% to US\$8,545.5 million in the financial year ended December 31, 2016 from US\$9,814.4 million in the corresponding period in 2015.

The following table sets forth a breakdown of our transport volumes and average freight rates by trade for the financial year ended December 31, 2016 and the financial year ended December 31, 2015.

	Transport volumes			Average freight rates		
	2015	2016	% Change	2015	2016	% Change
	(TEU**)			(US\$/TEU*)		
	(unaudited)					
Transport volume/average freight rate by trade*						
Atlantic	1,541,317	1,533,642	(0.5)	1,504	1,338	(11.0)
Transpacific	1,390,223	1,493,514	7.4	1,599	1,222	(23.6)
Far East	1,282,332	1,244,697	(2.9)	942	765	(18.8)
Latin America	2,247,134	2,248,131	0.0	1,111	1,001	(9.9)
Intra Asia	573,171	662,242	15.5	655	538	(17.9)
EMAO (Europe-Mediterranean- Africa-Oceania)	367,029	417,079	13.6	1,210	1,052	(13.0)
Total	7,401,206	7,599,305	33.1	1,225	1,036	(15.4)

(*) The charged average freight rates per trade lane are weighted with their respective transport volumes per trade lane (TEU), the freight rate reflects the charged price to a customer for a transport of a 20-foot equivalent unit (TEU). The average of the twelve-month periods is derived from the weighted monthly amounts. The % of change refers to the aggregated value.

(**) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry.

Transport volume in the Atlantic trade decreased by 0.5% to 1,533,642 TEU in the financial year ended December 31, 2016 from 1,541,317 TEU in the financial year ended December 31, 2015, due to lower transports on the North America–Europe sub trade. As a result of the ongoing difficult market environment, with pressure on freight rates persisting, our average freight rates dropped by 11.0% to US\$1,338 per TEU in the financial year ended December 31, 2016 from US\$1,504 per TEU in the financial year ended December 31, 2015.

Transport volume in the Transpacific trade increased by 7.4% to 1,493,514 TEU in the financial year ended December 31, 2016 from 1,390,223 TEU in the financial year ended December 31, 2015, mainly due to higher volumes on the Asia–North America sub trade. As a result of intense competition, our average freight rates dropped by 23.6% to US\$1,222 per TEU in the financial year ended December 31, 2016 from US\$1,599 per TEU in the financial year ended December 31, 2015.

Transport volume in the Far East trade decreased by 2.9% to 1,244,697 TEU in the financial year ended December 31, 2016 from 1,282,332 TEU in the financial year ended December 31, 2015, due to a weak market environment and a slow economic growth in China. As a result of intense competition, our average freight rates dropped by 18.8% to US\$765 per TEU in the financial year ended December 31, 2016 from US\$942 per TEU in the financial year ended December 31, 2015.

Transport volume in the Latin America trade remained nearly stable at 2,248,131 TEU in the financial year ended December 31, 2016 from 2,247,134 TEU in the financial year ended December 31, 2015, as lower volumes on the South America – Asia sub trade almost offset higher volumes on the Intra America and South America–Europe sub trades. As a result of intense competition, our average freight rates dropped by 9.9% to US\$1,001 per TEU in the financial year ended December 31, 2016 from US\$1,111 per TEU in the financial year ended December 31, 2015.

Transport volume in the Intra-Asia trade increased by 15.5% to 662,242 TEU in the financial year ended December 31, 2016 from 573,171 TEU in the financial year ended December 31, 2015, due to stronger bookings across the board. As a result of intense competition, our average freight rates dropped by 17.9% to US\$538 per TEU in the financial year ended December 31, 2016 from US\$655 per TEU in the financial year ended December 31, 2015.

Transport volume in the EMAO (Europe-Mediterranean-Africa-Oceania) trade increased by 13.6% to 417,079 TEU in the financial year ended December 31, 2016 from 367,029 TEU in the financial year ended December 31, 2015, mainly due to higher volumes on the Africa related sub trades. As a result of increased competitive pressure, our average freight rates dropped by 13.0% to US\$1,052 per TEU in the financial year ended December 31, 2016 from US\$1,210 per TEU in the financial year ended December 31, 2015.

(b) Other Operating Income

Changes in the U.S. dollar/euro exchange rate caused period-specific exchange rate gains and losses to decrease in the period under review. This was reflected in other operating income and other operating expenses. Netted, this resulted in an exchange rate gain of €21.0 million in the financial year ended December 31, 2016 (compared to an exchange rate loss of €27.3 million in the financial year ended December 31, 2015). At \$1.07/€, the average U.S. dollar/euro exchange rate was stronger than in the prior year period (\$1.10/€).

(c) Transport Expenses

The following table below sets forth our transport expenses for the financial year ended December 31, 2016 and the financial year ended December 31, 2015.

	2015		2016	
	% of total revenue		% of total revenue	
	(in € million, except percentages)			
	(audited, except percentages)			
Transport expenses				
Cost of raw materials, supplies and purchased goods	1,067.9	12.1	687.9	8.9
Cost of purchased services(*)	6,190.6	70.0	5,676.1	73.4
<i>Thereof:</i>				
<i>Port, canal and terminal costs</i>	2,717.2	30.7	2,651.7	34.3
<i>Container transport costs</i>	2,148.4	24.3	1,899.1	24.6
<i>Chartering, leases and container rentals</i>	1,168.6	13.2	934.9	12.1
<i>Maintenance/repair/other</i>	156.4	1.8	190.4	2.5
Total	7,258.5	82.1	6,364.0	82.3

(*) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals in the amount of €49.0 million for the financial year ended December 31, 2015.

Transport expenses decreased by 12.3% to €6,364.0 million in the financial year ended December 31, 2016 from €7,258.5 million in the financial year ended December 31, 2015. These expenses constituted 82.3% and 82.1% as a percentage of total revenue for the financial year ended December 31, 2016 and 2015, respectively.

Cost of raw materials, supplies and purchased goods decreased by 35.6% to €687.9 million in the financial year ended December 31, 2016 from €1,067.9 million in the financial year ended December 31, 2015. This decrease was triggered by reduced average bunker consumption prices and by a decrease in bunker consumption due to the use of larger and more efficient vessels as well as the optimization of the fleet and global service network.

Overall the costs of purchased services decreased by 8.3% to €5,676.1 million in the financial year ended December 31, 2016 from €6,190.6 million in the financial year ended December 31, 2015. This decrease was due to the realization of synergy effects which resulted from the merger with CCS Activities and from the cost-cutting measures initiated in the previous years.

Port, canal and terminal cost decreased by 2.4% to €2,651.7 million in the financial year ended December 31, 2016 from €2,717.2 million in the financial year ended December 31, 2015. This decrease primarily resulted from cost-saving measures.

Container transport costs decreased by 11.6% to €1,899.1 million in the financial year ended December 31, 2016 from €2,148.4 million in the financial year ended December 31, 2015. This decrease was primarily attributable to implemented cost-saving measures.

Chartering, leases and container rental expense decreased by 20.0% to €934.9 million in the financial year ended December 31, 2016 from €1,168.6 million in the financial year ended December 31, 2015. This decrease was due to a falling level of charter rates as well as a reduced use of mid- and long-term charter vessels.

Maintenance, repair and other costs increased by 21.7% to €190.4 million in the financial year ended December 31, 2016 from €156.4 million in the year financial ended December 31, 2015, mainly due to favorable exchange rate effects from creditor payments and payables valuation in the prior year 2015.

(d) Personnel Expenses

The following table sets forth our personnel expenses for the financial year ended December 31, 2016 and for the financial year ended December 31, 2015.

	2015	% of total revenue	2016	% of total revenue
	<i>(in € million, except percentages)</i> (audited, except percentages)			
Personnel expenses				
Wages and salaries	401.0	4.5	403.8	5.2
Social security, pension costs and other benefits	83.4	0.9	92.3	1.2
Total	484.4	5.5	496.1	6.4

Personnel expenses increased by 2.4% to €496.1 million in the financial year ended December 31, 2016 from €484.4 million in the financial year ended December 31, 2015. Personnel expenses constituted 6.4% and 5.5% as a percentage of total revenue for the financial year ended December 31, 2016 and the financial year ended December 31, 2015, respectively. The increase in personnel expenses was primarily attributable to reducing effects in the prior year due to a release of restructuring provision (2016: €1.7 million; 2015: €22.9 million) as well as unrealized exchange rate effects from the revaluation of pension provisions (2016: income €3.2 million; 2015: income €12.1 million).

(e) Amortization, Depreciation and Impairment

Amortization, depreciation and impairment increased by 3.5% to €481.0 million in the financial year ended December 31, 2016 from €464.6 million in the financial year ended December 31, 2015.

(f) Other Operating Expenses

The following table below sets forth our other operating expenses for the financial year ended December 31, 2016 and the financial year ended December 31, 2015.

	2015		2016	
		% of total revenue		% of total revenue
	<i>(in € million, except percentages)</i> (audited, except percentages)			
Other operating expenses				
Rental and lease expenses	34.0	0.4	28.5	0.4
Commissions	76.2	0.9	49.9	0.6
Exchange rate losses	122.0	1.4	42.8	0.6
Other personnel cost	25.7	0.3	23.1	0.3
Expenses for charges, fees, consultancy and other professional services	24.5	0.3	30.2	0.4
EDP costs including IT leasing	95.3	1.1	92.5	1.2
Administrative expenses	18.6	0.2	13.5	0.2
Travel expenses	15.3	0.2	14.7	0.2
Other taxes	38.1	0.4	38.8	0.5
Sundry operating expenses	68.0	0.8	52.2	0.7
Total	517.7	5.9	386.2	5.0

Other operating expenses decreased by 25.4% to €386.2 million in the financial year ended December 31, 2016 from €517.7 million in the financial year ended December 31, 2015. Other operating expenses constituted 5.0% and 5.9% as a percentage of total revenue for the financial year ended December 31, 2016 and the financial year ended December 31, 2015, respectively. This decrease in other operating expenses was primarily attributable to the significantly lower exchange rate losses (€(79.2) million), which were offset by a corresponding reduction in exchange rate gains in other operating income.

(g) Operating Result

Operating result decreased by €206.3 million to an income of €104.0 million in the financial year ended December 31, 2016 from an income of €310.3 million in the financial year ended December 31, 2015, as a result of the factors described above.

(h) Investments Accounted for Under the Equity Method

Our profit or loss of investments accounted for under the equity method decreased by 4.9% to €27.1 million in the financial year ended December 31, 2016 from €28.5 million in the financial year ended December 31, 2015. This was primarily due to a reduction of the CTA result because of lower transport volumes.

(i) Other Financial Result

Other financial result decreased by €32.3 million to a loss of €4.7 million in the financial year ended December 31, 2016 from a gain of €27.6 million in the financial year ended December 31, 2015, mainly due to changes in the time value of derivative financial instruments.

(j) Interest Result

The following table sets forth our interest results for the financial year ended December 31, 2016 and the financial year ended December 31, 2015.

	2015	2016
	<i>(in € million)</i> (audited)	
Interest income	5.6	5.7
Interest income from fund assets for the financing of pensions and similar obligations	3.9	4.0
Interest income from the change in fair value of embedded derivatives	—	—
Other interest and similar income	1.7	1.7
Interest expenses	(227.6)	(220.1)
Interest expense from the valuation of pensions and similar obligations	(8.5)	(9.0)
Other interest and similar expenses	(219.1)	(211.1)
Interest expenses from the change in fair value of embedded derivatives	(5.3)	14.6
Total	(227.3)	(199.8)

Interest income increased by €0.1 million to €5.7 million in the financial year ended December 31, 2016 from €5.6 million in the financial year ended December 31, 2015.

Interest expense decreased by 3.3% to €220.1 million in the financial year ended December 31, 2016 from €227.6 million in the financial year ended December 31, 2015. This decrease in interest result was primarily attributable to the change in fair value of embedded derivatives from issued bonds (2016: income of €14.6 million; previous year: expense of €5.3 million), interest reduction initiatives and higher capitalization of interest expenses.

Overall net interest expense decreased by 12.1% to a net interest expense of €199.8 million in the financial year ended December 31, 2016 from a net interest expense of €227.3 million in the financial year ended December 31, 2015 as a result of the factors described above.

(k) Income Taxes

Income taxes decreased by €5.5 million, to tax expenses of €19.7 million in the financial year ended December 31, 2016 from a tax expense of €25.2 million the financial year ended December 31, 2015. This increase was mainly attributable to lower foreign income taxes within the group subsidiaries

(l) Profit/Loss for the Period

The result for the period decreased from a profit of €113.9 million in the financial year ended December 31, 2015 by €207.0 million to a loss of €93.1 million in the financial year ended December 31, 2016, as a result of the factors described above.

9.8 Comparison of the Financial Years Ended December 31, 2015 and 2014

The relevant amounts are reported in euro, although the U.S. dollar is the functional currency of Hapag-Lloyd AG and the majority of its subsidiaries. The expenses, income and earnings of the container shipping business are translated from the U.S. dollar as functional currency to the euro at the average exchange rate for the reporting periods. The respective average exchange rates for the periods were 1.1100 U.S. dollars/euro in the financial year ended December 31, 2015 and 1.3288 U.S. dollars/euro in the financial year ended December 31, 2014.

(a) Revenue

Revenue increased by 29.9% to €8,841.8 million in the financial year ended December 31, 2015 from €6,807.5 million in the financial year ended December 31, 2014. This increase in revenue was largely attributable to the inclusion of the revenue from the acquired CCS Activities as well as the considerably stronger average US\$ exchange rate compared to the prior year. Transport volume increased from 5,906,686 TEU in the financial year ended December 31, 2014 to 7,401,206 TEU in the financial year ended December 31, 2015, a 25.3% rise. During the same period, our average freight rate decreased by 14.2% from US\$1,427 per TEU in the financial year ended December 31, 2014 to US\$1,225 per TEU in the financial year ended December 31, 2015, mainly due to the initial inclusion of CCS Activities, which have a lower freight rate level overall. The ongoing difficulties in the market environment also had an impact on our freight rates.

Expressed in U.S. dollars, revenue increased by 8.5% to US\$9,814.4 million in the financial year ended December 31, 2015 from US\$9,045.8 million in the financial year ended December 31, 2014.

The following table sets forth a breakdown of our transport volumes and average freight rates by trade for the financial year ended December 31, 2015 and the financial year ended December 31, 2014.

	Transport volumes			Average freight rates		
	2014**	2015	% Change	2014**	2015	% Change
	(TEU***)			(US\$/TEU*)		
	(unaudited)					
Transport volume/average freight rate by trade*						
Atlantic	1,445,824	1,541,317	6.6	1,585	1,504	(5.1)
Transpacific	1,318,880	1,390,223	5.4	1,768	1,599	(9.6)
Far East	1,134,550	1,282,332	13.0	1,179	942	(20.1)
Latin America	1,157,879	2,247,134	94.1	1,357	1,111	(18.1)
Intra Asia	491,505	573,171	16.6	796	655	(17.7)
EMAO (Europe-Mediterranean-Africa-Oceania)	358,048	367,029	2.5	1,407	1,210	(14.0)
Total	5,906,686	7,401,206	25.3	1,427	1,225	(14.2)

(*) The charged average freight rates per trade lane are weighted with their respective transport volumes per trade lane (TEU), the freight rate reflects the charged price to a customer for a transport of a 20-foot equivalent unit (TEU). The average of the twelve-month periods is derived from the weighted monthly amounts. The % of change refers to the aggregated value.

(**) Including CCS Activities for December 2014.

(***) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry.

Transport volume in the Atlantic trade increased by 6.6% to 1,541,317 TEU in the financial year ended December 31, 2015 from 1,445,824 TEU in the financial year ended December 31, 2014, due to a rise in transport volume on the Europe-North America trade arising from increased European exports to North America as a consequence of the current strength of the U.S. dollar compared to the euro. As a result of intense competition our average freight rates dropped by 5.1% to US\$1,504 per TEU in the financial year ended December 31, 2015 from US\$1,585 per TEU in the financial year ended December 31, 2014.

Transport volume in the Transpacific trade increased by 5.4% to 1,390,223 TEU in the financial year ended December 31, 2015 from 1,318,880 TEU in the financial year ended December 31, 2014, due to increased North American exports to Asia. As a result of competitive pressure and a decline of the bunker prices, our average freight rates dropped by 9.6% to US\$1,599 per TEU in the financial year ended December 31, 2015 from US\$1,768 per TEU in the financial year ended December 31, 2014.

Transport volume in the Far East trade increased by 13.0% to 1,282,332 TEU in the financial year ended December 31, 2015 from 1,134,550 TEU in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities. The increase was less than expected due to a weakening economic environment. As a result of tremendous rate pressure arising from intense competition and a significantly decreased Shanghai Container Freight Index, our average freight rates dropped by 20.1% to US\$942 per TEU in the financial year ended December 31, 2015 from US\$1,179 per TEU in the financial year ended December 31, 2014.

Transport volume in the Latin America trade increased by 94.1% to 2,247,134 TEU in the financial year ended December 31, 2015 from 1,157,879 TEU in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities. This was partially offset by the weak economic development in Latin America and China resulting in a drop in our average freight rates of 18.1% to US\$1,111 per TEU in the financial year ended December 31, 2015 from US\$1,357 per TEU in the financial year ended December 31, 2014.

Transport volume in the Intra-Asia trade increased by 16.6% to 573,171 TEU in the financial year ended December 31, 2015 from 491,505 TEU in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities, partially offset by the weak economic growth in China. As a result of intense competition, our average freight rates dropped by 17.7% to US\$655 per TEU in the financial year ended December 31, 2015 from US\$796 per TEU in the financial year ended December 31, 2014.

Transport volume in the EMAO (Europe-Mediterranean-Africa-Oceania) trade increased by 2.5% to 367,029 TEU in the financial year ended December 31, 2015 from 358,048 TEU in the financial year

ended December 31, 2014, mainly due to a higher transport volume on the Africa-related sub-trades. As a result of the strength of the U.S. dollar compared to the euro and strong competitive pressure, our average freight rates dropped by 14.0% to US\$1,210 per TEU in the financial year ended December 31, 2015 from US\$1,407 per TEU in the financial year ended December 31, 2014.

(b) Other Operating Income

Other operating income increased by 65.8% to €193.7 million in the financial year ended December 31, 2015 from €116.8 million in the financial year ended December 31, 2014. The increase in other operating income was primarily attributable to the rise in income from disposal of assets that were recognized in the previous year as non-current assets held for sale. In the financial year ended December 31, 2015, a total of 16 vessels were sold or disposed of to a certified ship breaking yard. In addition, exchange rate gains increased by 34.1% to €94.7 million in the financial year ended December 31, 2015 from €70.6 million in the financial year ended December 31, 2014. Furthermore, €26.6 million of the restructuring provision recognized in 2014 was also released through other operating income.

(c) Transport Expenses

The following table below sets forth our transport expenses for the financial year ended December 31, 2015 and the financial year ended December 31, 2014.

	2014		2015	
	% of total revenue		% of total revenue	
	(in € million, except percentages) (audited, except percentages)			
Transport expenses				
Cost of raw materials, supplies and purchased goods	1,362.3	20.0	1,067.9	12.1
Cost of purchased services(*)	4,697.8	69.0	6,190.6	70.0
<i>Thereof:</i>				
<i>Port, canal and terminal costs</i>	1,989.9	29.2	2,717.2	30.7
<i>Container transport costs</i>	1,841.4	27.0	2,148.4	24.3
<i>Chartering, leases and container rentals</i>	734.0	10.8	1,168.6	13.2
<i>Maintenance/repair/other</i>	132.5	1.9	156.4	1.8
Total	6,060.1	89.0	7,258.5	82.1

(*) Within the cost of purchased services there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals in the amount of €49.0 million for the financial year ended December 31, 2015. The financial year ended December 31, 2014 was adjusted accordingly by €40.5 million.

Transport expenses increased by 19.8% to €7,258.5 million in the financial year ended December 31, 2015 from €6,060.1 million in the financial year ended December 31, 2014. These expenses constituted 82.1% and 89.0% as a percentage of total revenue for the financial year ended December 31, 2015 and 2014, respectively. In general the increase in transport expenses is attributable to the increase in transport volumes caused by the acquisition of CCS Activities.

Cost of raw materials, supplies and purchased goods decreased by 21.6% to €1,067.9 million in the financial year ended December 31, 2015 from €1,362.3 million in the financial year ended December 31, 2014. This decrease was primarily triggered by a 45.7% drop in bunker consumption prices and the cost savings achieved from higher bunker efficiency.

Overall the costs of purchased services increased by 31.8% to €6,190.6 million in the financial year ended December 31, 2015 from €4,697.8 million in the financial year ended December 31, 2014. The reason for this is the increase in volumes following the acquisition of the CCS Activities.

Port, canal and terminal cost increased by 36.5% to €2,717.2 million in the financial year ended December 31, 2015 from €1,989.9 million in the financial year ended December 31, 2014, due to the inclusion of the CCS Activities. Container transport costs increased by 16.7% to €2,148.4 million in the financial year ended December 31, 2015 from €1,841.4 million in the financial year ended December 31, 2014. This increase was primarily attributable to the increase in transport volumes caused by the acquisition of the CCS Activities. In addition, synergy effects achieved from the merger with CSAV's container shipping activities and the cost-cutting measures initiated in the previous year already made a substantial contribution to the continuous reduction of costs in the 2015 financial year.

Chartering, leases and container rental expense increased by 59.2% to €1,168.6 million in the financial year ended December 31, 2015 from €734.0 million in the financial year ended December 31, 2014. This increase was also caused by the acquisition of CSAV's container shipping activities and the higher number of ships and containers chartered or rented.

Maintenance, repair and other costs increase by 18.0% to €156.4 million in the financial year ended December 31, 2015 from €132.5 million in the year financial ended December 31, 2014, mainly due to the acquisition of CSAV's container shipping activities.

(d) Personnel Expenses

The following table sets forth our personnel expenses for the financial year ended December 31, 2015 and for the financial year ended December 31, 2014.

	2014		2015	
	% of total revenue		% of total revenue	
	<i>(in €million, except percentages)</i>			
	(audited, except percentages)			
Personnel expenses				
Wages and salaries	343.7	5.0	401.0	4.5
Social security, pension costs and other benefits	59.6	0.9	83.4	0.9
Total	403.3	5.9	484.4	5.5

Personnel expenses increased by 20.1% to €484.4 million in the financial year ended December 31, 2015 from €403.3 million in the financial year ended December 31, 2014. Personnel expenses constituted 5.5% and 5.9% as a percentage of total revenue for the financial year ended December 31, 2015 and the financial year ended December 31, 2014, respectively. The increase in personnel expenses was primarily attributable to the inclusion of the personnel expenses relating to the CCS Activities and expenses for defined benefit and defined contribution pension obligations. This increase was partly offset by the release of the restructuring provision in the amount of €22.9 million in 2015. The restructuring provision was created in 2014 with €41.2 million for personnel measures relating to the acquisition of CSAV's container shipping activities.

(e) Amortization, Depreciation and Impairment

Amortization, depreciation and impairment decreased by 3.5% to €464.6 million in the financial year ended December 31, 2015 from €481.7 million in the financial year ended December 31, 2014.

(f) Other Operating Expenses

The following table below sets forth our other operating expenses for the financial year ended December 31, 2015 and the financial year ended December 31, 2014.

	2014		2015	
	% of total revenue		% of total revenue	
	<i>(in €million, except percentages)</i>			
	(audited, except percentages)			
Other operating expenses				
Rental and lease expenses	22.0	0.3	34.0	0.4
Commissions	56.2	0.8	76.2	0.9
Exchange rate losses	66.7	1.0	122.0	1.4
Other personnel cost	14.7	0.2	25.7	0.3
Expenses for charges, fees, consultancy and other professional services	33.5	0.5	24.5	0.3
EDP costs including IT leasing	67.1	1.0	95.3	1.1
Administrative expenses	11.2	0.2	18.6	0.2
Travel expenses	9.6	0.1	15.3	0.2
Other taxes	29.2	0.4	38.1	0.4
Sundry operating expenses	83.1	1.2	68.0	0.8
Total	393.3	5.8	517.7	5.9

Other operating expenses increased by 31.6% to €517.7 million in the financial year ended December 31, 2015 from €393.3 million in the financial year ended December 31, 2014. Other

operating expenses constituted 5.9% and 5.8% as a percentage of total revenue for the financial year ended December 31, 2015 and the financial year ended December 31, 2014, respectively. This increase in other operating expenses was primarily attributable to an increase of general administration expenses as well as periodic-specific exchange rate losses due to changes in the U.S. dollar/euro exchange rate.

(g) Operating Result

Operating result improved by €724.4 million to an income of €310.3 million in the financial year ended December 31, 2015 from a loss of €414.1 million in the financial year ended December 31, 2014, as a result of the factors described above.

(h) Investments Accounted for Under the Equity Method

Our profit or loss of investments accounted for under the equity method decreased by 16.7% to €28.5 million in the financial year ended December 31, 2015 from €34.2 million in the financial year ended December 31, 2014. This was primarily due to reduction of the CTA result because of lower transport volumes.

(i) Other Financial Result

Other financial result increased by €30.5 million to a gain of €27.6 million in the financial year ended December 31, 2015 from a loss of €2.9 million in the financial year ended December 31, 2014, mainly due to changes in the fair value of derivative financial instruments.

(j) Interest Result

The following table sets forth our interest results for the financial year ended December 31, 2015 and the financial year ended December 31, 2014.

	<u>2014</u>	<u>2015</u>
	<i>(in € million)</i>	
	(audited)	
Interest income	7.0	5.6
Interest income from fund assets for the financing of pensions and similar obligations	4.5	3.9
Other interest and similar income	2.5	1.7
Interest expenses	(216.7)	(232.9)
Interest expense from the valuation of pensions and similar obligations	(9.6)	(8.5)
Interest expenses from the change in fair value of embedded derivatives	(17.0)	(5.3)
Other interest and similar expenses	(190.1)	(219.1)
Total	(209.7)	(227.3)

Interest income decreased by €1.4 million to €5.6 million in the financial year ended December 31, 2015 from €7.0 million in the financial year ended December 31, 2014.

Interest expense increased by 7.5% to €232.9 million in the financial year ended December 31, 2015 from €216.7 million in the financial year ended December 31, 2014. This increase in interest expense was primarily attributable to new vessel financings.

Overall net interest expense increased by 8.4% to a net interest expense of €227.3 million in the financial year ended December 31, 2015 from a net interest expense of €209.7 million in the financial year ended December 31, 2014 as a result of the factors described above.

(k) Income Taxes

Income taxes increased by €14.0 million, to tax expenses of €25.2 million in the financial year ended December 31, 2015 from a tax expense of €11.2 million the financial year ended December 31, 2014. This increase was mainly attributable to higher foreign income taxes.

(l) Profit/Loss for the Period

Profit for the period increased by €717.6 million to a profit of €113.9 million in the financial year ended December 31, 2015 from a loss of €603.7 million in the financial year ended December 31, 2014, as a result of the factors described above.

9.9 Liquidity and Capital Resources

Our principal sources of liquidity have been operating cash flows, secured vessel and container financing facilities, structured financing transactions, the issuance of bonds and other borrowings, together with contributions from our shareholders. Our primary need for liquidity is to fund our growth strategy. Our financing agreements are vital for us to finance our container ships and containers. Our ability to generate cash from our operations depends on future operating performance which is dependent, to some extent, on general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed in 3 “*Risk Factors*”.

As of March 31, 2017, we had €519.8 million of cash and cash equivalents.

We believe that our operating cash flows and agreed financings, together with future borrowings under existing credit facilities will be sufficient to maintain our ongoing operations, anticipated capital expenditures and debt service requirements. This belief is based on our optimized management of trade accounts receivables and payables as well as the bunker efficiency program introduced to optimize bunkering and stock levels.

(a) Cash Flow

The following table sets forth our consolidated cash flow information for the financial years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2016 and 2017:

	For the financial year ended December 31,			For the three months ended March 31,	
	2014	2015	2016	2016	2017
				<i>(in € million)</i>	
		(audited)		(unaudited)	
Profit/loss	(603.7)	113.9	(93.1)	(42.8)	(62.1)
Income tax expenses	11.2	25.2	19.7	4.5	3.8
Interest result	209.7	227.3	199.8	43.1	61.8
Depreciation, amortization and impairments	481.7	464.6	481.0	118.6	127.8
Impairment (+) / write-backs (-) of financial assets	—	—	0.6	—	—
Other items (including non-cash expenses/(income))	16.9	(87.8)	(7.6)	7.9	10.6
Loss from hedges for financial debt	—	47.9	11.3	—	—
Profit (-) / loss (+) from disposals of non-current assets and assets held for sale	0.0	(11.0)	2.8	(0.4)	(0.6)
Income/expenses from equity-accounted investees and dividends	(34.3)	(28.6)	(27.2)	(5.8)	(7.7)
(Increase)/decrease in inventories	70.9	74.2	(26.2)	6.8	(18.6)
(Increase)/decrease in receivables and other assets	58.5	69.0	20.1	(5.1)	(11.1)
Increase/(decrease) in provisions	91.0	(224.7)	(109.6)	(2.7)	13.0
Increase/(decrease) in liabilities (excluding financial debt)	77.6	(98.7)	(46.9)	21.9	32.8
Payments for income taxes	(4.6)	(0.8)	(9.1)	(5.0)	(2.3)
Payments received for interest	2.3	1.6	1.6	0.2	0.7
Cash inflow/(outflow) from operating activities	377.2	572.1	417.2	141.2	148.1
Proceeds from disposals of property, plant and equipment and intangible assets	4.8	4.0	6.5	2.6	1.6
Proceeds from disposals of other non-current assets	—	0.3	—	—	—
Dividends received	34.2	38.9	28.8	0.1	0.1
Payments received from the disposal of assets held for sale	—	74.9	—	—	—
Purchase of property, plant and equipment and intangible assets	(340.5)	(724.3)	(353.7)	(110.6)	(114.2)
Payments received from acquisitions	44.0	—	—	—	—
Payments made for investments in other investments	(0.1)	(0.3)	—	—	—
Cash (outflow) from investing activities	(257.6)	(606.5)	(318.4)	(107.9)	(112.5)
Payments made from changes in ownership interests in subsidiaries	—	—	(0.3)	—	—
Contributions to and from shareholders	306.0	257.4	(6.3)	(2.1)	(0.8)
Payments received from the raising of financial debt	748.2	575.3	966.0	123.0	633.4
Payments made for redemption of financial debt	(790.6)	(748.6)	(859.8)	(207.9)	(626.6)
Interest paid	(182.0)	(213.3)	(189.9)	(42.6)	(61.7)
Payments received (+) and made (-) from hedges for financial liabilities	—	(47.9)	(11.2)	—	—
Change in restricted cash	—	—	(17.9)	—	(24.0)
Cash inflow/outflow from financing activities	81.6	(177.1)	(119.4)	(129.6)	(79.7)
Cash and cash equivalents at the beginning of the period	464.8	711.4	573.7	573.7	570.2
Change in cash and cash equivalents due to changes in exchange rates	45.4	73.8	17.1	(21.4)	(6.3)
Net (decrease)/increase in cash and cash equivalents	201.2	(211.5)	(20.6)	(96.3)	(44.1)
Cash and cash equivalents at end of the period	711.4	573.7	570.2	456.0	519.8

(b) Cash Flow from Operating Activities

In the three months ended March 31, 2017, we generated a cash inflow from operating activities of €148.1 million compared to a cash inflow of €141.2 million in the three months ended March 31, 2016. This increase of €6.9 million compared to previous year was primarily attributable to the higher EBITDA during the same period.

In the financial year ended December 31, 2016, we generated a cash inflow from operating activities of €417.2 million compared to a cash inflow of €572.1 million in the financial year ended December 31, 2015. This decrease of €154.9 million compared to previous year was primarily attributable to the lower result in 2016.

In the financial year ended December 31, 2015, we generated a cash inflow from operating activities of €572.1 million compared to a cash inflow of €377.2 million in the financial year ended December 31, 2014. This increase of €194.9 million compared to previous year was primarily attributable to a higher result in 2015.

(c) Cash Outflow from Investing Activities

In the three months ended March 31, 2017, we had a cash outflow from investing activities of €112.5 million compared to a cash outflow of €107.9 million in the three months ended March 31, 2016, primarily attributable to payments for investments in vessels.

In the financial year ended December 31, 2016, we had a cash outflow from investing activities of €318.4 million compared to a cash outflow of €606.5 million in the financial year ended December 31, 2015, primarily attributable to the lower investments in ships and containers in 2016.

Cash payments for investments in property, plant and equipment and intangible assets totaling €353.7 million in the financial year ended December 31, 2016, mainly consisted of investments for ships and containers.

In the financial year ended December 31, 2015, we had a cash outflow from investing activities of €606.5 million compared to a cash outflow of €257.6 million in the financial year ended December 31, 2014, primarily attributable to the increase of investments in ships and containers.

(d) Cash Flow from Financing Activities

In the three months ended March 31, 2017, we had a cash outflow from financing activities of €79.7 million compared to a cash outflow of €129.6 million in the three months ended March 31, 2016, primarily attributable to the placement of two bonds in January and February 2017 and the early redemption of the U.S. dollar notes due in autumn 2017.

In the financial year ended December 31, 2016, we had a cash outflow from financing activities of €119.4 million compared to a cash outflow of €177.1 million in the financial year ended December 31, 2015, primarily attributable to the higher amount of loans granted in 2016.

In the financial year ended December 31, 2015, we had a total cash outflow from financing activities of €177.1 million compared to a total cash inflow of €81.6 million in the financial year ended December 31, 2014, primarily attributable to the lower amount of loans granted in 2015. Borrowing amounting to €573.5 million (2014: €748.2 million) related primarily to ship and container financings.

(e) Financial Debt and Financing Sources

The table below sets forth our financial debt and bank borrowings as of December 31, 2014, 2015 and 2016 and as of March 31, 2016 and 2017, as adjusted for the €450 million 5.125% senior notes due 2024 issued on July 18, 2017 as well as the redemption of the existing €200 million 7.75% senior notes due in 2018 and the €250 million 7.50% senior notes due in 2019.

	As of December 31,			As of March 31,	
	2014	2015	2016	2016	2017
	(in € million) (unaudited)				
Existing Notes	869.3	780.0	785.1	775.2	904.3
Hapag-Lloyd Vessel Financings	1,943.5	1,982.2	2,036.7	1,830.6	2,036.2
thereof fleet financings	403.0	356.6	712.5	329.8	682.0
thereof K-sure financing	864.3	863.5	926.0	800.9	1,018.4
thereof finance lease contracts	136.1	61.3	49.3	55.5	45.3
thereof financing arrangements	540.1	700.9	348.9	644.4	290.5
Hapag-Lloyd Container Financings	600.2	675.5	659.9	600.3	645.6
thereof container financing	556.9	575.9	528.4	508.6	487.8
thereof finance lease contracts	43.3	99.6	131.5	91.7	157.8
ABS Program	231.2	226.7	288.2	220.7	286.0
Ballindamm Refinancing 2016	56.9	55.3	84.4	54.9	83.5
Sundry financial liabilities	16.0	187.6	326.4	216.1	178.7
UASC Financings	—	—	—	—	3,432.7
thereof UASC Vessel Financings	—	—	—	—	2,220.8
thereof UASC Container Financings	—	—	—	—	463.2
thereof UASC Corporate Debt*	—	—	—	—	748.7
Total financial debt	3,717.1	3,907.3	4,180.7	3,697.8	7,567.0

(*) Including corporate financings and incurred transaction costs.

The average borrowing cost on our financial indebtedness was 6.1%, 5.9% and 4.9% as of December 31, 2014, 2015 and 2016, respectively and 5.9% as of March 31, 2017. The average borrowing costs for the three months ended March 31, 2017 were significantly influenced by the placement of two bonds in January and February 2017 and the early redemption of the U.S. dollar notes due in autumn 2017.

As of March 31, 2017, 37% of our debt had a fixed interest rate and 63% of our debt had a floating interest rate. We use a balanced combination of financial assets and liabilities with variable and fixed interest rates to mitigate the possible adverse effects of interest rate fluctuations on transactions. See 9.14 “—Quantitative and Qualitative Disclosure about Market Risk” for a further discussion on our hedging policies. We may from time to time purchase or otherwise acquire our indebtedness, including the outstanding bonds individually negotiated transactions, open market repurchases or otherwise.

9.10 Capital Expenditures

We have made significant investments in the past several years, primarily pursuant to payments for new vessels and containers. The following table is a summary of our historical capital expenditure for the financial years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2016 and 2017.

	For the financial year ended December 31,			For the three month ended March 31,	
	2014	2015	2016	2016	2017
	(in € million) (unaudited)				
Vessels and down payments	189.2	488.1	320.9	91.0	111.7
Containers	136.1	250.9	58.8	0.0	0.0
Other	12.7	16.9	12.6	3.9	2.5
Total	338.0	755.9	392.3	94.9	114.2

Capital expenditure amounted to €114.2 million in the three months ended March 31, 2017 (previous year: €94.9 million) and related mainly to investments in ships.

Capital expenditure amounted to €392.3 million in the financial year ended December 31, 2016 (previous year: €755.9 million) and related in particular to investments in ships and containers.

Capital expenditure amounted to €755.9 million in the financial year ended December 31, 2015 (2014: €338.0 million) and related in particular to investments in ships and containers. Five vessels, each with a capacity of 9,300 TEU, were delivered to Hapag-Lloyd in the financial year ended December 31, 2015. Further investments were also made in containers.

In the financial year ended December 31, 2014, with the acquisition of the CCS Activities and the additions to property, plant and equipment and intangible assets associated with the expansion of the group of consolidated companies, capital expenditure amounted to €338.0 million in the financial year ended December 31, 2014. Vessels and down payments mainly related to the following investments: Three ocean-going vessels with a capacity of 13,200 TEU for €124.6 million and vessels that were already ordered by CSAV with a capacity of 9,300 TEU (down payments and one delivery) for €57.5 million. Further investments related to containers for €136.1 million and other investments, mainly for EDP.

For the method of financing of our capital expenditures, please see 12.2 “*Material Contracts—Hapag-Lloyd AG’s Financing Arrangements*”.

As of March 31, 2017, we had committed capital expenditures of €50.0 million (US\$53.4 million).

We also incur capital expenditure costs in relation to our ship maintenance needs. Dry-dock expenditures for our vessels are driven by vessel classification society regulations and our own strict maintenance guidelines and associated dry-docking schedules, which require vessel dry-docking once every five years. We expect 18 of our vessels to dry-dock in 2017 and 14 in 2018. Although actual costs cannot presently be estimated with certainty, we also expect that future overhauls of our vessels in the next three to five years may require significantly higher capital expenditures due to new and anticipated environmental regulations that will require upgrades to reduce air emissions upon the remanufacture of marine diesel engines and the installation of ballast water management systems. See 14.6 “*Regulatory Environment—Environmental Matters*”.

Since March 31, 2017 we made payments of €53.3 million.

Apart from the recent investments mentioned above, we have not resolved on any significant investments for the current financial year or beyond.

Following the closing of the UASC Business Combination, we do not intend to invest in new vessels and instead rely on the combined fleet to exploit medium-term expansion opportunities resulting from market growth and realize economies of scale within our ship operations. See 3.3(d) “*Risk Factors—Risks related to the UASC Business Combination—Hapag-Lloyd may not be successful in integrating UASC into its existing business in the manner, or within the timeframe, as currently anticipated or only at a higher expense*”.

9.11 Contractual Obligations

The following table sets forth, as of March 31, 2017 as adjusted for the issuance of the €450 million 5.125% senior notes due 2024 as well as the redemption of the existing €200 million 7.75% senior notes due 2018 and the €250 million 7.50% senior notes due 2019, our debt obligations and contractual obligations and commercial commitments, based upon the period in which payments are due.

	Less than 1 year	1-5 years	5-10 years <i>(in €million)</i> <i>(unaudited)</i>	10 years and more	Total
Existing Notes	17.5	444.4	442.4	—	904.3
Hapag-Lloyd Vessel Financings	331.2	1,062.5	599.2	43.3	2,036.2
thereof fleet financings	125.0	377.0	180.0	—	682.0
thereof K-sure financing	121.1	496.9	357.1	43.3	1,018.4
thereof finance lease contracts (Vessels)	13.7	31.6	—	—	45.3
thereof financing arrangements	71.4	157.0	62.1	—	290.5
Hapag-Lloyd Container Financings	152.7	408.4	84.5	—	645.6
thereof container financing	112.7	311.0	64.1	—	487.8
thereof finance lease contracts	40.0	97.4	20.4	—	157.8
ABS Program	(0.2)	286.2	—	—	286.0
Ballindamm Refinancing 2016	2.6	11.1	69.8	—	83.5
Sundry financial liabilities	127.4	51.3	—	—	178.7
UASC Financings	287.2	1,856.3	1,214.8	74.4	3,432.7
thereof UASC Vessel Financings	220.4	949.7	976.3	74.4	2,220.8
thereof UASC Container Financings	58.7	276.5	128.0	—	463.2
thereof UASC Corporate Debt	8.1	630.1	110.5	—	748.7
Total financial debt	918.4	4,120.2	2,410.7	117.7	7,567.0
Operating lease obligations	385.6	556.3	45.1	8.0	995.0
Purchase obligation for investments in container vessels	50.0	—	—	—	50.0
Total commercial commitments	1,354.0	4,676.5	2,455.8	125.7	8,612.0

The contractual obligations set forth in the table above reflect mainly those agreements and obligations that in the ordinary course of our operations are customary and necessary in light of the activities in which we engage.

These operating lease obligations are discounted to reflect the present value.

9.12 Off-Balance Sheet Arrangements

We use various off-balance sheet arrangements, such as ship charters, leases on containers, rental agreements for business premises and operating leases to finance our business. See the table above in 9.11—“Contractual *Obligations*” for further information on our contractual obligations and commercial commitments.

9.13 Equity, Pension Obligations and Provisions

(a) Equity

The following table below sets forth a breakdown of our equity as of December 31, 2014, 2015 and 2016 and as of March 31, 2017.

	As of December 31,			As of March 31,
	2014	2015	2016	2017
	<i>(in €million)</i>			
	<i>(audited)</i>			<i>(unaudited)</i>
Equity and liabilities				
Subscribed capital	104.9	118.1	118.1	118.1
Capital reserves	1,651.9	1,263.2	1,061.8	1,061.8
Retained earnings	2,286.1	3,052.3	3,152.9	3,089.6
Cumulative other equity	121.4	604.8	721.8	666.9
Equity attributable to the shareholders of Hapag-Lloyd AG	4,164.3	5,038.4	5,054.6	4,936.4
Non-controlling interests	5.3	7.8	3.8	3.7
Equity	4,169.6	5,046.2	5,058.4	4,940.1

Equity decreased from €5,058.4 million in the financial year ended December 31, 2016 to €4,940.1 million in the three months ended March 31, 2017. This decrease was primarily due to the group loss for the period (€62.1 million) as well as currency translation effects (€53.9 million).

Equity increased from €4,169.6 million in the financial year ended December 31, 2014 to €5,046.2 million in the financial year ended December 31, 2015, mainly due to the balance of unrealized gains and losses from currency translation recognized in other comprehensive income amounting to €452.6 million, our profit of €113.9 million, as well as the change in the reserve for the remeasurement of defined pension plans.

(b) Pension Obligations

We offer various types of retirement benefits to many of our employees worldwide, including both defined contribution pension plans and defined benefit pension plans, either directly or by contributing to independently administered funds. In particular, we have significant defined benefit pension plans in Germany, the United Kingdom, the Netherlands, Canada and Mexico. For the financial year 2016, we made payments amounting to €2.7 million into pension plan assets and payments for unfunded pension plans were €3.5 million in the financial year ended December 31, 2016. Our expenses for defined contribution pension plans relate primarily to our contributions to statutory retirement pensions.

Payments required to be made under these pension plans are funded by cash flow from operating activities, and we expect to be able to fund our future pension contributions from cash flow from operating activities. Please also see note 23 to the 2016 Audited Consolidated Financial Statements.

(c) Provisions

The following table below sets forth a breakdown of our provisions as of December 31, 2014, 2015 and 2016 and as of March 31, 2017.

	As of December 31,			As of March 31,
	2014	2015	2016	2017
	<i>(in €million)</i>			
	(audited)			(unaudited)
Guarantee, warranty and liability risks	89.8	99.3	80.9	81.2
Risks from pending transactions	291.7	169.5	108.8	96.7
Personnel costs	41.5	74.1	65.4	83.4
Insurance premiums	9.5	15.8	15.6	15.1
Provisions for other taxes	6.3	2.4	2.2	2.5
Restructuring	89.7	16.0	1.7	4.1
Other provisions	63.9	53.0	50.6	48.6
Other provisions	592.4	430.1	325.2	331.6

(i) Provisions for guarantee, warranty and liability risks

Provisions for guarantee, warranty and liability risks primarily relate to maintenance obligations in connection with leased containers and obligations to compensate for uninsured damage to cargo. As of December 31, 2014, following the acquisition of the CCS Activities, the provisions for maintenance obligations for lease containers increased by €53.9 million as a consequence of the first-time consolidation of the CCS Activities on December 2, 2014. As of March 31, 2017, the provisions for guarantee, warranty and liability risks were €81.2 million as compared to €80.9 million as of December 31, 2016.

(ii) Provisions for risks from pending transactions

Provisions for risks from pending transactions relate to contracts identified with regard to purchase price allocations pursuant to IFRS 3 that have a negative market value compared to the market conditions at the time of the purchase. During the financial year ended December 31, 2014, disadvantageous charter and lease agreements amounting to €256.6 million were reported in connection with the acquisition of the CCS Activities. Provisions for risks from pending transactions are utilized over the respective contractual terms of the underlying contracts. As of March 31, 2017, provisions for risks from pending transactions were €96.7 million as compared to €108.8 million as of December 31, 2016.

(iii) Provisions for personnel costs

Provisions for personnel costs comprise provisions for holidays not yet taken, bonuses not yet paid, severance compensation and anniversary payments. Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Group.

(iv) Provisions for restructuring

Provisions for restructuring measures are created if a detailed formal restructuring plan was prepared and a justified expectation existed among the affected parties. In relation to the incorporation of the CCS Activities into the Hapag-Lloyd Group with effect from December 2, 2014, the Hapag-Lloyd Group's executive board approved a comprehensive restructuring plan to implement the Group's new organizational structure directly caused by this integration. Following the announcement of the plan, the Group recognized provisions for the expected restructuring costs, including estimated costs incurred for closing and merging offices, IT modifications, discontinuing and restructuring services, agent terminations, consultancy costs and employee termination benefits, amounting to €88.2 million as of December 31, 2014 and €14.8 million as of December 31, 2015, respectively. In 2015 restructuring provisions in the amount of €49.4 million were reversed due to individual measures being performed for a lower cost than originally planned. As of March 31, 2017, the remaining provisions for restructuring amounted to €1.7 million.

(v) Other provisions

Other provisions in particular include provisions for country-specific risks as well as archiving provisions. As of December 31, 2014, other provisions amounted to €63.9 million and decreased to €53.0 million as of December 31, 2015. Other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must sometimes use empirical values as the basis for making assumptions regarding the likelihood of occurrence of the obligation or future developments, e.g. such as the costs to be estimated for the valuation of obligations. These can be subject to estimation uncertainties, particularly in the case of non-current provisions. As of March 31, 2017, other provisions slightly decreased to €48.6 million.

9.14 Quantitative and Qualitative Disclosure about Market Risk

(a) Bunker Fuel Price Fluctuation Risk

As a result of our operating activities, we are exposed to a market price risk for the procurement of bunker fuel. Our risk management objective is a twelve-month rolling hedge of the forecast bunker consumption. We generally use relatively short term commodity options and swaps to hedge against price fluctuations.

(b) Foreign Currency Risk

We conduct our container shipping business in an international business environment in which transactions are invoiced mainly in U.S. dollars and payment procedures are handled in U.S. dollars. The functional currency of Hapag-Lloyd AG and its subsidiaries is therefore the U.S. dollar. Currency risks result from operating activities (incoming or outgoing payments in currencies other than the U.S. dollar) and from financial liabilities taken on in euro. The risks from our euro financing liabilities are partially hedged by using derivative financial instruments to counter exchange rate fluctuations. Please also refer to 9.2(b) "*Factors Affecting Our Results of Operations—Foreign Exchange Rate Exposure*".

(c) Interest Rate Risk

We are exposed to interest rate risks affecting cash flow, particularly with financial liabilities based on variable interest rates. In order to minimize the interest rate risk, we strive to achieve a balanced combination of financial assets and liabilities with variable and fixed interest rates. We do not currently have any hedging arrangements or interest rate swaps to adjust interest-rate risk exposure, but may enter into such arrangements or swaps in the future in order to hedge our interest rate risk.

(d) Credit risk

In addition to the market risks described above, we are exposed to default risks. Default risk constitutes the risk that a contracting partner will be unable to meet our contractual payment obligations. It refers to our operating activities and the counterparty risk vis-à-vis external banks. Generally, a risk of this kind is minimized by the creditworthiness requirements which the respective contracting partners are required to fulfil. With regard to our operational activities, we have an established credit and receivables management system at area, regional and head office level which is based on internal guidelines.

9.15 Critical Accounting Policies

(a) Estimates

The Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, income and expenses during the relevant period. Although these estimates and assumptions are based on management's best knowledge of current events and circumstances, the actual results ultimately may differ from those estimates and assumptions. We evaluate such estimates and assumptions on an ongoing basis based upon historical results and experience, in consultation with experts and using other methods we consider reasonable in the particular circumstances, as well as our forecasts regarding future changes.

The section below presents accounting policies whose allocation required us to make judgments and use assumptions, as the underlying facts are of uncertain nature. As a result, any changes in these facts or assumptions may affect the results presented in the consolidated financial statements.

(b) Revenue Recognition

We recognize freight revenue when service is rendered, typically upon the completion of the voyage. For voyages initiated during the period but not completed at the balance sheet date, we recognize revenue using the percentage of completion method.

The stage of completion (percentage) is determined using an input-oriented method based on the actual costs incurred compared to the total expected costs. Regarding the expected cost to complete and the total expected cost we use our estimates based on standard processes supported by our IT systems and past experience. However, the estimate of costs requires us to exercise significant judgment. If the profit margin is determined to be positive the expected profit is recognized proportionally based on the percentage of completion. If a profit margin is negative the full expected loss is recognized.

(c) Impairment

Intangible assets with finite useful lives and property, plant and equipment are tested for impairment whenever indicators for a potential loss exist. The impairment testing requires us to make assumptions and estimates regarding future cash flows, anticipated growth rates, exchange rates and discount rates. Such inputs require in particular management's assessment of the macroeconomic development. The assumptions and estimates are therefore subject to uncertainty as any other future projections.

Goodwill is tested for impairment at least once a year. Goodwill is tested for impairment at the level of the single cash-generating unit container shipping. An impairment loss is recognized if the recoverable amount is lower than the cash-generating unit's carrying amount. If a need for impairment has been ascertained, the goodwill is impaired first. Any need for impairment over and above this is spread in proportion to the carrying amount over the remaining non-current assets.

(d) Leases

A lease is the term given to all arrangements that convey in return for payment the right to use specified assets for an agreed period of time. On the basis of the risks and rewards incidental to ownership in the leased item, it is assessed whether the commercial ownership of the leased item is

attributable to the lessee (finance leases) or the lessor (operating leases). The assessment of the risks and rewards incidental to ownership requires management's judgment therefore subject to uncertainty as any other future projections.

We use charter, lease and rental agreements for ships and containers, and business premises, mainly the administrative building Rosenstraße 17, 20095 Hamburg, Germany. The agreements have terms of between under one year and up to approximately 14 years and some include prolongation and purchase options as well as price adjustment clauses.

(e) Hedge Accounting

We are, in the normal course of business, exposed to a variety of market risk, especially bunker fuel price risk and foreign exchange rate risk. Our risk management strategy aims to minimize the adverse effects of these risks on our financial performance. We use derivative financial instruments to hedge existing or planned underlying transactions and serve to reduce foreign currency risks and fuel price risks. See 9.14(b) "*—Quantitative and Qualitative Disclosure about Market Risk—Foreign Currency Risk*" and 9.14(a) "*—Quantitative and Qualitative Disclosure about Market Risk—Bunker Fuel Price Fluctuation Risk*". For accounting purposes we generally apply hedge accounting in accordance with IAS 39 to record the effective portion of a derivative hedging instrument in the profit and loss statement simultaneously with any impact from the hedged item. The fair value of the derivative hedging instrument is highly subject to fluctuations in the market. We have not entered into any transactions in derivative financial instruments for trading purposes. Judgment is required in the assessment of the effectiveness of hedges at the inception and over the period for which hedge accounting is applied. Also the occurrence of forecast transactions designated as hedged items are subject to a high degree of uncertainty.

(f) Taxes

We have opted for our container shipping business to be taxed under the tonnage tax regime in Germany. Under the tonnage tax regime, the German corporate income tax liability is calculated by reference to the aggregate tonnage of our container shipping fleet, rather than on the basis of actual income earned. We made an initial election in 1999 to participate in this regime and expect to remain subject to this regime for the foreseeable future. Apart from the tonnage tax we have to pay income taxes in various countries. Significant assumptions and estimates are required in determining the worldwide current income tax expense as the tax treatment of certain transactions is uncertain.

To the extent that loss carry forwards are realizable through future profits we recognize a deferred tax asset. The assessment of the future realization of losses carried forward is highly subject to estimates and judgment.

9.16 Recently Adopted Accounting Principles

The following new standards, or amendments to existing standards, published by the IASB and already endorsed, had to be applied for the first time in the unaudited consolidated financial statements for the financial year ended December 31, 2016; their first-time application, however, had no significant impact on our net asset and earnings position.

- Amendment to IAS 1: Disclosures in the Notes to the Financial Statements
- Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of
- Depreciation and Amortization
- Amendment to IAS 16 and IAS 41: Bearer Plants
- Amendment to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception
- Amendment to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations
- Annual Improvements to IFRS (2012–2014)

9.17 Information from the Unconsolidated Financial Statements of Hapag-Lloyd AG Prepared According to HGB for the Financial Year Ended December 31, 2016

Some information from the audited unconsolidated financial statements (the “**Audited Unconsolidated Financial Statements**”) of the Company prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2016 is presented below. The Audited Unconsolidated Financial Statements are reproduced on pages F-233 et seqq. in 21 “Financial Information” section of this prospectus. The net other operating income and expenses of the Company decreased from a loss of €702.4 million in the financial year ended December 31, 2015 to a loss of €580.7 million in the financial year ended December 31, 2016. The provisions of the Accounting Policy Implementation Act (*Bilanzrichtlinie-Umsetzungsgesetz* (BilRUG)) required an adjustment to the structure of the income statement compared with the financial year ended December 31, 2015. The income from the release of a provision of €56.1 million recognised in the financial year ended December 31, 2015 under the item “extraordinary income” has now been reclassified as other operating income. The expenses from a merger loss of €0.7 million recognised in the previous year under the item “extraordinary expenses” have now been reclassified as other operating expenses.

Other operating expenses decreased due to significantly lower exchange rate losses (in particular as a result of the balance sheet date valuation effects relating to liabilities denominated in U.S. dollars). Netted, the exchange-rate-related other operating expenses and other operating income resulted in a decrease in earnings of €177.0 million (previous year: €279.1 million). Net result for the year increased from a loss of €635.7 million in the financial year ended December 31, 2015 to a loss of €201.4 million in the financial year ended December 31, 2016 due to a decrease in bunker prices and, in particular, from the effects of the synergies, cost reductions and efficiency improvements. Earnings also increased driven by one-time impairment allowances in 2015 for the carrying amounts of investments and accounts receivable from affiliated companies in the amount of €339.3 million. The net retained earnings of €108.4 million in the financial year ended December 31, 2015 were reduced by the net loss for that year of €201.4 million and offset by a withdrawal from the capital reserves of €201.4 million to a balance of €108.4 million as of December 31, 2016. Total assets increased from €6,602.0 million in the financial year ended December 31, 2015 to €7,058.4 million in the financial year ended December 31, 2016, mainly related to an increase in fixed assets resulting primarily from the merger in the year 2016 of Third CSAV Ships Germany GmbH with Hapag-Lloyd AG. Liabilities increased from €4,424.8 million as of December 31, 2015 to €5,108.2 million in the financial year ended December 31, 2016. This increase resulted primarily from loans taken over as a result of the merger in the year 2016 of Third CSAV Ships Germany GmbH with Hapag-Lloyd AG.

10. MARKETS AND COMPETITIVE ENVIRONMENT

The section below has been reviewed by: Institute of Shipping Economics and Logistics, Bremen, Germany (“ISL”). ISL has advised us that the data contained in the “Markets and Competitive Environment” section adequately describes the container shipping market. Most of the projections and other information set forth in this section have been derived from external sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See 3 “Risk Factors” and 4.7 “General Information—Forward-Looking Statements”.

The description and nature of the markets in which we compete as presented in this section 10 “Markets and Competitive Environment” is applicable to all periods covered by the historical financial information presented in this prospectus.

10.1 Globalization as a driver for containerization

Container shipping was introduced internationally in the 1960s and has grown rapidly and continuously since then, becoming the dominant method of international transportation for a broad range of industrial and consumer goods, chemicals (such as medicines, paints, fertilizers) and foodstuff (such as sugar, grain, animal and vegetable oils and, more recently, refrigerated fruit, vegetables and meat). Containers are modular metal boxes of standardized dimensions, generally 20 or 40 feet long, eight and one-half-feet or nine and one-half-feet high and eight-feet wide. The standard measure is a 20-foot equivalent unit, or TEU. A container 20 feet in length equals one TEU and a container 40 feet in length equals two TEU. In addition to the standard 20-foot and 40-foot containers, there are a variety of types of specialized containers, including the refrigerated, or “reefer”, flat racks, open top or removable hard top containers. These specialized containers allow the transport of goods that traditionally have not been shipped in containers, such as fresh fruit and meat as well as turbines, trams, heavy-weight and out-of-gauge cargo. At port, containers are loaded onto container ships into a specific, pre-determined position (called a “slot”) and then transported to ports around the globe, either directly or through intermediary ports. Upon a ship’s arrival at its destination port, containers are off-loaded and typically transported onwards by rail, truck or barge to their final inland destination. Liner carriers operate regularly scheduled services to a series of ports, using a number of ships per week along each service, and transship cargo at their scheduled ports of call on smaller feeder ships, which carry the cargo on to the destination port.

The carrier is sometimes only responsible for the maritime leg of the delivery, with customers or intermediaries arranging the inland transport. Most carriers, including ourselves, offer both maritime and door-to-door services. Some other carriers emphasize maritime services, while others focus on offering door-to-door services. Container lines operate regularly scheduled services between a series of ports, generally operating on a fixed day each week or otherwise on a regular basis (e.g., every ten days). A service operating with a fixed number of ships on a continuous rotation is defined as a “loop”. A route may comprise a number of such loops, thus providing customers with a choice of several shipping days each week to ship between key ports. The main ports with large volumes of cargo are generally served by direct mainline services operating deep-sea vessels. Smaller ports, including those not served by a direct mainline service, are generally served by feeder ships as described above. Carriers generally select a number of strategically placed ports where cargo is transferred between these feeder vessels and the large deep-sea vessels that service the mainline routes.

The following factors had and still have a significant impact on the growth of the container shipping industry:

Globalization. With an increasing share of industrial and consumer goods traded internationally due to globalization, further outsourcing and, in particular, increasing international separation of labor as manufacturing still continues to move away from high-labor cost locations in North America, Europe and Japan to lower-wage countries, predominantly in Asia, the demand for maritime cargo

shipping continues to grow. Additionally, economic growth, production as well as consumer demand in the newly industrialized countries in Asia as well as Latin America has picked up in recent years leading to additional increase in containerized transport volume.

Shift to container shipping. The containerization of cargo reduces transit times, substantially reduces damage to and theft of goods, reduces handling costs, improves the turnaround time of ships in ports and facilitates intermodal transport in supply chains involving sea, rail, barge and road transport. In addition, transport costs have declined and operating efficiency has improved for carriers as a result of investments in larger ships, port, intermodal and inland transport infrastructure, containers and information systems, as well as more efficient use of assets. As a result, container shipping has steadily replaced other modes of maritime shipping, such as break-bulk, roll-on/roll-off and bulk cargo in the past decades. Container shipping offers a very efficient way of transportation.

Innovative transport solutions for temperature-sensitive cargo. Additional growth for containerized transports derives from specialized transport solutions for special cargo such as temperature-sensitive products. This includes, for example, perishable cargoes, pharmaceuticals and healthcare products. Reefer containers offer a high-quality and efficient transport solution and, in particular, in the case of fresh or refrigerated food have become a substitute for specialized refrigerator ships.

10.2 Container shipping remains a growth industry

Around 84% of worldwide transported goods were carried by ship in 2016 (*source*: Clarksons Research Seaborne Trade Monitor, February 2017). Container ships make a substantial contribution to the global transport volume. Therefore, the magnitude of the global growth and the increase of the global transport volume are of great importance for the development of the transport volume of the container shipping industry.

The following table shows growth in global container shipping industry transport volumes since 2010 compared to growth in global GDP during the same period. Except for 2012 and 2015, growth in transport volumes exceeded GDP growth in every year since 2010:

Subject	Unit	2010	2011	2012	2013	2014	2015	2016	2017e ⁽³⁾	2018e ⁽³⁾
World Container Traffic ⁽¹⁾	Million TEU	139.2	150.0	154.6	162.5	171.2	175.0	181.2	188.6	197.2
World Container Traffic ⁽¹⁾	Growth in %	13.7	7.8	3.1	5.1	5.3	2.2	3.5	4.2	4.6
Global GDP (constant prices) ⁽²⁾	Growth in %	5.4	4.2	3.5	3.3	3.4	3.2	3.1	3.5	3.6

(1) *Source*: Clarksons Research quarterly, Q1 2017, Container Intelligence Quarterly, various issues.

(2) *Source*: IMF, April 2017; IMF, World Economic Outlook Database.

(3) Expected.

Between 2010 and 2016, the container shipping industry measured in terms of world container traffic has grown at a CAGR of 4.5% driven by the industrialization of the developing countries in Asia and Latin America as well as the globalization of industrial production, while global GDP grew by 3.5% (*source*: Clarksons Research, April 2017; IMF, World Economic Outlook, April 2017).

In 2015 in particular, transport volume growth has slowed to 2.2% compared to the previous years. The main reason for this moderate growth was the continued weakness in global GDP growth. According to the International Monetary Fund (“IMF”), global GDP grew by 3.1% in 2016 (*source*: IMF, World Economic Outlook, April 2017). For 2017, the IMF expects stronger global GDP growth at 3.5%, which should translate into stronger growth rate for world container transport volume at 4.2% (*source*: IMF, World Economic Outlook, April 2017; Clarksons Research quarterly, Q1 2017). For the period from 2017 to 2019, the expected average growth rate for world GDP is 3.7% (*source*: IMF, World Economic Outlook, April 2017). Based on estimates by Clarkson Research, demand for container transportation is expected to increase with a growth rate of 4.2% in 2017 and 4.6% in 2018 (*source*: Clarksons Research quarterly, Q1 2017).

In 2016, the total volume of 181.2 million TEU was distributed as follows among the major trades: East-West trade: 76.6 million TEU, North-South trade: 30.9 million TEU and Intra-Regional: 73.7 million TEU (*source*: Clarksons Research, February 2017). These trades are expected to grow at different speeds with the following expected CAGR for the period from 2015 to 2018: Transpacific 4.3%, Atlantic: 2.7%, Far East-Europe: 2.3%, North-South: 2.0% (*source*: Clarksons Research, February 2017).

10.3 Container Shipping Market

The global container shipping market is typically divided into the East-West trades, the North-South trades and several other trades, including the Intra-Asia trade. A trade refers to a route for shipping cargo between two land masses. Within the global container shipping market, the East-West and Intra-Asia trades have the highest transport volumes, while the North-South trades in general remain more fragmented and present more opportunities for higher growth. The main East-West trades are the Transpacific trade (between Asia and North America), the Far East trade (between Europe and Asia) and the Atlantic trade (between Europe and North America). The major North-South trades are between America and Latin America, Europe and Latin America, and Latin America and Asia. In addition to these intercontinental markets, there are a large number of smaller regional markets, which are typically served by regional carriers as well as global carriers, including ourselves, operating smaller ships than those used in the intercontinental markets.

Carriers are generally categorized as global, regional or niche carriers. Global carriers, including ourselves, generally deploy significant ship capacity and operate extensive networks that include most routes in the major markets, as well as certain routes in selected regional markets. Regional carriers generally focus on a number of smaller routes within the major markets, or within other markets, such as Australasia (between Australia and Asia) and Africa and tend to offer direct services to a wider range of ports within a particular market than global carriers. Niche carriers are similar to regional carriers but tend to be even smaller in their capacity and cover fewer and smaller markets.

In February 2016, the two Chinese shipping companies China Ocean Shipping Company (“**COSCO**”) and China Shipping Group (“**CSCL**”) merged to form China COSCO Shipping Group (“**China COSCO**”). China COSCO has a fleet of 278 container ships with a total capacity of around 1.6 million TEU, making it the fourth-largest container shipping company in the world (*source*: MDS Transmodal, April 2017). The French shipping company CMA CGM S.A. (“**CMA CGM**”) completed the merger with Neptune Orient Lines (“**NOL**”) in September 2016. CMA CGM is still ranked third among global container shipping companies according to carrier capacity. As a result of the recent consolidation in the industry, the largest five container shipping companies are A.P. Møller-Maersk A/S (“**Maersk**”), MSC Mediterranean Shipping Company S.A. (“**MSC**”), CMA CGM, China COSCO and Hapag-Lloyd as of March 31, 2017. After the completion of the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company Limited (“**UASC Limited**”) and its subsidiaries (together, “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”), we are among the five largest container shipping companies measured by capacity globally (*source*: MDS Transmodal, April 2017). In September 2016, Maersk announced to split the company into separate transport and energy divisions.

On December 1, 2016, Maersk reached an agreement to acquire Hamburg Süd. The takeover and integration of Hamburg Süd is scheduled to be completed by the end of 2017. Hamburg Süd has a global market share of 3.0%, compared to Maersk’s 15.6%, and has its stronghold on the North-South and Latin America trades. Furthermore, Maersk and Hamburg Süd entered into a slot-chartering agreement for the East-West trades in February 2017. Effective April 1, 2017, subject to satisfaction of maritime filing requirements, Hamburg Süd’s volumes on the East-West trades will be shipped on vessels available in the 2M network.

On July 9, 2017, COSCO reached an agreement to acquire Hong Kong-based container shipping company OOCL, subject to regulatory approvals. As a result of the acquisition, COSCO will become the world’s third-largest container shipping company with 381 vessels and a total capacity of 2.3 million TEU (*source*: OOIL Group Press Release, July 9, 2017; MDS Transmodal, April 2017).

The alliances operating in the East–West trades were extensively reorganized at the beginning of the second quarter of 2017. The shipping companies which had previously been operating in four alliances formed three alliances. The “2M Alliance” consists of the two market leaders – Maersk Line (Denmark) and Mediterranean Shipping Company S. A. (Switzerland) (“**MSC**”) – which started operating back in early 2015. The “Ocean Alliance” consists of CMA CGM S. A. (France) (“**CMA CGM**”), including the shipping company American President Lines Ltd. (Singapore) (“**APL**”), which was taken over by CMA CGM, Orient Overseas Container Line (Hong Kong) (“**OOCL**”), Evergreen Marine Corp. (Taiwan) Ltd. (Taiwan) (“**Evergreen**”) and China Ocean Shipping (Group) Company (China) (“**COSCO**”) Container Lines. Since April 1, 2017 Hapag-Lloyd operates the “THE Alliance” along with Kawasaki Kisen Kaisha Ltd. (Japan) (“**K-Line**”), Mitsui O.S.K. Lines Ltd. (Japan) (“**MOL**”), Nippon Yusen Kabushiki Kaisha Ltd. (Japan) (“**NYK**”) and Yang Ming Marine Transport

Corp. Ltd. (Taiwan) (“**Yang Ming**”). Prior to the closing of the UASC Business Combination, Hapag-Lloyd used the UASC ships within the THE Alliance under a separate cooperation agreement. With the closing of the UASC Business Combination, UASC became a part of Hapag-Lloyd.

On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders’ agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance. THE Alliance became operational in April 2017 and replaced the G6 Alliance entirely, see 11.11 “—*Inter-carrier Cooperation*”.

In March 2017, Maersk, MSC and Hyundai Merchant Marine (“**HMM**”) signed an agreement officially launching the strategic cooperation on East-West trades. This strategic cooperation between 2M Alliance and HMM will include a series of slot exchanges and slot purchases on East-West routes. The cooperation has a term of three years with an option to extend and covers key East-West trades.

The following unaudited table shows the growth of container shipping transport volumes (measured in thousands of loaded TEU) on the East-West trades from 2014 to 2016:

	2014		2015		2016	
	Transport Volume	Annual growth	Transport Volume	Annual growth	Transport Volume	Annual growth
	<i>(in TEU'000)</i>					
Transpacific	22,197	2.4%	22,895	3.1%	24,207	5.7%
Far East-Europe	22,239	5.0%	21,846	(1.8)%	22,073	1.0%
North Atlantic	6,647	6.3%	6,767	1.8%	6,908	2.1%
Total	51,083	4.0%	51,507	0.8%	53,187	3.3%

Source: Clarksons Research, February 2017.

The main trades are serviced by different vessel sizes. The Transpacific and Far East-Europe trades are generally served by the global carriers operating the largest ships, with capacities of around 13,100 TEU per ship for Transpacific trades and capacities of up to approximately 20,000 TEU per ship for Far East-Europe trades. The North Atlantic trade is typically served by ships with capacities of up to 9,200 TEU, while on the North-South trades ships with capacities of up to 10,600 TEU are deployed. The Intra-Asia trade, which comprises a large number of distinct sea routes in the Asian market, is served by a mixture of long-haul (or “deep-sea”) services, carrying Intra-Asia cargo between two ports on a longer deep-sea route and shorter dedicated services, operated with smaller vessels, which often function as feeder services for the deep-sea trades. Consequently, although total transport volumes on the Intra-Asia trade as a whole tend to be relatively high, a significant part of this volume represents shipments over relatively short distances between Asian countries.

Profitability on the different trades can vary depending on a number of factors, including demand in different regions of the world, the effects of different regulatory regimes, the available container vessel capacity and the structure of the container vessel fleet on the trade and the level of structural imbalances on the trade. All these factors can affect freight rates and general operational cost levels including, for example, fuel prices and terminal charges at different ports. These factors may lead to different overall profitability levels for the industry in different trades.

The container shipping industry is characterized by a significant degree of structural rigidity. While it is relatively easy for a carrier to add and subtract individual ports of call and new loops, it is more difficult for a carrier to make large-scale changes to its route network (such as entering or leaving entire trades). The longer the distance a new service has to cover, the more vessels are needed for weekly departures, thus cooperation agreements with other carriers are often required. In some instances, charter vessels will be needed if a carrier lacks the available capacity among its own vessels, or if available vessels are not suitable to the service. In addition to vessel availability, container availability is key to a successful service operation, requiring a well-working container management and container network infrastructure to manage the imbalances of trade flows. These complexities make large-scale changes to route networks expensive and thus these changes are usually only made if the expected incremental profitability of the new service opportunity is considered sufficient to justify the costs associated with the changes.

10.4 Steady growth of supply of transport capacity with increasing focus on capacity management

As of March 31, 2017, the total order book amounted to about 3.1 million TEU, which represented about 15.7% of the current global fleet capacity of 20.0 million TEU (source: MDS Transmodal, April 2017; Drewry Maritime Research, Q1 2017) and was well below the cyclical peak of 60.6% reached in 2007. The increase in the container vessel fleet between 2000 and 2008 was driven by the economic boom in China and other developing countries, high oil prices and the easy access to ship financing provided by banks and investors.

According to Drewry Maritime Research, Q1 2017, the gross transport capacity of the global containership fleet based only on the existing order book grew by 0.9 million TEU, or 4.5% in 2016 and is expected to grow by 1.5 million TEU, or 7.7% in 2017. Scrapping and delaying of deliveries could reduce the forecasted increase of the nominal capacity. According to Drewry Maritime Research, Q1 2017, scrapping of inefficient container ships amounted to around 659,000 TEU in 2016, exceeding the total volume scrapped in 2015 (193,000 TEU), and is expected to stay at high levels with 650,000 TEU in 2017. With the opening of the expanded Panama Canal in 2016, scrapping of inefficient vessels is expected to stay at high levels since the purpose built Panamax vessels (up to approximately 5,100 TEU) will be replaced with larger vessels with a capacity of up to 14,000 TEU that will be able to use the widened Panama Canal locks. As of March 31, 2017, vessels with a capacity between 3,000 and 5,100 TEU accounted for about 19.2% of the approximately 20.0 million TEU of global transport capacity (source: MDS Transmodal, April 2017; Drewry Maritime Research, Q1 2017). As of March 31, 2017, 61 vessels with a capacity between 10,000 and 13,999 TEU were on order and will be delivered until 2020 (source: MDS Transmodal, April 2017). Following a delivery of seven 10,500 TEU vessels in the years 2014 and 2015 combined, two 10,500 TEU vessels were delivered in 2016 and three more were delivered through April 2017 (source: MDS Transmodal, February 2017). In 2016, a net growth of 1.2% in total container shipping net capacity was recorded at year end compared to 5.6% that was forecast at the beginning of the year (source: Drewry Maritime Research, Q4 2016). This difference was primarily due to non-delivery or postponement of orders as well as scrapping of older vessels. In 2015, the final net capacity increased by 8.4% compared to a nominal order book increase of 9.4%.

10.5 Development of the capacity of the global container ship fleet

The table below shows the development of the capacity of the global container ship fleet in the periods indicated:

	2013	2014	2015	2016	2017e ⁽¹⁾
	<i>(million TEU)</i>				
Total capacity (beginning of year)	16.2	17.1	18.2	19.7	20.0
Deliveries	1.3	1.5	1.7	0.9	1.5
Postponed deliveries (estimate)	—	—	—	—	0.4
Scrapping	0.4	0.4	0.2	0.7	0.6
Net capacity growth	0.9	1.1	1.5	0.2	0.5

Source: Drewry Maritime Research, Q1 2017.

(1) Expected.

Between 2000 and 2016, global capacity grew at a CAGR of 9.3% (source: Drewry Maritime Research, Q1 2017). According to MDS Transmodal (December 2016), the total capacity of vessels on current order book to be delivered from 2016 to 2020 constitutes around 15.5% of the existing fleet capacity. In 2017, the new capacity (based on the existing order book) is expected to enter the trades evenly spread out over the course of 2017 (Q1: 0.2 million TEU, Q2: 0.3 million TEU, Q3: 0.3 million TEU, Q4: 0.3 million TEU) (source: Drewry Maritime Research, Q4 2016).

In addition, the scrapping of inefficient vessels reached its highest point in 2016 with approximately 659,000 TEU being scrapped. The average age of scrapped vessels is decreasing from an average age of 30 years in 2011 down to an average age of 19 in 2016 (source: Clarksons Research, February 2017). As a result, net supply growth is expected to remain low.

Based on the existing orders (as of March 31, 2017) and the expected level of scrappings the growth of capacity is expected to decrease from a planned delivery of nominal 1.5 million TEU to an approximate net growth of 0.5 million TEU in 2017 (source: Drewry Maritime Research, Q1 2017). In 2018, planned deliveries of nominal 1.4 million TEU are expected (source: MDS Transmodal, June 2017).

If available capacity cannot be deployed efficiently on trades, shipping companies tend to temporarily postpone sailings or loops from the effected services. The affected vessels are temporarily taken out of service, *i.e.* laid-up. As of October 17, 2016, the capacity of “idle” or unemployed ships reached an all-time high of approximately 1.6 million TEU (*source*: Alphaliner Weekly Review, October 2016) which constitutes to about 7.3% of the total capacity of the global fleet. Ships with a capacity of up to 5,099 TEU account for the majority of the idle fleet, as many of the Panamax vessels cannot be employed economically.

10.6 Trend towards larger vessels

Presently, the largest vessels can carry up to approximately 21,000 TEU, whereas in 2005, there were no vessels that carried above 9,999 TEU. As of March 31, 2017, vessels that can carry more than 9,999 TEU accounted for 24% of the existing global fleet capacity (*source*: Drewry Maritime Research, Q1 2017). Carriers have increasingly been using larger vessels to benefit from lower operating and voyage unit costs, such as fuel, port and canal fees, manning, repairs, insurance and ship management costs. In particular, ultra-large container vessels with a capacity of more than 18,000 TEU are increasingly being used in the Far East trade. These ships have the highest fuel efficiency of the various vessel classes of the global fleet.

Vessel size	4,900 TEU ¹⁾	10,500 TEU ¹⁾	13,200 TEU ¹⁾	19,200 TEU ³⁾
Bunker consumption	Average bunker consumption of 78 tonnes per day at 18kn <i>i.e.</i> 0.016 tonnes per TEU per day	Average bunker consumption of ca. 110 ²⁾ tonnes per day at 18kn <i>i.e.</i> 0.011 tonnes per TEU per day	Average bunker consumption of 118 tonnes per day at 18kn <i>i.e.</i> 0.009 tonnes per TEU per day	Average bunker consumption of 160 tonnes per day at 18kn <i>i.e.</i> 0.008 tonnes per TEU per day

Source: Hapag-Lloyd, Alphaliner, OECD 1) based on Hapag-Lloyd vessel, 2) Estimated on former 10,000 TEU class, 3) based on standard 19,200 TEU vessel.

However, due to their size as well as limitations of port and land side operations the port access for ultra-large container vessels (“ULCV”) with a capacity of more than 18,000 TEU is limited to specific deep water ports in Asia and Europe. The world fleet’s average size of cellular container vessels increased from approximately 1,905 TEU in 2005 to approximately 3,878 TEU in 2016 (*source*: Drewry Maritime Research, Q1 2017). The shift to larger vessels has been particularly prominent in the Far East-Europe and Transpacific trades, where transport volume and competitive pressures have been intense. ULCVs with a capacity of 19,000 TEU and above offer cost advantages compared to 15,000 TEU vessels because of more efficient design and operational concepts. For example, at 18 knots speed the estimated cost saving per TEU of a 19,000 TEU vessel is about US\$20 to US\$30 per TEU compared to a 15,000 TEU vessel (*source*: OECD study on Impact of Mega-Ships based on Dynamar 2015). As total costs for the transport chain consist of the vessel cost per TEU and the handling cost (*e.g.* operating costs for the vessel, port as well as terminal costs, canal costs and costs for inland transport) per TEU ultra-large container vessels have an increasing break-even point with rising handling costs as particularly canal as well as port and terminal costs are related to the vessel size and the volume of handled cargo increases in absolute terms. Although vessels with a capacity of 19,000 TEU or higher still offer cost advantages compared to the first 15,000 TEU vessels, mainly due to the new vessel designs and operational concepts, economies of scale of such ultra-large container vessels are decreasing relative to the cost base of the current global fleet, as older and inefficient vessels are increasingly put out of service. In addition, the port time of larger container ships increases with larger vessel sizes which leads to delays. This means that a service with larger vessels has to be run with more vessels or with a higher vessel speed to catch up. The largest container ships on order have a capacity of 21,000 TEU and were ordered in March 2015 and the last order for a ULCV of 18,000 TEU was placed in November 2015. As of March 31, 2017, there were 95 ULCV on order to be delivered until 2020 (*source*: MDS Transmodal, April 2017).

10.7 Order book by vessel size

The table below shows the industry-wide order book by vessel size as of March 31, 2017:

Size Class	TEU	Number of Vessels
< 4,999 TEU	543,249	263
5,000 TEU – 9,999 TEU	179,200	25
10,000 TEU – 13,999 TEU	729,360	61
14,000 – 17,999 TEU	591,200	41
18,000+ TEU	1,091,450	54
Total	3,134,459	444

Source: MDS Transmodal, April 2017, based on existing orders, only ships > 399 TEU.

As of March 31, 2017, the order book consisted of 444 vessels and the total capacity on order amounted to 3.2 million TEU. In total, 156 vessels with a capacity of 10,000 TEU or more were on order. The transport capacity of these vessels accounted for about 77% of the total capacity of the order book. As of March 31, 2017, the order book accounted for approximately 15.7% of the global container vessel fleet as compared to 60.6% in 2007 (source: MDS Transmodal, April 2017; Drewry Maritime Research, various issues, Q1 2017).

10.8 Global fleet by vessel size 2014-2017

The table below shows the global fleet by vessel size in the periods indicated:

	End 2014		End 2015		End 2016	
	Capacity	No. of Vessels	Capacity	No. of Vessels	Capacity	No. of Vessels
	<i>TEU</i>					
< 2,999 TEU	4,015,052	2,934	4,023,775	2,953	3,944,000	2,898
3,000 TEU - 4,999 TEU	3,747,989	906	3,719,902	899	3,424,000	828
5,000 TEU - 9,999 TEU	7,118,510	1,012	7,727,916	1,081	7,727,000	1,066
10,000 TEU - 13,999 TEU	2,409,145	195	2,633,041	215	2,768,000	228
14,000 TEU+	919,600	59	1,630,531	101	2,108,000	130

Source: Drewry Maritime Research, various issues, Q1 2017.

By the end of 2017, the total capacity of the global fleet is expected to amount to 20.5 million TEU (source: Drewry Maritime Research, Q1 2017).

10.9 Cost trends and freight rate development

The container shipping industry connects locations of industrial production with oftentimes distant consumer markets located in other parts of the world. Therefore, the costs to transport goods are the major cost items for the container shipping industry. In the case of Hapag-Lloyd, transport expenses accounted for 82.3% of revenues in the financial year 2016. The major cost items within transport expenses are expenses for raw materials and supplies, port, canal and terminal costs, container transport costs as well as chartering, leases and container rentals.

In the past years, the container shipping industry has faced a substantial fluctuation in bunker prices which affected transport costs. For example, bunker costs for MFO 3.5% (Rotterdam) increased from US\$167.25 per metric tonne on January 1, 2009, to US\$276.75 per metric tonne on March 31, 2017 (source: Bloomberg). On March 13, 2012, it reached an all-time high of US\$719.25 per metric tonne. Particularly in 2011 and 2012, container shipping companies were negatively affected by rising fuel costs, which they were unable to completely pass on to their customers. Since the second half of 2014, the cost burden due to high bunker costs has eased. On March 31, 2017, the price for MFO 3.5% (Rotterdam) was quoted at US\$276.75 per metric tonne. The decline in the bunker price had a significant positive effect on the container liners' overall operating costs in the financial year ended December 31, 2016 and in the three months ended March 31, 2017.

Fees to use canals, ports and terminals are also important cost items for the industry. Costs for the inland transport of containers are in general included in container transport costs. Costs to charter or lease vessels or rent or lease containers are recognized as costs for charter, leases and container rentals.

Furthermore, as shipping is a capital intensive industry depreciation and amortization of assets is also an important cost item. Personnel expenses are generally less significant for the shipping industry.

A number of industry sources compile data on average freight rates for various trades using different methodologies. Given the fact that the major carriers operate on different routes and that the mix of cargo varies from carrier to carrier, the effective freight rates achieved by any of the carriers for a given time period may vary considerably from the average rates reported by these industry sources. The rate structure comprises many elements that together make up the final fees charged to individual importers and exporters. Such elements include, for example, terminal handling charges at both load and discharge ports, bunker surcharges, currency surcharges, inland transportation costs and a variety of ancillary charges and not all of these elements may be fully reflected in reported average freight rates. The average freight rates as reported by industry sources are typically based on industry surveys because verifiable data from third-party sources is not practically available. Due to the fact that average freight rates reported by industry sources do not typically cover all our trades (for example, Europe-Latin America) and it is not clear how intra-regional trade is allocated to trades, average freight rates reported by industry sources may not reliably reflect our own experience with respect to the development of freight rates.

We have included the unaudited table below, which shows the development of the weighted average freight rates for the East-West trades on an industry-wide and quarterly basis between 2014 and 2016, solely for the purposes of illustrating fundamental trends affecting the industry in the periods presented.

<u>Year</u>		<u>US\$ per TEU</u>	<u>Change Year-on-Year</u>
2014		791	(3.6)%
2015		653	(17.4)%
2016		566	(13.4)%

<u>Year</u>	<u>Quarter</u>	<u>US\$ per TEU</u>	<u>Change Quarter-on-Quarter</u>	<u>Change Year-on-Year</u>
2014	Q1	811	7.1%	(11.3)%
	Q2	787	(3.0)%	(1.5)%
	Q3	786	(0.2)%	(2.9)%
	Q4	780	(0.7)%	3.0%
2015	Q1	760	(2.6)%	(6.3)%
	Q2	661	(13.0)%	(16.0)%
	Q3	623	(5.9)%	(20.8)%
	Q4	570	(8.5)%	(27.0)%
2016	Q1	586	2.8%	(22.9)%
	Q2	515	(12.1)%	(22.2)%
	Q3	557	8.2%	(10.5)%
	Q4	608	9.2%	6.8%

Source: Drewry Maritime Research, Q1 2017.

10.10 Imbalances of the transported volume on the main trades differ on dominant and non-dominant leg

In general, all trades can be divided into a “dominant” and “non-dominant” leg. The dominant leg is the direction of shipping on the trade with the higher transport volumes. For example, on the Transpacific trade, shipments from Asia to North America form the dominant leg of the trade and shipments from North America to Asia form the non-dominant leg.

The industry refers to the different volumes as the “imbalances” on a specific trade. These imbalances exist because some regions of the world produce and export more goods than they import and consume, while others import and consume more than they produce and export. These significant global imbalances on trades have important consequences for the container shipping industry.

Imbalances in the major East-West trades and the North Atlantic trade in 2016 were as follows:

	<u>Eastbound</u>	<u>Westbound</u>	<u>Imbalance</u>
		<i>(in TEU'000)⁽¹⁾</i>	
Transpacific	17,990	7,493	10,497
Far East-Europe	6,754	14,728	7,974
North Atlantic	2,013	3,114	1,101

Source: Drewry Maritime Research, Q1 2017.

(1) Due to differences in the allocation of intra-regional trade, total eastbound and westbound transport volumes stated in this table do not necessarily match the total volume for each trade stated elsewhere or in industry sources.

As a result of these structural imbalances, carriers have to provide vessel and container capacity to accommodate the transport volumes of the dominant leg, with the result that they must relocate significant numbers of empty containers on the non-dominant leg back to exporting countries. Empty container relocation costs are significant and the reduction of imbalances has an important impact on margins in the container shipping industry. Carriers try to mitigate the effects of structural imbalances through network planning and by charging different rates for shipping cargo on the dominant and non-dominant legs of each trade. A key measure of a carrier's success in optimizing shipments of empty containers is the ratio of the number of full containers on the non-dominant legs of trades to the number of full containers on the dominant legs.

The following table illustrates the industrial average and our percentage of full containers on the non-dominant leg as compared to the dominant leg for the major trades as of March 31, 2017.

Imbalances as full container on non-dominant leg per 10 full containers on dominant leg:

	<u>Hapag-Lloyd</u>	<u>Market</u>
Atlantic	6	4
Far East	7	7
Transpacific	6	4

Source: Drewry Maritime Research, Q1 2017 (Hapag-Lloyd data adapted to Drewry trade definition).

10.11 Inter-carrier Cooperation

We are a member of THE Alliance, our main current shipping alliance, which replaced the former G6 Alliance as of March 31, 2017. We are also a founding member of the Grand Alliance, which was established in 1998 and whose members formed the G6 Alliance together with members of the New World Alliance in 2011. Since mid-2014, the major carriers have extended their cooperation in the form of formal alliances, vessel sharing agreements or other forms of cooperation. As of December 31, 2016, the four largest alliances (2M, G6, CKYHE and Ocean Alliance) accounted for approximately 75.6% of the global container fleet capacity (*source*: MDS Transmodal, January 2017; Drewry Maritime Research, Q4 2016). In general, the aim of such cooperation is to provide customers with an extended network of services to enhance the global or regional transport services provided to customers. A further benefit for the partners of such cooperation is the much lower investment costs needed to provide extended networks. Capacity sharing makes it possible for an individual container shipping company to offer its customers a service with greater frequency over a broader geographic reach than would otherwise be possible solely with its own ships. Nevertheless, the members of an alliance or comparable cooperation agreements remain competitors and sell the shared capacity in their own name and for their own benefit.

(a) Cooperation Agreements

Many industry participants have entered into cooperation agreements which provide for the sharing of capacity among the parties. These agreements may be divided into three categories: vessel sharing agreements (of which alliances are a more complex form), slot swap/exchange agreements and slot charter agreements. Under vessel sharing agreements, each participating carrier contributes a certain number of vessels on a given service and allocates a fixed proportion of the container space available on these vessels to the other participants, which may sell this space to their own customers. Under a vessel sharing agreement, no payments generally are exchanged (except where slots are also purchased or routing costs need to be redistributed among the participants) and the gains and losses from the carriage of cargo on each carrier's service are not shared among participants. Vessel sharing agreements provide many of the same benefits as an alliance, but generally do not create a longer-term, institutionalized relationship between the parties. Under a slot swap/exchange agreement, carriers

simply exchange slots on each other's vessels. Swaps may be used either where vessels operate on the same loop or where they operate on different loops. Slot charter agreements operate in a similar manner to slot swap/exchange agreements, except that they involve the purchase of slots, rather than their exchange, and thus need not be reciprocal. All these arrangements enable a carrier to offer greater frequency of service and greater geographical coverage than it could if it had to rely solely on its own vessels. Once a carrier has committed to utilize a certain amount of capacity under a cooperation agreement, it is generally required to pay for that capacity even if it is unable to use all of it. Carriers who are part of a cooperation agreement remain competitors.

(b) Alliances

Alliances, which are a highly developed form of cooperation agreements, involve the sharing of container vessel capacity among alliance members, across specific or multiple trades. Until March 31, 2017, four major alliances operated in the container shipping industry: 2M (Maersk and MSC), the G6 Alliance (Hapag-Lloyd, APL, HMM, MOL, NYK and OOCL), an alliance among COSCO, K-Line, Yang Ming, Hanjin and Evergreen (the “CKYHE Alliance”) and the Ocean 3, whose members were CMA CGM, CSCL and UASC.

Three of the four alliances operating in the East–West trades were extensively reorganized in the second quarter of 2016 and such reorganization became operational as of April 2017 and reduced the number of major alliances to three. The Ocean Alliance was established by CMA CGM (including the shipping company APL, which was taken over by CMA CGM), OOCL, Evergreen and China COSCO. In May 2016, we set up THE Alliance along with K Line, MOL, NYK and Yang Ming. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance. THE Alliance started its operations in April 2017. In March 2017, Maersk, MSC and Hyundai Merchant Marine (“HMM”) signed an agreement officially launching the strategic cooperation on East-West trades. This strategic cooperation between 2M Alliance and HMM will include a series of slot exchanges and slot purchases on East-West routes. The cooperation has a term of three years with an option to extend and covers key East-West trades.

As of April, 2017, these three major alliances represent approximately 78.7% of the world container vessel fleet (*source*: MDS Transmodal, April 2017; Drewry Maritime Research, Q1 2017).

The below table shows the three largest alliances as of April 2017:

<u>Alliance</u>	<u>Members</u>	<u>No. of Vessels</u>	<u>TEU'000 Capacity⁽¹⁾</u>	<u>Approximate Share of Total Market Capacity</u>
2M	Maersk ⁽³⁾ , MSC	1,186	6,607	33%
THE Alliance	Hapag-Lloyd ⁽²⁾ , NYK, MOL, K-Line, Yang Ming	583	3,570	18%
Ocean Alliance	CMA CGM, Evergreen, China COSCO, OOCL	1,016	5,546	28%

Source: MDS Transmodal, April 2017.

(1) Data based on total capacity of carriers.

(2) Hapag-Lloyd, including UASC.

(3) Maersk including Hamburg Süd.

The three largest alliances have the following capacity shares on the major East-West trades:

Share of capacity on East-West Trades (as of April 2017)

<u>Alliance</u>	<u>Transpacific</u>	<u>Atlantic</u>	<u>Far East</u>
2M	20%	49%	37%
THE Alliance	29%	34%	23%
Ocean Alliance	42%	12%	34%
Others	9%	5%	6%
	100%	100%	100%

Source: Alphaliner Monthly Monitor, April 2017. THE Alliance including UASC. 2M including Hamburg Süd.

In THE Alliance and the Grand Alliance, the capacity sharing described above is arranged by having each member contribute a certain number of its ships to the alliance and receiving, in return, a specified proportion of the total capacity of all ships contributed to the alliance by its members. Any under- or over-contribution or use of capacity is resolved through payments among the alliance members. As a result, a single trade may be operated with far more vessels than one shipping company could provide on its own (allowing more frequent service on the trade), and carriers may offer services to customers in parts of the world where they deploy no vessels of their own. This provides the advantage of a less capital-intensive expansion compared to a carrier building up its own fleet capacity. Other alliances may provide for a higher or lesser degree of integration of the alliance partners' operations. As a member of THE Alliance, we focus on the coordination among THE Alliance's members of our respective landside/terminal operations in order to generate additional cost benefits.

Hapag-Lloyd has a particularly strong standing on the Atlantic trade holding a 27% market share and rank first ahead of MSC, which also holds a 27% market share on the Atlantic trade (Maersk: 21%, CMA CGM 8%, NYK 4%, ZIM 4%, other carriers 9% (*source*: Alphaliner Monthly Monitor, April 2017)).

10.12 Industry Consolidation

The container shipping industry has experienced ongoing consolidation. Notably, the largest carrier in the world, Maersk, acquired P&O Nedlloyd in 2005, then the third largest carrier. This acquisition significantly increased Maersk's market share. At the end of 2005, TUI acquired the British-Canadian CP Ships Ltd ("**CP Ships**"), one of the leading global container shipping companies. CP Ships contributed a fleet of 82 ships and a complementary route and service network to our operations. Within twelve months, CP Ships was fully integrated into our operations. The transaction consolidated our market position and gave Hapag-Lloyd a leading position, *e.g.* in Canada and Mexico. In 2006, the CMA-CGM Group acquired Delmas, a French shipping group, which was the 22nd largest carrier as of the date of the acquisition. In 2007, CMA-CGM Group also purchased a majority interest in Taiwan's Cheng Lie Navigation Co. Ltd., a leading container transportation company active in the Intra-Asian market. On December 2, 2014, Hapag-Lloyd AG and the Chilean shipping company Compañía Sud Americana de Vapores S.A. ("**CSAV**") merged the two companies' container liner shipping activities. This strengthened Hapag-Lloyd's position as one of the largest container liner companies globally by capacity. In November 2014, CMA CGM acquired the Hamburg-based carrier Oldenburg-Portugiesische Dampfschiffs-Reederei GmbH ("**OPDR**") (*source*: CMA CGM Press Release, November 26, 2014). OPDR provides short-sea transport and logistic services between North Europe and North Africa and has a transport volume of about 240,000 TEU (*source*: Verkehrs Rundschau, November 26, 2014). In March 2015, Hamburg Süd acquired the container liner activities of Compañía Chilena de Navegación Interoceánica S.A. including the related general agency functions of Agunsa Agencias Universales S.A. with headquarters in Valparaíso and Santiago de Chile (*source*: HSDG Press Release, March 31, 2015). In February 2016, the two Chinese shipping companies COSCO and China Shipping Group merged to form China COSCO. China COSCO has a fleet of 278 container ships with a total capacity of around 1.6 million TEU, making it the fourth-largest container shipping company in the world (*source*: Alphaliner, June 2016; MDS Transmodal, April 2017). Following approval by the competition authorities, the French shipping company CMA CGM completed the merger with NOL in September 2016. On July 15, 2016, Hapag-Lloyd AG and UASC Limited entered into a business combination agreement (the "**UASC BCA**") to combine all activities, assets, liabilities, contractual relationships and employees of UASC Limited and its subsidiaries (together "**UASC**") with Hapag-Lloyd AG (the "**UASC Business Combination**"). The merger enhances our market position and enables us to consolidate our market position among the five largest container liner shipping companies in the world measured by capacity. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. Recently, the Taiwanese Ministry of Transport has been reported to assess the feasibility of a potential merger of Evergreen and Yang Ming. On November 3, 2016, the two companies have denied such a possibility (*source*: joc.com).

On December 1, 2016, Maersk reached an agreement to acquire Hamburg Süd, subject to final agreement and regulatory approvals. Hamburg Süd has a global market share of 3.0%, compared to

Maersk's 15.6%, and has its stronghold on the North-South and Latin America trades. On February 6, 2017, Maersk and Hamburg Süd announced the entry into a slot purchase agreement on the East-West Trades. Effective April 1, 2017, subject to satisfaction of maritime filing requirements, Hamburg Süd's volumes on the East-West trades will be shipped on vessels available in the 2M network.

On July 9, 2017, COSCO reached an agreement to acquire Hong Kong-based container shipping company OOCL, subject to regulatory approvals. As a result of the acquisition, COSCO will become the world's third-largest container shipping company with 381 vessels and a total capacity of 2.3 million TEU (*source*: OOIL Group Press Release, July 9, 2017; MDS Transmodal, April 2017).

As of March 31, 2017, of the top 20 container shipping companies in the world (based on capacity), 12 are based in Asia, five are European and three are from the Middle East (*source*: MDS Transmodal, April 2017). For comparative purposes, the largest global container shipping company, Maersk, had a capacity of approximately 3.1 million TEU and operated 602 vessels as of March 31, 2017.

The following table lists the largest global carriers by capacity as of March 31, 2017:

Carrier	No. of Vessels	TEU'000 Capacity	Approximate Share of Total Market Capacity
Maersk Line	602	3,120	16%
MSC	475	2,936	15%
CMA CGM	439	2,212	11%
China COSCO	278	1,660	8%
Hapag-Lloyd ⁽¹⁾	230	1,573	8%
Evergreen	196	1,026	5%
Hamburg Süd	109	551	3%
OOCL	103	648	3%
Yang Ming	97	583	3%
NYK	114	570	3%
MOL	76	470	2%
Hyundai	67	463	2%
PIL	138	364	2%
K-Line	66	373	2%
ZIM	66	295	1%
Wan Hai	94	243	1%
X-Press Feeders	85	134	1%
KMTC	49	122	1%
SITC	76	104	1%
IRISL	30	95	0%

Source: MDS Transmodal, April 2017.

(1) Including UASC. Based on MDS Transmodal, April 2017, Drewry Maritime Research, Q1 2017 and Company data.

As of March 31, 2017, the ten largest container shipping carriers by capacity accounted for approximately 81% of global fleet capacity and the 20 largest container shipping carriers by capacity accounted for approximately 89% of global fleet capacity (*source*: MDS Transmodal, April 2017, assuming all announced mergers were carried out; Drewry Maritime Research, Q1 2017). The average age of vessels of the top 20 carriers is 8.1 years while the average age of our fleet including UASC is 7.2 years and the average age of the world fleet is 12.3 years. The average size of a vessel of the global fleet is 3,878 TEU, the average size of the top 20 carrier vessels is 5,066 TEU and 6,839 TEU for the combined fleet of Hapag-Lloyd and UASC (*source*: MDS Transmodal, April 2017, assuming all announced mergers were carried out, Company information; Drewry Maritime Research, Q1 2017).

The following table gives an indication of the different capacities operated by the various carriers:

Breakdown of capacity operated by trade as of March 31, 2017:

Carrier	Atlantic	Transpacific	Far East-Europe	Latin America	Middle East / ISC	Other
Evergreen	1%	33%	29%	9%	9%	19%
Hapag-Lloyd ⁽¹⁾	14%	11%	28%	20%	17%	10%
COSCO	1%	24%	28%	8%	9%	30%
OOCL	1%	32%	23%	0%	15%	29%
Yang Ming	1%	28%	33%	5%	12%	21%
Wan Hai	0%	12%	0%	8%	30%	50%
Maersk ⁽²⁾	5%	13%	19%	23%	12%	28%
CMA CGM	3%	19%	24%	13%	10%	31%
MSC	7%	5%	27%	18%	9%	34%

Source: Alphaliner Monthly Monitor, April 2017.

(1) Including UASC. Based on Alphaliner Monthly Monitor, April 2017.

(2) Including Hamburg Süd. Based on Alphaliner Monthly Monitor, April 2017.

The supply of capacity on key trades is increasingly concentrated among a few container shipping companies and through the formation of alliances. For instance, the top five shipping companies, including, in each case, Hapag-Lloyd, on the Atlantic, Latin America and Far East trade had an aggregate capacity share of 79%, 67% and 59%, respectively, in 2013. This has increased to 90%, 82% and 75% for the same trades as of March 31, 2017 (source: Alphaliner monthly newsletter, June 2013 and April 2017, Hapag-Lloyd including UASC and assuming all announced mergers have occurred). The increasing concentration of supply on certain trades is expected to lead to more competitive dynamics between carriers and customers in the future.

We have a strong exposure to the North-South trade, in particular in Latin America where we rank among the top three capacity providers. In the Latin America-North American trade, we have a 11% market share. In the Latin America-Far East trade we rank among the top capacity providers with a 10% market share. On the Latin America-Europe trade, we have a 15% market share (source: Container Trade Statistics, February 2017). The Latin American trades have different growth rates. For the period from 2016 to 2018, the expected CAGRs are: Latin America-Europe: 3.2%, Latin America-Far East: 1.7%, Latin America-North America: 1.6%, (source: Clarksons Research, February 2017).

10.13 Chartering

Most container carriers do not own their entire fleet, but instead rely on vessels leased or chartered (either long- or short-term) from third parties to provide some proportion of their total capacity requirements. While ownership of vessels ensures the availability of a certain amount of capacity and cost stability, the short-term charter market provides carriers with increased flexibility in adjusting capacity in response to demand peaks and allows better deployment of vessel capacities in response to changing demand structures between trades a carrier is active in. The decision to charter rather than to own a vessel is typically driven by several factors, including a carrier's expectations of transport volumes it will transport in a particular loop, potential purchase price, availability of financing and risk management.

Most ship charters involve the ship owner providing a vessel to the carrier for a fixed period of time, with the ship owner also providing the ship's crew, insurance and maintenance on the vessel. As such, both the fixed and most of the operating costs of the vessel are included in the charter rate. In this common ship charter agreement, the carrier would be responsible for most voyage costs, such as bunker fuel, canal charges and port fees. Alternatively, it is also possible to charter vessels on a bareboat charter, in which the ship owner provides only the vessel and, the carrier is responsible for the crew, insurance, maintenance, bunker fuel and all other operating and voyage costs.

Average utilization and freight rates have influenced short-term charter rates, but usually with a time lag of several months. These time lags occur because at any given point in time, ship chartering companies and carriers are bound by the terms of the charter agreements to which they are parties. Therefore, a ship chartering company cannot raise its charter rates to reflect an increase in freight rates immediately, but must wait until its current charter agreements expire. Similarly, a carrier is unable to immediately negotiate reduced charter rates in response to falling freight rates. This time lag and its

effects are pronounced following a period of high demand for charter vessels, as owners of such vessels are typically able to enter into longer charter agreements with higher fixed charter rates during such periods.

In the past, container ship capacities have, in certain years, increased globally at a faster rate than the rate at which some container ports have managed to increase their capacities. This has led, in the past, to considerable delays in the processing of container shipments in affected ports. A number of carriers have started to secure their continued access to, or even attempt to gain priority status at, port facilities through direct investments in, and operation of, container terminals in key ports. With rising demand for container shipping and increased container shipping capacity, access to ports, particularly in regions where port capacity has not kept up with traffic growth, has become increasingly important. In the same way that carriers have globalized their networks and the container shipping industry has experienced consolidation in recent years, a growing number of global stevedoring companies and independent stevedores aligned with carriers now play a significant role in the terminal industry.

10.14 The Panama Canal expansion

The expansion of the Panama Canal became operational in April 2016. Following the expansion, vessels with a maximum capacity of up to 14,000 TEU are now able to use the Panama Canal. We benefit from the expansion of the Panama Canal's services by way of our Transpacific services. All of our current vessels and vessels presently on order are designed to use the Panama Canal. In general, all our services using the Panama Canal at present are able to use larger ships and thereby increase the efficiency and the economies of scale of our service network. As a result of the expansion of the Panama Canal, scrapping of inefficient vessels is expected to stay at high levels since the purpose built Panamax vessels (up to 5,100 TEU) will be replaced with larger vessels with a capacity of up to 14,000 TEU that will be able to use the widened Panama Canal locks. As of March 31, 2017, vessels with a capacity between 3,000 and 5,100 TEU accounted for about 19.2% of the approximately 20.0 million TEU of global transport capacity (*source*: MDS Transmodal, April 2017; Drewry Maritime Research, Q1 2017). As of March 31, 2017, Panamax vessels accounted for 25% of the idle fleet (*source*: Alphaliner Weekly Review, May 2017).

10.15 Hanjin Bankruptcy

On August 31, 2016, Hanjin filed for bankruptcy protection in accordance with Korean and U.S. regulations. Hanjin operated 100 container ships and had a transport capacity of approximately 617,000 TEU. Hanjin was the seventh-largest container liner shipping company in the world in terms of transport capacity and had a market share of approximately 3%. Hanjin was a member of the CKYHE Alliance and its transport volume in the first six months of 2016 amounted to approximately 2.3 million TEU. Hanjin was primarily active in the Asia-Europe trade (market share of approximately 4.9%), the Transpacific trade (market share of 6.7%) and the Intra-Asia trade. The interruption of Hanjin's services has resulted in increases in spot market freight rates, in particular in the Far East and Transpacific trades. The sharp increase of the idle fleet in the second half of 2016 and the redelivery of Hanjin ships to their commercial owners have depressed the market value of container vessels and may have a negative impact on the loan-to-value clauses contained in financing arrangements primarily in the second half of 2016. On February 17, 2017, Hanjin was declared bankrupt by a court in Seoul (*source*: Reuters).

11. OUR BUSINESS

Any projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See 3 “Risk Factors” and 4.7 “Forward-Looking Statements”.

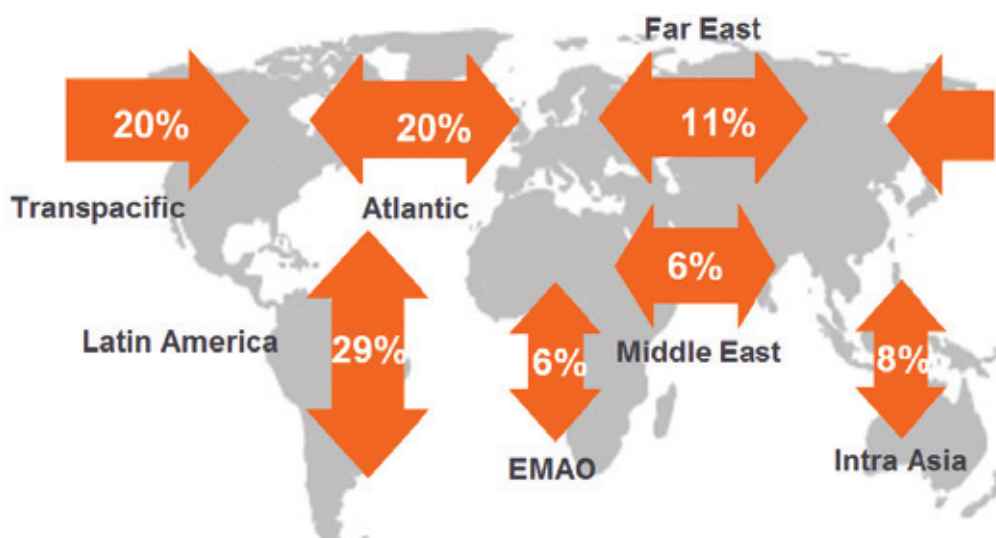
The description and nature of the operations and principal business activities as presented in this section 11 “Our Business” is applicable to all periods covered by the historical financial information presented in this prospectus.

11.1 Overview

We are a leading global container liner shipping company. Measured by the capacity of our fleet, we are the largest container shipping line based in Germany and one of the largest in the world (*source: MDS Transmodal, April 2017*). We offer our customers a comprehensive range of services through an extensive network with 118 liner services worldwide, combined with the support of strong local presences with around 364 sales offices (including agents) in 121 countries as of March 31, 2017. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet our customers’ transport service requirements.

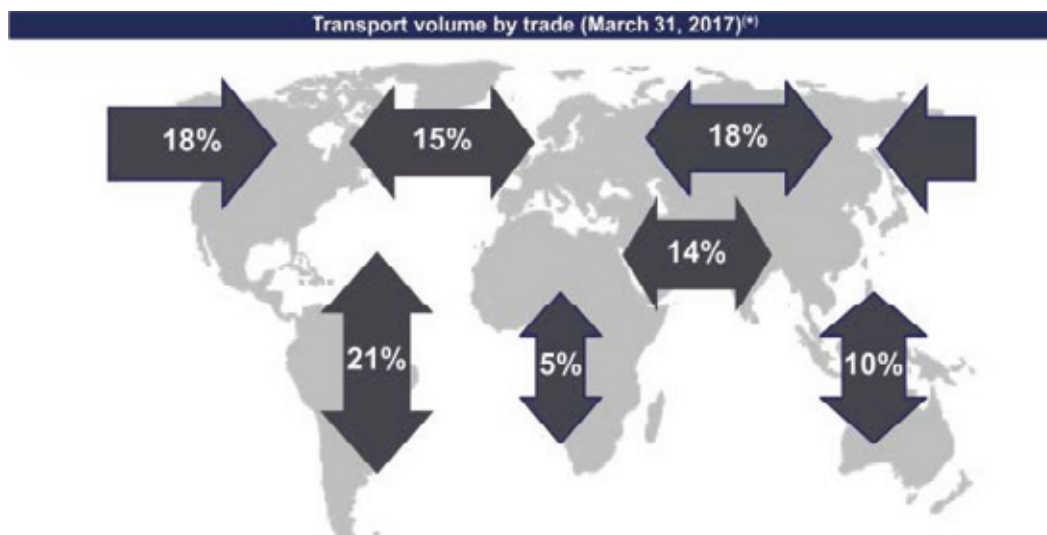
We aim to maintain a well-balanced portfolio of trades distributed among our main markets. We have a strong presence in the high-volume Far East trade (Europe-Asia), the Atlantic (Europe-North America) and Transpacific (Asia-North America) trades as well as in the Latin American trade. In addition, the EMAO (Europe-Mediterranean-African-Oceania) trade as well as the Intra-Asia trade contribute to our overall transport volume. Our extended service network ensures that we are well positioned to benefit from an increase in trade flows around the globe. We have a strong position both in the high-volume East-West trades, which accounted for 51% of our total transport volume in the financial year ended December 31, 2016 (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and our North-South trades, which accounted for 49% of our total transport volumes during the same period (Latin America, Intra-Asia, the Middle East and EMAO represented 30%, 8%, 6% and 5%, respectively). In preparation for the UASC Business Combination, we have reorganized our trades and amended the assignment of individual services. In the three months ended March 31, 2017, our East-West trades accounted for 51% (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and our North-South trades represented 49% (Latin America, Intra-Asia, the Middle East and EMAO represented 29%, 8%, 6% and 6%, respectively) of our total transport volume for the period.

The chart below shows Hapag-Lloyd’s transport volumes by trade for the three months ended March 31, 2017.



After completing the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company Limited (“UASC Limited”) and its subsidiaries

(together, “UASC”) with Hapag-Lloyd AG (the “UASC Business Combination”) on May 24, 2017, we expect that the combination with one of the largest container shipping companies by capacity based in the Middle East will strengthen our market position as one of the top five shipping companies by capacity and enhance our market position in the attractive Middle East trade where we intend to seize opportunities for further profitable growth. We believe that the UASC Business Combination not only significantly enhances our global reach and the network we are able to offer to our customers, but also allows us to increase our competitiveness through UASC’s young and fuel-efficient fleet with a large share of ultra-large container vessels (“ULCVs”) without having to spend additional capital expenditure on such vessels of our own and to harness further synergies. As a result of the UASC Business Combination, we expect our portfolio of trades to become even more balanced, with four of our seven reported trades (Atlantic, Transpacific, Far East and Latin America) having a transport volume of at least one million TEU. The chart below shows Hapag-Lloyd’s and UASC’s combined transport volumes by trade for the three months ended March 31, 2017.



(*) Allocation of UASC volume according to Hapag-Lloyd trade definition.

Our fleet is one of the largest container ship fleets globally (*source*: MDS Transmodal, April 2017). As of March 31, 2017, we had a fleet of 172 container ships with a total transport capacity of 1,007,519 TEU (TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot, or 6.05 m, x 8 foot or 2.43 m, x 8 foot 6 inches or 2.59 m), the standard unit of measurement of volume used in the container shipping industry), of which we owned 74, chartered 95 and finance leased three vessels.

Through the UASC Business Combination, we acquired an additional 58 vessels, including six 19,870 TEU ships, known for their ecological efficiency, as well as eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017. As of March 31, 2017, we managed a fleet of 963,126 containers with a total transport capacity of 1.58 million TEU, approximately 42% of which we owned with the remainder being rented. As a result of the UASC Business Combination, we acquired an additional 457,933 containers with a capacity of 739,331 TEU. As of March 31, 2017, our order book comprised one new vessel with a capacity of 10,500 TEU, which was delivered in April 2017. UASC’s order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017. As a result of these investments, our ownership ratio in vessels is expected to increase.

In May 2016, we announced the founding of THE Alliance, which became our new main shipping alliance as of April 2017 and replaced our current alliance, the G6 Alliance, entirely. The G6 Alliance will cease its operations upon completion of the last voyages in July 2017. Besides us, THE Alliance consists of Mitsui O.S.K. Lines (“MOL”), Nippon Yusen Kaisha Lines (“NYK”), Kawasaki Kisen K.K. (“K-Line”) and Yang Ming Marine Transport Corp. (“Yang Ming”). UASC, as part of Hapag-Lloyd, became part of THE Alliance on May 24, 2017. On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders’ agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of

THE Alliance. Hapag-Lloyd AG was one of the founding members of the G6 Alliance (whose other members were, besides us, American President Lines Ltd. (“APL”), Hyundai Merchant Marine Co., Ltd. (“HMM”), MOL, NYK and Orient Overseas Container Line Limited (“OOCL”), which was one of the world’s largest operating container shipping alliances with a total combined capacity of approximately 3.5 million TEU, representing a 17% share of the global transport capacity (*source*: MDS Transmodal, February 2016; Drewry Maritime Research, Q1 2017). In addition, we maintain cooperation arrangements with other carriers. We are one of the founding members of the Grand Alliance, which also includes OOCL and NYK, of which the majority of services were merged with those of the New World Alliance to form the G6 Alliance.

Such arrangements allow us to optimize fleet utilization by sharing capacity and to provide a range and geographic scope of network services that would not be possible if we relied solely on our own fleet of vessels. Our ability to coordinate our route planning with our partners enables us to use capacity more efficiently and benefit from cost savings and lower capital expenditures. For the financial year ended December 31, 2016 and for the three months ended March 31, 2017, respectively, approximately 40% and 36% of our total transport volume was carried on either our owned or chartered vessels contributed to the G6 Alliance, or vessels made available to us through the G6 Alliance. The remaining portion of our transport volume was mainly carried out through one of our other cooperation agreements (excluding the G6 Alliance). In addition, we have entered into a cooperation arrangement with CMA CGM S.A. (“CMA CGM”) and Hamburg Süd Group (“Hamburg Süd”), offering new products between Asia and the western and eastern coasts of Latin America. This reflects our ongoing efforts to further strengthen our global coverage of trades, expand our product offering (e.g., reefer products) between Asia and the West and the East coast of Latin America and enhance our cost and operational efficiency.

We have entered into contractual arrangements to use terminal facilities in each of the ports called by our fleet and have strategic shareholdings in a container terminal in Hamburg, Germany. We currently own a 25.1% interest in HHLA Container Terminal Altenwerder GmbH (“CTA”) in the Port of Hamburg, one of the most modern container terminal facilities in the world (*source*: HHLA Hamburger Hafen und Logistik AG, November 2016).

The Group is headquartered in Hamburg, Germany. As of March 31, 2017, we had 9,413 total employees worldwide. In the financial year ended December 31, 2016 and in the three months ended March 31, 2017, we generated revenue of €7,734.2 million and €2,132.1 million (2015: €8,841.8 million; 2014: €6,807.5 million), respectively, and EBITDA of €607.4 million and €131.3 million (2015: €831.0 million; 2014: €98.9 million), respectively.

For a more detailed breakdown of our total revenue by geography, see 9.6 “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of the Three Months Ended March 31, 2017 and 2016*”, 9.7 “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of the Financial Years Ended December 31, 2016 and 2015*” and 9.8 “*Management’s Discussion and Analysis of Financial Conditions and Results of Operations—Comparison of the Financial Years Ended December 31, 2015 and 2014*”.

11.2 Our Strengths

We are a leading global container liner shipping company and believe that the combination of the following strengths differentiates us from our competitors and provides us with a competitive advantage:

(a) One of the market leaders with a strong global footprint and exposure to attractive niche businesses.

Demand for container liner shipping services has been, and will continue to be, positively correlated to the performance of the global economy and the development of global trade volumes. According to the International Monetary Fund (“IMF”), the volume of global trade, which is key to the demand for container liner shipping services, increased by 2.2% in 2016 and growth of global trade is expected to accelerate to 3.8% in 2017 as economic growth in industrialized countries such as the USA and Japan and the industrialized Euro-zone is predicted to remain positive (*source*: IMF, World Economic Outlook, October 2016; IMF, World Economic Outlook Update, April 2017). With the world trading volume forecast to grow, demand for container liner shipping services is expected to increase gradually. According to Clarksons Research, Container Intelligence Quarterly (Q1 2017), the global container liner shipping volume has increased from 139.2 million TEU in 2010 to 181.0 million TEU in

2016 and is expected to reach 188.6 million TEU in 2017. This puts the forecasted rise in worldwide transport volumes in container liner shipping for 2016 and 2017 above the forecasted rate of growth for global GDP growth. Over the last 16 years we have more than doubled our share of global transport capacity in the container liner sector from 2.0% in 2000 to about 5.0% as of March 31, 2017 (*source*: MDS Transmodal July 2001 and MDS Transmodal, April 2017). We achieved this by expanding our service network and through successfully integrating Compañía Sud Americana de Vapores S.A.'s ("CSAV") container shipping business ("CCS Activities") in 2014 and the CP Ships Ltd. acquisition in 2005 and will continue to do so through the UASC Business Combination. As one of the largest container liner shipping companies worldwide with an extensive network comprising 118 services worldwide, we expect to benefit from continued positive growth in the industry.

We (Hapag-Lloyd and UASC combined) possess a competitive position, evidenced by our market shares of approximately 12%, 28%, 5% and 11% on the Latin America, Atlantic, Transpacific and Far East trades, respectively, as of March 31, 2017 (these market shares are estimates based on TEU we transported for our customers on each of the trades and container liner shipping transport volume data from Alphaliner Monthly (April 2017). Through the integration of UASC, we are ranked among the five largest container liner shipping companies globally measured by capacity (*source*: MDS Transmodal, April 2017). Based on weekly capacity employed, Alphaliner estimates our market share (Hapag-Lloyd stand-alone) to be 12%, 27%, 4% and 3% on the Latin America, Atlantic, Transpacific and Far East trades, respectively (*source*: Alphaliner, Monthly Monitor, April 2017). As a result of the UASC Business Combination, we have a more balanced market share on the Atlantic, Transpacific and Far-East trades, respectively, and we expect this to provide us with greater protection against cyclical fluctuations in individual trades. We believe that we are well positioned to benefit from growth trends in the attractive niche businesses such as reefer, project cargo and dangerous goods businesses, where we have a long-standing and well-recognized expertise. With our fleet of state-of-the-art reefers, of which we already own 55%, with a capacity of 141,303 TEU as of March 31, 2017, to transport temperature-sensitive cargo such as fruit, vegetables, meat and fish as well as high value reefer cargo such as pharmaceuticals and healthcare products, we possess one of the largest reefer container fleets in the industry (*source*: Dynamar Reefer Report 2016). Our position in the reefer business will be further strengthened by the new 9,300 TEU and 10,500 TEU vessels which we received over the past year. Both vessel types possess a large number of reefer plugs (1,400 reefer plugs per vessel and 2,100 reefer plugs per vessel, respectively), enhancing our carriage capacities for temperature sensitive cargo.

In addition to our expertise in the reefer business, we have a dedicated department for the organization and monitoring of oversized cargo with many years of expertise in handling the transport of out of gauge, Break-Bulk and project cargo, offering one-stop-shop service to our customers. Our fleet of special containers allows for the carriage of oversized and especially heavy goods, catering to all kinds of cargo, even high value and sensitive cargo. In addition, we are constantly developing and constructing our own Hapag-Lloyd equipment capabilities in the fields of security and stability. In the dangerous cargo business, we believe we have a competitive edge, which is strongly supported by our dangerous goods department and dangerous goods experts located in all of our regional headquarters (Hamburg, Singapore, Piscataway and Valparaíso). Furthermore, our unique and efficient specialist software ("**Cargo Patrol**") enables us to continuously and systematically scan all the bookings placed globally, using intelligently linked criteria, to identify dangerous goods and a large variety of other sensitive cargo which have been declared incorrectly or which have not been declared at all. With this loss prevention tool in place we have significantly reduced the risks posed to our crews, our vessels, the environment and other cargo. These factors underscore our expertise and experience in the dangerous cargo business, which enables us to capitalize on the transportation of sensitive goods, whose transportation may be prohibited by other carriers due to their internal rules.

Furthermore, we are actively exploring further value adding market niches—we are one of only three container carriers worldwide being certified to carry U.S. governmental cargo with five of our vessels sailing under U.S. flag. In addition, we have a strong position in the flag-protected cabotage services on the trade routes Chile-Brazil, intra-Chile and intra-Peru, which represent attractive niche businesses as due to flag restrictions, other carriers are not able to offer these services.

We believe that these businesses combined with our specialist knowledge and expertise position us well to exploit opportunities for further growth.

(b) Well-balanced route mix and exposure to attractive markets strongly supported by our membership in THE Alliance and through several cooperation agreements.

As of March 31, 2017, we had 364 sales offices in 121 countries and 118 liner services, supported by our cooperation within THE Alliance and arrangements with several other carriers. As a result, we maintain a portfolio of trades (a trade combines liner services between two land masses) which we believe to be more balanced than that of any other liner, covering all major markets and regions. We are one of the few leading carriers with an almost equal exposure both to the high-volume East-West trades, which accounted for 51% of our total transport volume in the financial year ended December 31, 2016 (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and North-South trades, which accounted for 49% of our total transport volumes during the same period (Latin America, Intra-Asia, the Middle East and EMAO represented 30%, 8%, 6% and 5%, respectively). In preparation for the UASC Business Combination, we have reorganized our trades and amended the assignment of individual services. In the three months ended March 31, 2017, our East-West trades accounted for 51% (Atlantic, Transpacific and Far East represented 20%, 20% and 11%, respectively) and our North-South trades represented 49% (Latin America, Intra-Asia, the Middle East and EMAO represented 29%, 8%, 6% and 6%, respectively) of our total transport volume for the period.

We have a strong market position in the attractive North and South America trades. Together with our THE Alliance partners as well as with our other cooperation partners we have a strong market position in terms of capacity in two of the three East-West trades (Far East and the Transpacific trades) as well as in the Latin America trade and are joint market leader in the Atlantic trade in terms of capacity deployed (*source*: Alphaliner Monthly Monitor, December 2016). In addition, the UASC Business Combination strengthened our operations in the Middle East through UASC's established presence in the region. We support our presence in the Middle Eastern region through a fifth Hapag-Lloyd regional center in Dubai, which became operational shortly after closing of the UASC Business Combination. Our enhanced service network ensures that we are well positioned to benefit from an increase in trade flows around the globe while our balanced trade lane portfolio enables us to be more resilient to adverse market developments on any one trade lane.

In addition, through our membership in THE Alliance and other cooperation agreements we share capacity with other carriers on the major East-West trades as well as the North-South trades which enable us to maintain favorable utilization rates of our vessel and container fleet, consistently extend the range as well as the geographic scope of our services, and offer our customers improved services, shorter transit times, more frequent sailings and more direct port calls which will further benefit our perception and position in the market. As a member of THE Alliance, we focus on the coordination of THE Alliance members' respective landside/terminal operations in order to generate additional cost benefits. We believe that the degree of integration in THE Alliance is therefore higher when compared to the Ocean Alliance and the 2M. Our ability to coordinate our services with other alliance members also allows us to use capacity more efficiently, entailing cost savings and lower capital expenditures. In addition, our use of cooperation arrangements facilitates our entrance into new markets by lowering our entry costs through, for example, allowing us to use our partners' vessels. Together with our THE Alliance partners we have a strong market position in terms of capacity in two of the three East-West trades (Far East and the Transpacific trades) as well as in the Latin America and are joint market leader in the Atlantic trade in terms of capacity deployed (*source*: Alphaliner Monthly Monitor, December 2016).

(c) Competitive and modern fleet with a balanced ownership structure providing operational flexibility through the cycle.

The composition of our fleet provides us with a significant degree of flexibility in our operations. We are able to swiftly deploy our vessels on our different trade lanes and actively manage and control the optimal use of the vessels depending on the respective demand and slot allocation. As of March 31, 2017, our fleet comprised 172 container vessels, of which we owned 74, chartered 95 and finance leased three. Through the UASC Business Combination, we acquired an additional 58 vessels, including six 19,870 TEU ships, known for their ecological efficiency, as well as eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017.

In line with our market position on high-volume trades, approximately 78% of our capacity consists of vessels with a capacity in excess of 4,600 TEU while approximately 55% of our total fleet

had a capacity in excess of 8,000 TEU as of March 31, 2017. We focus on owning larger vessels, resulting in the average size of our entire vessel fleet prior to the UASC Business Combination being approximately 5,858 TEU as of March 31, 2017 compared to an industry average of 3,878 TEU and an average among the top 20 carriers of 5,066 TEU (source: MDS Transmodal, April 2017, assuming all announced mergers were carried out, Company information; Drewry Maritime Research, Q1 2017). As of March 31, 2017, the average age of our fleet was 8.5 years, of which 58% comprised vessels less than ten years of age, compared to an industry average of 12.4 years (source: MDS Transmodal, April 2017, assuming all announced mergers were carried out, Company information). Including the vessels acquired through the UASC Business Combination, the average age of our fleet is 7.2 years. Combined with UASC's fleet, our average vessel size increases to 6,839 TEU. All of our latest newbuild vessels as well as the vessels on order are equipped with an increased number of reefer slots to take advantage of the increasing demand, for example, for the transport of foodstuff especially on the North-South trade. Foodstuffs and beverages represented about 18% and 18% of our transport volume in the financial year ended December 31, 2016 and in the three months ended March 31, 2017, respectively. All of our latest newbuild vessels and the vessels on order are also designed with a wide-beam vessel shape which allows the use of harbors with shallow waters and, therefore, enables flexible deployments on various services. Together with our THE Alliance partners and our other cooperation partners, we are able to allocate ships to services which best fit the specific needs of each service.

Overall, the larger size vessels and the homogenous structure within the different classes of our fleet in terms of design and furnishings provide benefits, such as lower operating and voyage unit costs, fuel, port and canal fees as well as manning, repairs, insurance and ship management costs. For the financial year ended December 31, 2016, we reduced our cost base by approximately US\$163.3 per TEU ((15)%) from US\$1,088.6 per TEU for the financial year ended December 31, 2015. For the three months ended March 31, 2017, our cost base increased by US\$15.5 per TEU (1.6%) from US\$969.6 per TEU in the three months ended March 31, 2016. This increase was due to a sharp rise in expenses for raw materials and supplies due to higher bunker prices. We also maintain a high degree of flexibility in our fleet to meet changing market demand by using a combination of short-term, mid-term and long-term vessel charters along with our owned and leased vessels. Short-term charters, mid-term charters and long-term charters are for a period of up to twelve months, up to 36 months and more than 36 months, respectively. Short-term and mid-term charters allow us to adjust our capacity and cost structure rapidly in response to changes in demand. In addition to our vessel fleet, our stock of a wide variety of containers, which enables us to cater towards our customers' needs and specifications, complements our flexible and competitive fleet structure.

(d) Highly diversified and solid customer base with long-term and close customer relationships based on operational excellence and technological know-how that allows for better imbalance management (i.e., management of different transport volumes of regions, which produce and export more goods than they import and consume, on the one hand, and regions, which import and consume more goods than they produce and export, on the other hand, for example, through network planning and by charging different rates for shipping cargo).

We have a track record of long-term and close relationships with a broad range of blue-chip customers. Our top customers include direct shippers, such as IKEA, ExxonMobil, General Motors, BASF, Ford and freight forwarders, such as Kuehne+Nagel, DB Schenker, DHL, Panalpina and JF Hillebrand. Moreover, we have been successful in acquiring and retaining key account customers. For example, 16 of our top 20 customers by volume in 2012 continued to count among our top 20 customers by volume as of March 31, 2017. We believe that our close relationship with large direct customers gives us better visibility on future container liner shipping transport volumes while our relationships with large freight forwarders, which originate cargo in many locations worldwide, help us to optimize our trade flows. Moreover, after gaining access to additional customers in the Middle Eastern region through the UASC Business Combination, we further enhanced our geographical and customer diversification. In the financial year ended December 31, 2016 and in the three months ended March 31, 2017, we provided our services to approximately 23,000 customers and 14,700 customers, respectively. These customers were diverse in both geography and industry, with no single customer representing more than 5% of our total transport volume for these periods. We believe that our long-term and close customer relationships are supported by our industry-leading container liner shipping information management system. We have developed and are continuously enhancing a globally integrated and self-developed IT system to support our business and operating processes. This allows us to maintain our high levels of efficiency and productivity throughout our global operations by

reducing costs and increasing the speed, quality and reliability of operational information. Our IT systems are highly scalable and a key enabler of our inorganic growth strategy, allowing us to efficiently integrate acquired operations. Our operational excellence is linked to the quality of our system, including web-based graphical user interfaces, which has been in operation and running reliably for nearly 20 years. We have also implemented a standardized organizational model that we use in our operations worldwide called Blueprint Organization (“**Blueprint**”) and a “one-file-per-shipment” data structure throughout our operations and IT system architecture. Our IT system runs on a standardized platform that links all of our regional headquarters, areas and offices. We believe that the combination of our integrated IT system with Blueprint is an industry-leading innovation, which cannot be easily reproduced by our competitors. This system enables decentralized decision-making within our global network and provides us with significant advantages over our competitors as we can continuously monitor and improve our productivity by comparing and benchmarking processes throughout the organization. In particular, our self-developed freight information system (“**FIS**”) provides us with real-time information allowing us to assess at the point of sale the contribution levels that may be achieved by an individual transaction, after taking into account costs, such as the cost of associated relocations of empty containers and inland transportation costs.

Our system particularly enables us to better manage structural imbalances in the container liner shipping business by optimizing container shipments, when compared to the market (*source*: Drewry Maritime Research, Q3 2016, Company information). Through our yield management, we achieve a significantly higher share of full container moves on the non-dominant leg of a trade route compared to the overall industry, resulting in fewer empty containers requiring repositioning and thereby considerably reducing our repositioning costs. During 2016, for every ten full containers we carried on the dominant legs of the Transpacific, Atlantic and Far East-Europe trades, we carried approximately 6.2, 6.2 and 7.6 full containers on the non-dominant legs of these trades, respectively, comparatively higher than the industry average of 4.2, 6.5 and 4.6 full containers, respectively (*source*: Drewry Maritime Research, Container Forecaster & Annual Review, Q1 2017 (Hapag-Lloyd data adapted to Drewry trade definition)). This results in fewer empty containers requiring repositioning and considerably reduces our repositioning costs.

(e) Proven track record on efficiency improvements through organic and inorganic growth initiatives.

Our operational structure is set up to efficiently pursue strategic acquisitions or further business combinations in a consolidation driven market environment. In 2005, we successfully integrated Canadian container shipping company CP Ships. As a result of the integration process, we realized net synergies of €208 million by 2008, which exceeded our initial estimated synergy amount of €180 million. The integration of the CCS Activities further proved that we are capable and well experienced in executing a successful integration process and realizing the synergies and know-how gained through the successful integration of acquired businesses is firmly anchored in our organization. At the time of their completion in the first quarter of 2017, the CUATRO and OCTAVE (excluding OCTAVE II) projects had delivered annual synergies, efficiency improvements and cost savings totaling US\$600 million as against the comparable cost base in the 2014 financial year. More than 70% of the expected synergies, efficiency improvements and cost savings were already achieved in the 2015 financial year which had increased to more than 90% in 2016. Regarding CUATRO, we were able to generate actual synergies that were substantially greater than our initial estimates.

We initiated CUATRO as our integration project to facilitate the post-merger integration of the CCS Activities following the completion of the acquisition of the CCS Activities. We intend to draw on the experience gained from the integration of CP Ships and the CCS Activities to help us exploit the synergy potential from the integration of UASC. Through the integration of UASC, we are ranked among the five largest container liner shipping companies globally measured by capacity (*source*: MDS Transmodal, April 2017). This is also supported by our uniform and scalable IT systems, which are globally integrated standardized systems that can be quickly enhanced to further users and locations.

(f) Experienced management team and supportive anchor shareholders.

We have a strong and experienced senior management team, which is comprised of our executive board members and the heads of our regions (North America, South America, Europe and Asia) and central functions (global sales, trade management, network and operations) dedicated to further strengthening our competitive position as a leading container liner shipping group. On average, each

senior management team member has 20 years of experience at Hapag-Lloyd and 42% of our senior management have an international background. We believe the experience of our management team gives us a competitive advantage and positions us favorably for future growth and profitability. Over the last 16 years, we have more than doubled our share of global transport capacity in the container liner sector from 2.0% in 2000 to approximately 5.0% as of March 31, 2017 (*source*: MDS Transmodal, July 2001 and April 2017). This was achieved by expanding the service network, the successful integration of the CCS Activities in 2014 and the Canadian container liner shipping company CP Ships Ltd. in 2005 and will be further strengthened through the UASC Business Combination. Furthermore, our management team has continuously reduced transport expenses in recent years. From 2013 to 2016, our transport expenses per TEU were reduced by US\$470 (34%). In the three months ended March 31, 2017, transport expenses per TEU increased by US\$16 per TEU to US\$985 compared to the three months ended March 31, 2016 largely due to higher bunker prices. In 2014, we incorporated certain structural improvements, allowing for a closer steering of the business on executive board level as the four regions now directly report to the CEO. Furthermore, steering of the business is based on a common set of core reports and key performance indicators (“**KPIs**”), implementing a strong performance driven culture with regular performance dialogues passed down through the organization.

In addition, we have highly committed principal shareholders including the three anchor shareholders CSAV Germany Container Holding GmbH (“**CG Hold Co**”) (22.6%), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) (14.9%) and Kühne Maritime GmbH and Kühne Holding AG (together, “**Kühne**”) (17.6%) (Kühne Maritime GmbH, together with CG Hold Co and HGV, the “**HL BCA Controlling Shareholders**”) and our new key shareholders Qatar Holding Germany GmbH (“**Qatar Holding Germany**”) (14.4%) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (10.1%).

Under the terms of the business combination agreement between Hapag-Lloyd AG and UASC Limited (the “**UASC BCA**”) and the shareholder support agreement among Hapag-Lloyd AG, UASC Limited, the HL BCA Controlling Shareholders and Qatar Holding LLC (“**Qatar Holding**”) and PIF (together, the “**UASC Controlling Shareholders**”) (the “**SSA**”), Hapag-Lloyd AG, UASC Limited, the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. CG Hold Co. and Kühne Maritime together will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital as resolved during Hapag-Lloyd AG’s regular annual general meeting on May 29, 2017.

In addition, due to the commitment of the HL BCA Controlling Shareholders to pool a large part of their voting rights for ten years, we believe that we are in a favorable position to focus on the mid to long term strategic development of our company.

11.3 Our Strategy

We are developing a defined strategy to enhance profitability in the coming years and to significantly improve earnings by harnessing synergies and streamlining our cost structure, continuing growth in volume and improving revenue quality. As a result, we focus on the following key strategic objectives:

(a) Further encourage growth by capitalizing on dynamic growth trends in our industry and through acquisitions.

In order to continue achieving sustainable and profitable growth, we pursue internal and external growth opportunities. According to Clarksons Research (Container Intelligence Quarterly, Q1 2017), world container traffic increased by 3.4% in 2016, or 0.3 percentage points stronger than global GDP growth in 2016 (*source*: IMF, World Economic Outlook, April 2017). According to the International Monetary Fund (“**IMF**”), global GDP grew by 3.1% in 2016 (IMF, World Economic Outlook, April 2017). Pursuing our sustainable and competitive business model, we plan to pursue an internal growth strategy in which our container liner shipping transport volumes increase in line with industry growth. We intend to achieve this goal by making further inroads into our existing customer base through our strong sales organization, our global account management team and our customer-oriented services.

This includes defining coverage of top accounts and improving our sales channel strategy for each market. We are planning to capitalize on our market positions especially as a joint market leader in terms of capacity in the Atlantic, the Transpacific as well the North-South trades, in the individual trade lanes and to respond to their respective dynamics accordingly. We are further planning to expand our presence on all East West trades through our participation in THE Alliance. Our flexible network management enables us to continue to adapt to evolving customer needs. We also plan to optimize our pricing strategy by improving our customer discount policy and, among other measures, managing the balance between the spot and contract business. We will also focus on yield management for the near term, including the further development of our yield management team and the further advances to the proactive pricing and steering function. We offer an attractive global service network combined with exceptional service quality and are looking to expand in the special cargo business, for example over-sized cargo, and reefer transports. With the final vessel delivered in April 2017, we expanded our reefer slot capacity by almost 10,500 slots as of the date of this prospectus. Through the UASC Business Combination, we also have access to an additional 58 vessels, including six 19,870 TEU ships and eleven newbuild 14,993 TEU ships, the last two of which will be delivered during 2017. In addition, we intend to continue pursuing external growth through selected add-on acquisitions if the right project is available and would be value enhancing.

(b) Deliver significant synergies from the UASC Business Combination.

In addition to our market share improvements and the increased importance of the Middle East trade, we believe that the combined operations benefit from significant synergy effects, which mainly relate to network optimization and overhead/personnel improvements in our business. Further potential for synergies lies in decreased administrative costs, optimization of terminal spend through a “best rate” approach, inland synergies from a better rail/truck feeder network and equipment utilization. We plan to generate synergies for the Group through further standardization of our processes by extending the Hapag-Lloyd organizational blueprint to UASC.

The joint team of Hapag-Lloyd and UASC expects total synergies to amount to US\$435 million per year from 2019 onwards based on a synergy report prepared by Hapag-Lloyd, UASC and a third party (the “**Synergy Report**”). Implementation of the planned synergies commenced with the closing of the UASC Business Combination. In addition, we are only considering cost synergies and have not included any topline potential (*e.g.*, through cross-selling or a more extensive network). The joint team from Hapag-Lloyd and UASC expects one-off costs of approximately US\$150 million related to both the implementation of the planned synergies (synergy-related one-offs) as well as related to the successful conclusion of the UASC Business Combination (transaction-related one-offs and integration support).

The combination of Hapag-Lloyd and UASC is anticipated to provide operational synergies, in particular in the areas of (i) network, (ii) personnel, (iii) administrative, (iv) terminals, (v) inland and (vi) equipment.

Network. As the Group has access to a larger pool of vessels, the deployment of vessels can be further improved resulting in lower slot costs on the basis of a larger fleet and through economies of scale by bundling volumes on fewer and more profitable services and vessels. We expect to achieve synergies by combining two stand-alone networks and optimizing the combined deployment of vessels for selected trades, resulting in a fleet reduction of surplus vessels.

Personnel and Administrative. Hapag-Lloyd has its headquarters in Germany and UASC has their headquarters in Dubai. Following the UASC Business Combination, the Group will have its headquarters in Germany and regional headquarters in each of Asia (Singapore), North America (Piscataway, New Jersey), South America (Valparaíso), Europe (Hamburg) and the Middle East (Dubai), leading to a general reduction in overhead. Furthermore, we expect to achieve overhead synergies by improving our productivity through a higher organizational efficiency, best practice sharing, a unified IT platform and a reduction of other overhead costs (*i.e.*, office rents, travel, communication, training, service providers, insurance).

Terminals and Inland. We have identified ports, in particular in Europe, where we expect to achieve terminal synergies through matching of more beneficial contracts and economies of scale effects with terminal operators. In addition, we plan to realize synergies within our inland business by applying the combined group’s best rates as well as bundling transport volumes and optimizing logistics processes.

Equipment. By combining the partly complementary trade flows of Hapag-Lloyd and UASC, we also expect equipment synergies as a result of reduced imbalances thereby reducing empty container repositioning and further plan to improve our leasing conditions for containers. Furthermore, the addition of UASC's fleet to Hapag-Lloyd's existing fleet results in a modernization of the total fleet as well as a larger average vessel size, creating further cost efficiencies. See 3.3 (a) "*Risk Factors—Risks Relating to the UASC Business Combination—The anticipated synergies from the UASC Business Combination might not materialize and we might not be able to fully exploit economies of scale*" and 3.3 (g) "*Risk Factors—Risks Relating to the UASC Business Combination — We may not be able to maintain and fully utilize the much larger fleet of the Group following the UASC Business Combination*".

(ii) Financial advantages

In addition to strategic and operational advantages, we also expect the UASC Business Combination to lead to financial benefits for the Group. The planned capital increase, supported by our controlling shareholders, of US\$400 million is expected to further enhance our equity base and liquidity. The addition of UASC's young, fuel-efficient vessels, which includes seventeen ULCVs, the last two of which are expected to be delivered during 2017, reduces the need for new vessel investment in the coming years, enabling us to focus on maximizing free cash flow and to significantly deleverage over time. See 3.3(b) "*Risk Factors—Risk Relating to the UASC Business Combination—Certain of our large shareholders may fail to honor their commitments under the Shareholder Support Agreement*".

(c) Continuously implement efficiency and cost improvement measures to enhance overall profitability.

We maintain a consistent focus on the improvement of our cost efficiency and revenue quality across all areas of operations. In 2014, we introduced our cost and efficiency project called "OCTAVE" targeting short-term operational initiatives with immediate effects in the areas of: (i) inland cost and bunker procurement; (ii) our fleet and network; and (iii) our sales and product portfolio. Through these initiatives, we have reaped substantial revenue improvements and cost savings. In the first quarter of 2016, the OCTAVE efficiency program was intensified, and additional measures (OCTAVE II) were added to it. These should lead to further cost savings and efficiency improvements with a high double-digit million dollar amount by the end of 2017, in addition to the improvements already achieved. The efficiency projects have contributed to the improvement in cost structures also in the financial year ended December 31, 2016.

At the time of their completion in the first quarter of 2017, the CUATRO and OCTAVE (excluding OCTAVE II) projects had delivered annual synergies, efficiency improvements and cost savings totaling US\$600 million as against the comparable cost base in the 2014 financial year. More than 70% of the expected synergies, efficiency improvements and cost savings were already achieved in the 2015 financial year which had increased to more than 90% in 2016. Regarding CUATRO, we were able to generate actual synergies that were substantially greater than our initial estimates.

Further, we expect to reap substantial benefits from our strengthened market presence in the attractive Middle East trade as a result of the UASC Business Combination.

(d) Further exploit the benefits from our global alliances and cooperations.

We plan to continue to focus on joint operations to strengthen our overall position. With Hapag-Lloyd AG as a member of THE Alliance and the Grand Alliance, we are strongly positioned in the container liner shipping market. Through the joint operation of services, we focus on further providing a significantly larger network to our customers than as a single carrier.

THE Alliance covers all East-West trade lanes and we seek to remain among the market leaders on these trades. We increased our coverage of the major North-South trades through the combination integration of the CCS Activities and thus believe that we are well-positioned to further provide a comprehensive global offering of trades. This is supplemented by our cooperation with CMA CGM and Hamburg Süd, offering new products (*e.g.*, reefer products) between Asia and the West and the East coast of Latin America, benefitting from an extensive port coverage with short transit times to and from main Asian locations. Alliances may provide for a higher or lesser degree of integration of the alliance partners' operations. As a member of THE Alliance, we focus on the coordination of THE Alliance's members' respective landside/terminal operations in order to generate additional cost benefits. We expect that the combination with UASC will further strengthen our product offerings in the major East-West and North-South trades.

In addition, we plan to continue to benefit from several cost efficiencies, such as an increased average vessels size, a better use of our capacity and vessels due to the more efficient vessel deployment and improved utilization as well as capacity absorption for the market. Together with our cooperation and alliances partners, we will continue to improve and enhance the value gained from cooperation.

(e) Leverage our market position and our strong reputation for quality, reliability and seamless execution to increase revenue and improve the quality of revenues.

We strive to maintain our reputation for quality, reliability and the seamless execution of our services. Based on the segmentation of our customers according to volume and profitability criteria, we plan to increase our sales efficiency by increasing the share of our customers that score best under segmentation criteria and by further improving our tender management. We further intend to maintain a balanced customer mix of freight forwarders, who handle cargo globally and in all directions, and industrial and trade customers to maintain visibility on future container liner shipping transport volumes and to optimize overall equipment steering. We also plan to capitalize on our strong brand and reputation and successful execution of bilateral Electronic Data Interchange (“**EDI**”) solutions, which entails the transfer of structured data from one software application to another. By increasing the share of our customers that use bilateral EDI solutions, we strengthen our customer relationships and protect future volume growth potential.

In March 2015, we launched a comprehensive program called “Compete to Win”, designed to enhance our commercial capabilities across our worldwide sales organization. The program aims at improving our revenue quality and profitability, providing a review of the sales organization and processes (opportunity identification, planning and execution), pricing and utilization optimization. Key elements include the enhanced integration of sales and trade management, easier access to information, a more structured preparation process, improved commercial planning and steering and the cultivation of a performance driven culture.

Based on comprehensive fact finding analysis in Asia, the Americas and Europe during the first half of 2015, we completed the design and testing of the program by December 2015 and rolled out the program globally in 2016. We believe that the new sales processes have improved the quality of customer contacts, resulting in improved revenue quality.

In addition, we rolled out an enhanced systematic data driven approach to lead generation and campaign development and execution. Furthermore, we intend to continuously and systematically enhance the capabilities of our front line sales force. We streamlined our pricing process and developed the tools to drive active and agile pricing strategies. We strive to optimize our differentiated sales channels and service levels and streamlined internal processes and communication to focus our time on selling. Finally, we rebalanced the responsibilities and capabilities for maintaining a consistent high quality and responsive customer service. This program is a multi-year effort to enhance revenue quality with first impact expected from 2017 onwards.

Additionally, under the umbrella of Compete to Win, we developed the Global Account Program (“**GAP**”) to further build and improve our relations with our most important customers. The enhanced program provides clear sales interfaces with named points of entry across the world, improved consistency in our service delivery and better access to our subject matter experts.

11.4 Our History

(a) Pre-UASC Business Combination

Hapag-Lloyd’s origins began with the liner shipping companies Hamburg-Amerikanische-Packetfahrt-Actien-Gesellschaft (“**Hapag**”) and Norddeutscher Lloyd (“**NDL**”). Hapag was founded by Hamburg businessmen and ship owners in 1847, to respond to the growing need of passenger services arising out of the increasing number of German and other European emigrants to North America. NDL was founded in Bremen in 1857 to capitalize on increasing shipping activities in Hamburg. In cargo shipping, both Hapag and NDL were pioneers in providing importers and exporters regular, reliable services on a global basis. In 1970, during a time of rapidly developing container services, the two companies merged to become Hapag-Lloyd AG. In 1998, Hapag-Lloyd AG was acquired by Preussag AG, later renamed TUI AG (“**TUI**”). At the end of 2005, TUI acquired CP Ships Ltd., a British Canadian container shipping company that was subsequently integrated into Hapag-Lloyd AG. From

March 2009 to August 2013 (until completion of the downstream merger), the Hamburgische Seefahrtsbeteiligung “Albert Ballin” GmbH & Co. KG (the “**Consortium**”) held a majority interest in Hapag-Lloyd Holding AG and thereby also in Hapag-Lloyd AG. The former sole shareholder of the Hapag-Lloyd AG, Hapag-Lloyd Holding AG, was merged into Hapag-Lloyd AG by way of a downstream merger with retroactive economic effect as of January 1, 2013. This downstream merger was entered into the commercial register of the Hapag-Lloyd AG and Hapag-Lloyd Holding AG on August 19, 2013. Following the dissolution of the Consortium in the fall of 2013, the former members of the Consortium hold their interests directly in Hapag-Lloyd AG. In April 2014, Hapag-Lloyd AG acquired and subsequently integrated Compañía Sud Americana de Vapores S.A. (“**CSAV**”) container shipping business (the “**CCS Activities**”) with Hapag-Lloyd AG. As consideration, CSAV received a 30% stake in Hapag-Lloyd AG, which was then increased to a 34.01% (for further information on our shareholder structure, see 15 “*Principal Shareholders*”). As a result of the integration of the combination, Hapag-Lloyd AG became one of the largest liner shipping companies in the world measured by the capacity of its fleet (*source*: MDS Transmodal, July 2015).

In the fourth quarter of 2015, Hapag-Lloyd AG announced its initial public offering (“**IPO**”) on September 28, 2015. In the IPO, 13.2 million new registered shares were issued at a price of €20 by an international bank consortium to institutional and private investors as part of a book-building process. Since November 6, 2015, the shares have been publicly traded on the Frankfurt and Hamburg stock exchanges.

(b) Post-UASC Business Combination

On July 15, 2016, Hapag-Lloyd AG and UASC Limited entered into a business combination agreement (the “**UASC BCA**”) to combine all activities, assets, liabilities, contractual relationships and employees of UASC Limited and its subsidiaries (together “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”). On July 18, 2016, Hapag-Lloyd AG, UASC Limited, CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) and Kühne Maritime GmbH (“**Kühne Maritime**”) (together, the “**HL BCA Controlling Shareholders**”), along with Qatar Holding LLC (“**Qatar Holding**”) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (together, the “**UASC Controlling Shareholders**”), entered into a shareholders support agreement (the “**SSA**”) to comply with the commitments in relation to the UASC Controlling Shareholders and the HL BCA Controlling Shareholders under the UASC BCA. The UASC Business Combination was completed on May 24, 2017.

The UASC Business Combination was completed by way of a contribution-in-kind by all entities holding UASC Limited shares (“**UASC Shareholders**”) to Hapag-Lloyd AG against the issuance of the New Shares to the UASC Shareholders. The New Shares originate from a capital increase against contribution-in-kind resolved by the executive board of Hapag-Lloyd AG on May 18, 2017 and approved by the supervisory board of Hapag-Lloyd on May 23, 2017 utilizing the authorized capital resolved by the ordinary meeting of the shareholders of Hapag-Lloyd AG on August 26, 2016 (the “**Capital Increase I**”). As a result, Qatar Holding Germany GmbH (“**Qatar Holding Germany**”) and PIF received a 14.4% stake and 10.1% stake in Hapag-Lloyd AG, respectively. See “*Principal Shareholders*”.

Under the terms of the UASC BCA and the SSA, Hapag-Lloyd AG, UASC Limited, the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. CG Hold Co and Kühne Maritime together will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital as resolved during Hapag-Lloyd AG’s regular annual general meeting on May 29, 2017. We currently intend to use the proceeds of the Capital Increase II to repay indebtedness and for general corporate purposes.

11.5 Our Services

(a) Container Shipping Services

We are a global container carrier providing a comprehensive range of services to international industrial and trade companies and freight forwarders. We offer both complete worldwide door-to-door

container shipment services and port-to-port services, as well as a variety of possible combinations of customer arranged, shipping company provided and third-party services. We offer a variety of regularly scheduled ports of call and sailing times, dates and frequencies. We provide these services by using a combination of our own vessel fleet as well as ships committed by THE Alliance members and our other cooperation partners.

Typical container shipments start at the sender's designated address with an empty container being delivered to the sender's premises. Once the sender has filled the container with cargo, the container is transported by truck, rail, barge, feeder or a combination of the four to a container port, where it is loaded onto a container ship. The container is shipped either directly to the destination port or via one of our scheduled ports of call, where it is transferred, or "transshipped", to another ship. When the container arrives at the final destination port, it is off-loaded from the ship, and delivered to the recipient's premises via truck, rail, barge or feeder, or a combination of the four. We are often responsible only for the ocean leg of the container's journey, with customers or intermediaries arranging and executing the in-land legs. For the financial year ended December 31, 2016 and for the three months ended March 31, 2017, respectively, approximately 75% and 74% of our total transport volume carried covered the ocean leg alone, whereas approximately 25% and 26% covered additional elements of the entire transportation chain, *i.e.*, door-to-door services.

(i) Market and Trade Lanes

We offer container shipping services to our customers through a variety of different services. Each of our lanes represents a particular offering of regularly scheduled ports of call and sailing times, dates and frequencies. Most of our services run on weekly schedules, complementing a network enabling several sailings per week in the key ports. We classify our services as either main services or feeder services. Main services, which represent the majority of our service offering with 103 services, are the services that are offered on our mostly intercontinental shipping lanes by large vessels, and the feeder services are the services that support the main services by connecting ports on intercontinental shipping lanes with one or more smaller ports (25 services), which are not called by the main line vessels.

We believe we operate one of the most extensive networks of direct services covering all three major East-West trade lanes: Far East (Europe-Asia), Transpacific (Asia-North America) and Atlantic (Europe-North America). We also offer an extensive range of services beyond the major East-West trade lanes, including the Intra-Asia trade lane, services to and within the Latin America, Intra-European and Intra-American trade lanes. Furthermore, we provide various services to and from Africa, Australia and New Zealand. To the extent that we do not offer certain main service connections ourselves, we provide connecting services using deep-sea services or third-party feeder links. As of March 31, 2017, we provided 118 services worldwide, using both own vessels and the ships of cooperation partners in THE Alliance and other cooperation arrangements. These cooperation arrangements allow us to enhance service levels on the applicable services, maintain our flexibility, reduce costs associated with establishing new services and preserve autonomy in non-core activities such as sales and marketing. We generally prefer to contribute owned or chartered ships into vessel-sharing agreements, rather than use slot purchase or swap agreements, where the economic benefits justify the capital investment, as we believe that lower costs can be achieved by operating our own ships compared to chartering space from other carriers. Moreover, we aim to enter into vessel-sharing agreements only where our position in the relevant market enables us to have a decisive influence on the operation of the service, such as investments in new ships and service schedules. Generally, under the terms of vessel-sharing, slot purchase and swap agreements, carriers have the additional benefit of using any space on their own vessel allocated to, but unused by, the other party.

The geographic diagram below shows our services as of March 31, 2017.



The table below shows our market shares per trade as of March 31, 2017.

	<u>Company's market share</u>
Far East-Europe	3%
Transpacific	4%
North Atlantic	27%
Latin America	12%

Source: Alphaliner, Monthly Monitor, April 2017.

(b) Reefer Business

We are one of the world's leading reefer carriers with a large and modern reefer container fleet and dedicated experts around the world (*source: Dynamar Reefer Report 2016*). A team in Hamburg with satellites in all regions is coordinating the global Hapag-Lloyd reefer strategy and business priorities. The reefer market continues to be a growing segment. Key factors are not only the trade growth but also the ongoing shift of reefer bulk cargo into reefer container (modal shift conventional to container) as well as a shift of airfreight cargo into ocean freight (pharmaceutical industry). Diversification is rendered by offering a range of technologies to handle the various commodities shipped. Technologies such as controlled atmosphere (fruits), differentiation between food grade and non-food grade equipment (dedicated fleet for non-foodstuff) and reefer remote monitoring are only a few of the unique selling points supporting our position as a dedicated reefer carrier.

(c) Other

Since our acquisition of CP Ships Ltd. in 2005, we have maintained a contractual relationship with the U.S. government. The relationship is intended to secure ship capacity for cargo which must ship under the U.S. flag. The vessels that carry cargo for the U.S. government operate in regular service, with the U.S. governmental cargo only representing a portion of the cargo being transported. We currently operate five ships under our contract with the U.S. government, all with a capacity of 3,237 TEU. The U.S. flag business accounted for 0.9%, 0.6%, 0.5% and 0.4% of our total transport volume for each of the financial years ended December 31, 2014, 2015 and 2016 and for the three months ended March 31, 2017, respectively.

11.6 Operations

(a) Vessel Fleet

As of March 31, 2017, our entire fleet consisted of 172 container vessels, of which we owned 77, chartered nine on a long-term basis, chartered 20 on a mid-term basis and chartered 66 on a short-term basis as well as finance leased three vessels. As of March 31, 2017, our entire fleet had a combined capacity of 1,007,519 TEU. The average size of our entire vessel fleet prior to the UASC Business Combination was approximately 5,858 TEU compared to an industry average of 3,878 TEU and an average among the top 20 carriers of 5,066 TEU (*source: MDS Transmodal, April 2017, assuming all*

announced mergers were carried out, Company information; Drewry Maritime Research, Q1 2017). Approximately 78% of our vessels have a capacity in excess of 4,600 TEU while approximately 55% of our total fleet had a transport capacity in excess of 8,000 TEU as of March 31, 2017. We generally utilize our larger vessels on our longer distance routes in the East-West trade lanes to maximize operational efficiencies and economies of scale, whereas we operate smaller vessels on our shorter main trade lanes. We are increasingly seeking to purchase, rather than charter, our larger vessels, while continuing to rely on chartering for short- and mid-term bases with smaller and medium-sized vessels. Such vessels are more readily available in the charter market than larger vessels. For a description of the vessel fleet of UASC, please see 13.3 (b)(i) “*The UASC Business Combination—Business of UASC—Operations—Vessels*”.

We use a mix of our own and long-term, mid-term and short-term chartered vessels. Our primary focus is on maintaining a stable cost base with the flexibility to obtain additional capacity in response to demand peaks and to establish new services. Short-term charters allow us to adjust our capacity quickly in response to changes in demand. Furthermore, they provide us with greater flexibility to take advantage of decreases in charter rates. We are generally able to add additional short-term capacity at current market rates, which during times of strong demand, however, tend to have higher costs than our owned capacity as they tend to fluctuate significantly in response to market participants’ perceptions of supply and demand.

As a result, having owned capacity reduces our exposure to market fluctuations and increases the stability of our cost base. We intend to maintain a balanced portfolio of owned, chartered and leased container shipping capacity. We enter our charter contracts mainly on a time-charter basis, under which the vessel owner remains responsible for operational costs, such as crew, maintenance and repair and to some extent insurance costs. Transport expenses such as bunker and port canal costs are borne by us. With respect to vessels we finance lease, we gave the irrevocable commitment to purchase the vessels and are responsible for the operational and transport costs in the same manner as for our owned vessels.

The table below sets forth certain information regarding container vessels that we owned and finance leased as of March 31, 2017:

Vessel Name	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company
Ulsan Express	2014	13,169	Bank Debt	Germany	HLAG ⁽¹⁾	HLAG
Ludwigshafen Express	2014	13,169	Bank Debt	Germany	HLAG	HLAG
Leverkusen Express	2014	13,169	Bank Debt	Germany	HLAG	HLAG
Basle Express	2012	13,167	Bank Debt	Germany	HLAG	HLAG
Hamburg Express	2012	13,169	Bank Debt	Germany	HLAG	HLAG
Hong Kong Express	2013	13,169	Bank Debt	Germany	HLAG	HLAG
New York Express	2012	13,169	Bank Debt	Germany	HLAG	HLAG
Shanghai Express	2013	13,169	Bank Debt	Germany	HLAG	HLAG
Essen Express	2013	13,169	Bank Debt	Germany	HLAG	HLAG
Antwerpen Express	2013	13,169	Bank Debt	Germany	HLAG	HLAG
Guayaquil Express	2017	10,589	Bank Debt	Germany	HLAG	HLAG
Cartagena Express	2017	10,589	Bank Debt	Germany	HLAG	HLAG
Callao Express	2016	10,589	Bank Debt	Germany	HLAG	HLAG
Valparaiso Express	2016	10,589	Bank Debt	Germany	HLAG	HLAG
Cauquenes	2015	9,300	Bank Debt	Liberia	SSM Panama ⁽²⁾	Hull 2085 Ltd. (LO) ⁽³⁾ / HLAG (BO)
Cautin	2014	9,300	Bank Debt	Liberia	SSM Panama	Hull 2083Ltd. (LO) / HLAG (BO)
Cisnes	2015	9,300	Bank Debt	Liberia	SSM Panama	Hull 2087 Ltd. (LO) / HLAG (BO)
Cochrane	2015	9,300	Bank Debt	Liberia	SSM Panama	Hull 2084 Ltd. (LO) / HLAG (BO)
Copiapo	2014	9,300	Bank Debt	Liberia	SSM Panama	Hull 2082 Ltd. (LO) / HLAG (BO)
Corcovado	2015	9,300	Bank Debt	Liberia	SSM Panama	Hull 2086 Ltd. (LO) / HLAG (BO)
Coyhaique	2015	9,300	Bank Debt	Liberia	SSM Panama	Hull 2088 Ltd. (LO) / HLAG (BO)
Bremen Express	2008	8,749	Bank Debt	Germany	HLAG	HLAG
Budapest Express	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Chicago Express	2006	8,749	Bank Debt	Germany	HLAG	HLAG
Colombo Express	2005	8,749	Bank Debt	Germany	HLAG	HLAG
Frankfurt Express	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Hanover Express	2007	8,749	Bank Debt	Germany	HLAG	HLAG

<u>Vessel Name</u>	<u>Year Built</u>	<u>Capacity (in TEU)</u>	<u>Current Financing</u>	<u>Place of Registration</u>	<u>Manager</u>	<u>Ship Owning Company</u>
Kuala Lumpur Express	2008	8,749	Bank Debt	Germany	HLAG	HLAG
Kyoto Express	2005	8,749	Bank Debt	Germany	HLAG	HLAG
Nagoya Express	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Osaka Express	2007	8,749	Bank Debt	Germany	HLAG	HLAG
Prague Express	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Sofia Express	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Tsingtao Express	2007	8,749	Bank Debt	Germany	HLAG	HLAG
Vienna Express	2010	8,749	Bank Debt	Germany	HLAG	HLAG
Teno	2011	8,004	Bank Debt	Liberia	SSM Panama	Hull 1794 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO ⁽⁴⁾)
Tubul	2011	8,004	Bank Debt	Liberia	SSM Panama	Hull 1796 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO)
Tempano	2011	8,004	Bank Debt	Liberia	SSM Panama	Hull 1798 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO)
Torrente	2011	8,004	Bank Debt	Liberia	SSM Panama	Hull 1800 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO)
Tucapel	2012	8,004	Bank Debt	Liberia	SSM Panama	Hull 1906 Co. Ltd. (LO) / First CSAV Ships Germany GmbH (BO)
Toltén	2012	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Hull 1975 Co. Ltd. (registered BB-Charterer) / HLAG (LO)
Tirúa	2012	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Hull 1976 Co. Ltd. (registered BB-Charterer) / HLAG (LO)
Berlin Express	2003	7,506	Bank Debt	Germany	HLAG	HLAG
Dalian Express	2001	7,506	Bank Debt	Germany	HLAG	HLAG
Ningbo Express	2002	7,506	Bank Debt	Germany	HLAG	HLAG
Yantian Express	2002	7,506	Bank Debt	Germany	HLAG	HLAG
Maipo	2010	6,589	Bank Debt	Liberia	SSM Panama	CSBC Hull 898 Ltd. (LO) / Second CSAV Ships Germany GmbH (BO)
Mehuín	2011	6,589	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	CSBC Hull 900 Ltd. (registered BB-Charterer) / HLAG (LO)
Palena	2006	6,541	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Palena Shipping Ltd. (registered BB-Charterer) / HLAG (LO)
Chacabuco	2006	5,527	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Chacabuco Shipping Ltd. (registered BB-Charterer) / HLAG (LO)
Rotterdam Express	2000	4,890	None	Germany	HLAG	HLAG
Seoul Express	2000	4,890	None	Germany	HLAG	HLAG
Tokyo Express	2000	4,890	None	Germany	HLAG	HLAG
Dallas Express	2000	4,864	None	Germany	HLAG	HLAG
Düsseldorf Express	1998	4,612	None	Germany	HLAG	HLAG
Kobe Express	1997	4,612	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HLAG Hapag-Lloyd Ships (registered BB-Charterer) / HLAG (LO)
London Express	1998	4,612	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships (registered BB-Charterer) / HLAG (LO)
Montréal Express	2003	4,402	Bank Debt	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)
Toronto Express	2003	4,402	Bank Debt	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)
Dublin Express	2002	4,121	Finance Lease	Germany	HLAG	Amotosa Vermietungsgesellschaft mbH
Glasgow Express	2002	4,121	Finance Lease	Germany	HLAG	Amotango Vermietungsgesellschaft mbH
Liverpool Express	2002	4,121	Finance Lease	Germany	HLAG	Amorata Vermietungsgesellschaft mbH

<u>Vessel Name</u>	<u>Year Built</u>	<u>Capacity (in TEU)</u>	<u>Current Financing</u>	<u>Place of Registration</u>	<u>Manager</u>	<u>Ship Owning Company</u>
Limarí	2005	4,045	Bank Debt	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)
Quebec Express	2006	4,045	Bank Debt	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)
Antofagasta Express	2015	3,508	Bank Debt	Chile	STSM ⁽⁷⁾	CSAV Austral SpA
San Antonio Express	2015	3,508	Bank Debt	Chile	STSM	CSAV Austral SpA
Charleston Express	2002	3,237	None	USA	MTM ⁽⁵⁾	Wilmington Trust ⁽⁶⁾
Philadelphia Express	2003	3,237	None	USA	MTM	Hapag-Lloyd USA LLC ⁽⁶⁾
St. Louis Express	2002	3,237	None	USA	MTM	Wilmington Trust
Washington Express	2003	3,237	None	USA	MTM	Wilmington Trust
Yorktown Express	2002	3,237	None	USA	MTM	Hapag-Lloyd USA LLC
Mississauga Express	1998	2,808	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Ottawa Express	1998	2,808	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Lisbon Express	1995	2,494	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Milan Express	1996	2,489	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Valencia Express	1996	2,298	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Mapocho	1999	1,620	None	Chile	STSM	CSAV Austral SpA

(1) “HLAG” refers to Hapag-Lloyd AG.

(2) “SSM Panama” refers to Southern Shipmanagement Co. S.A. Panama. (3) “LO” refers to Legal Owner.

(4) “BO” refers to Beneficial Owner.

(5) “MTM” refers to Marine Transport Management Inc.

(6) Entry in Certificate: Wilmington Trust Company, not in its individual capacity, but as owner trustee under a trust agreement for the benefit of Hapag-Lloyd USA LLC.

(7) “STSM” refers to South Trade Shipmanagement.

In addition, as of March 31, 2017, our order book comprised one new vessel (named Santos Express) with a capacity of 10,500 TEU, which was delivered in April 2017. UASC’s order book comprised two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017.

For a description of our financing arrangements in relation to our existing and new vessels and our planned capital expenditures, please see 9.10 “Management’s Discussion and Analysis of Operations-Capital Expenditures”, 12.2 “Material Contracts—Hapag-Lloyd AG’s Financing Arrangements” and 13.3 “The UASC Business Combination—Material Contracts-Description of UASC’s Financing Arrangements”.

(b) Fleet Management

The department Fleet Management provides full management, as well as comprehensive monitoring, supervision and coordination functions related to the Group’s vessels (as indicated above). Some of our vessels are managed by Anglo Eastern (Germany) GmbH and Southern Ship Management (“SSM”) and South Trade Shipmanagement (“STSM”) (as indicated above) under the close supervision of Fleet Management. Respective contracts are based on BIMCO standard ship management agreements. The contracts include a monthly management fee, have an indefinite term and can be terminated with two or three months’ notice. A few vessels, which are registered in the United States, are managed through Marine Transport Management Inc. The corresponding ship management agreements include a monthly management fee, have an indefinite term and can be terminated with 90 days’ notice.

(c) Container Fleet and Container Management

As of March 31, 2017, we operated a stock of 963,126 containers with a total transport capacity of 1.58 million TEU, of which we owned 42% and rented the remaining part. The majority of our

container fleet is comprised of general purpose containers, which can be used for most general cargo products. We also operate a variety of specialized containers, including refrigerated (“reefer”) containers (temperature-controlled containers), open top containers (similar to hard top containers but with a tarpaulin roof) and flat racks (containers consisting only of a solid base and two end walls, hence suitable for transporting heavy cargo and goods of excess height and/or width). In addition, we are in constant development of the equipment in the fields of security and stability. This especially accounts for the hard top containers, which are containers with a removable steel roof allowing for transportation of overheight cargo that is too large for a normal, general purpose container, when the roof is taken off. If fitted with the steel roof, these containers can be used as a general purpose container as the roof is fully closed. With this feature, hard top containers help to optimize our imbalance management on the backhaul of the trade, minimizing the number of empty transports which might be necessary with open top containers which, due to its tarpaulin roofs, may not be used for various kinds of cargo on the backhaul.

The table below shows the number of containers and capacity we owned or leased as of March 31, 2017 by type.

Container Type	General			Special			Reefer			Total	
	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)
20-foot	327.9	3271.9	21%	7.1	7.1	0%	7.3	7.3	0%	342.3	342.3
40-foot	531.6	1,063.2	67%	17.7	35.4	2%	67.6	135.2	9%	616.9	1,233.8
Total	859.6	1,391.2	88%	24.8	42.5	3%	74.9	142.5	9%	959.2	1,576.2

Rentals provide us with the ability to adjust our container fleet to changing market conditions or changing requirements of specific trades. However, we believe that owning containers is generally less expensive than hiring them under rental contracts. As a result, we seek to further increase the ownership ratio in 2017 and 2018.

We aim to reposition empty containers to our demand locations in the shortest, fastest and most cost-efficient way in order to minimize our overall empty container moves and maximize our ability to meet demand. We generally store our empty containers at third-party depots or at our customers’ premises against a payment of fee. Our focus is thus on the full container transport. Within our container management, we strive to minimize the natural imbalance by optimization of the entire network, independent from our underlying trade structure, and by appropriate cargo selection.

The following table shows the industry average and our average number of full containers on the non-dominant leg as compared to the dominant leg for the major services as of March 31, 2017.

	Hapag-Lloyd	Industry Average
	Full containers shipped on the non-dominant leg ⁽¹⁾	
Transpacific	6	4
North Atlantic	7	7
Far East-Europe	6	4

Source: Drewry Maritime Research, Q1 2017 (Hapag-Lloyd data adapted to Drewry trade definition).

(1) Dominant leg equals 10 containers.

(d) Terminal Facilities

We have contractual arrangements to use terminal facilities in the ports that we use around the world. Access to terminal facilities in each port is necessary for the operation of our business. We have not experienced any difficulty in contracting for sufficient capacity at appropriate terminal facilities in the past years.

We also have a strategic shareholding in terminals in Hamburg, Germany. We own a 25.1% interest in CTA in Hamburg, Germany, which we believe is one of the most modern container terminal facilities in the world (source: HHLA Hamburger Hafen und Logistik AG, November 2016). The fully automated facility is one of three container terminals operated by Hamburger Hafen und Logistik AG (“HHLA”) in the Port of Hamburg. In Europe, the Port of Hamburg ranks as one of the top three ports as measured by volume (TEU) and handled a volume of approximately 8.91 million TEU in 2016 (source: Hafen Hamburg Marketing 2017).

We currently have no plans to invest in other terminal facilities or to increase or decrease the above shareholding.

11.7 Alliances and Cooperation Arrangements

(a) *THE Alliance and Grand Alliance*

Alliance and other cooperation agreements are vital for us in order to provide a global network of services for clients. THE Alliance is operational as of April 2017 and has replaced the G6 Alliance entirely. In May 2016, we executed a binding heads of agreement (“**HOA**”) with Hanjin, K-Line, MOL, NYK and Yang Ming. On October 24, 2016, Hanjin was terminated as a member of THE Alliance with immediate effect as a result of Hanjin’s bankruptcy.

As of April 1, 2017, THE Alliance deploys a fleet of more than 240 vessels on 32 services covering all East West trades with a dedicated Middle East loop. THE Alliance has comprehensive port coverage with over 75 ports throughout Asia, North Europe, the Mediterranean, North America, Canada, Mexico, Central America, the Caribbean, Indian Sub-Continent and the Middle East.

The HOA provides the operational basis of THE Alliance covering the East – West trades encompassing:

- Asia–Europe;
- Asia-Mediterranean/Adriatic/Black Sea;
- Asia-North America West Coast;
- Asia-North America East Coast via Panama and via Suez;
- Asia-Middle East, Arabian Gulf and Red Sea; and
- North Europe / Mediterranean-North America.
- We expect to derive the following main benefits from being a member of THE Alliance:
 - the service and deployment of a large and far-reaching network;
 - capacity sharing and adjustment in line with the carriers’ demand;
 - unused capacity may be sold or sub-chartered to third parties;
 - substitution of containerships for regular and *ad-hoc* maintenance and repair;
 - capacity adjustment during slack periods;
 - financial compensation schemes (e.g. for void voyages during slack periods); and
 - joint terminal selection and negotiation where legally permissible and focus on productivity gains in ports, shore/yard operations and inland rail operations.

THE Alliance entails the sharing of capacity along trade lanes and alliance members’ ships. Members remain competitors, and each member of THE Alliance engages in entirely separate sales and marketing activities. Costs associated with the ownership and operation of the members’ ships generally remain the responsibility of the individual member that operates them.

Each member of THE Alliance provides ships for the services covered by THE Alliance’s operating agreement and agrees to share capacity on its ships with the other THE Alliance members. Ships are matched to routes on a “best ship for the loop” rationale, which considers a number of factors of each vessel to determine which vessel is best suited for each service. In return, each member of THE Alliance is allocated slots on vessels contributed by other THE Alliance members. The slot capacity to be contributed from each line is intended to tally with their demand for allocation. In the event of over or under-provision of slots, affected members will be entitled to financial compensation. In addition, new services may be added either by the unanimous consent of all THE Alliance members, or, absent such unanimous consent, a member wishing to add a service within the scope of THE Alliance must offer capacity to all other alliance members on a right of first refusal basis. Other alliances may provide for a higher or lesser degree of integration of the alliance partners’ operations. As a member of THE Alliance, we focus on the coordination of THE Alliance’s members’ respective landside/terminal operations in order to generate additional cost benefits.

Pursuant to the HOA, THE Alliance has an initial term of five years which commenced on April 1, 2017. Any member of THE Alliance can terminate its membership upon twelve months' prior written notice, however the termination notice shall not be given before thirty-six (36) months have elapsed after the commencement date. The withdrawal of a member would not automatically terminate THE Alliance. Any member of THE Alliance may be excluded by the other members after a change of control or bankruptcy event with respect to that member if the other members unanimously decide.

On October 31, 2016, K-Line, MOL and NYK announced their intention to establish a joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies and to sign a business integration contract and a shareholders' agreement. We expect that the intended integration of K-Line, MOL and NYK will not have a negative impact on the makeup or operation of THE Alliance.

We are also a founding member of both the Grand Alliance, whose other members are NYK and OOCL, and the G6 Alliance, whose other members were APL, HMM, MOL, NYK and OOCL. Between 2013 and 2016, most of the services of the Grand Alliance were integrated into the network of the G6 Alliance. For the financial year ended December 31, 2016 and for the three months ended March 31, 2017, respectively, approximately 40% and 36% of our transport volume was carried on either our owned or chartered vessels that we contributed to the G6 Alliance, or on vessels made available to us through the G6 Alliance. We provided 45 and 43 of our operated vessels to the G6 Alliance. The remaining portion of our transport volume was mainly carried out through one of our other cooperation agreements (excluding the G6 Alliance).

On September 5, 2016, we served a termination notice with immediate effect to the only remaining Grand Alliance service, which was operated with Hanjin. As a result, the Grand Alliance ceased to have any active services, although the Grand Alliance has not been terminated as of the date of this prospectus.

The G6 Alliance was replaced by THE Alliance on March 31, 2017 and will cease its operations upon completion of the last voyages in July 2017.

(b) Other Cooperation Agreements

We also cooperate with other carriers through vessel sharing and slot charter agreements on the majority of our services that are not, or will not be offered through THE Alliance. These cooperation agreements take two basic forms:

- arrangements involving two or more carriers that provide vessels. This includes agreements under which the services are operated jointly by the parties involved (referred to as vessel sharing agreements), or where each carrier continues to operate its own service with certain agreements on rationalized scheduling and where space is exchanged between carriers (referred to as slot swap or slot exchange agreements); and
- arrangements under which one carrier operates the service but charters space to other shipping lines (referred to as slot charter agreements).

In the financial year ended December 31, 2016 and in the three months ended March 31, 2017, respectively, approximately 49.4% and 50.2% of our transport volumes were carried under one of our other cooperation agreements (excluding the G6 Alliance and the Grand Alliance).

Among others we entered into cooperation arrangements with CMA CGM and Hamburg Süd, reflecting our ongoing efforts to further strengthen our global coverage of trades and services and enhance our cost and operational efficiency. In addition, this cooperation agreement enables us to offer new products (*e.g.* reefer products) between Asia and the western and eastern coasts of Latin America benefiting from extensive port coverage with short transit times to and from main Asian locations. As we have access to a larger pool of 58 vessels with Hapag-Lloyd contributing 14 vessels (including our new 9,300 TEU vessels), fleet utilization and deployment of our own vessels can be further improved. In addition, our average vessel size in these services increased to well above 8,500 TEU. Similar cooperation agreement for services between North Europe and the West and East coasts of Latin America will also allow us to deploy vessels with a capacity of 9,000 TEU to 10,500 TEU (including our five 10,500 TEU newbuilds). We will contribute five vessels to an overall pool of 17 vessels.

11.8 Information Technology

Our best-in-class information system and logistical processes are key operational and management assets for our business. The ability to process information accurately and quickly is fundamental to our position in the container shipping industry, which is characterized by constant movement of thousands of individual items across a global network of sea and inland routes.

We believe we are an industry leader in container shipping information management. Our IT system consists of four principal components: the self-developed freight information system (“**FIS**”), business analytics, business intelligence system (“**COMPASS**”), enterprise resource planning system software (“**SAP**”) and the e-business portal. All components are fully integrated and centralized to ensure that over 10,000 individual users can access the necessary data in a timely, reliable and efficient manner and cover the value chain from its beginning with an opportunity identification and a quotation for a shipment through customer service and operations processes to its ending with redelivery of the empty container to us as well as all related financial and administrative transactions. All components, including all major business applications, are operated by a third-party central data center in Germany.

(a) Freight Information System (FIS)

Our FIS provides users with real-time access to the key information required for the operational management of our container shipping activities. FIS is developed and continuously improved in-house to optimally support the worldwide standardized operative processes at sales, customer service and operations. The necessary information flows seamlessly along the chain of responsibility. We believe that this provides us with a competitive advantage regarding quality and productivity and provides the basis for state-of-the-art e-business solutions.

As a basis of all functions, FIS catalogues contain our routes, tariffs, standard costs, rate agreements and customer data, equipment catalogues and our organizational and geographical information. FIS therefore comprises all necessary information for our operative departments and enables all users to work in one environment and system. FIS creates a single file per shipment, which contains data covering all stages of a container’s movement. Our “one-file-per-shipment” system ensures that data for any shipment is entered only once and that all data regarding every shipment is easily accessible to all relevant users throughout our global network. We believe that this “one-file-per-shipment” functionality reduces costs, improves data accuracy and enhances our control over the whole container transport chain as well as provides us with a competitive edge as this approach is, as to our knowledge, not accessible to our competitors.

(b) Business Analytics

Our business analytics applications provide cutting edge services in forecasting, decision support and optimization. They help to efficiently manage complexity, which can no longer be optimally solved with conventional systems or human processing. One example is the ‘empty repositioning problem’ which deals with the forecast of the equipment imbalance situation for the individual logistic hubs around the globe and proposes cost-minimal solutions, *i.e.* shipping empty containers from surplus to demand, on- or off hire empty containers. Other applications deal with the planning of our vessel network or decision support for vessel speed-ups.

(c) Business Intelligence System (COMPASS)

Our data warehousing system, COMPASS, integrates and combines operational and financial data with information from external systems into a single central database, allowing for the efficient analysis of business trends and opportunities. COMPASS creates forecasts for transport volumes, revenues and vessel utilization from weekly transport volume forecasts and generates multidimensional data cubes, allowing users to extract specific analytical data in pre-defined forms of their choosing.

This system allows us to actively manage our transport volume, based on our business strategy. For example, COMPASS collects actual costs from SAP, details them based on the transport volumes from FIS and then passes these costs on to FIS as standard costs. This allows our sales force to evaluate and analyze operational data to make informed business decisions when taking on new business and to determine the profit contribution of such new business.

Another key part of COMPASS is the VIEW planning function. VIEW is a planning tool that we use to manage our network effectively in order to optimize our shipments. VIEW enables us to create

business plans for future periods and understand the financial impact of proposed business plans on the network. This iterative process allows us, for example, to identify any structural imbalances of transports in shipping routes in advance and to implement solutions for optimizing our operations.

In order to support the “Compete to Win” initiative, we implemented solutions to support the sales planning and opportunity management processes on the basis of QlikView. The applications for performance management give enhanced visibility on the sales relevant information to our global sales force.

(d) Enterprise Resource Planning System (SAP)

We utilize a standardized SAP system which is used globally by our staff in finance and accounting, controlling, treasury, purchasing functions, insurance and human resource management departments. The system provides current financial data (including revenue and cost data) from around our global network in a uniform manner. The SAP standard work order functionality has been integrated with FIS, providing reliable and accurate transaction cost data as well as accounting functions.

(e) E-Business

E-business has become a mandatory feature to ensure productivity gains, information speed and quality.

Due to its importance, significant financial resources have been committed. Our goal is to continue and maintain our position as a leading e-business carrier in the industry.

Various features have been established to ensure processes are running smoothly and to ensure overhead reduction. E-business activities are in use for customer facing activities via our individual solutions or third party portal providers as well as with vendors via EDI (“**Electronic Data Interchange**”) connections. Customers are using e-business channels to transmit bookings and shipping instructions as well as to receive container status messages. E-business channels include our own products such as a direct EDI connection or our web solutions as well as e-commerce portals such as *e.g.* INTTRA and GTNexus.

Vendors are connected to us via EDI links to ensure an automated update of status messages from *e.g.* terminals, depots or trucking companies.

11.9 Business Organization

We are organized in four regions (Asia, North America, South America and Europe). Each region is divided into areas and sub-areas. These units operate out of one or more locations. All offices conform to the same integrated organizational and workflow standard according to our Blueprint Organization and follow standard blueprint processes covering the business functions of sales, customer services, operations and business administration. Employees at our offices are responsible for conducting the day-to-day activities necessary for these business functions. In addition, we have service centers in India and China to support some of our operative business processes, such as export documentation. In 2014, we established a new Fleet Support Center (“**FSC**”) as a new central department to reduce fuel consumption by optimization and to act as an interface between all involved departments. Bunker consumption per container slot (tonnes per slot) decreased from 3.96 in 2013 to 3.26 in the financial year ended December 31, 2016 and 3.28 in the three months ended March 31, 2017. The FSC consists of a team of experts with a wide range of knowledge in energy management, nautical and engineering science, shipbuilding and business analysis. Its aim is to ensure fleet optimization across all regions and different departments by improving coordination and the efficiency of information flows. In addition, in 2014, the members of the G6 Alliance established a global service center in Singapore, which is aimed at, among others, enhancing operational efficiency through quick decision making and improvement of on-time-performance of the G6 members’ vessels, and provides various services such as the management of the monthly financial settlement. Since THE Alliance became operational, its members continue running the Singapore service center as the Alliance Center (“**ACE**” or “**THE ACE**”).

We have regional headquarters in each of Asia (Singapore), North America (Piscataway, New Jersey), South America (Valparaíso) and Europe (Hamburg). At our central headquarters in Hamburg, our departments for yield management and network, central operations and global markets/global sales

interact with our regional headquarters. Our trade management departments (part of yield management and network) are, among other things, responsible for vessel allocation management, such as the allocation of slots and control of overall transport volume, pricing and contribution level guidelines and the development and analysis of trade profitability reports. In addition, our human resources, information technology, process management and business administration departments steer, guide and set the framework for our organization.

The table below sets forth the number of offices in each of the four regions in which we operated as of March 31, 2017.

<u>Region</u>	<u>Own Offices⁽¹⁾</u>	<u>Agents</u>
Asia ⁽²⁾	51	96
North America	27	1
South America	35	52
Europe ⁽³⁾	52	50
Total	165	199

(1) Including Sales Representatives

(2) Including Australia, New Zealand and Oceania.

(3) Including Africa.

Most of the areas are run out of owned subsidiaries, but a third-party agent may be appointed to represent us in locations where the volume demand is not sufficient for a subsidiary to be viable. An agent is an independent organization associated with and conducting business within the shipping industry. Agents act on our behalf executing some or all area business functions and are bound by the terms of an agency contract. All areas and agents have access to our worldwide integrated IT system. Including our agents and other cooperation arrangements, we were represented via 364 offices in 121 countries as of March 31, 2017.

11.10 Sales and Marketing

The area offices of each of our Regions are responsible for handling the local business activities, which include conducting all sales activities with local customers. For our top customers, we have a dedicated Global Account team that directly addresses their needs in cooperation with the local sales executives. Customer selection of these Global Accounts is based on criteria such as volume, contribution level and global business activity. Our Account Managers play a large role in maintaining long-term business relationships with our key customers. For example, 85% of our top 20 customers by volume in 2013 continued to count among our top 20 customers by volume through the three months ended March 31, 2017. For the financial year ended December 31, 2016 and for the three months ended March 31, 2017, approximately 44% and 43% of our transport volume was managed directly by a team of dedicated Global Account Managers, respectively.

11.11 Customers

We have two types of customers: direct shippers, comprising exporters and importers, such as IKEA, ExxonMobil, General Motors, BASF, Ford and intermediaries, also known as freight forwarders, such as Kuehne+Nagel, DB Schenker, DHL, Panalpina and JF Hillebrand. Direct shippers accounted for approximately 41% and 41% of our transport volumes in the financial year ended December 31, 2016 and in the three months ended March 31, 2017, respectively, while freight forwarders accounted for 55% and 58% for the same periods. Exporters include a wide range of enterprises, from global manufacturers to small family owned businesses that may ship just a few TEU each year. Importers are usually the direct purchasers of goods from exporters, but may also comprise sales or distribution agents and may or may not receive the containerized goods at the final point of delivery. Freight forwarders act as agents for direct shippers, performing a range of tasks, such as insurance, customs clearance, in-land transportation, consolidation of goods and warehousing. A diverse mix of cargo from both direct customers and forwarders ensures optimal vessel utilization. Direct customers, in general, have long-term commitments which facilitate planning for future volumes, which results in high entry barriers for competing carriers due to customer loyalty. Freight forwarders have short-term contracts at renegotiated rates. As a result, entry barriers are low for competing carriers in this segment. Our close relationship with large direct customers gives us better visibility on future container shipping transport volumes while our relationships with large freight forwarders, which generate cargo in many locations worldwide, help us to optimize our trade flows.

We transport a diverse range of goods for our different customers, including foodstuffs and beverages, chemicals, paper and forest, plastic and rubber and articles thereof, machinery, textiles, metals, automobiles, electronics, furniture, and other goods, with no single sector comprising more than 18% and 18% of our transport volumes shipped during the financial year ended December 31, 2016 and the three months ended March 31, 2017, respectively. The largest volumes shipped during these periods are attributed to foodstuffs and beverages (18% and 18%), chemicals (14% and 14%), plastic and rubber and articles thereof (12% and 12%), paper and forest (10% and 11%) and machinery (10% and 10%). Our top 25 and top 50 customers accounted for 26% and 35%, respectively, of the volumes transported in the three months ended March 31, 2017 and our largest customer accounted for less than 4% of our transport volume in the same period. For the financial year ended December 31, 2016, our top 25 and top 50 customers accounted for 27% and 36%, respectively, of the volumes transported and our largest customer accounted for less than 5% of our transport volume in the same period.

We believe this diversification provides us with a degree of protection against economic downturns. Due to the extensive geographical needs of large-scale shipping customers as well as to avoid dependencies, our customers generally do not enter into exclusive shipping relationships with us. Instead, it is typical in our industry for customers to maintain relationships with several carriers, although customers who ship large amounts of freight are increasingly consolidating their supply relationships to focus on a few, core carriers. Large direct customers will typically invite several carriers to tender (*i.e.*, provide a price quotation) for their business. Tender requests vary significantly from customer to customer, and usually cover a series of individual, regional or global shipping requests. If our response to a tender is accepted, the terms that we offered in the tender serve as guidelines for each individual shipment carried out under the tender. The primary factors for customers in choosing a carrier tend to include:

- geographic coverage, frequency of service and transit times;
- price;
- accuracy and timeliness of shipping documentation, including bills of lading and invoicing;
- carrier's punctuality and performance record according to key industry indicators, such as schedule reliability;
- carrier's ability to offer door-to-door and other value-added services; and
- environmental care.

The quotation made to a customer depends, among other things, on the customer's transport volumes, the type of cargo, the service needed (*e.g.*, port-to-port or door-to-door) and our available capacity on the applicable routes.

Our contracts or agreements with customers are generally valid for up to one year. During the term of a contract, the freight rates are generally fixed but may also provide for variable surcharges. These include, among others, surcharges for bunker fuel price adjustments, currency fluctuations or additional security costs.

11.12 Competition

The container shipping industry is highly competitive. While the world's top 20 carriers by capacity represented approximately 89% and the top ten carriers approximately 83% of global container capacity as of March 31, 2017, the industry remains fragmented (*source*: MDS Transmodal, April 2017, assuming all announced mergers were carried out; Drewry Maritime Research, Q1 2017). Globally, the capacity shares are widely dispersed. The largest single carrier (as of March 31, 2017) provides 18% of global container capacity and the next two largest single carriers provide 15% and 12% of global container capacity, respectively (*source*: MDS Transmodal, April 2017, assuming all announced mergers were carried out). The following three largest carriers, including ourselves, each have a capacity share of global container capacity of 8% to 7% each (measured in TEU), whereas the capacity shares of the seventh to fifteenth largest carriers range from 5% to 1% (*source*: MDS Transmodal, April 2017, assuming all announced mergers were carried out).

We compete with a wide range of global, regional and niche carriers on the routes we serve. Global carriers like ourselves generally deploy significant capacity and operate extensive networks of

services in the major markets. Global carriers that compete with us include Maersk Line, MSC, CMA CGM, Evergreen and China COSCO. Regional carriers generally focus on a number of smaller routes within the major markets. These carriers tend to offer services to a wider range of ports within a particular market than global carriers. Niche carriers are similar to regional carriers but tend to be even smaller in terms of the amount of slot capacity and the number and size of the markets they cover. Niche carriers often provide an intra-regional service, focusing on ports and services that are not served by the larger carriers. In these less developed markets, we compete with niche carriers; however, our main competitors are the niche operations of other global and regional carriers, such as Maersk Line, MSC and CMA CGM.

11.13 Employees

The following table sets forth our full-time equivalent employees, including apprentices, as of December 31, 2014, 2015, 2016 and of March 31, 2017.

	As of December 31,			As of March 31,
	2014	2015	2016	2017
	(unaudited, except as noted)			
Land personnel	8,873	7,748	7,839	7,844
<i>Thereof based in:</i>				
<i>Europe</i>	2,918	2,761	2,799.7	2,777
<i>North America</i>	1,374	1,291	1,229.8	1,003
<i>Latin America</i>	1,649	1,175	1,091	1,287
<i>Asia</i>	2,932	2,516	2,719	2,777
Sea personnel	1,504	1,471	1,389	1,381
Total	10,377	9,214^(*)	9,229^(*)	9,225

(*) Total number of full-time equivalent employees audited as of December 31, 2015 and 2016.

As of March 31, 2017, we had a total of 9,413 employees. Full-time equivalent employees totaled 9,225 as of March 31, 2017. Together with the UASC full-time equivalent employees, the combined number of full-time equivalent employees was 12,802 as of March 31, 2017.

As of March 31, 2017, 7,844 full-time equivalent employees, or approximately 85% of our total workforce, perform land-based functions across our global network and at our corporate headquarters in our sales and marketing, operations, documentation, finance human resources and other administrative departments, and 1,381 full-time equivalent employees, or approximately 15% of our total workforce, were employed on our vessels.

As of the date of this prospectus, we had a total of 12,832 employees (including the UASC employees).

Following the UASC Business Combination, Hapag-Lloyd plans to reduce its workforce in the medium term.

We believe that we have good working relationships with our employees, evidenced by the average tenure of our (excluding UASC) employees of approximately eleven years. We have not experienced any significant labor disputes or work stoppages in the last ten years. The majority of our European employees (which represent 35% of our land-based full-time equivalent employees as of March 31, 2017) are covered by collective bargaining agreements that are customary for the industry or are members of labor unions.

We offer pension benefits in most countries in which we operate. Based on the local situation and local laws, we have implemented several pension plans worldwide. For certain senior management, we also offer individual pension contracts with pension payments depending on the position and years of service. These commitments are fully covered by external funds or pension liability provisions recorded in our financial statements. All our external funding complies with local minimum funding regulations.

11.14 Quality, Environmental Matters and Safety

(a) Quality

We have been certified in accordance with the International Organization for Standardization (“ISO”) quality standards since 1994. In 2003, we implemented an integrated quality and

environmental management system (“**QEM**”) for our entire organization including our vessels according to ISO 9001 and ISO 14001 standards. All of our owned vessels are certified according to ISO 14001 and, with the exception of vessels managed by Southern Ship Management, ISO 9001. In line with our focus on customer satisfaction, we offer our customers certified quality and environmentally sound services, covering all of our worldwide activities.

The structure of our management system enables effective performance monitoring of our environmental and quality targets, thus minimizing any deviations from our QEM principles. Senior management, supported by an appointed QEM delegate, is responsible for ensuring that the demands of our integrated management system are met. Internal audits are performed annually by our internal auditors in all areas, regions and central departments, as well as on board our vessels to verify the effectiveness of our management system. In addition, external audits are carried out annually by the certification and classification society DNV GL.

(b) Environmental Matters

Our integrated Quality and Environmental Management (“**QED**”) system according to ISO 14001 standards covers all our worldwide activities, including our vessels. Since 1997, all of our own-managed vessels have received the “Environmental Passport” issued by DNV GL for the highest environmental standards.

Moreover, all own-managed vessels have been evaluated using the Energy Efficiency Design Index, verifying that they are not only complying but also surpassing respective greenhouse gas emission standards.

We seek to improve our standards on a continuous basis with the goal of promoting sustainable development and trying to ensure that our current activities do not adversely affect future generations. Areas on which we focus our efforts are emission reduction, efficient use of natural resources and zero water pollution. To achieve these targets, we deploy state-of-the-art technology in the design of our new build vessels. In addition, we maintain high standards while operating our fleet.

We are also a member of the “Clean Cargo Working Group”, a business-to-business initiative that consists of multinational manufacturers, retailers as well as ocean carriers and logistics service providers. The group develops and promotes the use of tools and methods to address the environmental and social impacts of transporting products.

(c) Health and Safety

We have implemented a safety management system in accordance with the International Management Code for Safe Operation of Ships and for Pollution Prevention (“**ISM Code**”). Regular internal and external audits ensure compliance of all our vessels and our shore based organization with the ISM Code. Our safety management system is focused on safety at sea, preventive measures to protect health and life, cargo and the environment, as well as vessels and property against safety risks, accidents and emergency situations in connection with our operations.

We have also developed and implemented procedures for the handling of hazardous cargo, which are updated regularly. In addition, our “Dangerous Goods” department provides support to our organization worldwide on a 24-hours-a-day, seven-days-a-week basis. The staff in our Dangerous Goods department undergoes regular intensive training to ensure continuous high-level knowledge of the proper handling of hazardous cargo. In addition, we are a founding member of the Cargo Incident Notification Network (CINSNET), which is a network of around ten major liner shipping companies, accounting for around two thirds of all global container traffic, allowing its members to share information on incidents relating to dangerous goods.

11.15 Insurance

We maintain insurance policies to cover risks related to physical damage to, and loss of, our ships and ship equipment, other equipment (such as containers and chassis) and properties, third-party liabilities arising from the carriage of goods and the operation of ships and equipment and general liabilities which may arise in the course of our normal business operations. We renew most of these policies annually, and most of our insurance expenses are denominated in U.S. dollars.

All the vessels we own are insured under a primary policy for damage to, and loss of, the hull and machinery. All of our chartered vessels are covered by liability to hull insurance specifically for chartered vessels, which covers our liability for loss or damage to the chartered vessels. We insure

each vessel leased under financing and lease arrangements at minimum for the value stipulated in the financing and lease agreement, and we insure the vessels we own outright for at least their market value.

Our insurance policies also cover our owned vessels for losses due to war and acts of terrorism and chartered vessels are covered by owners' war risk policies. "Extra war risk" insurance premiums are paid for areas designated by the insurance companies as excluded zones under our basic war risk insurance.

We also maintain protection and indemnity policies ("**P&I policies**") with mutual clubs being members of the international group of P&I clubs covering our fleet, including chartered vessels, for:

- third-party liability claims arising from the operation of our vessels, including claims for loss or damage to cargo and claims for injury or death of persons (including crew and passengers);
- pollution claims arising from spills of oil or other hazardous substances;
- costs for wreck removal and salvage; and
- in respect of our own vessels, liabilities resulting from collisions with other vessels and for damage to third-party property.

As of March 31, 2016, the maximum theoretical limit for the P&I covers in respect of owned vessels is US\$7.75 billion, subject to a limit of US\$1 billion for oil pollution, an aggregate limit of US\$3 billion for passenger and crew risks and a sub-limit of US\$2 billion in respect of passenger risks only for any one event. The current P&I limits in place represent the maximum currently available to our knowledge for owners' P&I insurance coverage via the international group of P&I clubs. For our chartered vessels, the chartered P&I and charterer's liability to Hull policies provide coverage up to a combined limit of US\$500 million per occurrence.

We also maintain various other insurance policies to cover a number of other risks related to our business, such as director and officer liability cover, chassis and container cover and professional liability cover, as well as a general excess liability policy which reimburses us in situations when the limit under the applicable primary liability policy is insufficient to fully satisfy a valid claim. We believe that the types and amounts of insurance coverage we currently maintain are in line with customary practice in the international container shipping industry and are adequate for the conduct of our business.

11.16 Intellectual Property

Our main intellectual property ("**IP**") assets consist of the "Hapag-Lloyd" trademark and related trademarks, colors and logos in the field of freight logistics, except air freight (the "**IP Rights**"), which Hapag-Lloyd acquired in 2009 from TUI. In addition, relating to our cabotage business, the "CSAV", "Libra" and "CSAV Norasia" trademarks, colors and logos in the field of freight logistics were transferred to us in connection with the acquisition of the CCS Activities. TUI retained ownership of the Hapag-Lloyd trademark for use in other fields, in particular tourism and air freight. For those trademarks for which transfer of ownership is subject to the registration of Hapag-Lloyd AG in the respective trademark register and where such registration is still pending, Hapag-Lloyd AG has been granted an exclusive and royalty-free license for the use of such IP Rights.

In addition to our brand, we also consider our in-house developed FIS as intellectual property. All major parts of the FIS application (including functions supporting the various e-channels) have been developed by and for us. We therefore regard FIS as a significant component of our intellectual property portfolio.

11.17 Real Estate

As of March 31, 2017, we owned, leased or had rights to use properties at the locations of our 155 offices, either directly or through one of our subsidiaries. Each of our offices typically leases small office spaces for sales, administration and management functions. Of these, our principal properties are our headquarters in Hamburg and the office facilities we own in Singapore, Tokyo, London, Piscataway, NJ, and Taipei. As of March 31, 2017, encumbrances in the form of liens on land (*Grundschulden*) existed to secure financial debt in the amount of €85.0 million in relation to our premises on Ballindamm, Hamburg. On August 14, 2013, 5.1% of the shares in Hapag-Lloyd Grundstücksholding GmbH, the owner of the Ballindamm premises, were sold and transferred by Hapag-Lloyd Holding AG to Hapag-Lloyd Stiftung. As of the date of this prospectus, Hapag-Lloyd AG

holds 94.9% of the shares in Hapag-Lloyd Grundstücksholding GmbH. For the financial year ended December 31, 2016 and for the three months ended March 31, 2017, we incurred rental expenses in the amount of €28.5 million (US\$31.5 million) and €7.0 million (US\$7.5million) for leased properties, respectively.

We believe that our properties are in good condition and are adequate for our current needs. We evaluate our needs periodically and obtain additional facilities as necessary.

11.18 Compliance

Compliance is an integral component of our corporate policy. Our compliance system, which we believe to be in line in terms of scope and quality with that of our peers in the container shipping industry, is designed to steadily and persistently increase our standards and limit our exposure to potential compliance-related risks. In line with our compliance risk assessment, we focus on anti-corruption, antitrust and data-protection issues. In particular, in addition to legal and regulatory requirements, we take into account the nature, scale, and international scope of our business activities. The principles and policies are determined by the Executive board and translated into clearly defined systems and methods by our dedicated compliance department, which is based in Hamburg and headed by our Chief Compliance Officer. In addition, we maintain a comprehensive compliance organization across our regions, supported by regional heads of compliance and comprising approximately 200 compliance officers assigned with compliance- and anti-corruption related tasks. The controls set out in the Group-wide policies are continually monitored, developed and adjusted to changing business and regulatory environments and we maintain a compliance and anti-corruption training program that reflects and is designed to address the risks pertinent to our business. Moreover, in order to ensure the adequacy and completeness of our written internal guidelines, we are constantly conducting a complete review of our written and oral compliance and anti-corruption policies, procedures and training materials.

11.19 Legal and Tax Proceedings

From time to time companies of our Group are involved in legal disputes and administrative proceedings as part of their ordinary business activities.

Currently there are three governmental proceedings involving our Group:

In March 2017, investigators from the U.S. Department of Justice Antitrust Division (“**DoJ**”) served subpoenas to the respective senior personnel of major container lines present, including Hapag-Lloyd, at the biannual International Council of Containership Operators (known as “**Box Club**”) meeting in San Francisco. While specific allegations have not been made as of the date of this prospectus, the subpoenas were served in connection with an investigation into the global container shipping industry by the DoJ. The course and final outcome of the investigation cannot be predicted as of the date of this prospectus but may include the imposition of fines and sanctions. Hapag-Lloyd is fully cooperating with the DoJ in the ongoing investigation.

At the end of December 2015, we received a notification from the Peruvian Institute for Defence of Free Competition (“**INDECOPI**”) which alleged five antitrust breaches for activities in the Asia-West Coast South America Freight Conference (“**AWCSAFC**”). INDECOPI disputes the applicability of the UN Liner Code of Conduct. As of the date of this prospectus, a settlement initiative has been initiated including commitments to cease the case.

Following unannounced dawn raids in the fourth quarter of 2015, the Chinese Competition Authority (“**NDRC**”) suspects Hapag-Lloyd to be involved in a violation of the antimonopoly law related to our membership in the Transpacific Stabilization Agreement (“**TSA**”) (and Westbound Transpacific Stabilization Agreement (“**WTSA**”)) conference. As of July 2016, we have terminated or withdrawn our membership in conferences and voluntary (rate) discussion agreements (“**VDAs**”), with the exception of the Transpacific Stabilization Agreement (“**TSA**”), where our membership is dormant and we do not participate in any meetings, resolutions or votes. In addition, NDRC alleges carriers charging unreasonable terminal handling charges (“**THC**”). Measures including the adjustment of the current THC level were initiated. The investigation was suspended without imposing any fines.

Apart from the proceedings described above, our Group companies are not and have not been party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Company is aware) during the past twelve months, which may have, or have had in the recent past, significant effects on the Companies and/or the Group’s financial position or profitability.

12. MATERIAL CONTRACTS

12.1 Overview of our Financing Arrangements

The following overview provides a summary of the key features of our financing arrangements, which are described in more detail in section 12.2. “—Hapag-Lloyd AG’s Financing Arrangements” below.

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
1. Hapag-Lloyd AG	On September 27, 2013, Hapag-Lloyd AG issued €250 million aggregate principal amount of its 7.75% Senior Notes due 2018 under an indenture dated September 27, 2013 among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited. On October 23, 2013, Hapag-Lloyd AG issued an additional €150 million aggregate principal amount of its 7.75% Senior Notes due 2018 under the Existing 2013 Notes Indenture.	Bond financings for general corporate purposes.	—	7.75% in relation to the notes issued in 2013.	€400,000,000 in relation to the notes issued in 2013.	€200,000,000 in relation to the notes issued in 2013.
	On December 4, 2014, Hapag-Lloyd AG issued €250 million aggregate principal amount of its 7.50% Senior Notes due 2019 under an indenture dated December 4, 2014 among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited.	Repayment of existing indebtedness.	—	7.50% in relation to the notes issued in 2014.	€250,000,000 in relation to the notes issued in 2014.	€250,000,000 in relation to the notes issued in 2014.
	On February 1, 2017, Hapag-Lloyd AG issued €250,000,000 aggregate principal amount of its 6.75% Senior Notes due 2022 under an indenture dated February 1, 2017, among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited. On February 15, 2017, Hapag-Lloyd AG issued an additional €200 million aggregate principal amount of its 6.75% Senior Notes due 2022 under the Existing 2017 Notes Indenture.	Repayment of existing indebtedness and general corporate purposes.	—	6.75%	€450,000,000 in relation to the notes issued in February 2017.	€450,000,000 in relation to the notes issued in February 2017.

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
	On July 18, 2017, Hapag-Lloyd AG issued €450,000,000 aggregate principal amount of its 5.125% Senior Notes due 2024 under an indenture dated July 18, 2017, among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited.	Repayment of existing indebtedness and general corporate purposes.	—	5.125%	€450,000,000 in relation to the notes issued in July 2017.	—
2. Hapag-Lloyd AG	K-Sure I Financing. An US\$660,000,000 loan agreement (subsequently reduced to US\$550,000,000) originally dated November 12, 2007 (as amended and/or restated from time to time) between Hapag-Lloyd AG as borrower and certain banks and financial institutions as listed in Schedule 1 of the loan agreement as lenders, KfW IPEX-Bank GmbH as agent, Citibank, N.A. as security trustee and Citibank, N.A. and KfW IPEX-Bank GmbH as mandated lead arrangers.	The financing of six 8,749 TEU container vessels to be constructed by Hyundai Heavy Industries Co., Ltd. of Korea.	Export credit insurance cover for part of the K-Sure I Financing issued by the Korea Trade Insurance Corporation and refund guarantees issued by the Export Import Bank of Korea. Guarantee by TUI. Asset security customary for this type of vessel financings.	2.749%	US\$660,000,000	€187.28 million (US\$200.04 million)
3. Hapag-Lloyd AG	K-Sure II Financing. A US\$925,000,000 loan agreement dated April 7, 2011 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower and certain banks and financial institutions as listed in Schedule 1 of the loan agreement as lenders, KfW IPEX-Bank GmbH as K-sure agent and as security agent and Citibank Europe plc., Deutsche Bank AG Hong Kong Branch, KfW IPEX-Bank GmbH, HSBC Bank plc. and UniCredit Bank AG as initial joint mandated lead arrangers.	The financing of the acquisition of ten container vessels, each at a size of approximately 13,200 TEU.	Export credit insurance cover for part of the K-Sure II Financing issued by the Korea Trade Insurance Corporation and refund guarantees issued by the Export Import Bank of Korea. Asset security customary for this type of vessel financings.	2.974%	US\$925,000,000	€605.25 million (US\$646.47 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
4. Hapag-Lloyd AG	K-Sure III Financing. A US\$372,400,000 credit facility dated September 30, 2015 (as amended from time to time), with UniCredit Luxembourg S.A as facility agent and security agent, Citibank, N.A., London Branch, Cr�dit Agricole Corporate and Investment Bank, DNB Bank ASA, UniCredit Bank AG, KEXIM and others as lenders for the purposes of post-delivery financing (i) part of the purchase price of five TEU 10,500 newbuild container vessels ordered at Hyundai Samho Heavy Industries Limited, Korea and (ii) the K-Sure and KEXIM premiums relating to each vessel.	Post-delivery financing part of the purchase price of five TEU 10,500 newbuild container vessels.	Export credit insurance cover for part of the K-Sure III Financing issued by the Korea Trade Insurance Corporation and guarantees issued by the Export Import Bank of Korea. Asset security customary for this type of vessel financings.	2.723%	US\$372,400,000	�276.02 million (US\$294.82 million)
5. Hapag-Lloyd AG	Fleet Refinancing 2012. An US\$160,000,000 (senior tranche) and US\$129,000,000 (junior tranche) loan agreement dated December 20, 2012 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower and HSH Nordbank AG as lender.	The refinancing of MV Colombo Express, MV Chicago Express, MV Ningbo Express (fka Hong Kong Express), MV Kyoto Express and MV Berlin Express.	Asset security customary for this type of vessel financings.	5.328%	US\$289,000,000	�128.28 million (US\$137.02 million)
6. Hapag-Lloyd AG	Quartet Financing (also known as Fleet Financing 2013). An US\$165,000,000 loan agreement dated August 2, 2013 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower and Cr�dit Agricole Corporate and Investment Bank, KfW IPEX-Bank GmbH and UniCredit Bank AG as bookrunners, UniCredit Luxembourg S.A. as agent, UniCredit Bank AG as documentation agent and KfW IPEX-Bank GmbH as security agent.	The refinancing of the four container vessels MV Osaka Express, MV Tsingtao Express, MV Kuala Lumpur Express and MV Hanover Express.	Asset security customary for this type of vessel financings.	4.285%	US\$165,000,000	�69.56 million (US\$74.30 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
7. Hapag-Lloyd AG, Chacabuco Shipping Limited, Limari Shipping Limited, Longavi Shipping Limited, Palena Shipping Limited	HSH Vessel Financings. Four term loan facility agreements in an aggregate principal amount of US\$184,095,000 dated on June 22, 2006, May 25, 2005, May 2, 2006 and December 11, 2006 (as amended from time to time) with HSH Nordbank AG and Bremer Landesbank Kreditanstalt Oldenburg—Girozentrale as lenders.	The part financing of the vessels “MV Palena”, “MV Longavi”, MV Limari”, “MV Chacabuco”.	Four guarantee agreements, each dated December 2, 2014 by Hapag-Lloyd AG as (parent) guarantor, guaranteeing the payment obligations of the borrowers under the relevant HSH Vessel Financings. Asset security customary for this type of vessel financings.	3.795%	US\$184,095,000	€21.03 million (US\$22.46 million)
8. Hapag-Lloyd AG, HULL 1975 Co. Ltd., HULL 1976 Co. Ltd.	DVB Vessel Financing. An US\$90,000,000 credit facility originally dated June 7, 2012 (as amended and restated from time to time), with DVB Bank America N.V. as security agent, agent and lender.	The financing of the vessels “MV Tolten” and “MV Tirua”.	The DVB Vessel Financing includes a guarantee by Hapag-Lloyd AG as (parent) guarantor. Export credit insurance cover for part of DVB Vessel Financing issued by the Korea Trade Insurance Corporation. Asset security customary for this type of vessel financings.	3.566%	US\$90,000,000	€51.79 million (US\$55.31 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
9. First CSAV Ships Germany GmbH, HULL 1794 Co. Ltd., HULL 1796 Co. Ltd., HULL 1798 Co. Ltd., HULL 1800 Co. Ltd., HULL 1906 Co. Ltd.	BNPP 1 Vessel Financing. An US\$437,500,000 credit facility originally dated April 29, 2008 (as amended and restated from time to time) with BNP Paribas S.A. as security agent, facility agent and lender and HSBC Bank plc., Commerzbank AG, KfW IPEX-Bank GmbH, CIC, Belfius and KEXIM as lenders.	The financing of (i) certain pre-delivery payments to the builder for constructing and delivering the vessels "MV Teno", "MV Tubul", "MV Tempanos", "MV Torrente" and "MV Tucapel", (ii) part of the costs for the acquisition of the vessels, including re-financing of the relevant pre-delivery loans and (iii) partial payment of installments of principal due under the post-delivery facility in respect of the container vessels.	Guarantee agreement, dated December 2, 2014 by Hapag-Lloyd AG as (parent) guarantor guaranteeing the payment obligations of the borrowers under the BNPP 1 Vessel Financing. Refund guarantees issued by the Export-Import Bank of Korea, National Agricultural Cooperative Federation and Calyon. Asset security customary for this type of vessel financings.	4.890%	US\$437,500,000	€142.01 million (US\$151.68 million)
10. Second CSAV Ships Germany GmbH, CSBC HULL 898 Limited	BNPP 2 Vessel Financing. An US\$119,770,000 credit facility originally dated April 29, 2008 (as amended and restated from time to time) with BNP Paribas S.A. as security agent, facility agent and lender and HSBC Bank plc., Commerzbank AG, KfW IPEX-Bank GmbH, CIC, Belfius and KEXIM as lenders.	The financing of (i) certain pre-delivery payments to the builder for constructing and delivering the vessel "MV Maipo" and (ii) part of the costs for the acquisition of the vessels, including re-financing of the relevant pre-delivery loans.	Guarantee agreement, dated December 2, 2014 by Hapag-Lloyd AG as (parent) guarantor guaranteeing the payment obligations of the borrowers under the BNPP 2 Vessel Financing. Refund guarantees issued by Calyon, Taipei branch. Asset security customary for this type of vessel financings.	4.932%	US\$119,770,000	€15.93 million (US\$17.01 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
11. Hapag-Lloyd AG HULL 2082 Co. Ltd., HULL 2083 Co. Ltd., HULL 2084 Co. Ltd., HULL 2085 Co. Ltd., HULL 2086 Co. Ltd., HULL 2087 Co. Ltd., HULL 2088 Co. Ltd.	ABN Amro Fleet Financing. A US\$396,000,000 credit facility originally dated December 1, 2016 (as amended and restated from time to time) with ABN Amro Bank N.V. as initial mandated lead arranger and bookrunner, mandated lead arranger, original lender, agent and security agent and BNP Paribas, Citigroup Global Market Limited, Crédit Agricole Corporate and Investment Bank, Danmarks Skibskredit A/S, KfW Ipex-Bank GmbH and Unicredit AG as mandated lead arrangers and BNP Paribas, Citigroup North America, Inc., Crédit Agricole Corporate and Investment Bank, Danmarks Skibskredit A/S, KfW Ipex-Bank GmbH and Unicredit AG as original lenders and UniCredit Bank AG as documentation agent.	The refinancing of the Santander Vessel Financing (as described below) and of previous investments made by Hapag-Lloyd AG and its subsidiaries in the acquisition and financing of the vessels listed below under the Santander Vessel Financing.	The ABN Amro Fleet Financing includes guarantees by HULL 2082 Co. Ltd., HULL 2083 Co. Ltd., HULL 2084 Co. Ltd., HULL 2085 Co. Ltd., HULL 2086 Co. Ltd., HULL 2087 Co. Ltd. and HULL 2088 Co. Ltd. All obligations under the ABN Amro Fleet Financing are secured by (including but not limited to) mortgages over the vessels financed/refinanced by the ABN Amro Fleet Financing and assignments of rights and claims with respect to the vessels and insurances.	3.694%	US\$396,000,000	€370.75 million (US\$396.00 million)
12. Hapag-Lloyd AG, CSBC Hull 900 Limited	Fleet Financing 2015. US\$115,000,000 term loan facility agreement dated December 16, 2015 between, amongst others, Hapag-Lloyd AG as borrower and CSBC HULL 900 Limited as obligor and DVB Bank SE and Bank of America Merrill Lynch International Limited as arrangers and lenders and DVB Bank SE as agent and security agent (as amended from time to time).	The refinancing of the four container vessels "MV Bremen Express", "MV Dalian Express", "MV Mehuin" and "MV Yantian Express".	All obligations under the Fleet Financing 2015 are secured by (including but not limited to) mortgages over the vessels financed by the Fleet Financing 2015 and assignments of rights and claims with respect to the vessels.	3.322%	US\$115,000,000	€73.39 million (US\$78.38 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
13. Hapag-Lloyd AG, CSAV Austral SpA	Fleet Financing 2016. US\$57,400,000 term loan facility agreement dated April 8, 2016 between, amongst others, Hapag-Lloyd AG as obligor and CSAV Austral SpA as borrower and obligor and ABN AMRO Bank N.V. as agent, security agent, arranger and lender (as amended from time to time).	The financing of part of the purchase price for two container vessels "MV San Antonio Express" and "MV Antofagasta Express".	All obligations under the Fleet Financing 2016 are secured by (including but not limited to) mortgages over the vessels financed by the Fleet Financing 2016 and assignments of rights and claims with respect to the vessels.	3.872%	US\$57,400,000	€49.35 million (US\$52.71 million)
14. Hapag-Lloyd AG	Container Finance 2011. US\$150,000,000 loan agreement dated August 9, 2011 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower, Hapag-Lloyd Container Ltd. as legal owner and ING Bank N.V. as agent and lender and DVB Bank S.E. as security agent and lender.	The (re)financing of a portfolio of new containers, existing standard containers, reefer containers and old reefer containers.	Asset security customary for this type of vessel financings.	4.151%	US\$150,000,000	€43.17 million (US\$46.11 million)
15. Hapag-Lloyd AG	Container Finance 2012. An US\$165,000,000 loan agreement dated June 22, 2012 as amended by a first amendment request letter dated March 26, 2013 (as amended and/or restated from time to time) between, amongst others, Hapag-Lloyd AG as borrower, Hapag-Lloyd Container (No. 2) Ltd. as legal owner and ING Bank N.V. as agent, security agent and lender and ABN AMRO Bank N.V. as lender.	The (re)financing of a portfolio of new containers and certain existing containers.	Asset security customary for this type of vessel financings.	5.402%	US\$165,000,000	€79.53 million (US\$84.94 million)
16. Hapag-Lloyd AG	Montréal and Toronto Vessel Financing. A US\$33,468,750.17, US\$33,468,750.17 and US\$16,093,923.59 term loan agreement originally dated February 21, 2012 (as amended and/or restated from time to time) with, amongst others, Hapag-Lloyd AG as borrower, and HSH Nordbank AG as lender.	The financing of the purchase prices in connection with the buyback of the vessels MV Montréal Express, MV Toronto Express and MV Wellington Express (sold in June 2015).	Asset security customary for this type of vessel financings.	3.902%	US\$83,031,423	€45.75 million (US\$48.86 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
17. Hapag-Lloyd AG	Intermodal V Lease Agreement. A purchase and sale agreement dated December 17, 2007 (as amended from time to time) between Intermodal Capital Deutschland GmbH as buyer and Hapag-Lloyd AG as seller and related containers operating lease agreement originally dated December 17, 2007 (as amended from time to time), between Intermodal Capital Deutschland GmbH as lessor and Hapag-Lloyd AG as lessee. Hapag-Lloyd AG agreed to lease the container units sold and transferred back.	Sale and lease back Lease agreement of certain marine container units.	—	2.045%	US\$24,846,500	€5.96 million (US\$6.37 million)
18. Hapag-Lloyd AG	Beacon Intermodal Lease Agreement 2016. A lease agreement dated October 14, 2016 (as amended by an amendment agreement no. 1 dated November 21, 2016 and as further amended from time to time) between Beacon Intermodal Leasing, LLC as lessor and Hapag-Lloyd AG as lessee upon which the lessee has agreed to lease certain container units and equipment and the lessor to assign purchase orders from Hapag-Lloyd AG in respect of such container units and equipment.	Assignment of purchase order and lease agreement relating to certain marine container units and equipment.		6.002%	US\$38,812,500	€35.00 million (US\$37.38 million)
19. Hapag-Lloyd AG	Beacon Intermodal Sale and Lease Back Agreement 2017. A sale and lease back agreement dated January 13, 2017 (as amended from time to time) between Beacon Intermodal Leasing, LLC as lessor and Hapag-Lloyd AG as lessee upon which the lessee has agreed to lease the container units sold and transferred back.	Sale and lease back Lease agreement of certain marine container units.	—	6.762%	US\$44,115,660	€37.08 million (US\$40.38 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
20. Hapag-Lloyd AG	Seaco Container Finance Leases. Three lease agreements (Seaco Container Finance Lease 114112, Seaco Container Finance Lease 114113 and Seaco Container Finance Lease 104707) dated December 15, 2013, December 20, 2013 and May 25, 2016 (in each case as amended from time to time) between Seaco Global Limited as lessor and Hapag-Lloyd AG as lessee upon which the lessor has agreed to deliver and lease certain marine containers to the lessee.	Sale and lease back of certain marine containers.	—	8.266%	US\$43,374,902	€24.62 million (US\$26.30 million)
21. Hapag-Lloyd AG	Textainer Finance Lease Agreement 2013. A lease schedule dated December 20/23, 2013 and effective as of December 1, 2013 (as amended from time to time) to an agreement on general terms and conditions originally dated January 1, 1997 (as amended from time to time) with Textainer Equipment Management Limited as lessor and Hapag-Lloyd AG as lessee upon which the lessor has agreed to deliver and lease certain marine containers to the lessee.	Lease of certain marine containers.	—	7.846%	US\$8,677,053	€6.30 million (US\$6.73 million)
22. Hapag-Lloyd AG	TAL Container Finance Lease December 2013. A lease addendum dated December 1, 2013 (as amended from time to time) to a master lease agreement originally dated July 1, 2000 (as amended from time to time) with TAL International Container Corporation as lessor and Hapag-Lloyd AG as lessee upon which the lessor has agreed to deliver and lease certain marine containers to the lessee.	Lease of certain marine containers.	—	6.812%	US\$59,490,000	€41.69 million (US\$44.52 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
23. Hapag-Lloyd AG	TAL Container Finance Lease July 2013. A lease addendum no. 2 dated July 8, 2013 (as amended from time to time) to a master lease agreement originally dated July 1, 2000 (as amended from time to time) with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee and related purchase order assignment agreement (as amended from time to time) dated July 8, 2013 between Hapag-Lloyd AG as assignor and TAL International Container Corporation as assignee whereupon Hapag-Lloyd AG sold, assigned and transferred to TAL International Container Corporation all of its right, title and interest to the purchase order of the relevant marine containers.	Sale and lease back of certain marine containers.	—	5.586%	US\$60,756,500	€34.57 million (US\$36.92 million)
24. Hapag-Lloyd AG	TAL Container Finance Lease September 2013. A lease addendum dated September 20, 2013 (as amended from time to time) to a master lease agreement originally dated July 1, 2000 (as amended from time to time) with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee and related purchase order assignment agreement (as amended from time to time) dated September 20, 2013 between Hapag-Lloyd AG as assignor and TAL International Container Corporation as assignee whereupon Hapag-Lloyd AG sold, assigned and transferred to TAL International Container Corporation and TAL International Container Corporation assumed all of its right, title and interest to the purchase order of the relevant marine containers.	Sale and lease back of certain marine containers.	—	6.517%	US\$58,300,000	€35.83 million (US\$38.26 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
25. Hapag-Lloyd AG	SeaCube Container Finance Lease 2013. A lease addendum dated June 21, 2013 (as amended from time to time) to an agreement on general terms and conditions originally dated September 2, 1997 (as amended from time to time) with SeaCube Containers LLC as lessor and Hapag-Lloyd AG as lessee upon which the lessor has agreed to deliver and lease certain marine containers to the lessee.	Lease of certain marine containers.	—	5.525%	US\$68,179,750	€44.90 million (US\$47.96 million)
26. Hapag-Lloyd AG	Dong Fang Container Finance Lease 2014. A lease addendum dated January 10, 2014 (as amended from time to time) to an agreement on general terms and conditions originally dated January 10, 2014 (as amended from time to time) between Dong Fang International Asset Management Limited as lessor and Hapag-Lloyd AG as lessee upon which the lessor has agreed to deliver and lease certain marine containers to the lessee and related purchase order assignment agreement dated January 10, 2014 (as amended from time to time), whereupon Hapag-Lloyd assigned to Dong Fang International Asset Management Limited its purchase order in respect of certain marine containers.	Sale and lease back of certain marine containers.	—	5.674%	US\$19,800,000	€12.18 million (US\$13.01 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
27. Hapag-Lloyd AG	Textainer Finance Leases 2015. Three purchase and sale agreements dated February 1, 2015, March 1, 2015 and May 7, 2015 (as amended from time to time, the "Textainer Tranche 1 Purchase and Sale Agreement", the "Textainer Tranche 2 Purchase and Sale Agreement" and the "Textainer Tranche 3 Purchase and Sale Agreement") with TW CONTAINER LEASING, LTD as buyer and appended containers lease agreement dated February 1, 2015 (as amended from time to time) based on the general terms and conditions originally dated January 1, 1997 (as amended from time to time) between Textainer Equipment Management Limited (on behalf of the buyer) as lessor and Hapag-Lloyd AG as lessee. Pursuant to the Purchase and Sale Agreement, Hapag-Lloyd AG agreed to lease the container units sold and transferred back.	Sale and lease back of certain marine containers.	—	4.760%	US\$48,146,000	€35.28 million (US\$37.68 million)
28. Hapag-Lloyd AG	Japanese Operating Leases. Equipment purchase agreements in the period of time from 2013 to 2016 with CLIP No. 74 Co., Ltd, CLIP No. 73 Co., Ltd, CLIP No. 71 Co., Ltd, CLIP No. 93 Co., Ltd, CLIP No. 94 Co., Ltd, CLIP No. 84 Co., Ltd, CLIP No. 85 Co., Ltd, CLIP No. 78 Co., Ltd, CLIP No. 79 Co., Ltd, CLIP No. 98 Co., Ltd, CLIP No. 112 Co., Ltd, CLIP No. 122 Co., Ltd, as purchasers in relation to the sales and transfers of title to certain container units (as amended from time to time) and related equipment operating lease agreements, between the relevant purchasers as lessors and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units (as amended from time to time).	Sale and lease back of certain cargo maritime containers.	—	3.834%	US\$278,951,000	€211.20 million (US\$225.59 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
29. Hapag-Lloyd AG	Vessel Finance Lease Contracts.	Lease of container vessel "Dublin Express".	—	5.819%	US\$49,920,000	€15.12 million (US\$16.15 million)
	Dublin Express Lease Agreement. Lease agreement in respect of container vessel "Dublin Express" originally dated December 20, 2006 (as amended from time to time) between Hapag—Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor.					
	Glasgow Express Lease Agreement. Lease agreement in respect of container vessel "Glasgow Express" originally dated December 20, 2006 (as amended from time to time) between Hapag—Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor.	Lease of container vessel "Glasgow Express".	—	5.819%	US\$49,920,000	€15.12 million (US\$16.15 million)
	Liverpool Express Lease Agreement. Lease agreement in respect of container vessel "Liverpool Express", originally dated December 20, 2006 (as amended from time to time) between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor.	Lease of container vessel "Liverpool Express".	—	5.819%	US\$49,920,000	€15.12 million (US\$16.15 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
30. Hapag-Lloyd AG	Secured Revolving Credit Facility. Originally US\$360,000,000 (reduced to US\$95,000,000 and subsequently, upon the effectiveness of the last amendment, increased to US\$200,000,000) secured revolving facility agreement originally dated October 1, 2010 and as amended from time to time (including as last amended as of September 30, 2015) for Hapag-Lloyd AG as borrower with, amongst others, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, DNB Bank ASA, HSBC Trinkaus & Burkhardt AG, IKB Deutsche Industriebank AG, KfW IPEX-Bank GmbH, M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and UniCredit Bank AG as mandated lead arrangers and UniCredit Luxembourg S.A. as agent and security agent, certain banks and financial institutions (including BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, DNB Bank ASA, HSBC Trinkaus & Burkhardt AG, IKB Deutsche Industriebank AG, KfW IPEX-Bank GmbH, M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and UniCredit Bank AG) as lenders.	Financing for general corporate purposes, except for certain defined purposes.	First and second ranking pledges of Hapag-Lloyd AG's shares in CTA. Hapag-Lloyd AG has granted a guarantee for its own obligations under the Secured Revolving Credit Facility.	—	US\$200,000,000	€— million (US\$— million)
31. Hapag-Lloyd AG	Unsecured Revolving Credit Facility. Up to US\$125,000,000 unsecured revolving facility agreement dated October 14, 2015 for Hapag-Lloyd AG as borrower with, amongst others, Deutsche Bank Luxembourg S.A., Goldman Sachs Bank USA and Joh. Berenberg, Gossler & Co. KG as lenders.	The financing for general corporate purposes, except for the acquisition of companies or businesses.	—	—	US\$125,000,000	€— million (US\$— million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
32. Hapag-Lloyd AG	Container Finance 2015. A US\$135,000,000 revolving loan agreement dated August 6, 2015 relating to the (re)financing of a portfolio of new containers and certain existing containers with, amongst others, Hapag-Lloyd AG as borrower and beneficial owner of the containers, Hapag-Lloyd Container (No. 3) Ltd. as legal owner of the containers and ING Bank N.V. as agent and security agent and ING Belgium SA/NV and NIBC Bank N.V. as lenders and ING Belgium SA/NV as original hedging bank (as amended from time to time).	The (re)financing of a portfolio of new containers and certain existing containers.	Asset security customary for this type of vessel financings.	3.296%	US\$135,000,000	€102.99 million (US\$110.0 million)
33. Hapag-Lloyd AG	Bladex Credit Facility. An US\$100,000,000 credit facility agreement originally dated November 26, 2013 (and as amended from time to time) with Hapag-Lloyd AG as borrower and Banco Latinoamericano de Comercio Exterior, S.A. as lender.	An unsecured credit facility to finance working capital transactions.	—	5.877%	US\$100,000,000	€75.60 million (US\$80.75 million)
34. Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC)	Asset Backed Securities Program. An up to US\$350,000,000 loan and servicing agreement among Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower, Hapag-Lloyd AG as servicer, Hannover Funding Company LLC as conduit lender and Norddeutsche Landesbank Girozentrale as agent originally dated April 7, 2011 (as amended and/or restated from time to time). The lender agreed to make available to the borrower funds to finance the acquisition of freight receivables.	Sale, assignment and transfer to the purchaser of certain freight receivables owed by debtors resident in, or organized under the laws of any state or province of the United States or Canada.	The borrower's obligations under the Loan and Servicing Agreement are secured by security interests the borrower granted in favor of the agent over all transferred receivables, related rights and the Receivable Purchase and Sale Agreement.	2.167%	US\$350,000,000	€286.36 million (US\$305.86 million)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Blended fixed interest rate as per March 31, 2017	Financial indebtedness (original amount)	Financial indebtedness outstanding as per March 31, 2017
35. Hapag-Lloyd AG	OPFFAS. Several committed or uncommitted bilateral option premium finance framework agreements with several banks as lenders (as amended from time to time). The OPFFAS serve the purpose of (pre-) financing any premium to be paid in connection with derivative instruments (e.g., FX, Bunker options) or similar agreement entered into or to be entered into by the respective lender and Hapag-Lloyd AG as borrower for the purpose of hedging against bunker and/or foreign exchange rate risks.	Committed or, as the case may be, uncommitted bilateral option premium finance framework agreements.	—	—	US\$193,631,500	—
36. Hapag-Lloyd Grundstücks holding GmbH, a 94.9% subsidiary of Hapag-Lloyd AG and 5.1% subsidiary of Hapag-Lloyd Stiftung	Ballindamm Refinancing 2016. An €85,000,000 credit agreement dated August 23, 2016 as borrower with Deutsche Genossenschafts-Hypothekenbank AG as lender.	Refinancing financial indebtedness incurred for the acquisition of the property Ballindamm 25/Ferdinandstrasse 56, 58, 62/Gertrudenstrasse 17, 20095 Hamburg.	Several land charges over the financed property, abstract acknowledgement of debt by the borrower, in an amount of €85,000,000 and assignment of rental income.	2.700%	€85,000,000	€83.52 million (US\$89.20 million)

12.2 Hapag-Lloyd AG's Financing Arrangements

(a) Senior Notes

On September 27, 2013, Hapag-Lloyd AG issued €250,000,000 aggregate principal amount of its 7.75% Senior Notes due 2018 (the “**Original 2013 Notes**”) under an indenture dated September 27, 2013 (the “**Existing 2013 Notes Indenture**”) among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited. On October 23, 2013, Hapag-Lloyd AG issued an additional €150,000,000 aggregate principal amount of its 7.75% Senior Notes due 2018 (the “**Additional 2013 Notes**” and, together with the Original 2013 Notes, the “**Existing 2013 Notes**”) under the Existing 2013 Notes Indenture. Hapag-Lloyd AG expects to redeem an aggregate principal amount of €200,000,000 of the Existing 2013 Notes at a price of 100%, plus accrued interest thereon from the last interest payment date prior to the currently expected redemption date of October 1, 2017.

On December 4, 2014, Hapag-Lloyd AG issued €250,000,000 aggregate principal amount of its 7.50% Senior Notes due 2019 (the “**Existing 2014 Notes**”) under an indenture dated December 4, 2014 (the “**Existing 2014 Notes Indenture**”) among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited. Hapag-Lloyd AG expects to redeem an aggregate principal amount of €100,000,000 of the Existing 2014 Notes at a price of 101.875%, plus accrued interest thereon from the last interest payment date prior to the currently expected redemption date of October 15, 2017.

On February 1, 2017, Hapag-Lloyd AG issued €250,000,000 aggregate principal amount of its 6.75% Senior Notes due 2022 (the “**Original February 2017 Notes**”) under an indenture dated February 1, 2017 (the “**Existing February 2017 Notes Indenture**”) among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company

Limited. On February 15, 2017, Hapag-Lloyd AG issued an additional €200,000,000 aggregate principal amount of its 6.75% Senior Notes due 2022 (the “**Additional February 2017 Notes**”) under the Existing February 2017 Notes Indenture.

On July 18, 2017, Hapag-Lloyd AG issued €450,000,000 aggregate principal amount of its 5.125% Senior Notes due 2024 (the “**Existing July 2017 Notes**” and, together with the Original February 2017 Notes and the Additional February 2017 Notes, the “**Existing 2017 Notes**” and, together with the Existing 2013 Notes and the Existing 2014 Notes, the “**Existing Notes**”) under an indenture dated July 4, 2017 (the “**Existing July 2017 Notes Indenture**” and, together with the Existing 2013 Notes Indenture, the Existing 2014 Notes Indenture and the Existing February 2017 Notes Indenture, the “**Existing Notes Indentures**”), among Hapag-Lloyd AG, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited.

As of March 31, 2017, an aggregate principal amount of €200,000,000 of the Existing 2013 Notes was outstanding, an aggregate principal amount of €250,000,000 of the Existing 2014 Notes was outstanding and €450,000,000 aggregate principal amount of the Existing 2017 Notes was outstanding. €200,000,000 of the Existing 2013 Notes were redeemed on March 9, 2017.

Set forth below is a description of the principal terms of the Existing Notes.

(i) Maturity and Interest

The Existing 2013 Notes will mature on October 1, 2018 and accrue interest at a rate of 7.75% per annum, payable semi-annually on January 15 and July 15 of each year.

The Existing 2014 Notes will mature on October 15, 2019 and accrue interest at a rate of 7.50% per annum, payable semi-annually on April 15 and October 15 of each year.

The Existing February 2017 Notes will mature on February 1, 2022 and accrue interest at a rate of 6.75% per annum, payable semi-annually on February 1 and August 1 of each year.

The Existing July 2017 Notes will mature on July 15, 2024 and accrue interest at a rate of 5.125% per annum, payable semi-annually on July 15 and January 15 of each year.

(ii) Ranking

The Existing Notes are senior obligations of Hapag-Lloyd AG and rank *pari passu* in right of payment with any existing and future indebtedness of Hapag-Lloyd AG that is not subordinated in right of payment to the Existing Notes.

(iii) Optional redemption

(B) Existing 2013 Notes

We may redeem all or part of the Existing 2013 Notes at the following redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 101.938% for redemptions during the 12-month period commencing on October 1, 2016, and 100.000% for redemptions thereafter.

(C) Existing 2014 Notes

We may redeem all or part of the Existing 2014 Notes at the following redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 103.750% for redemptions during the 12-month period commencing on October 15, 2016, 101.875% for redemptions during the 12-month period commencing on October 15, 2017, and 100.000% for redemptions thereafter.

(D) Existing 2017 Notes

We may redeem up to 40% of the aggregate principal amount of the Existing February 2017 Notes, on one or more occasions, at any time prior to February 1, 2019 at a redemption price equal to 106.75% of their principal amount, plus accrued and unpaid interest, with the net cash proceeds from one or more public equity offerings. We may only do this, however, if (a) at least 60% of the aggregate principal amount of the Existing February 2017 Notes that were initially issued under the Existing February 2017 Notes Indenture would remain outstanding immediately after the occurrence of such redemption, and the redemption occurs within 90 days after the closing of such public equity offering.

At any time prior to February 1, 2019, we may also redeem all or part of the Existing February 2017 Notes at a redemption price equal to 100% of the principal amount thereof plus a “make-whole” amount, plus accrued and unpaid interest. The make-whole amount on any redemption date prior to February 1, 2019 is the greater of (i) one percent of the principal amount of such Existing February 2017 Notes and (ii) the excess of (x) the present value at such redemption date of the redemption price of such Existing 2017 February Notes at February 1, 2019, plus all required interest payments that would otherwise be due to be paid on such Existing 2017 February Notes during the period between the redemption date and February 1, 2019, excluding accrued but unpaid interest, computed using a discount rate equal to the equivalent yield to maturity as of such redemption date of the comparable German Bund issue (as defined in the Existing February 2017 Notes Indenture) at such redemption date plus 50 basis points, over (y) the principal amount of such Existing February 2017 Notes on such redemption date. The make-whole amount will be calculated immediately prior to any redemption date.

Beginning on February 1, 2019, we may redeem all or part of the Existing February 2017 Notes at the following redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 103.375% for redemptions during the 12-month period commencing on February 1, 2019, 101.688% for redemptions during the 12-month period commencing on February 1, 2020, and 100.000% for redemptions thereafter.

We may redeem up to 40% of the aggregate principal amount of the Existing July 2017 Notes, on one or more occasions, at any time prior to July 15, 2020 at a redemption price equal to 105.125% of their principal amount, plus accrued and unpaid interest, with the net cash proceeds from one or more public equity offerings. We may only do this, however, if (a) at least 60% of the aggregate principal amount of the Existing July 2017 Notes that were initially issued under the Existing July 2017 Notes Indenture would remain outstanding immediately after the occurrence of such redemption, and the redemption occurs within 90 days after the closing of such public equity offering.

At any time prior to July 15, 2020, we may also redeem all or part of the Existing July 2017 Notes at a redemption price equal to 100% of the principal amount thereof plus a “make-whole” amount, plus accrued and unpaid interest. The make-whole amount on any redemption date prior to July 15, 2020 is the greater of (i) one percent of the principal amount of such Existing July 2017 Notes and (ii) the excess of (x) the present value at such redemption date of the redemption price of such Existing July 2017 Notes at July 15, 2020, plus all required interest payments that would otherwise be due to be paid on such Existing July 2017 Notes during the period between the redemption date and July 15, 2020, excluding accrued but unpaid interest, computed using a discount rate equal to the equivalent yield to maturity as of such redemption date of the comparable German Bund issue (as defined in the Existing July 2017 Notes Indenture) at such redemption date plus 50 basis points, over (y) the principal amount of such Existing July 2017 Notes on such redemption date. The make-whole amount will be calculated immediately prior to any redemption date.

Beginning on July 15, 2020, we may redeem all or part of the Existing July 2017 Notes at the following redemption prices (expressed as percentages of their principal amount), plus accrued and unpaid interest. The redemption price is 102.563% for redemptions during the 12-month period commencing on July 15, 2020, 101.281% for redemptions during the 12-month period commencing on July 15, 2021, and 100.000% for redemptions thereafter.

(iv) Covenants

The Existing Notes Indentures contain a number of affirmative and negative covenants that restrict, among other things, our ability to:

- incur additional indebtedness;
- declare and pay dividends on, redeem or repurchase our capital stock;
- make certain restricted payments and investments;
- create certain liens;
- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments;
- transfer or sell assets;
- merge or consolidate with other entities;

- enter into transactions with affiliates;
- provide guarantees of other debt; and
- engage in certain activities.

Although the Existing Notes Indentures do not generally require us to maintain certain financial ratios, we must comply with certain ratios in order to take certain actions that are restricted under the Existing Notes Indentures. In particular, and subject to a number of exceptions, the covenants restrict our ability to incur additional indebtedness, if, on the date of such incurrence and after giving *pro forma* effect to such incurrence, our Consolidated Fixed Charge Coverage Ratio (which is, simplified, the ratio of our consolidated EBITDA to the sum of consolidated net interest expense and cash and non-cash dividends on redeemable capital and preferred stock for the four most recent fiscal quarters) is not greater than 2.0.

Subject to certain exceptions, we may declare and pay dividends, redeem or repurchase our capital stock and make certain other restricted payments and investments only if no default or event of default has occurred under the respective Existing Notes Indenture, the Consolidated Fixed Charge Coverage Ratio is greater than 2.0 and the aggregate amount of all dividends, repurchases and other restricted payments and investments made since the date of the respective Existing Notes Indenture does not exceed the sum of 50% of our consolidated adjusted net income (as defined in the respective Existing Notes Indenture) on a cumulative basis since July 1, 2013 (in case of the Existing 2013 Notes Indenture), October 1, 2014 (in case of the Existing 2014 Notes Indenture) or October 1, 2016 (in case of the Existing 2017 Notes Indenture) (or, if such aggregate cumulative consolidated adjusted net income is a negative number, minus 100% of such negative amount), plus the aggregate net cash proceeds received by us from the issuance and sale of our common stock and certain other items. We are permitted to declare and pay dividends and make certain other restricted payments to the extent that the aggregate amount of all such payments does not exceed in any fiscal year the greater of (i) 5% of our market capitalization (provided that, after giving *pro forma* effect to such payment, our Consolidated Leverage Ratio (which is, simplified, the ratio of our consolidated indebtedness to our consolidated EBITDA for the most recent four consecutive quarters) would not exceed 2.0 to 1.0) and (ii) 6% of the net cash proceeds received from any public equity offering.

(v) Change of Control

Upon the occurrence of a change of control event, Hapag-Lloyd will be required to offer to repurchase the Existing Notes at 101% of their aggregate principal amount, plus accrued and unpaid interest.

A change of control will be deemed to occur under the Existing Notes Indentures in the following circumstances:

- the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person or group, other than one or more permitted holders (which comprise members of the Consortium and THB), is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the voting stock of Hapag-Lloyd AG;
- the sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or transfer of Hapag-Lloyd AG's voting stock) of all or substantially all the assets (other than capital stock, debt or other securities of any unrestricted subsidiary) of Hapag-Lloyd AG and its subsidiaries (other than unrestricted subsidiaries), taken as a whole, to any person other than to one or more permitted holders or, in the case of the sale, transfer, conveyance or other disposition of assets of Hapag-Lloyd AG or any restricted subsidiary, if any person or group other than one or more permitted holders, is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the voting stock of the transferee entity; or
- Hapag-Lloyd AG is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described in the respective Existing Notes Indenture.

Unrestricted subsidiaries, as referred to in the second bullet point above, are certain subsidiaries, which the board of directors of Hapag-Lloyd AG may designate as such under certain circumstances and their respective subsidiaries. Unrestricted subsidiaries are not subject to the restrictive covenants under the Existing Notes Indentures.

(vi) Events of Default

The Existing Notes Indentures contain customary events of default, including: (i) defaults in the payment of principal, premium or interest; (ii) defaults in the compliance with covenants contained in the respective Existing Notes Indenture; (iii) cross acceleration and cross payment defaults on more than €35,000,000 of indebtedness; (iv) failure to pay judgments in an aggregate amount of more than €35,000,000 that have not been discharged or waived or stayed by appeal, waiver or otherwise; and (v) the occurrence of certain events of bankruptcy or insolvency.

(b) Other Financing Agreements

(i) Liabilities to Banks

(A) K-Sure I Financing

I. General

Hapag-Lloyd AG, as borrower, has entered into a credit facilities agreement originally dated November 12, 2007 (as amended from time to time, the “**K-Sure I Financing**”) providing for term loan tranches in an aggregate principal amount of originally US\$660,000,000, subsequently reduced to US\$550,000,000 by KfW IPEX-Bank GmbH, Citibank N.A., London Branch, BNP Paribas (formerly Fortis Bank S.A./N.V.), Singapore Branch, HSBC Bank plc. Project and Export Finance, Nordea Bank, Danmark A/S and Credit Suisse AG as lenders, KfW IPEX-Bank GmbH as the agent, Citibank N.A. as security trustee for the purposes of financing part of the acquisition costs for six 8,749 TEU container vessels constructed by Hyundai Heavy Industries Co., Ltd. of Korea. The Korea Trade Insurance Corporation, Korea (“**K-Sure**”) provided an export credit insurance cover for part of the K-Sure I Financing. The Export Import Bank of Korea provided refund guarantees (“**K-Sure I Refund Guarantee**”).

The K-Sure I Financing will be further amended subject to the suspensive condition of the occurrence of completion of the combination of all activities, assets, liabilities, contractual relationships and employees of UASC Limited and its subsidiaries (together “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”) in accordance with the consent request letter as of August, 2016 (the “**K-Sure I Amendment Effective Date**”).

II. Repayment / maturity

Each loan under the K-Sure I Financing matures on the twelfth (12th) anniversary of the actual delivery date of the relevant financed vessel and is to be repaid in twenty four (24) equal consecutive, semi-annual installments commencing on the date falling six months after the date of the disbursement of the relevant delivery tranche.

As of March 31, 2017, loans in a total principal amount of US\$200.04 million were outstanding under the K-Sure I Financing and a blended fixed interest rate of 2.749% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The K-Sure I Financing and related finance documents contain certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the K-Sure I Financing, restrictions on corporate and business acquisitions and reorganization measures (including an undertaking and related event-of-default-trigger not to change or permit to be changed Hapag-Lloyd AG’s corporate structure), on distributions to shareholders and on the incurrence of financial indebtedness, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which require us to ensure that (on the level of Hapag-Lloyd AG and its respective subsidiaries): (i) equity on any testing date shall not be less than the higher of € 2.75 billion and 30% of the total assets shown in the relevant consolidated financial statements of Hapag-Lloyd AG; and (ii) prior to the termination or expiry of the Secured Revolving Credit Facility, liquidity in an amount of US\$300,000,000 shall be maintained at all times and will be tested on each testing date and on or after the termination or expiry of the Secured Revolving Credit Facility, liquidity shall be the higher of (A) US\$300,000,000 and (B) 3% of the adjusted consolidated debt. The financial covenants are tested as of the last day of each financial quarter of Hapag-Lloyd AG (the “**Minimum Liquidity Covenant**”). Subject to the occurrence of the K-Sure I Amendment Effective Date our Minimum Liquidity Covenant will be modified to reflect the UASC Business Combination and be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000.

In addition the finance parties under the K-Sure I Financing benefit from any financial covenants that Hapag-Lloyd AG has granted to lenders under other debt facilities entered into after July 25, 2007 as long as such financial covenants are applicable under such other debt facilities.

The K-Sure I Financing and related finance documents permit distributions to shareholders only (i) if no actual or potential event of default under the K-Sure I Financing has occurred and is continuing or would result from such payment and (ii) after Hapag-Lloyd AG has proved by a compliance certificate that the liquidity covenant has been and, following and taking into account the distribution, will be observed.

IV. Interest and fees

Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR (for U.S. dollar denominated loans), EURIBOR (for euro-denominated loans) and a fixed margin.

Hapag-Lloyd AG is required to pay customary fees under and in connection with the K-Sure I Financing.

V. Mandatory Prepayments

The borrower is required to repay the entire outstanding principal of a particular loan relating to a vessel under the K-Sure I Financing if (i) the relevant vessel is sold to a purchaser which is not one of Hapag-Lloyd AG’s subsidiaries, (ii) the K-Sure I Refund Guarantee for the relevant vessel is called and paid, (iii) the export credit insurance cover provided by K-Sure for the relevant vessel is cancelled, (iv) the shipbuilding contract relating to the relevant vessel is cancelled, rescinded or terminated for any reason other than the performance of its terms or ceases to be fully effective for any reason whatsoever or (v) it becomes unlawful or impossible under the laws governing the borrower or any of the lenders, (x) for the borrowers to discharge its liability under the K-Sure I Financing or (y) for any of the lenders to exercise or enforce any right under the K-Sure I Financing.

In addition, the loans (together with all other amounts accrued) under the K-Sure I Financing must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

VI. Loan to Value Ratio

If at any time the fair market value of a vessel falls below 120% of the relevant loan allocated to that vessel, Hapag-Lloyd AG shall promptly upon request of any of the lenders either (i) prepay such part of that loan in an amount equal to the shortfall, (ii) provide such additional security (with a market value equal to the shortfall) in favor of the lenders as acceptable to the lenders or the security trustee or (iii) effect a combination of (i) and (ii) above.

VII. Guarantees and Security

TUI has guaranteed all obligations under the K-Sure I Financing. Moreover, the obligations are secured, including by an assignment of the rights and claims of the borrower under certain shipbuilding contracts and Refund Guarantees, mortgages over the vessels financed by the K-Sure I Financing and an assignment of all rights and claims with respect to the vessels.

VIII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the K-Sure I Financing may be accelerated (in whole or in part) by the lenders (or the facility agent for the lenders) in case an event of default has occurred which is continuing.

The events of default are customary for this type of asset financing transaction but also include incurrence of non-permitted financial indebtedness and the occurrence of any event, or a series of events which might have a material adverse effect on (i) the business, assets or financial condition of Hapag-Lloyd AG and its subsidiaries, (ii) the ability of Hapag-Lloyd AG to comply with its obligations under the K-Sure I Financing and the therein referred other transaction documents, (iii) the ability of TUI to comply with its obligations under the guarantee provided by TUI in connection with the K-Sure I Financing, (iv) the ability of Hapag-Lloyd AG to comply with its obligations under certain undertakings in connection with the K-Sure I Financing or (v) the legality, validity or enforceability of the K-Sure I Financing or any other transaction document or the rights or remedies of any finance party thereunder.

(B) K-Sure II Financing

I. General

Pursuant to a K-Sure backed senior term loan facility agreement originally dated April 7, 2011 arranged by Citibank Europe plc., Deutsche Bank Aktiengesellschaft, Hong Kong Branch, HSBC Bank plc., KfW IPEX-Bank GmbH and UniCredit Bank Aktiengesellschaft and made by and between, amongst others, Hapag-Lloyd AG as borrower, UniCredit Luxembourg S.A. as agent and KfW IPEX-Bank GmbH as security agent and K-Sure agent, certain lenders agreed to make available term loan facilities of up to US\$925,000,000 to Hapag-Lloyd AG relating to, amongst other things, the financing of the acquisition of ten (10) container vessels, each at a size of approximately 13,200 TEU, ordered by Hapag-Lloyd AG, all of which have been delivered (as amended from time to time, the “**K-Sure II Financing**”).

The K-Sure II Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**K-Sure II Amendment Effective Date**”).

II. Repayment / maturity

Each loan under the K-Sure II Financing is to be repaid by twenty-four equal consecutive semi-annual installments; the first installment of each loan being due and payable 6 months after the utilization date for that loan and the last at the end of the term of that loan, being the twelfth (12th) anniversary of the utilization date of that loan. The K-Sure II Financing terminates on the earlier of twelve years falling after delivery of the last ship or April 22, 2026, whereupon all other sums accrued and owed under the K-Sure II Financing will become due and payable.

As of March 31, 2017, loans in a total principal amount of US\$646.47 million were outstanding under the K-Sure II Financing and a blended fixed interest rate of 2.974% per annum was payable on the outstanding loans.

III. Interest and fees

Under the K-Sure II Financing, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR (for U.S. dollar-denominated loans), or EURIBOR (for euro-denominated loans) plus a fixed margin plus mandatory costs.

Customary fees are payable in connection with the K-Sure II Financing, including agency fees and security agency fees.

IV. Mandatory Prepayment

Under the K-Sure II Financing, Hapag-Lloyd AG is required to prepay the loan allocated to that vessel, *inter alia*, if (i) the vessel becomes a total loss, or (ii) the relevant vessel is sold. Additionally, if upon the occurrence of a reduction event (*i.e.*, being a cancellation of transfer of a shipbuilding contract pertaining to a financed vessel to a third party, the non-utilization of a loan for a vessel at the end of the relevant applicable availability period or the reduction of the contract price for a vessel) the

aggregate amount of loans outstanding under the K-Sure II Financing after a reduction of the facility in accordance with the terms of the K-Sure II Financing exceed the maximum amount of the (reduced) facility, Hapag-Lloyd AG is required to make a pro rata prepayment of all loans outstanding under the K-Sure II Financing so that the then outstanding amount of each loan equals the amount that would be outstanding had only the reduced maximum amount of the facility been disbursed (the “**Reduction Event Prepayment**”).

In addition the loans (together with all other amounts accrued) under the K-Sure II Financing must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

V. Loan to Value Ratio

If the agent notifies Hapag-Lloyd AG that the ratio of the market value of the relevant K-Sure II vessel plus the net realizable value of any additional security is below 133% of the aggregate of the relevant outstanding loan amount for that vessel minus the amount of any deductible cash security previously provided, Hapag-Lloyd AG shall make a prepayment of the relevant loan, unless Hapag-Lloyd AG either provides additional security, additional cash security or deductible cash security in accordance with the relevant terms of the K-Sure II Financing, in each case in an amount (or with a net realizable value equal to an amount) being at least equal to the shortfall. Additional security (i) (if in cash) may be applied towards prepayment of the relevant loan at the discretion of Hapag-Lloyd AG at any time (or, in the case of deductible cash security, will be so applied within twelve months of initial provision) and (ii) it will be released or repaid to Hapag-Lloyd AG at its request, if on any following appraisal date the market value of the relevant K-Sure II vessel (plus the net realizable value of any additional security) as determined in accordance with the K-Sure II Financing is at least 133% the relevant outstanding loan amount for that vessel minus the amount of any deductible cash security which is not then repaid.

VI. Security

All obligations under the K-Sure II Financing are secured by (including but not limited to) mortgages over the K-Sure II vessels and assignments of rights and claims with respect to such vessels.

Further, Korea Trade Insurance Corporation (“**K-Sure**”) agreed to provide an export credit insurance cover for part of the facilities under the K-Sure II Financing (the “**K-Sure II Financing Policy**”). The Export-Import Bank of Korea (“**KEXIM**”) also provided refund guarantees in respect of each financed K-Sure II vessel whereby the refund of the pre-delivery installments made in respect of the relevant vessel in case of a termination of the respective shipbuilding contract has been guaranteed in case that Hyundai fails to deliver the vessel (each a “**K-Sure II Financing Refund Guarantee**”).

VII. Undertakings and Financial Covenants

The K-Sure II Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the K-Sure II Financing and restrictions on reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants set out in the K-Sure II Financing which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above, including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the K-Sure II Amendment Effective Date.

In addition the lending parties under the K-Sure II-Financing benefit from any financial covenants that Hapag-Lloyd AG will grant to lenders under any other loan facility or facilities in an (aggregate) amount of at least €25,000,000 entered into after the date of the K-Sure II Financing as long as such parallel financial covenants are applicable under such other financing arrangement (such concept of the application of parallel financial covenants being referred to in the following as “**Most Favored Nation Position**”).

VIII. Events of Default

The total commitments may be cancelled and the utilizations under the K-Sure II Financing may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the K-Sure II Financing or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more (and such cross-default basket will be increased by an additional amount of €15,000,000 to an amount of €40,000,000, subject to the occurrence of the K-Sure II Amendment Effective Date (the “**Cross-Default Basket Increase**”) and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(C) K-Sure III Financing

I. General

By a US\$372,400,000 credit facility dated September 30, 2015 for Hapag-Lloyd AG as borrower, with UniCredit Luxembourg S.A as facility agent, as security agent and as agent, Citibank, N.A., London Branch, Crédit Agricole Corporate and Investment Bank, DNB Bank ASA, UniCredit Bank AG, KEXIM and others as lenders, the lenders have agreed to make available to the borrower secured term loan facilities for the purposes of post-delivery (re)financing (i) part of the purchase price of five 10,500 TEU newbuild container vessels ordered at Hyundai Samho Heavy Industries Limited, Korea, (ii) any other related acquisition costs and (iii) if Hapag-Lloyd AG so requests, the K-Sure and KEXIM premiums relating to the K-Sure III Financing Policy (as defined below) and the KEXIM Guarantees (as defined below) for each vessel (the “**K-Sure III Financing**”). The K-Sure III Financing consists of several tranches per vessel, the K-Sure insured tranche, the KEXIM guaranteed tranche, the KEXIM funded tranche and the commercial tranche. Korea Trade Insurance Corporation (“**K-Sure**”) will provide an export credit insurance cover (providing for political and commercial risk cover) in an amount of up to 95% of the amount of the relevant K-Sure insured tranches of the K-Sure III Financing (the “**K-Sure III Financing Policy**”). The Export Import Bank of Korea will provide guarantees to guarantee payment to the lenders under the relevant KEXIM guaranteed tranche of 100% of each KEXIM guaranteed tranches outstanding from time to time (“**K-Sure III Financing KEXIM Guarantees**”).

The K-Sure III Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**K-Sure III Amendment Effective Date**”).

The expected delivery dates of the vessels are scheduled for the period of time beginning from October 30, 2016 until April 28, 2017. The relevant utilizations under the K-Sure III Financing are due in each case two days prior to the respective delivery date of the relevant vessel.

II. Repayment / maturity

The tranches outstanding under the K-Sure III Financing must be repaid by 48 equal consecutive quarterly installments down to zero, the first of which shall be repaid on the date falling on the first relevant date (being January 15, April 15, July 15 and October 15 of each year) after its relevant utilization date and the last on the relevant termination date in respect of that tranche. Repayments will be effected through advance monthly retention payments of certain specified portions of repayment installments and amounts of interest falling due on the relevant next ‘relevant date’ which will be made into a debt service account and be transferred to the agent for distribution to the lenders at the latest two business days prior to the ‘relevant date’ on which that payments fall due.

The K-Sure III Financing terminates in respect of each tranche on the date falling on the earlier of (i) twelve years after the utilization date in respect of the relevant tranche or (ii) November 22, 2029.

As of March 31, 2017, loans in a total principal amount of US\$294.82 million were outstanding under the K-Sure III Financing and a blended fixed interest rate of 2.723% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The K-Sure III Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the K-Sure III Financing and restrictions on reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants set out in the K-Sure III Financing which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above, including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the K-Sure III Amendment Effective Date.

In addition the lending parties under the K-Sure III Financing benefit from the Most Favored Nation Position substantially as described under 12.2(b)(1)(B)(VII) “—*K-Sure II Financing—Undertakings and Financial Covenants*” above.

IV. Interest and fees

Under the K-Sure III Financing, the borrowers are required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus certain fixed margins and any mandatory costs applicable to the relevant tranches. Customary fees are payable in connection with the K-Sure III Financing, including commitment fees (depending on the relevant undrawn and un-cancelled commitments under the relevant tranche), other fees and K-Sure and KEXIM premiums. Additionally, a KEXIM prepayment fee on the relevant prepaid/cancelled amounts under the KEXIM funded tranche is payable in the case of a voluntary prepayment or a mandatory prepayment due to a sale of a vessel financed under the K-Sure III Financing.

V. Mandatory Prepayments

The K-Sure III Financing includes mandatory prepayment events customary for an asset financing facility of this nature, including, without limitation, mandatory prepayments of the loans outstanding under the applicable tranche on (i) a total loss of a vessel (upon the earlier of the date falling 180 days after the date the total loss occurred or the date of receipt by the security agent of the relevant insurance proceeds) or (ii) a sale of a vessel (on the date of the completion of the sale).

The K-Sure III Financing includes a mandatory prepayment of a certain lender’s participation in the loans in the event that it becomes unlawful for a lender to perform any of its obligations or to fund or maintain its participation in any loan due to a violation of sanctions applicable to the relevant borrower on the last day of the term for each such loan occurring after the relevant commitments of such lender have been cancelled or, if earlier, the date specified by such lender (being no earlier than the later of the date on which date lender’s commitments have been cancelled and the last day of any applicable grace period permitted by law).

Further mandatory prepayments of the relevant applicable tranches are required in the event of (i) a termination or cessation of the K-Sure III Financing Policy provided that KEXIM notified the parties that the K-Sure III Financing KEXIM Guarantee will also be terminated, (ii) a termination of the K-Sure III Financing KEXIM Guarantee provided that K-Sure notified the parties that the K-Sure III Financing Policy will also be terminated, in each case on the date falling no later than 30 days after Hapag-Lloyd AG receives notice of such termination.

In addition, the K-Sure III Financing includes mandatory prepayments upon the occurrence of a specified change of control on the level of Hapag-Lloyd AG in all respects substantially similar as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

VI. Security Cover

If at any time the fair market value of a vessel under the K-Sure III Financing falls below 145% of the aggregate of the tranches applicable to that vessel minus the amount of any specific cash security

previously provided, the borrower shall promptly upon request of any of the agents either (i) prepay such part of the relevant tranches in an amount equal to the shortfall or (ii) provide, or ensure that additional cash security in the form of cash collateral is deposited on an account pledged to the security agent and the lenders in an amount at least equal to the shortfall. Any such additional cash security is to be released promptly at the request of the borrower if, on the next testing date, following the provision of such additional cash security a valuation evidences that the security cover ratio (not taking into account any additional cash security then released) is at least 145% of the aggregate of the tranches relating to that vessel.

VII. Security

All obligations under the K-Sure III Financing are secured by asset security customary for this type of asset financing transaction. Further, K-Sure agreed to provide an export credit insurance cover and KEXIM provided K-Sure III Financing KEXIM Guarantees, in each case for a certain part of the tranches under the K-Sure III Financing.

VIII. Events of Default

The total commitments may be immediately cancelled and the utilizations and all other amounts outstanding under the K-Sure III Financing may be accelerated (in whole or in part) by the agent in case an event of default has occurred which is continuing. The events of default include a Cross Default and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction and borrower structure.

(D) Fleet Refinancing 2012

I. General

Hapag-Lloyd AG has entered into a term loan agreement consisting of a US\$160,000,000 senior tranche and a US\$129,000,000 junior tranche originally dated December 20, 2012 with, amongst others, Hapag-Lloyd AG as borrower and HSH Nordbank AG as lender relating to the refinancing of MV Colombo Express, MV Chicago Express, MV Ningbo Express (fka Hong Kong Express), MV Kyoto Express and MV Berlin Express (as amended from time to time, the “**Fleet Refinancing 2012**”).

II. Repayment / maturity

The loan under the senior tranche of the Fleet Refinancing 2012 is to be repaid by twenty-eight consecutive quarterly installments since March 20, 2013, with the final installment being due at final maturity for the senior tranche, being December 20, 2019. The loan under the junior tranche is to be repaid by thirty-two consecutive quarterly installments since March 20, 2013 with the last installment being due at final maturity for the junior tranche, being December 21, 2020.

As of March 31, 2017, loans in a total principal amount of US\$137.02 million were outstanding under the Fleet Refinancing 2012 and a blended fixed interest rate of 5.328% per annum was payable on the outstanding loans.

III. Interest and fees

Under the Fleet Refinancing 2012, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus certain fixed margins applicable to the respective tranches plus mandatory costs.

Hapag-Lloyd AG is required to pay customary fees under and in connection with the Fleet Financing 2012.

IV. Mandatory Prepayments

Under the Fleet Refinancing 2012, Hapag-Lloyd AG is required to prepay loans under the junior and senior tranche (pro rata) in an amount being the higher of (A) the net proceeds (including sales and insurance proceeds) received in connection with a sale, or as the case may be, total loss of that vessel and (B) the amount required to be prepaid to maintain the required loan to value ratio (as described under 12.2(b)(i)(D)(V) “—*Loan to Value Ratio*” below).

Upon the occurrence of a defined change of control (substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” above), Hapag-Lloyd AG may request the lender(s) to, and the lenders shall then, enter into good faith negotiations for a period of up to 30 days after notification of the lenders of the change of control by Hapag-Lloyd AG with a view to agreeing on the continuation of the lenders in the relevant loan. To the extent no such agreement has been reached between Hapag-Lloyd AG and the lender(s), Hapag-Lloyd AG shall prepay that loan in full no later than by the end of the then current interest period or 15 days after the last day of the negotiation period (whichever date is earlier). If no negotiations are requested within five business days following the notification of the lender(s) of the occurrence of a change of control, Hapag-Lloyd AG shall prepay that loan in full no later than by the end of the then current interest period or 15 days after the notification of the lender(s) of such change of control by Hapag-Lloyd AG (whichever date is earlier).

Prepayments must also be made upon the occurrence of illegality.

V. Loan to Value Ratio

If the agent notifies Hapag-Lloyd AG at any time from and after September 30, 2014 that the ratio of the aggregate amount of the loan outstanding under the senior tranche on the most recent appraisal date and the market value of certain vessels on that appraisal date plus the net realizable value of an additional security provided exceeds 60%, Hapag-Lloyd AG shall make a prepayment of such part of the loan as will be required to reduce the excess to zero into an interest bearing escrow account pledged to the lenders. On the date falling six months after the agent having notified Hapag-Lloyd AG of the breach of the loan to value ratio, the market value of the vessels shall again be tested and the loan to value ratio shall be re-calculated. In the event that the maximum loan to value ratio continues to be exceeded, such part of the funds standing to the escrow account as required to reinstate the maximum loan to value ratio shall be applied towards prepayment of the loan under the senior and any excess funds, provided that no event of default has occurred and is continuing, are to be released to Hapag-Lloyd AG.

The lenders may in their free discretion accept (i) either additional security or (ii) additional cash security in place of payments to the escrow account subject to certain application, release and repayment mechanisms.

VI. Undertakings and Financial Covenants

The Fleet Refinancing 2012 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Fleet Refinancing 2012 and restrictions on reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon the occurrence of completion of the UASC Business Combination.

In addition the lending parties under the Fleet Refinancing 2012 benefit from the Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) “—*K-Sure II Financing—Undertakings and Financial Covenants*” above.

VII. Security

All obligations under the Fleet Refinancing 2012 are secured by (including but not limited to) mortgages over the vessels refinanced by the Fleet Refinancing 2012 and assignments of rights and claims with respect to the vessels.

VIII. Events of Default

The loans under Fleet Refinancing 2012 may be immediately cancelled and the Fleet Refinancing 2012 may be terminated with immediate effect and immediate payment of all or part of the amounts may be demanded by the lenders in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Fleet Refinancing 2012 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(E) *Quartet Financing (also known as Fleet Financing 2013)*

I. General

Hapag-Lloyd AG has entered into a US\$165,000,000 term loan facility agreement dated August 2, 2013 (including as last amended in accordance with the terms of a consent request letter dated March 26, 2014 with effect from December 2, 2014) between, amongst others, Hapag-Lloyd AG as borrower and Crédit Agricole Corporate and Investment Bank, KfW IPEX-Bank GmbH, Landesbank Hessen-Thüringen Girozentrale and UniCredit Bank AG as arrangers and original lenders, Crédit Agricole Corporate and Investment Bank, KfW IPEX-Bank GmbH and UniCredit Bank AG as bookrunners, UniCredit Luxembourg S.A. as agent, UniCredit Bank AG as documentation agent and KfW IPEX-Bank GmbH as security agent relating to the (re)financing of a portfolio of four (4) container vessels (“MV Hanover Express”, “MV Kuala Lumpur Express”, “MV Osaka Express” and “MV Tsingtao Express”) (as amended from time to time, the “**Quartet Financing**”).

The Quartet Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Quartet Amendment Effective Date**”).

II. Repayment / maturity

The loan is to be repaid by twenty seven (27) consecutive quarterly installments, beginning on November 2, 2013 and one final balloon installment on the final maturity date, being July 31, 2020.

As of March 31, 2017, a loan in a total principal amount of US\$74.30 million was outstanding under the Quartet Financing and a blended fixed interest rate of 4.285% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The Quartet Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Quartet Financing and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above, including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Quartet Amendment Effective Date.

In addition the lending parties under the Quartet Financing benefit from the Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) “—*K-Sure II Financing—Undertakings and Financial Covenants*” above, however with the modification that the benefit relates to any financial covenant concluded in any other financing prior to or after the date of the Quartet Financing.

IV. Interest and fees

Under the Quartet Financing, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) fixed margin plus (iii) mandatory costs of the lenders.

Customary fees are payable in connection with the Quartet Financing, including agency fees and security agency fees.

V. Mandatory Prepayments

Subject to certain exceptions, Hapag-Lloyd AG is required to prepay the loan (in inverse order of maturity), *inter alia*, (i) if a vessel becomes a total loss, in the amount of the insurance proceeds relating to the relevant vessel and, if the insurance proceeds have not been received by Hapag-Lloyd AG within 180 days after the date of the total loss, in at least an amount equal to the market value of that vessel or (ii) if, the relevant vessel is sold, in an amount equal to the amount of the net proceeds of the sale.

In addition the loans (together with all other amounts accrued) under the Quartet Financing must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

Prepayments must also be made upon the occurrence of illegality.

VI. Loan to Value Ratio

If the agent notifies Hapag-Lloyd AG after December 15, 2014 that the ratio of (i) the aggregate amount of the loan outstanding on the most recent appraisal date (minus amounts of deductible cash security and amounts standing to the credit of escrow accounts) to (ii) the market value of the (re)financed vessels on that appraisal date plus the net realizable value of any additional security provided exceeds (iii) at any time from December 15, 2014 until June 30, 2015, 70%, and (iv) at any time on or after July 1, 2015, 65%, Hapag-Lloyd AG shall make a prepayment of such part of the loan as will be required to reduce the excess to zero, unless it either provides additional security, additional cash security or deductible cash security in accordance with the relevant terms of the Quartet Financing, in each case in an amount (or with a net realizable value equal to an amount) required to reduce the excess to zero. Additional security (i) (if in cash) may be applied towards prepayment of the relevant loan at the discretion of Hapag-Lloyd AG at any time (or, in the case of deductible cash security, will be so applied within twelve months of initial provision) and (ii) will be released or repaid to Hapag-Lloyd AG at its request, if on any following appraisal date the loan to value ratio is below the applicable maximum loan to value ratio.

VII. Security

All obligations under the Quartet Financing are secured by (including but not limited to) mortgages over the vessels financed by the Quartet Financing and assignments of rights and claims with respect to the vessels.

VIII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Quartet Financing may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Quartet Financing or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more (it being noted that a Cross-Default Basket Increase will be effected subject to the occurrence of the Quartet Amendment Effective Date) and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(F) HSH Vessel Financings

I. General

By a US\$46,710,000 term loan facility agreement originally dated June 22, 2006 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrower Chacabuco Shipping Limited) with HSH Nordbank AG as lender, the lender has agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessel “MV Chacabuco” (as amended from time to time, the “**Chacabuco Vessel Financing**”). Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH entered into a separate guarantee agreement dated December 2, 2014 and guaranteed the payment obligations of Chacabuco Shipping Limited under the Chacabuco Vessel Financing (the “**HLAG Chacabuco Guarantee**”). Subsequently, upon effectiveness of the merger between CSAV Germany Container GmbH and Hapag-Lloyd AG as surviving entity (the “**HLAG CC Co Merger**”) on May 19, 2015, Hapag-Lloyd AG assumed CSAV Germany Container GmbH’s position as borrower under the Chacabuco Vessel Financing.

By a US\$37,665,000 term loan facility agreement originally dated May 25, 2005 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrower Limari Shipping Limited) with HSH Nordbank AG as lender, the lender has agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessel “MV Limari” (as amended from time to time, the “**Limari Vessel Financing**”). With closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH entered into a separate guarantee agreement dated December 2, 2014 and guaranteed the payment obligations of Limari Shipping Limited under the Limari Vessel Financing (the “**HLAG Limari Guarantee**”). Subsequently, (i) upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG assumed CSAV Germany Container GmbH’s position as borrower under the Limari Vessel Financing and (ii) on November 17, 2015, the initial borrower Limari Shipping Limited has been released as borrower from its obligations under the Limari Vessel Financing following transfer of legal title in the vessel to Hapag-Lloyd AG and a change of the vessel’s flag to German flag.

By a US\$37,665,000 term loan facility agreement originally dated May 2, 2006 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrower Longavi Shipping Limited) with HSH Nordbank AG as lender, the lender has agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessel “MV Longavi” (as amended from time to time, the “**Longavi Vessel Financing**”). With closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH entered into a separate guarantee agreement dated December 2, 2014 and guaranteed the payment obligations of Longavi Shipping Limited under the Longavi Vessel Financing (the “**HLAG Longavi Guarantee**”). Subsequently, (i) upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG will assume CSAV Germany Container GmbH’s position as borrower under the Longavi Vessel Financing and (ii) on November 17, 2015 the initial borrower Longavi Shipping Limited has been released as borrower from its obligations under the Longavi Vessel Financing following transfer of legal title in the vessel to Hapag-Lloyd AG and a change of the vessel’s flag to German flag.

By a US\$62,055,000 term loan facility agreement originally dated December 11, 2006 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrower Palena Shipping Limited) with HSH Nordbank AG and Bremer Landesbank Kreditanstalt Oldenburg-Girozentrale as lenders, the lenders have agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessel “MV Palena” (as amended from time to time, the “**Palena Vessel Financing**” together with the Chacabuco Vessel Financing, the Limari Vessel Financing and the Longavi Vessel Financing, the “**HSH Vessel Financings**”). Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH entered into a separate guarantee agreement dated December 2, 2014 and guaranteed the payment obligations of Palena Shipping Limited under the Palena Vessel Financing (the “**HLAG Palena Guarantee**”, together with the HLAG Chacabuco Guarantee, the HLAG Limari Guarantee and the HLAG Longavi Guarantee, the “**HLAG HSH Financing Guarantees**”). Subsequently, upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG assumed CSAV Germany Container GmbH’s position as borrower under the Palena Vessel Financing.

II. Repayment / maturity

Each relevant tranche under the HSH Vessel Financings is to be repaid in twenty-four consecutive semi-annual installments; the first installment in each case being due and payable six months after the utilization date for the relevant tranche.

The final maturity dates of the HSH Vessel Financings are (i) July 7, 2018 in respect of the Chacabuco Vessel Financing, (ii) May 28, 2017 in respect of the Limari Vessel Financing, (iii) May 10, 2018 in respect of the Longavi Vessel Financing and (iv) December 16, 2018 in respect of the Palena Vessel Financing.

As of March 31, 2017, loans in an aggregate principal amount of US\$22.46 million outstanding under the HSH Vessel Financings and a blended fixed interest rate of 3.795% per annum was payable on the outstanding loans.

III. Undertakings and financial covenants

Each of the HSH Vessel Financings contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants, negative pledge in relation to assets subject to transaction security in connection with the HSH Vessel Financing and general undertakings in each case customary for an asset financing facility of this nature, including restrictive covenants specifically addressed only to the existing borrowers as customary for loans to single special purpose ship companies (including, without limitation, restrictions on financial indebtedness, changes to shareholdings, disposals) and restrictions on reorganization measures, in each case subject to agreed exceptions.

The financial covenants are tested on Hapag-Lloyd AG's level substantially as described under 12.2(b)(i)(A)(III) "*K-Sure I Financing—Undertakings and Financial Covenants*" above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

In addition the lending parties under the HSH Vessel Financings benefit from the Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) "*K-Sure II Financing—Undertakings and Financial Covenants*" above.

IV. Interest and fees

Under the HSH Vessel Financings, interest will be payable to the relevant lenders at a rate per annum equal to the aggregate of LIBOR plus the relevant applicable fixed margin.

Customary fees are required to be paid under and in connection with the HSH Vessel Financings.

V. Mandatory Prepayments

Each of the HSH Vessel Financings includes mandatory prepayment events customary for an asset financing facility of this nature, including, without limitation, mandatory prepayments of the loans outstanding under the relevant tranche on a total loss of a vessel (no later than the date falling 90 days after the date the total loss occurred).

In addition, each of the HSH Vessel Financings includes mandatory prepayments upon the occurrence of a specified change of control on the level of Hapag-Lloyd AG in all respects substantially similar as described under 12.2(b)(iii)(A)(VI) "*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*" below.

VI. Security Cover

If the agent or, as applicable, the lender notifies the borrower that the value of the relevant vessel is at any time less than 111% (minimum security cover ratio) of the aggregate amount of the relevant loan outstanding under the relevant HSH Vessel Financing, the relevant borrower shall either furnish the Lenders with such additional security in the lenders' sole discretion for the purpose of remedying such deficiency in security or prepay to the lenders (together with interest accrued thereon and any costs arising through such prepayment being made otherwise than at the end of the applicable interest period) such part of the loan or pay into an interest-bearing escrow account an amount as shall be

necessary to re-establish the applicable minimum security cover ratio (*i.e.* reduce the shortfall to zero). On the date falling six months after the agent, or as applicable, the relevant lender having notified the relevant borrower of the breach of the security cover ratio, the market value of the vessels shall again be tested and the security cover ratio shall be re-calculated. In the event that the security cover ratio continues to fall short of the relevant applicable minimum security cover ratio, such part of the funds standing to the escrow account as required to reinstate the required minimum security cover ratio (and further amounts so required (if any)) shall be applied towards prepayment of the relevant loans. Any excess funds, provided that no event of default has occurred and is continuing, are to be released to the relevant borrower. The lenders may in their free discretion accept (i) either additional security or (ii) additional cash security in place of payments to the escrow account subject to certain application, release and repayment mechanisms.

VII. Security

All obligations under the HSH Vessel Financings are secured by asset security customary for this type of asset financing transactions.

VIII. Events of Default

All amounts outstanding under the HSH Vessel Financings become immediately due and payable and any obligation of the relevant lenders to make available the relevant loans shall cease in case an event of default has occurred. The events of default include a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transactions and borrower structure.

IX. HLAG HSH Guarantees

Upon the occurrence of the closing of the CCS Activities Business Combination, Hapag-Lloyd AG entered into HLAG HSH Financing Guarantees, which include certain covenants of Hapag-Lloyd AG, including without limitation, compliance with financial covenants, substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above, and certain information undertakings as to the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries.

(G) DVB Vessel Financing

I. General

By a US\$90,000,000 credit facility originally dated June 7, 2012, as amended and restated from time to time, including as last amended by an amendment request letter dated August 10, 2015 for CSAV Germany Container GmbH as a new joint and several borrower (together with the existing borrowers), DVB Bank America N.V. as security agent, agent and lender, the lender has agreed to make available to the borrowers a secured term loan facility for the purposes of financing part of the purchase price of the container vessels m.v.s “Tolten” and “Tirua” (the “**DVB Vessel Financing**”). The Korea Trade Insurance Corporation, Korea (“**K-Sure**”) provided an export credit insurance cover for part of the DVB Vessel Financing. Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new shareholder of CSAV Germany Container GmbH acceded to the DVB Vessel Financing as a guarantor on December 2, 2014. Subsequently, upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG assumed CSAV Germany Container GmbH’s position as borrower under the DVB Vessel Financing.

II. Repayment / maturity

Each loan under the DVB Vessel Financing is to be repaid by forty-eight equal consecutive quarterly installments. The DVB Vessel Financing terminates in respect of each tranche on the earlier of twelve years falling after delivery of the relevant ship or August 31, 2024, whereupon all other sums accrued and owed under the DVB Vessel Financing will become due and payable.

As of March 31, 2017, loans in a total principal amount of US\$55.31 million were outstanding under the DVB Vessel Financing and a blended fixed interest rate of 3.566% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The DVB Vessel Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants, negative pledge in relation to assets subject to transaction security in connection with the DVB Vessel Financing and general undertakings in each case customary for an asset financing facility of this nature, including restrictive covenants specifically addressed only to the existing borrowers as customary for loans to single special purpose ship companies (including, without limitation, restrictions on financial indebtedness, changes to share capital, disposals) and restrictions on reorganization measures, in each case subject to agreed exceptions.

The financial covenants are tested on Hapag-Lloyd AG's level substantially as described under 12.2(b)(i)(A)(III) "*—K-Sure I Financing—Undertakings and Financial Covenants*" above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) "*—K-Sure II Financing—Undertakings and Financial Covenants*" above.

IV. Interest and fees

Under the DVB Vessel Financing, the borrowers are required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus a fixed margin plus mandatory costs. Customary fees are payable in connection with the DVB Vessel Financing, including agency fees and prepayment fees on the amount prepaid depending on the relevant time the prepayment is made.

V. Mandatory Prepayments

The DVB Financing includes mandatory prepayment events customary for a K-Sure policy backed asset financing facility of this nature, including, without limitation, mandatory prepayments of the relevant tranche on (i) a total loss (upon the earlier of the date falling 90 days after the date the total loss occurred or the date of receipt by the security agent of the relevant insurance proceeds) or (ii) a sale of a vessel (on the date of the completion of the sale) or (iii) termination of the K-Sure policy (on the date falling no later than 30 days after any finance party receives notice of such termination).

In addition, the DVB Vessel Financing includes mandatory prepayments upon the occurrence of a specified change of control on the level of Hapag-Lloyd AG in all respects substantially similar as described under 12.2(b)(iii)(A)(VI) "*—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayment*" below, with the exception that in the event that no negotiations are requested, the borrowers may must repay the loans owing to all Requesting Lenders on the later of (i) the last day of the interest period that is current on the fifth business day after the Notification Date for the relevant loan and (ii) the date falling 30 days after the Notification Date.

VI. Security Cover

If at any time the market value of a vessel subject to a mortgage plus the net realizable value of any additional security previously provided under the DVB Vessel Financing falls below 135% of the loan, the borrowers shall promptly upon request of any of the agents either (i) prepay such part of that loan in an amount equal to the shortfall or (ii) provide, or ensure that additional security including without limitation, cash collateral deposited on an account pledged to the security agent and the lenders) which has a net realizable value at least equal to the shortfall. Any such additional security is to be released promptly at the request of the borrower if, on the next testing date, following the provision of such additional security a valuation evidences that the security cover ratio (not taking into account any additional security then released) is at least 135% of the aggregate of the tranches relating to that vessel.

VII. Security

All obligations under the DVB Vessel Financing are secured by asset security customary for this type of asset financing transaction, including, in addition thereto (and without limitation), account pledges over certain accounts opened in connection with the DVB Vessel Financing and pledges over the shares in the existing borrowers. Further, K-Sure agreed to provide an export credit insurance cover for part of the facilities under the DVB Vessel Financing.

VIII. Events of Default

The total commitments may be immediately cancelled and the utilizations and all other amounts outstanding under the DVB Vessel Financing may be accelerated (in whole or in part) by the agent in case an event of default has occurred which is continuing. The events of default include a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction and borrower structure.

(H) China Sale and Leaseback Financing

I. General

By five separate purchase agreements, each dated June 23, 2017 between: (i) Hull 1794 Co., Ltd., as seller (“**Hull 1794**”) and Xiang L16 Ireland International Ship Lease Co., Limited, as purchaser in respect of container ship “Teno”; (ii) Hull 1796 Co., Ltd., as seller (“**Hull 1796**”) and Xiang L17 Ireland International Ship Lease Co., Limited, as purchaser, in respect of container ship “Tubul”; (iii) Hull 1798 Co., Ltd., as seller (“**Hull 1798**”) and Xiang L18 Ireland International Ship Lease Co., Limited, as purchaser, in respect of container ship “Tempanos”; (iv) Hull 1800 Co., Ltd., as seller (“**Hull 1800**”) and Xiang L19 Ireland International Ship Lease Co., Limited, as purchaser, in respect of container ship “Torrente”; and (v) Hull 1906 Co., Ltd., as seller (“**Hull 1906**”) and Xiang L20 Ireland International Ship Lease Co., Limited, as purchaser, in respect of container ship “Tucapel”, the Hapag-Lloyd group has received the benefit of a sale and leaseback financing transaction with a total principal value of US\$205,000,000 (the “**China Sale and Leaseback Financing**”). The proceeds of the China Sale and Leaseback Financing were used to, among other things, repay the amounts which were previously outstanding under the BNPP 1 Vessel Financing (defined below).

Each of Hull 1794, Hull 1796, Hull 1798, Hull 1800 and Hull 1906 (together, the “**Sellers**”) is a indirect subsidiary of Hapag-Lloyd AG, and acquired the relevant container ship in 2011 utilising financing made available under the BNPP 1 Vessel Financing. Pursuant to the China Sale and Leaseback Financing, the purchasers referred to above acquired title to the relevant vessel from the relevant Seller, and immediately leased each vessel back to Hapag-Lloyd AG under separate charter agreements (each, a “**Charter**”) entered into with the relevant purchaser. The vessels are then further sub-chartered by Hapag-Lloyd AG to the relevant Seller, and then sub-sub-chartered back to Hapag-Lloyd AG.

The Charters include a purchase obligation, structured substantially on a finance lease basis, which requires Hapag-Lloyd AG to purchase the container ships back from the purchasers for an agreed sum at the end of the charter periods (the “**Purchase Obligation**”).

II. Repayment / maturity / term

The term of each charter period is 120 months, commencing on June 29, 2017.

The principal value of the charter agreements is effectively repaid by 120 consecutive monthly hire payments payable in advance, at a rate of US\$12,650 per day per vessel, coupled with the final Purchase Obligation in the amount of US\$7,800,000 per vessel, or US\$39,000,000 in total for all five container ships. Applying the daily rate, the charter hire accordingly ranges from between US\$354,200.00 per month to US\$392,150.00 per month, per container ship.

As of March 31, 2017, no hire payments were owing under the China Sale and Leaseback Financing (which was subsequently entered into on June 23, 2017) and instead the relevant borrowing (in the amount of US\$151.68 million) was at such time owed under the BNPP 1 Vessel Financing.

III. Undertakings

The primary obligations under the China Sale and Leaseback Financing are those contained in the Charters. The Charters contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, compliance with laws (including environmental laws), ship covenants, negative pledge in relation to assets subject to transaction security, and general undertakings, in each case customary for a charter financing arrangement of this nature, including restrictions on reorganization measures, subject to agreed exceptions.

In addition, Hapag-Lloyd AG undertakes to ensure that no Change of Control shall occur, which has substantially the same meaning as the equivalent term set out under 12.2(b)(iii)(A)(V) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*”.

IV. Interest and fees

Under the China Sale and Leaseback Financing, there is no express interest element applicable to the charter hire payments, which are effectively fixed by the daily rate above. However, the agreed repayment profile sets out the termination sum payable at any time, using an effective rate of interest of 5.097% per annum. Pursuant to the repayment profile, the principal amount represented by the termination sum amortizes with each charter hire payment, so that each hire payment covers the interest element (at the rate referred to above) and thereafter reduces the agreed termination sum outstanding.

V. Mandatory termination events

Each Charter includes mandatory termination events customary for a charter financing arrangement of this nature, including in the event of a total loss affecting a container ship, or illegality affecting the owners or the charterers (subject to a consultation regime).

The owners are also entitled to terminate the chartering, in the event that a vessel is arrested or seized for any reason whatsoever (other than where caused solely and directly by any action or omission of the owners), subject to a 50 day grace period.

If any such mandatory termination event occurs, then Hapag-Lloyd AG would be required to pay the applicable total loss or illegality event termination amount.

VI. Security

All obligations under the China Sale and Lease Back Financing are secured by asset security customary for this sort of financing arrangement, including assignments in favor of the relevant owner by each of the charterer, the sub-charterer and the sub-sub-charter of their rights to earnings, requisition compensation and insurances.

VII. Early Termination Events

The chartering of the vessels may be terminated, and the vessels withdrawn from service, by notice to Hapag-Lloyd AG, if an early termination event occurs, in which case the then applicable early termination amount will become payable on the date specified in the termination notice. Provided that the applicable early termination amount has been paid, the owners agree thereafter to arrange for title to the relevant vessel to be transferred to Hapag-Lloyd AG.

The Charters include early termination events which are customary for a charter financing of this nature, and include cross-default with the financial indebtedness of the relevant obligors, insolvency events, cessation or threatened cessation of business, and breach of sanctions, subject to agreed thresholds and grace periods.

In addition, an early termination event may occur if a change of control event occurs (following a breach by Hapag-Lloyd AG of its related undertaking, as described under 12.2(b)(H)(III) “—*Undertakings*” above).

An early termination event may also occur (subject to a 30 day remedy period where capable of remedy) if an event or change occurs, which is reasonably likely to have a material adverse effect on (i) the business, assets or financial condition of Hapag-Lloyd AG and its subsidiaries, (ii) the ability of

an obligor to comply with its payment obligations under the transaction documents, or (iii) the validity or enforceability of the rights or remedies of the owner or finance parties (if any), or the validity, enforceability or effectiveness and ranking of the transaction security.

Where the early termination event is solely caused by the acts or omissions of a sub-bareboat charterer, or another party to the transaction documents, in either case who is not a member of the Hapag-Lloyd group, then a 60 day remedy period applies, and no early termination event will occur if the relevant party is replaced, or if the early termination event is remedied or waived. At the expiry of that period in the absence of a remedy, the relevant owner is not entitled to terminate the chartering, and instead Hapag-Lloyd AG is obliged to purchase the vessels by paying the then applicable early termination amount.

VIII. Early purchase option

Provided no termination event is continuing, Hapag-Lloyd AG may, on three month' notice, exercise an option to purchase the relevant container ship from the relevant owner, subject to paying the early purchase option price, in addition to any other amounts that may be outstanding under the transaction documents.

(I) BNPP 1 Vessel Financing

I. General

By a US\$437,500,000 credit facility originally dated April 29, 2008, as amended and restated from time to time, including as last amended by a supplemental agreement dated September 19, 2014 for First CSAV Ships Germany GmbH as a new joint and several borrower and joint and several guarantor (in each case together with the existing borrowers), BNP Paribas S.A. as security agent, facility agent and lender and HSBC Bank plc., Commerzbank AG, KfW IPEX-Bank GmbH, CIC, Belfius and KEXIM as lenders, the lenders agreed to make available to the borrowers secured term loan facilities for the purposes of (directly or indirectly) financing (i) certain pre-delivery payments to the builder for constructing and delivering the vessels ("**pre-delivery loans**"), (ii) part of the costs for the acquisition of the vessels, including re-financing of the relevant pre-delivery loans ("**post-delivery loans**"), (iii) partial payment of installments of principal due under the post-delivery facility (post-delivery **mismatch loans**") in respect of the container vessels m.v.s "Teno", "Tubul", "Tempanos", "Torrente" and "Tucafel" (the "**BNPP 1 Vessel Financing**"). The Export Import Bank of Korea, National Agricultural Cooperative Federation and Calyon provided refund guarantees in respect of the vessels ("**Refund Guarantees**"). Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new indirect shareholder of First CSAV Ships Germany GmbH acceded to the BNPP 1 Financing as a guarantor on December 2, 2014 and entered into a separate guarantee agreement dated December 2, 2014 in respect of the payment obligations of the borrowers under the BNPP 1 Vessel Financing (the "**HLAG BNPP 1 Guarantee**"). Subsequently, as a result of the effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG became the direct shareholder of First CSAV Ships Germany GmbH.

II. Repayment / maturity

Each loan under the BNPP 1 Vessel Financing was to be repaid in such amounts and on such dates as set out in the relevant repayment schedule attached to the BNPP 1 Vessel Financing Agreement and as updated and replaced in accordance with the requests of the agent from time to time.

The BNPP 1 Vessel Financing terminated in respect of each post-delivery loan and the relevant post-delivery mismatch loan on the date of twelve years falling after delivery of the relevant ship, whereupon all other sums accrued and owed under the BNPP 1 Vessel Financing became due and payable.

As of March 31, 2017, loans in a total principal amount of US\$151.68 million were outstanding under the BNPP 1 Vessel Financing and a blended fixed interest rate of 4.890% per annum was payable on the outstanding loans. The BNPP 1 Vessel Financing was repaid as described above under 12.2(b)(i)(H) "*—China Sale and Leaseback Financing*".

III. Undertakings and Financial Covenants

The BNPP 1 Vessel Financing contained certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to

insurance, ship covenants, negative pledge in relation to assets subject to transaction security in connection with the BNPP 1 Vessel Financing and general undertakings in each case customary for an asset financing facility of this nature, including restrictive covenants specifically addressed only to the existing borrowers and First CSAV Ships Germany GmbH as customary for loans to single special purpose ship companies (including, without limitation, restrictions on financial indebtedness, changes to ownership, disposals) and restrictions on reorganization measures, in each case subject to agreed exceptions.

The financial covenants were tested on Hapag-Lloyd AG's level and were substantially as described under 12.2(b)(i)(A)(III) "*—Liabilities to Banks—K-Sure I Financing—Undertakings and Financial Covenants*" above.

In addition, the lending parties benefited from the Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(III) "*—K-Sure II Financing—Undertakings and Financial Covenants*" above.

IV. Interest and fees

Under the BNPP 1 Vessel Financing, the borrowers were required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus certain fixed margins applicable to the relevant loans. Customary fees were payable in connection with the BNPP 1 Vessel Financing, including agency fees.

V. Mandatory Prepayments

The BNPP 1 Vessel Financing included mandatory prepayment events customary for an asset financing facility of this nature, including, without limitation, mandatory prepayments of the loans outstanding under the relevant tranche on (i) a total loss of a vessel (upon the earlier of the date falling 180 days after the date the total loss occurred or the date of receipt by the security agent of the relevant insurance proceeds) or (ii) a sale of a vessel (on or before the date of the completion of the sale) or (iii) termination of a time charter (on the date which falls 3 business days after such termination unless within such three business days a new time charter or another permitted charter has been entered into).

The BNPP 1 Vessel Financing included a mandatory prepayment of a certain lender's participation in the loans in the event that it became unlawful for a lender to perform any of its obligations or to fund or maintain its participation in any loan due to a violation of sanctions applicable to the relevant borrower on the last day of the term for each such loan occurring after the relevant commitments of such lender have been cancelled or, if earlier, the date specified by such lender (being no earlier than the later of the date on which date lender's commitments had been cancelled and the last day of any applicable grace period permitted by law).

In addition, the BNPP 1 Vessel Financing included mandatory prepayments upon the occurrence of a specified change of control on the level of Hapag-Lloyd AG in all respects substantially similar as described under 12.2(b)(iii)(A)(VI) "*—Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayment*" below.

VI. Security Cover

If (i) in the period of time from February 27, 2017 until but excluding the earlier of (A) the date of the envisaged cash capital increase of Hapag-Lloyd AG in an amount of US\$400,000,000 having been effected and (B) December 31, 2017, the market value of a vessel fell below an amount constituting 110% of the loan in respect of that vessel and (ii) at any other time the market value of a vessel fell below an amount constituting 130% of the loan in respect of that vessel, the borrowers were required within 30 days of notice by the facility agents to either (xx) prepay such part of that loan in an amount equal to the shortfall or (yy) provide, or ensure that additional security was provided including, without limitation, deposits, letters of credit or other guarantees such that the relevant applicable percentage rate threshold was again met. Any such additional security was to be released promptly at the request of the borrower if, following the provision of such additional security the relevant applicable security cover ratio in respect of that vessel has recovered.

VII. Security

All obligations under the BNPP 1 Vessel Financing were secured by asset security customary for this type of asset financing transaction, including, in addition thereto (and without limitation),

assignment of the Refund Guarantees, account pledges over certain accounts opened in connection with the BNPP 1 Vessel Financing and pledges over the shares in the existing borrowers and First CSAV Ships Germany GmbH.

VIII. Events of Default

The total commitments could have been immediately cancelled and the utilizations and all other amounts outstanding under the BNPP 1 Vessel accelerated (in whole or in part) by the facility agent in case an event of default had occurred which was continuing. The events of default included a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction and borrower structure.

(J) BNPP 2 Vessel Financing

I. General

By a US\$119,770,000 credit facility originally dated April 29, 2008, as amended and restated from time to time, including as last amended by a supplemental agreement dated September 25, 2014 for Second CSAV Ships Germany GmbH as a new joint and several borrower and joint and several guarantor (in each case together with the existing borrowers), BNP Paribas S.A. as security agent, facility agent and lender and HSBC Bank plc., Commerzbank AG, KfW IPEX-Bank GmbH, CIC, Belfius and KEXIM as lenders, the lenders agreed to make available to the borrowers secured term loan facilities for the purposes of (directly or indirectly) financing (i) certain pre-delivery payments to the builder for constructing and delivering the vessels (“*pre-delivery loans*”) and (ii) part of the costs for the acquisition of the vessels, including re-financing of the relevant pre-delivery loans (“*post-delivery loans*”) in respect of the container vessel “Maipo” (the “**BNPP 2 Vessel Financing**”). Calyon, Taipei branch provided refund guarantees in respect of the vessel (“**Refund Guarantees**”). Upon closing of the CCS Activities Business Combination, Hapag-Lloyd AG as new indirect shareholder of Second CSAV Ships Germany GmbH acceded to the BNPP 2 Financing as a guarantor on December 2, 2014 and entered into a separate guarantee agreement dated December 2, 2014 in respect of the payment obligations of the borrowers under the BNPP 2 Vessel Financing (the “**HLAG BNPP 2 Guarantee**”). Subsequently, as a result of the effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG became the direct shareholder of Second CSAV Ships Germany GmbH.

II. Repayment / maturity

Each loan under the BNPP 2 Vessel Financing is to be repaid in such amounts and on such dates as set out in the relevant repayment schedule attached to the BNPP 2 Vessel Financing Agreement and as updated and replaced in accordance with the requests of the agent from time to time.

The BNPP 2 Vessel Financing terminates in respect of each post-delivery loan on the date of 10 years falling after delivery of the vessel, whereupon all other sums accrued and owed under the BNPP 1 Vessel Financing will become due and payable.

As of March 31, 2017, loans in a total principal amount of US\$17.01 million were outstanding under the BNPP 2 Vessel Financing and a blended fixed interest rate of 4.932% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The BNPP 2 Vessel Financing contains certain information undertakings, general undertakings and specific undertakings, financial covenants and Most Favored Nation Position substantially as described under 12.2(b)(i)(I)(III) “—*BNPP 1 Vessel Financing—Undertakings and Financial Covenants*” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

IV. Interest and fees

Under the BNPP 2 Vessel Financing, the borrowers are required to pay interest to the lenders at a rate per annum equal to the aggregate of LIBOR plus a fixed margin. Customary fees are payable in connection with the BNPP 2 Vessel Financing, including agency fees.

V. Mandatory Prepayments

The BNPP 2 Vessel Financing includes mandatory prepayment events in all respects substantially as described under 12.2(b)(i)(I)(V) “—*BNPP 1 Vessel Financing—Mandatory Prepayments*” above.

VI. Security Cover

The BNPP 2 Vessel Financing includes a security coverage covenants and remedy concept in all respects substantially as described under 12.2(b)(i)(I)(VI) “—*BNPP 1 Vessel Financing—Security Cover*” above.

VII. Security

All obligations under the BNPP 2 Vessel Financing are secured by asset security customary for this type of asset financing transaction, including, in addition thereto (and without limitation), assignment of the Refund Guarantees, account pledges over certain accounts opened in connection with the BNPP 2 Vessel Financing and pledges over the shares in the existing borrowers and Second CSAV Ships Germany GmbH.

VIII. Events of Default

The BNPP 2 Vessel Financing includes events of default provisions in all respects substantially as described under 12.2(b)(i)(I)(VIII) “—*BNPP 1 Vessel Financing—Events of Default*” above.

(K) ABN Amro Fleet Financing

I. General

Hapag-Lloyd AG has entered into a US\$396,000,000 term loan facility agreement dated December 1, 2016 between, amongst others, Hapag-Lloyd AG as borrower and obligor, Hull 2082 Co. Ltd, Hull 2083 Co. Ltd, Hull 2084 Co. Ltd, Hull 2085 Co. Ltd, Hull 2086 Co. Ltd, Hull 2087 Co. Ltd and Hull 2088 Co. Ltd as guarantors and obligors, ABN Amro Bank N.V as initial mandated lead arranger and bookrunner, mandated lead arranger, original lender, agent and security agent and BNP Paribas, Citigroup Global Market Limited, Crédit Agricole Corporate and Investment Bank, Danmarks Skibskredit A/S, KfW IpeX-Bank GmbH and Unicredit AG as mandated lead arrangers and BNP Paribas, Citigroup North America, Inc., Crédit Agricole Corporate and Investment Bank, Danmarks Skibskredit A/S, KfW IpeX-Bank GmbH and Unicredit AG as original lenders and UniCredit Bank AG as documentation agent relating to the refinancing of the Santander Vessel Financing in respect of the vessels “MV Copiapo”, “MV Cautin”, “MV Cochrane”, “MV Cauquenes”, “MV Corcovado”, “MV Cisnes” and “MV Coyhaique” (as amended from time to time, the “**ABN Amro Fleet Financing**”).

II. Repayment / maturity

The loans under the ABN Amro Fleet Financing are to be repaid by 31 equal consecutive quarterly installments, calculated on basis of a repayment profile of 8 years and a balloon installment in the amount of the outstanding loans on the termination date. The first repayment installment shall be repaid on 15 May 2017 and the subsequent on the subsequent termination dates.

As of March 31, 2017, loans in a total principal amount of US\$396.00 million was outstanding under the ABN Amro Fleet Financing and a blended fixed interest rate of 3.694 % per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The ABN Amro Fleet Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, vessel covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the finances vessels, related earning and any other assets being subject of any security provided in connection with the ABN Amro Fleet Financing and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*Hapag-Lloyd AG Vessel Financings—K-Sure I Financing*—

Undertakings and Financial Covenants” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon the occurrence of completion of the UASC Business Combination.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) “—*K-Sure II Financing—Undertakings and Financial Covenants*” above.

IV. Interest and fees

Under the ABN Amro Fleet Financing, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a fixed margin and (iii) mandatory costs.

Customary fees are payable in connection with the ABN Amro Fleet Financing, including commitment fees, participation fees and agency fees.

V. Mandatory Prepayments

Subject to certain exceptions, Hapag-Lloyd AG is required to prepay the loans (in inverse order of maturity), inter alia, (i) if a vessel becomes a total loss, in the amount of the insurance proceeds relating to the relevant vessel and, if the insurance proceeds have not been received by Hapag-Lloyd AG within 180 days after the date of the total loss, in at least an amount equal to the market value of that vessel or (ii) if, the relevant vessel is sold, in an amount equal to the amount of the loan for that ship and, as the case may be, an additional prepayment depending on valuations to be provided.

In addition the loans (together with all other amounts accrued) under the ABN Amro Fleet Financing must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

Prepayments must also be made upon the occurrence of illegality.

VI. Security Cover

If at any time the market value of a vessel plus the net realizable value of any additional security previously provided under the ABN Amro Fleet Financing falls below 125% of the aggregate of the tranches applicable to that vessel, the borrowers shall promptly upon request of any of the agents either (i) prepay such part of the relevant tranches in an amount equal to the shortfall or (ii) provide, or ensure that additional security including without limitation, cash collateral deposited on an account pledged to the security agent and the lenders) which has a net realizable value at least equal to the shortfall. Any such additional security is to be released promptly at the request of the borrower if, on the next testing date, following the provision of such additional security a valuation evidences that the security cover ratio (not taking into account any additional security then released) is at least 125% of the aggregate of the loan relating to that vessel.

VII. Security

All obligations under the Santander Vessel Financing are secured by asset security customary for this type of asset financing transaction, including, in addition thereto (and without limitation), account pledges over certain accounts opened in connection with the Santander Vessel Financing and pledges over the shares in the existing borrowers. Further, K-Sure agreed to provide an export credit insurance cover and KEXIM provided Santander Vessel Financing KEXIM Guarantees, in each case for a certain part of the tranches under the Santander Vessel Financing.

VIII. Events of Default

The total commitments may be immediately cancelled and the utilizations and all other amounts outstanding under the ABN Amro Fleet Financing may be accelerated (in whole or in part) by the agent (for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the ABN Amro Fleet Financing or any related finance document, breach of any other obligation (including non-compliance

with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(L) Fleet Financing 2015

I. General

Hapag-Lloyd AG has entered into a US\$115,000,000 term loan facility agreement dated December, 16, 2015 between, amongst others, Hapag-Lloyd AG as borrower and obligor and CSBC HULL 900 Limited as obligor and DVB Bank SE and Bank of America Merrill Lynch International Limited as arrangers and lenders and DVB Bank SE as agent and security agent relating to the refinancing of the four container vessels “MV Bremen Express”, “MV Dalian Express”, “MV Mehuin” and “MV Yantian Express” (as amended from time to time, the “**Fleet Financing 2015**”).

The Fleet Financing 2015 Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Fleet Financing 2015 Amendment Effective Date**”).

II. Repayment / maturity

The loan is to be repaid by twenty eight (28) consecutive quarterly installments, beginning on April 15, 2016 and one final balloon installment on the final maturity date, being January 15, 2023.

As of March 31, 2017, a loan in a total principal amount of US\$78.38 million was outstanding under the Fleet Financing 2015 and a blended fixed interest rate of 3.322% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The Fleet Financing 2015 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Fleet Financing 2015 and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above, including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Fleet Financing 2015 Amendment Effective Date.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) “—*K-Sure II Financing—Undertakings and Financial Covenants*” above, however with the modification that the benefit relates to any financial covenant concluded in any other financing after the date of the Fleet Financing 2015.

IV. Interest and fees

Under the Fleet Financing 2015, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) fixed margin.

Customary fees are payable in connection with the Fleet Financing 2015, including agency fees and security agency fees.

V. Mandatory Prepayments

Subject to certain exceptions, Hapag-Lloyd AG is required to prepay the loan (in inverse order of maturity), *inter alia*, (i) if a vessel becomes a total loss, in the amount of the insurance proceeds relating to the relevant vessel and, if the insurance proceeds have not been received by Hapag-Lloyd

AG within 180 days after the date of the total loss, in at least an amount equal to the market value of that vessel or (ii) if, the relevant vessel is sold, in an amount equal to the amount of the net proceeds of the sale.

In addition the loans (together with all other amounts accrued) under the Fleet Financing 2015 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

Prepayments must also be made upon the occurrence of illegality.

VI. Loan to Value Ratio

If the agent notifies Hapag-Lloyd AG any time from and including the utilization date that the aggregate of (i) the amount of all loans outstanding on the most recent appraisal date, minus (ii) the amount of any prepayment amounts previously provided and standing to the credit of a designated deposit account and minus (iii) the aggregate amount of the loan outstanding on the most recent appraisal date as a percentage of the aggregate of the market values of the (re)financed vessels on that appraisal date (excluding amounts of prepayments previously made) on that appraisal date 66% at the utilization date and 80% at any time thereafter, Hapag-Lloyd AG shall make a prepayment of such part of the loan as will be required to reduce the excess to zero, unless it deposits the relevant prepayment amount on a designated deposit account in accordance with the relevant terms of the Fleet Financing 2015. Such cash deposit may be applied towards prepayment of the relevant loan at the discretion of Hapag-Lloyd AG at the end of the relevant interest period or, provided that the relevant required prepayment amount does not exceed 50% of the loan at the relevant time, (i) Hapag-Lloyd AG may instruct the agent to apply such amount towards prepayment at any time but at the latest within twelve months of such amount having been credited to the deposit account or (ii) such amount will be released or repaid to Hapag-Lloyd AG at its request, if on any following appraisal date the loan to value ratio is below the applicable maximum loan to value ratio.

VII. Security

All obligations under the Fleet Financing 2015 are secured by (including but not limited to) mortgages over the vessels financed by the Fleet Financing 2015 and assignments of rights and claims with respect to the vessels.

VIII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Fleet Financing 2015 may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Fleet Financing 2015 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(M) Fleet Financing 2016

I. General

Hapag-Lloyd AG has entered into a US\$57,400,000 term loan facility agreement dated April 8, 2016 between, amongst others, Hapag-Lloyd AG as obligor and CSAV Austral SpA as borrower and obligor and ABN AMRO Bank N.V. as agent, security agent, arranger and lender relating to the financing of part of the purchase price for two container vessels “MV San Antonio Express” and “MV Antofagasta Express” (as amended from time to time, the “**Fleet Financing 2016**”).

The Fleet Financing 2016 Financing will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Fleet Financing 2016 Amendment Effective Date**”).

II. Repayment / maturity

The loan is to be repaid by twenty eight (28) consecutive quarterly installments, beginning on July 15, 2016 and one final balloon installment on the final maturity date, being April 15, 2023.

As of March 31, 2017, a loan in a total principal amount of US\$52.71 million was outstanding under the Fleet Financing 2016 and a blended fixed interest rate of 3.872% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The Fleet Financing 2016 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Fleet Financing 2016 and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above, including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Fleet Financing 2016 Amendment Effective Date.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) “—*K-Sure II Financing—Undertakings and Financial Covenants*” above, however with the modification that the benefit relates to any financial covenant concluded in any other financing after the date of the Fleet Financing 2016.

IV. Interest and fees

Under the Fleet Financing 2016, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) fixed margin.

Customary fees are payable in connection with the Fleet Financing 2016, including agency fees and security agency fees.

V. Mandatory Prepayments

Subject to certain exceptions, Hapag-Lloyd AG is required to prepay the loan (in inverse order of maturity), *inter alia*, (i) if a vessel becomes a total loss, in the amount of the insurance proceeds relating to the relevant vessel and, if the insurance proceeds have not been received by Hapag-Lloyd AG within 180 days after the date of the total loss, in at least an amount equal to the market value of that vessel or (ii) if, the relevant vessel is sold, in an amount equal to the amount of the net proceeds of the sale.

In addition the loans (together with all other amounts accrued) under the Fleet Financing 2016 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

Prepayments must also be made upon the occurrence of illegality.

VI. Security Cover

If the agent notifies the borrower that the aggregate market value of the relevant vessel plus the net realizable value of any additional security previously provided to recover the minimum security cover ratio is at any time less than 120% (minimum security cover ratio) of the aggregate amount of the relevant loan outstanding under the Fleet Financing 2016 minus the amount of deductible cash security previously provided, the borrower shall either prepay (together with interest accrued thereon and any costs arising through such prepayment being made otherwise than at the end of the applicable interest period) such part of the loan or pay into an interest-bearing escrow account an amount as shall be necessary to re-establish the applicable minimum security cover ratio (*i.e.*, reduce the shortfall to

zero). Such deductible cash security remain in place during the term of the Fleet Financing 2016 or applied towards prepayment or released to the borrower once the minimum security cover recovered, in each case in accordance with the terms of the Fleet Financing 2016.

VII. Security

All obligations under the Fleet Financing 2016 are secured by (including but not limited to) mortgages over the vessels financed by the Fleet Financing 2016 and assignments of rights and claims with respect to the vessels.

VIII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Fleet Financing 2016 may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Fleet Financing 2016 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(N) Container Finance 2011

I. General

Hapag-Lloyd AG has entered into a US\$150,000,000 term loan agreement originally dated August 9, 2011 relating to the (re)financing of a portfolio of new containers, existing standard containers and existing reefer containers between, amongst others, Hapag-Lloyd AG as borrower, Hapag-Lloyd Container Ltd. as legal owner of the containers and ING Bank N.V. as agent and lender and DVB Bank S.E. as security agent and lender (as amended from time to time, the “**Container Finance 2011**”).

The Container Finance 2011 will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Container Finance 2011 Amendment Effective Date**”).

Legal ownership of the containers has been transferred from, amongst others, Hapag-Lloyd AG to Hapag-Lloyd Container Ltd. in accordance with certain trust agreements, which have also been entered into for the benefit of the finance parties.

II. Repayment / maturity

The loans under the Container Finance 2011 are to be repaid by twenty-eight consecutive quarterly installments (including a balloon payment) since the date falling three months after the last day of the availability period and the last (as a balloon payment) at the end of the term, being September 28, 2018 the latest.

As of March 31, 2017, loans in a total principal amount of US\$46.11 million were outstanding under the Container Finance 2011 and a blended fixed interest rate of 4.151% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The Container Finance 2011 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed containers, related leases and any other assets being subject of any security provided in connection with Container Finance 2011, restrictions on disposals of (re)financed containers and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants, which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above including, without limitation the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Container Finance 2011 Amendment Effective Date.

In addition the lending parties under the Container Finance 2011 benefit from a Most Favored Nation Position as described under 12.2(b)(i)(B)(VII) “—*K-Sure II Financing—Undertakings and Financial Covenants*”.

IV. Interest and fees

Under the Container Finance 2011, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a fixed margin, plus (iii) mandatory costs of the lenders.

Customary fees are payable in connection with the Container Finance 2011, including agency fees and security agency fees.

V. Mandatory Prepayments

If the ratio of the outstanding net loan (as determined in accordance with the Container Finance 2011) to the aggregate depreciated value of the relevant containers (as set out in a spreadsheet attached to the Container Finance 2011) in any calendar year exceeds (pursuant to any relevant asset base certificate to be delivered quarterly under the Container Finance 2011) the respective percentage stipulated for that calendar year in the Container Finance 2011 (ranging from 65.75% (for the calendar year 2014) to 34.54% (for the calendar year 2018), Hapag-Lloyd AG must (in inverse order of maturity) prepay the loans in an amount as is required in order to reduce such excess to zero.

In addition the loans (together with all other amounts accrued) under the Container Finance 2011 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

Prepayments must also be made upon the occurrence of illegality.

VI. Security

All obligations under the Container Finance 2011 are secured by (including but not limited to) mortgages over the containers (re)financed by the Container Finance 2011 and assignments of rights and claims with respect to the containers as well as shares mortgages over the shares in Hapag-Lloyd Containers Limited, being the legal owner of the containers.

VII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Container Finance 2011 may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Container Finance 2011 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more (it being noted that a Cross-Default Basket Increase will be effected subject to the occurrence of the Container Finance 2011 Amendment Effective Date) and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(O) Container Finance 2012

I. General

Hapag-Lloyd AG has entered into a US\$165,000,000 loan agreement originally dated June 22, 2012 relating to the (re)financing of a portfolio of new containers and certain existing containers

between, amongst others, Hapag-Lloyd AG as borrower, Hapag-Lloyd Container (No. 2) Ltd. as legal owner of the containers and ING Bank N.V. as agent, security agent and lender and ABN AMRO Bank N.V. as lender (as amended from time to time, the “**Container Finance 2012**”).

The Container Finance 2012 will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Container Finance 2012 Amendment Effective Date**”).

Legal ownership of the containers has been transferred from, amongst others, Hapag-Lloyd AG to Hapag-Lloyd Container (No. 2) Ltd. in accordance with certain trust agreements, which have also been entered to the benefit of the finance parties.

II. Repayment / maturity

The loans under the Container Finance 2012 are to be repaid by twenty-four consecutive quarterly installments (including a balloon payment) since the date falling three months after the last day of the availability period and the last (as a balloon payment) at the end of the term, being September 27, 2019 the latest.

As of March 31, 2017, loans in a total principal amount of US\$84.94 million were outstanding under the Container Finance 2012 and a blended fixed interest rate of 5.402% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The Container Finance 2012 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed containers, related leases and any other assets being subject of any security provided in connection with Container Finance 2012, restrictions on disposals of financed containers and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above including, without limitation, the increase of the Minimum Liquidity Covenant by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the Container Finance 2012 Amendment Effective Date.

In addition the lending parties benefit from the Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) “—*Liabilities to Banks—K-Sure II Financing—Undertakings and Financial Covenants*” above.

IV. Interest and fees

Under the Container Finance 2012, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a fixed margin, plus (iii) mandatory costs of the lenders.

V. Mandatory Prepayments

If the ratio of the outstanding net loan (as determined in accordance with the Container Finance 2012) to the aggregate depreciated value of the relevant containers (as set out in a spreadsheet attached to the Container Finance 2012) in any calendar year exceeds (pursuant to any relevant asset base certificate to be delivered quarterly under the Container Finance 2012) the respective percentage stipulated for that calendar year in the Container Finance 2012 (being 72.41% (for the calendar year 2014) to 40.72% (for the calendar year 2019)), Hapag-Lloyd AG must (in inverse order of maturity) prepay the loans in an amount as is required in order to reduce such excess to zero.

In addition the loans (together with all other amounts accrued) under the Container Finance 2012 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below.

Prepayments must also be made upon the occurrence of illegality.

VI. Security

All obligations under the Container Finance 2012 are secured by (including but not limited to) mortgages over the containers (re)financed by the Container Finance 2012 and assignments of rights and claims with respect to the containers as well as shares mortgages over the shares in Hapag-Lloyd Containers (No. 2) Limited, being the legal owner of the containers.

VII. Events of Default

The total commitments may be cancelled and the utilizations and other amounts outstanding under the Container Finance 2012 may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Container Finance 2012 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more (it being noted that a Cross-Default Basket Increase will be effected subject to the occurrence of the Container Finance 2012 Amendment Effective Date) and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(P) Montreal and Toronto Vessel Financing (formerly finance leases)

I. General

For the purposes of the financing of the purchase prices in connection with the buyback of, amongst others, the vessels MV Montréal Express, MV Toronto Express and MV Wellington Express (the latter has been taken out of the financing in June 2015 due to a sale of the vessel) out of the relevant former finance leases at the termination of the relevant lease agreements in relation to these vessels, Hapag-Lloyd AG has entered into an initially US\$33,468,750.17 and US\$33,468,750.17 and US\$16,093,923.59 term loan agreement originally dated February 21, 2012 with, amongst others, Hapag-Lloyd AG as borrower, and HSH Nordbank AG as lender. These buybacks (and, thus, utilizations of the loans) have been scheduled for September 2014 (in respect of the MV Wellington Express, which was subsequently sold and the corresponding financing was repaid in full in June 2015) and September 2015 (in respect of the MV Montréal Express and the MV Toronto Express) (as amended from time to time), the “**Montréal and Toronto Vessel Financing**”.

II. Repayment / maturity

Each loan under the Montréal and Toronto Vessel Financing is to be repaid in twenty consecutive quarterly installments; the first installment of the relevant senior loan being due and payable three months after the utilization date for the relevant loan and the last at the end of the term of the relevant loan, being September 20, 2020.

As of March 31, 2017, loans in a total principal amount of US\$48.86 million were outstanding under the Montréal and Toronto Vessel Financing and a blended fixed interest rate of 3.902% per annum was payable on the outstanding loans.

III. Interest and fees

Under the Montréal and Toronto Vessel Financing, interest will be payable to the lenders at a rate per annum equal to the aggregate of LIBOR plus a fixed margin plus mandatory costs. Hapag-Lloyd AG is required to pay customary fees under and in connection with the Montréal and Toronto Vessel Financing.

IV. Mandatory Prepayments

Under the Montréal and Toronto Vessel Financing, Hapag-Lloyd AG is required to prepay the relevant loan allocated to that vessel, *inter alia*, if (i) the vessel becomes a total loss or (ii) the relevant vessel is sold.

Upon the occurrence of a defined change of control (substantially as described under 12.2(b)(iii)(A)(VI) “—*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*”

below), Hapag-Lloyd AG may request the lender to, and the lenders shall then, enter into good faith negotiations for a period of up to 30 days after notification of the lenders of the change of control by Hapag-Lloyd AG with a view to agreeing on the continuation of the lenders in the relevant loan. To the extent no such agreement has been reached between Hapag-Lloyd AG and the lender, Hapag-Lloyd AG shall prepay that loan in full no later than by the end of the then current interest period or 15 days after the last day of the negotiation period (whichever date is earlier). If no negotiations are requested within five business days following the notification of the lender of the occurrence of a change of control, Hapag-Lloyd AG shall prepay that loan in full no later than by the end of the then current interest period or 15 days after the notification of the lender of such change of control by Hapag-Lloyd AG (whichever date is earlier).

Prepayments must also be made upon the occurrence of illegality.

V. Loan to Value Ratio

If the lender notifies Hapag-Lloyd AG at any time from and after December 31, 2017 that the ratio of the aggregate amount of the loans outstanding on the most recent appraisal date minus the amount of any deductible cash security and minus any amount standing to the credit of the escrow account and the market value of the vessels on that appraisal date plus the net realizable value of any additional security provided exceeds 80%, Hapag-Lloyd AG must make a prepayment of the relevant loan as will be required to reduce the excess to zero, unless it either provides additional security, additional cash security or deductible cash security in accordance with the relevant terms of the Montréal and Toronto Vessel Financing in each case in an amount (or with a net realizable value equal to an amount) required to reduce the excess to zero. Additional security (i) (if in cash) may be applied towards prepayment of the relevant loan at the discretion of Hapag-Lloyd AG at any time (or, in the case of deductible cash security, will be so applied within twelve months of initial provision) and (ii) will be released or repaid to Hapag-Lloyd AG at its request, if on any following appraisal date the loan to value ratio is below or at the applicable maximum loan to value ratio.

VI. Undertakings and Financial Covenants

The Montréal and Toronto Vessel Financing contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels, related earnings and any other assets being subject of any security provided in connection with the Montréal and Toronto Vessel Financing and restrictions on reorganization measures, in each case subject to agreed exceptions. In addition the lending parties under the Montréal and Toronto Vessel Financing benefit from a Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) “—*Liabilities to Banks—K-Sure II Financing—Undertakings and Financial Covenants*”.

Our financial condition is monitored by financial covenants which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*K-Sure I Financing—Undertakings and Financial Covenants*” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

VII. Security

All obligations under the Montréal and Toronto Vessel Financing are secured by (including but not limited to) mortgages over the respective vessels refinanced by the Montréal and Toronto Vessel Financing and assignments of rights and claims with respect to the vessels.

VIII. Events of Default

The loans under the Montréal and Toronto Vessel Financing may be immediately cancelled and the Montréal and Toronto Vessel Financing may be terminated with immediate effect and immediate payment of all or part of the amounts may be demanded by the lender in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Montréal and Toronto Vessel Financing or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants

described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €25,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(ii) Finance Leases

(A) Intermodal Container Lease V

Hapag-Lloyd AG entered as seller into a purchase and sale agreement dated December 17, 2007 with Intermodal Capital Deutschland GmbH as buyer in relation to the sale and transfer of title to certain marine container units at a purchase price in an aggregate amount of US\$24,846,500.00 (as amended from time to time, the “**Intermodal V Purchase and Sale Agreement**”). Pursuant to the containers operating lease agreement originally dated December 17, 2007, between Intermodal Capital Deutschland GmbH as lessor and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the Intermodal V Purchase and Sale Agreement back on an “as is, where is” basis with no condition, warranty or representation of any kind of the lessor (as amended from time to time, the “**Intermodal Container Lease V**”). The Intermodal Container Lease provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, a corresponding liability for finance lease in an amount of US\$6.37 million was outstanding under the Intermodal Container Lease V.

Purchase and extension option. Hapag-Lloyd AG has made use of its right to extend the Intermodal Container Lease V and to purchase all of the container units upon the expiration date by irrevocable written notice to the lessor dated June 24, 2015. The term of the Intermodal Container Lease V has been extended to June 28, 2017 on which date the purchase option price of US\$5,722,148.95 is payable to the lessor.

Rental payments. Until the extension date (*i.e.* June 28, 2017), Hapag-Lloyd AG is required to make certain rental payments to the Lessor. The rental payments are payable quarterly in arrears. For the month of March, 2017, the relevant rent will sum up to US\$679,705.

Undertakings . The Intermodal Container Lease V provides for certain information undertakings (including the provision of financial information of Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset operate lease agreement of this nature.

Events of Default. The lessor may, subject to applicable cure periods, terminate the Intermodal Container Lease V in the case an event of default has occurred. The events of default include non-payment of any amount due and payable pursuant to the terms of the Intermodal Container Lease V or any related document, breach of any other obligation (including non-compliance with information undertakings) as well as other events of default customary for this type of leasing transaction.

(B) Beacon Intermodal Lease Agreement 2016

Hapag-Lloyd AG as lessee entered into a lease agreement dated October 14, 2016 with Beacon Intermodal Leasing, LLC as lessor relating to certain container refrigeration equipment and shipping containers and pursuant to which Hapag-Lloyd AG agreed to assign its purchase orders to Beacon Intermodal Leasing, LLC in relation to the leased equipment and containers with a purchase price in an aggregate amount of US\$38,812,500.00 (as amended by an amendment no.1 to lease agreement dated November 21, 2016 and as further amended from time to time, the “**Beacon Intermodal Lease Agreement 2016**”). The Beacon Intermodal Lease Agreement 2016 provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, a corresponding liability for finance lease in an amount of US\$37.38 million was outstanding under the Beacon Intermodal Lease Agreement 2016.

Purchase option and Expiry Date. Beacon Intermodal Lease Agreement 2016 provides for a right of Hapag-Lloyd AG to purchase all of the container units upon the expiration date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit. The Beacon Intermodal Lease Agreement 2016 expires on November 14, 2024.

Rental payments. The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rental rate per container unit. For the month of March, 2017, the relevant rent will sum up to US\$519,560.

Undertakings. The Beacon Intermodal Lease Agreement 2016 provides for certain information undertakings, undertakings as to insurance and general undertakings in each case customary for an asset lease agreement of this nature.

Security. Hapag-Lloyd AG agreed to grant security interests, subject to certain conditions, to Beacon Intermodal Leasing, LLC in any and all rights, title and interests which Hapag-Lloyd AG now or may have in the relevant container units.

Events of Default. The lessor may, subject to applicable cure periods, terminate the Beacon Intermodal Lease Agreement 2016 in the case an event of default has occurred. The events of default include non-payment of any amount due and payable pursuant to the terms of the Beacon Intermodal Lease Agreement 2016 and other events of default customary for this type of leasing transaction.

(C) Beacon Intermodal Sale and Lease Back Agreement 2017

Hapag-Lloyd AG entered as lessee into a sale and lease back agreement dated January 13, 2017 with Beacon Intermodal Leasing, LLC as lessor providing for the purchase and transfer of title of certain refrigerated marine shipping containers at a purchase price in an aggregate amount of US\$44,115,660.00 and a lease of such refrigerated marine shipping containers sold and transferred back to Hapag-Lloyd AG with no condition, warranty or representation of any kind of the lessor (as amended from time to time, the “**Beacon Intermodal Sale and Lease Back Agreement 2017**”). The Beacon Intermodal Sale and Lease Back Agreement 2017 provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, a corresponding liability for finance lease in an amount of US\$40.38 million was outstanding under the Beacon Intermodal Sale and Lease Back Agreement 2017.

Purchase option and Expiry Date. Beacon Intermodal Sale and Lease Back Agreement 2017 provides for a right of Hapag-Lloyd AG to purchase all of the container units upon the expiration date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit. The Beacon Intermodal Sale and Lease Back Agreement 2017 expires on January 19, 2021.

Rental payments. The rent is payable on a monthly basis. For the month of March, 2017, the relevant rent will sum up to US\$1,879,953.

Undertakings. The Beacon Intermodal Sale and Lease Back Agreement 2017 provides for certain information undertakings, undertakings as to insurance and general undertakings in each case customary for an asset lease agreement of this nature.

Security . Hapag-Lloyd AG agreed to grant security interests, subject to certain conditions, to Beacon Intermodal Leasing, LLC in any and all rights, title and interests which Hapag-Lloyd AG now or may have in the relevant container units.

Events of Default. The lessor may, subject to applicable cure periods, terminate the Beacon Intermodal Sale and Lease Back Agreement 2017 in the case an event of default has occurred. The events of default include non-payment of any amount due and payable pursuant to the terms of the Beacon Intermodal Sale and Lease Back Agreement 2017 and other events of default customary for this type of leasing transaction.

(D) Seaco Container Finance Leases

On December 20, 2013, Hapag-Lloyd AG as lessee entered into a lease agreement dated December 15, 2013 with Seaco Global Limited as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$15,500,000 (as amended from time to time, the “**Seaco Container Finance Lease 114112**”). The Seaco Container Finance Lease 114112 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

On December 20, 2013, Hapag-Lloyd AG as lessee entered into a lease agreement dated December 15, 2013 with Seaco Global Limited as lessor upon which the lessor has agreed to deliver

and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$17,700,000 (as amended from time to time, the “**Seaco Container Finance Lease 114113**”). The Seaco Container Finance Lease 114113 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

On May 25, 2016, Hapag-Lloyd AG as lessee entered into a lease agreement dated December 16, 2008 with Seaco Global Limited as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$10,174,902 (as amended from time to time, the “**Seaco Container Finance Lease 104707**” and, together with the Seaco Container Finance Lease 114112 and the Seaco Container Finance Lease 114113, the “**Seaco Container Finance Leases**”). The Seaco Container Finance Lease 104707 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, corresponding liabilities for finance lease in an amount of US\$26.30 million were outstanding under the Seaco Container Finance Leases.

Rent. The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of March, 2017 the aggregate amount of all rent will under the Seaco Container Finance Leases sum up to US\$496,432.

Expiry Date. The Seaco Container Finance Lease 114112 expires on December 31, 2022. The Seaco Container Finance Lease 114113 expires on December 31, 2025. The Seaco Container Finance Lease 104707 expires on December 31, 2020.

(E) Textainer Finance Lease 2013

On December 23, 2013, Hapag-Lloyd AG as lessee entered into a lease schedule number NEUR0268 (which is retroactively effective as of December 1, 2013) (as amended from time to time, the “**Textainer Schedule**”) to an agreement on general terms and conditions originally dated January 1, 1997 with Textainer Equipment Management Limited as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$8,677,053 (as amended from time to time, the “**Textainer Finance Lease Agreement 2013**”). The Textainer Finance Lease Agreement provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, a corresponding liability for finance lease in an amount of US\$6.73 million was outstanding.

Rent. The rent is payable on a monthly basis and is dependent on a US\$ denominated rate per container unit. For the month of March, 2017 the relevant rent will sum up to US\$101,656.

(F) TAL Container Finance Leases

Hapag-Lloyd AG as lessee entered into a lease addendum dated December 1, 2013 (as amended from time to time, the “**Lease Addendum December**”) to a master lease agreement originally dated July 1, 2000 with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$59.49 million (as amended from time to time, the “**TAL Container Finance Lease December 2013**”). The TAL Container Finance Lease December 2013 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, a corresponding liability for finance lease in an amount of US\$44.52 million were outstanding under the TAL Container Finance Lease December 2013.

Rent. The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of March, 2017 the relevant amount of rent under the TAL Container Finance Lease December 2013 is US\$699,651.

Expiry Date and Purchase Obligation. The TAL Container Finance Lease December 2013 expires on January 31, 2024.

Hapag-Lloyd AG agreed to purchase the leased equipment on an “as is where is” basis on the expiry date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit.

Undertakings . The TAL Container Finance Lease December 2013 contains certain undertakings customary for this type of transaction.

Security . Hapag-Lloyd AG as debtor agreed to grant security interests to TAL International Container Corporation in any and all rights, title and interests which Hapag-Lloyd AG now or may have in the relevant container units.

I. TAL Container Finance Lease July 2013

On July 23, 2013, Hapag-Lloyd AG as lessee entered into a lease addendum no. 2 dated July 8, 2013 (as amended from time to time, the “**Lease Addendum No. 2**”) to a master lease agreement originally dated July 1, 2000 with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$60,756,500.00 (as amended from time to time, the “**TAL Container Finance Lease July 2013**”). In this context Hapag-Lloyd AG as assignor and TAL International Container Corporation as assignee entered on July 23, 2013 into a purchase order assignment agreement dated July 8, 2013 whereupon Hapag-Lloyd AG sold, assigned and transferred to TAL International Container Corporation and TAL International Container Corporation assumed all of Hapag-Lloyd AG’s right, title and interest to the purchase order of the relevant marine containers, including without limitation the right to take title to such marine containers and be named as purchaser in the invoices to be delivered by the manufacturer of the said marine containers. The TAL Container Finance Lease July 2013 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, corresponding liabilities for finance lease in an aggregate amount US\$36.92 million were outstanding under the TAL Container Finance Lease July 2013.

Rent. The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of March, 2017 the relevant amount of rent under the TAL Container Finance Lease July 2013 is US\$803,055.

Expiry Date and Purchase Obligation. The TAL Container Finance Lease July 2013 expires on August 31, 2021.

Hapag-Lloyd AG agreed to purchase the leased equipment on an “as is where is” basis on the expiry date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit.

Undertakings . The TAL Container Finance Lease July 2013 contains certain undertakings customary for this type of transaction.

Security . Hapag-Lloyd AG as debtor agreed to grant security interests to TAL International Container Corporation in any and all rights, title and interests which Hapag-Lloyd AG now or may have in the relevant container units.

II. TAL Container Finance Lease September 2013

Hapag-Lloyd AG as lessee entered into a lease addendum dated September 20, 2013 (as amended from time to time, the “**Lease Addendum September**”) to a master lease agreement originally dated July 1, 2000 with TAL International Container Corporation as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$58,300,000 (as amended from time to time, the “**TAL Container Finance Lease September 2013**”). In this context Hapag-Lloyd AG as assignor and TAL International Container Corporation as assignee entered into a purchase order assignment agreement dated September 20, 2013 whereupon Hapag-Lloyd AG sold, assigned and transferred to TAL International Container Corporation and TAL International Container Corporation assumed all of Hapag-Lloyd AG’s right, title and interest to the purchase order of the relevant marine containers, including without limitation the right to take title to such marine containers and be named as purchaser in the invoices to be delivered by the manufacturer of the said marine containers. The TAL Container Finance Lease September 2013 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, corresponding liabilities for finance lease in an aggregate amount US\$38.26 million were outstanding under the TAL Container Finance Lease September 2013.

Rent. The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of March, 2017 the aggregate amount of rent under all the TAL Container Finance Lease September 2013 is US\$798,095.

Expiry Date and Purchase Obligation. The TAL Container Finance Lease September 2013 expires on December 31, 2021.

Hapag-Lloyd AG agreed to purchase the leased equipment on an “as is where is” basis on the expiry date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit.

Undertakings. The TAL Container Finance Lease September 2013 contains certain undertakings customary for this type of transaction.

Security. Hapag-Lloyd AG as debtor agreed to grant security interests to TAL International Container Corporation in any and all rights, title and interests which Hapag-Lloyd AG now or may have in the relevant container units.

(H) SeaCube Container Finance Lease 2013

On June 21, 2013, Hapag-Lloyd AG as lessee entered into a lease addendum (as amended from time to time, the “**Lease Addendum**”) to an agreement on general terms and conditions originally dated September 2, 1997 with SeaCube Containers LLC as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$68,179,750 (as amended from time to time, the “**SeaCube Container Finance Lease 2013**”). In this context Hapag-Lloyd AG as seller and SeaCube Containers LLC as purchaser entered on June 21, 2013 into a container sale and purchase agreement whereupon Hapag-Lloyd AG sold to SeaCube Containers LLC and to SeaCube Containers LLC purchased the relevant marine containers on an “as is where is” basis for a total purchase price in an amount of US\$68,179,750. The SeaCube Container Finance Lease 2013 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, corresponding liabilities for finance lease in an aggregate amount of US\$47.96 million were outstanding under the SeaCube Container Finance Lease 2013.

Rent. The rent is payable on a monthly basis and is dependent on a US\$ denominated per diem rate per container unit. For the month of March, 2017 the relevant rent will sum up to US\$755,835.

Expiry Date and Purchase Obligation. The SeaCube Container Finance Lease 2013 expires on July 30, 2021 at the latest. Hapag-Lloyd AG agreed to purchase the leased equipment on an “as is where is” basis on the relevant applicable expiry date for a certain leased group of marine containers and to pay to the lessor an aggregate purchase price of US\$17,044,937.50.

Undertakings. The SeaCube Finance Lease 2013 contains certain undertakings customary for this type of transaction.

Security. Pursuant to the Lease Addendum Hapag-Lloyd AG as debtor agreed to grant security interests to SeaCube Containers LLC in and to the relevant container units.

(I) Dong Fang Container Finance Lease 2014

Hapag-Lloyd AG as lessee entered into a lease addendum dated January 10, 2014 (as amended from time to time, the “**Dong Fang Lease Addendum**”) to an agreement on general terms and conditions originally dated January 10, 2014 with Dong Fang International Asset Management Limited as lessor upon which the lessor has agreed to deliver and lease certain marine containers to the lessee with an aggregate equipment acquisition cost of up to US\$19,800,000 (as amended from time to time, the “**Dong Fang Container Finance Lease 2014**”). In this context Hapag-Lloyd AG as assignor and Dong Fang International Asset Management Limited as assignee entered on January 10, 2014 into a purchase order assignment agreement whereupon Hapag-Lloyd AG assigned to Dong Fang International Asset Management Limited its purchase order in respect of certain marine containers entered in on November 22, 2013 between China International Marine Containers (Group) Ltd. as seller and Hapag-Lloyd AG as purchaser. The Dong Fang Container Finance Lease 2014 provides for a net lease; Hapag-Lloyd AG shall pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, corresponding liabilities for finance lease in an aggregate amount US\$13.01 million were outstanding under the Dong Fang Container Finance Lease 2014.

Rent. The rent is payable on a monthly basis and is dependent on a US\$ denominated rate per container unit. For the month of March, 2017 the relevant rent will sum up to US\$261,172.

Expiry Date and Purchase Obligation. The Dong Fang Lease Addendum expires on January 31, 2022 at the latest. Hapag-Lloyd AG agreed to purchase the leased equipment on an “as is where is” basis on the relevant applicable on the expiry date and to pay to the lessor on such date a purchase price of US\$1.00 per container unit.

Undertakings . The Dong Fang Container Finance Lease 2014 contains certain undertakings customary for this type of transaction.

(J) Textainer Finance Leases 2015

Hapag-Lloyd AG entered as seller into a purchase and sale agreement dated February 1, 2015 with TW CONTAINER LEASING, LTD as buyer in relation to the sale and transfer of title to certain marine container units with a purchase price of US\$16,450,000.00 (as amended from time to time, the “**Textainer Tranche 1 Purchase and Sale Agreement**”). Pursuant to schedule NEUR0305 to the Textainer Tranche 1 Purchase and Sale Agreement, a containers lease agreement dated February 1, 2015 based on the general terms and conditions originally dated January 1, 1997 between Textainer Equipment Management Limited (on behalf of the buyer) as lessor and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the Textainer Tranche 1 Purchase and Sale Agreement back on an “as is, where is” basis with no condition or representation of the lessor, except for the warrant to not interrupt the quite use, possession and enjoyment of the containers by the lessee for so long as no event of default has occurred (as amended from time to time, the “**Textainer Tranche 1 Finance Lease 2015**”). The Textainer Tranche 1 Finance Lease 2015 provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

Hapag-Lloyd AG entered as seller into a purchase and sale agreement dated March 1, 2015 with TW CONTAINER LEASING, LTD as buyer in relation to the sale and transfer of title to certain marine container units with a purchase price of US\$6,975,000.00 (as amended from time to time, the “**Textainer Tranche 2 Purchase and Sale Agreement**”). Pursuant to schedule NEUL0306 to the Textainer Tranche 2 Purchase and Sale Agreement, a containers lease agreement dated March 1, 2015 based on the general terms and conditions originally dated January 1, 1997 between Textainer Equipment Management Limited (on behalf of the buyer) as lessor and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the Textainer Tranche 2 Purchase and Sale Agreement back on an “as is, where is” basis with no condition or representation of the lessor, except for the warrant to not interrupt the quite use, possession and enjoyment of the containers by the lessee for so long as no event of default has occurred (as amended from time to time, the “**Textainer Tranche 2 Finance Lease 2015**”). The Textainer Tranche 2 Finance Lease 2015 provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

Hapag-Lloyd AG entered as seller into a purchase and sale agreement dated May 7, 2015 with TW CONTAINER LEASING, LTD as buyer in relation to the sale and transfer of title to certain marine container units with a purchase price of US\$24,721,000.00 (as amended from time to time, the “**Textainer Tranche 3 Purchase and Sale Agreement**”). Pursuant to schedule NEUL0307 to the Textainer Tranche 3 Purchase and Sale Agreement, a containers lease agreement dated May 7, 2015 based on the general terms and conditions originally dated January 1, 1997 between Textainer Equipment Management Limited (on behalf of the buyer) as lessor and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the Textainer Tranche 3 Purchase and Sale Agreement back on an “as is, where is” basis with no condition or representation of the lessor, except for the warrant to not interrupt the quite use, possession and enjoyment of the containers by the lessee for so long as no event of default has occurred (as amended from time to time, the “**Textainer Tranche 3 Finance Lease 2015**” and, together with the Textainer Tranche 1 Finance Lease 2015 and the Textainer Tranche 2 Finance Lease 2015, the “**Textainer Finance Leases 2015**”). The Textainer Tranche 3 Finance Lease 2015 provides for a net lease and, therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

As of March 31, 2017, corresponding liabilities for finance lease in an aggregate amount US\$37.68 million were outstanding under the Textainer Finance Leases 2015.

Rent. The rent is payable on a monthly basis and is dependent on a US\$ denominated rate per container unit. For the month of March, 2017 the aggregate amount of rent under all Textainer Finance Leases will sum up to US\$615,953.

Undertakings . The Textainer Finance Leases 2015 provide for certain information undertakings (including the provision of financial information of Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance covenants and general covenants in each case customary for an asset lease agreement of this nature.

Events of default. The lessor may terminate the Textainer Finance Leases 2015 in the case an event of default has occurred. The events of default include occurrence of a material adverse change in the financial condition of the lessee and other events of default customary for this type of leasing transaction.

Security . Pursuant to the relevant Textainer Finance Lease 2015, Hapag-Lloyd AG has assigned its receivables pertaining to the relevant containers to the lessor to secure its obligations under such Textainer Finance Lease 2015.

(K) Japanese Operating Leases

I. General

Hapag-Lloyd AG entered into several equipment purchase agreements in the period of time from 2013 to 2016 with CLIP No. 74 Co., Ltd, CLIP No. 73 Co., Ltd, CLIP No. 71 Co., Ltd, CLIP No. 93 Co., Ltd, CLIP No. 94 Co., Ltd, CLIP No. 84 Co., Ltd, CLIP No. 85 Co., Ltd, CLIP No. 78 Co., Ltd, CLIP No. 79 Co., Ltd, CLIP No. 98 Co., Ltd, CLIP No. 112 Co., Ltd, CLIP No. 122 Co., Ltd, as purchasers in relation to the sales and transfers of title to certain container units at purchase prices in an aggregate amount of US\$297.43 million (as amended from time to time, being referred together as the “**Equipment Purchase Agreements**”).

Pursuant to related equipment operating lease agreements, between the relevant purchasers as lessors and Hapag-Lloyd AG as lessee, Hapag-Lloyd AG agreed to lease the container units sold and transferred under the relevant Equipment Purchase Agreement back on an “as is, where is” basis with no condition, warranty or representation of any kind of the lessor (as amended from time to time, the “**JOL Agreements**”).

II. Maturity / rental payments

Until the relevant termination date (being January 30, 2017, January 30, 2018, September 28, 2017, September 28, 2018, July 18, 2021, August 20, 2021, September 26, 2021, October 23, 2022 and April 12, 2023 as applicable, as the case may be, unless, in each case, an early termination event occurred), Hapag-Lloyd AG is required to make certain rental payments to the lessees. The rental payments are in each case paid on a quarterly basis.

As of March 31, 2017, an aggregate amount of US\$225.59 million was outstanding under all JOL Agreements.

III. Purchase option

Hapag-Lloyd AG has the right to purchase all of the container units upon the applicable termination date by irrevocable written notice to the lessor for a purchase price equal to the value at termination stipulated in the relevant JOL Agreement. The aggregate amount of all purchase prices in case of a regular termination is US\$122.36 million plus all rent and other amounts then due and payable.

IV. Undertakings and Financial Covenants

The JOL Agreements contain certain information undertakings (including the provision of financial information of Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset operate lease agreement of this nature, including certain restrictive covenants such as a negative pledge in relation to the containers and monitoring equipment and restrictions on disposals of the containers and monitoring equipment, in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which are in all respects substantially as described under 12.2(b)(i)(A)(III) “*Liabilities to Banks—K-Sure I- Financing—Undertakings and Financial Covenants*” above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

V. Events of Default

The lessor may terminate the JOL Agreements in the case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the JOL Agreements or any related document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to any financial indebtedness or commitment for financial indebtedness in an amount of €25,000,000 (set forth in the JOL Agreements concluded in the years 2013 and 2014) or, as applicable, €40,000,000 (set forth in the JOL Agreements concluded in the years 2015 and 2016) or, in each case, more, the occurrence of a specified change of control (substantially as described under 12.2(b)(iii)(A)(VI) “*Liquidity Lines—Secured Revolving Credit Facility—Mandatory Prepayments*” below) and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “*Liquidity Lines—Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of leasing transaction.

VI. Security

Hapag-Lloyd AG entered into several security assignment agreements of receivables pertaining to the relevant containers with the lessor as assignee to secure our obligations under the relevant JOL Agreement.

(L) 3-Vessel Finance Lease Contracts

Hapag-Lloyd AG has entered into vessel lease agreements which initially consisted of four vessel finance leases. After having cancelled the lease agreement in respect of the container vessel named “Canberra Express” lease agreement consists of the following three container vessels leases:

I. Dublin Express Lease Agreement

Lease agreement in respect of container vessel “Dublin Express”, originally dated December 20, 2006 between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor (as amended from time to time, the “**Dublin Express Lease Agreement**”). Rent is payable quarterly in arrears, with a rent of US\$1,210,409.33 as per June 30, 2015. The lease was originally expected to terminate on December 20, 2018, subject to the option of Hapag-Lloyd AG to exercise an early termination right and a purchase option in relation to the leased vessel. On February 21, 2012 (with retroactive economic effect as of January 1, 2012) Hapag-Lloyd AG waived (i) its early termination right and (ii) the purchase option of the vessel. In this context, Hapag-Lloyd AG and the lessor have agreed on an extension of the lease term until December 20, 2019 and further agreed on December 20, 2013 on certain down payments by Hapag-Lloyd AG to the lessor on (i) December 20, 2013 in an amount of US\$4,804,861.65 and (ii) December 20, 2014 in an amount of US\$4,788,709.77. Pursuant to a memorandum of agreement dated February 21, 2012, Hapag-Lloyd AG and the lessor agreed with retroactive economic effect as of January 1, 2012 that Hapag-Lloyd AG will purchase the vessel at the termination of the Dublin Express Lease Agreement at a certain specified purchase price (depending on the actual date of the termination of the Dublin Express Lease Agreement). The expected final installment for the vessel as per December 20, 2019 amounts to US\$2,713,602.20.

As of March 31, 2017, a corresponding liability for finance lease in an amount of US\$16.15 million was outstanding.

II. Glasgow Express Lease Agreement

Lease agreement in respect of container vessel “Glasgow Express” originally dated December 20, 2006 between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor (as amended from time to time, the “**Glasgow Express Lease Agreement**”). Rent is payable quarterly in arrears, with a rent of US\$1,210,409.33 as per June 30, 2015. The lease was originally expected to terminate on December 20, 2018, subject to the option of Hapag-Lloyd AG to exercise an early

termination right and a purchase option in relation to the leased vessel. On February 21, 2012 (with retroactive economic effect as of January 1, 2012) Hapag-Lloyd AG waived (i) its early termination right and (ii) the purchase option of the vessel. In this context, Hapag-Lloyd AG and the lessor have agreed on an extension of the lease term until December 20, 2019 and further agreed on December 20, 2013 on certain down-payments by Hapag-Lloyd AG to the lessor on (i) December 20, 2013 in an amount of US\$4,804,861.85 and (ii) December 20, 2014 in an amount of US\$4,788,709.77. Pursuant to a memorandum of agreement dated February 21, 2012, Hapag-Lloyd AG and the lessor agreed with retroactive economic effect as of January 1, 2012 that Hapag-Lloyd AG will purchase the vessel at the termination of the Glasgow Express Lease Agreement at a certain specified purchase price (depending on the actual date of the termination of the Glasgow Express Lease Agreement). The expected final installment for the vessel as per December 20, 2019 amounts to US\$2,713,602.20.

As of March 31, 2017, a corresponding liability for finance lease in an amount of US\$16.15 million was outstanding.

III. Liverpool Express Lease Agreement

Lease agreement in respect of container vessel “Liverpool Express”, originally dated December 20, 2006 between Hapag-Lloyd AG as lessee and HSH N Nordic Finance Ocean No. 1 AB as lessor (as amended from time to time, the “**Liverpool Express Lease Agreement**”). Rent is payable quarterly in arrears, with a rent of US\$1,210,409.33 as per June 30, 2015. The lease was originally expected to terminate on December 20, 2018, subject to the option of Hapag-Lloyd AG to exercise an early termination right and a purchase option in relation to the leased vessel. On February 21, 2012 (with retroactive economic effect as of January 1, 2012) Hapag-Lloyd AG waived (i) its early termination right and (ii) the purchase option of the vessel. In this context, Hapag-Lloyd AG and the lessor have agreed on an extension of the lease term until December 20, 2019 and further agreed on December 20, 2013 on certain down payments by Hapag-Lloyd AG to the lessor on (i) December 20, 2013 in an amount of US\$4,804,861.85 and (ii) December 20, 2014 in an amount of US\$4,788,709.77. Pursuant to a memorandum of agreement dated February 21, 2012, Hapag-Lloyd AG and the lessor agreed with retroactive economic effect as of January 1, 2012 that Hapag-Lloyd AG will purchase the vessel at the termination of the Liverpool Express Lease Agreement at a certain specified purchase price (depending on the actual date of the termination of the Liverpool Express Lease Agreement). The expected final installment for the vessel as per December 20, 2019 amounts to US\$2,713,602.20.

As of March 31, 2017, a corresponding liability for finance lease in an amount of US\$16.15 million was outstanding.

(iii) Liquidity Lines

(A) Secured Revolving Credit Facility

I. General

By an originally US\$360,000,000 (reduced to US\$95,000,000 and subsequently, upon the effectiveness of the last amendment, increased to US\$200,000,000) secured revolving facility agreement originally dated October 1, 2010 for Hapag-Lloyd AG as borrower with, amongst others, BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, DNB Bank ASA, HSBC Trinkaus & Burkhardt AG, IKB Deutsche Industriebank AG, KfW IPEX-Bank GmbH, M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and UniCredit Bank AG as mandated lead arrangers and UniCredit Luxembourg S.A. as agent and security agent. certain banks and financial institutions (including BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, DNB Bank ASA, HSBC Trinkaus & Burkhardt AG, IKB Deutsche Industriebank AG, KfW IPEX-Bank GmbH, M.M.Warburg & CO (AG & Co.) Kommanditgesellschaft auf Aktien and UniCredit Bank AG) as lenders have agreed to make available to Hapag-Lloyd AG a secured revolving credit facility in the total amount of up to US\$200,000,000 for general corporate purposes, except for certain defined purposes (as amended from time to time, the “**Secured Revolving Credit Facility**”).

The Secured Revolving Credit Facility will be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**SRCF Amendment Effective Date**”).

II. Repayment / maturity / clean down

Loans under the Secured Revolving Credit Facility must (subject to rollover) be repaid on the last day of the interest period of the relevant loan.

Hapag-Lloyd AG shall ensure that for a period of not less than five successive business days in each of its financial years, no loans shall be outstanding. Not less than three months shall elapse between two such periods.

All loans and other amounts outstanding under the Secured Revolving Credit Facility shall be repaid in full on the applicable final maturity date.

The initial final maturity of the Secured Revolving Credit Facility is October 1, 2018. Hapag-Lloyd AG may request an extension of the final maturity date for an additional one or two years, provided that only revolving commitments of lenders agreeing to such extension will be extended.

The Secured Revolving Credit Facility is available for utilization until one month prior to the applicable final maturity date.

As of March 31, 2017, no loans were outstanding under the Secured Revolving Credit Facility.

III. Undertakings and Financial Covenants

The Secured Revolving Credit Facility contains certain information undertakings (including the provision of financial information and other information regarding Hapag-Lloyd AG's and its subsidiaries' financial condition), financial covenants and restrictive covenants which are customary for a facility of this nature taken out by a borrower operating in the business sector of Hapag-Lloyd AG, including restrictions on financial indebtedness, guarantees, loans out, disposals, acquisitions, joint ventures, payments to shareholders and reorganization measures as well as a negative pledge (i.e., restrictions on the granting and subsistence of security), in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which require us to ensure that (on the level of Hapag-Lloyd AG and its respective subsidiaries): (i) our equity shall not be less than the higher of (A) €2.75 billion and (B) 30% of the total assets (*Bilanzsumme*) shown in the consolidated financial statements of Hapag-Lloyd AG for the financial quarter ending on that testing date on each testing date and (ii) minimum liquidity in an amount of at least US\$300,000,000 is maintained at all times. Subject to the occurrence of the SRCF Amendment Effective Date the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000.

The financial covenants will be at all times tested as of the last day of each financial quarter of Hapag-Lloyd AG.

The Secured Revolving Credit Facility generally, subject to certain exemptions, permits payments to direct or indirect shareholders of Hapag-Lloyd AG only if (i) no default under the Secured Revolving Credit Facility has occurred and is continuing or would result from the payment and (ii) following the payment, a minimum net liquidity of the Group (cash and cash equivalent investments, net of any drawings under the Secured Revolving Credit Facility outstanding at the time of payment) is at least equal to the Minimum Liquidity Amount. The "Minimum Liquidity Amount" is at least equal to US\$300,000,000 (it being noted that such "Minimum Liquidity Amount" will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 subject to the occurrence of the SRCF Amendment Effective Date).

IV. Interest Rates and Fees

The interest rate on each loan under the Secured Revolving Credit Facility for each interest period is the percentage rate per annum equal to the aggregate of (i) the applicable margin, (ii) LIBOR (for loans denominated in U.S. dollars) or EURIBOR (for loans denominated in euro) and (iii) any mandatory costs.

Customary fees are payable in connection with the Secured Revolving Credit Facility, including commitment fees, utilization fees, agency fees and security agency fees.

V. Security and guarantees

The Secured Revolving Credit Facility is secured by first and second ranking pledges of Hapag-Lloyd AG's shares in CTA. Hapag-Lloyd AG granted a guarantee for its obligations as borrower under the Secured Revolving Credit Facility.

VI. Mandatory Prepayments

Change of Control Mandatory Prepayment. Upon the occurrence of a defined change of control event or the sale of all or substantially all of the assets of Hapag-Lloyd AG and its subsidiaries, each lender shall have the right, within a period of 15 days following notification by the agent of the occurrence of a change of control (the last day of such period the “**Notification Date**”), to demand prepayment of its participation in the Secured Revolving Credit Facility and cancellation of its commitments. Other than to the extent an agreement is reached between Hapag-Lloyd AG and a lender who requests (a “**Requesting Lender**”) the repayment of its participation in all outstanding loan and cancellation of its commitments during an up to 30 days negotiation period, Hapag-Lloyd AG must (on the earlier of (i) the last day of the then current interest period and (ii) the date falling 15 days after the last day of the negotiation period) prepay the respective participation of each relevant Requesting Lender, together with accrued interest and all other respective amounts accrued under the Secured Revolving Credit Facility and relating finance documents, and the commitment of the relevant Requesting Lender will be cancelled. If no negotiations are requested within 10 business days after the Notification Date, Hapag-Lloyd AG must repay the participation in all outstanding loans together with accrued interests and all other respective amounts under the SRCF and relating finance documents owing to all Requesting Lenders on the earlier of (i) the last day of the then current interest period and (ii) the date falling 15 days after such notification, and the commitments of all Requesting Lenders will be cancelled.

At any time after the flotation of Hapag-Lloyd AG’s shares on a regulated market in November 2015, a change of control will be deemed to occur if:

- (i) the Initial Investors and TUI and the Anchor Investors (in aggregate) cease to hold (directly or indirectly) more than 25% of the voting share capital in Hapag-Lloyd AG;
- (ii) the Anchor Investors (in aggregate) hold, directly or indirectly, a higher percentage of the voting rights in Hapag-Lloyd AG than
 - (A) the Initial Investors; and
 - (B) TUI and/or any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by TUI, in aggregate;

and/or

- (iii) any person or group of persons acting in concert (within the meaning of Section 2 para. 5 of the German Takeover Code (WpÜG)) (other than TUI and/or any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by TUI and/or any of the Initial Investors and/or any of the Anchor Investors) hold, directly or indirectly, a higher percentage of the voting rights in Hapag-Lloyd AG than
 - (A) the Initial Investors; and
 - (B) TUI and/or any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by TUI; and
 - (C) the Anchor Investors in aggregate.

A change of control will also occur (whether or not a flotation occurs) if any of Kühne Maritime GmbH, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH or Compañía Sud Americana de Vapores S.A. (“**CSAV**”) individually (but in each case together with any of its Affiliates) holding (directly or indirectly) 50% or more of the voting rights in Hapag-Lloyd AG.

Anchor Investor is any person or group of persons holding, directly or indirectly, voting rights in Hapag-Lloyd AG who has/have entered into a voting pooling agreement and/or any similar arrangement with regard to its shareholding (including its/their voting rights) in Hapag-Lloyd AG with (i) any of the Initial Investors; and/or (ii) TUI or any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by TUI.

Initial Investors are each and any of (i) Kühne Maritime GmbH, (ii) HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, (iii) IDUNA Vereinigte Lebensversicherung auf Gegenseitigkeit für Handwerk, Handel und Gewerbe, (iv) HSH Nordbank AG, (v) HanseMerkur Krankenversicherung AG, (vi) HanseMerkur Lebensversicherung AG, (vii) the M.M.Warburg & CO.

Gruppe (GmbH & Co) KGaA, (viii) Compañía Sud Americana de Vapores S.A and (ix) in each case any person, entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by any Initial Investor referred to under (i) to (viii) (each inclusive) above.

Prepayments must also be made upon the occurrence of illegality.

No amounts so prepaid may be re-borrowed.

The Secured Revolving Credit Facility Agreement does not contain sweeps of asset disposal proceeds, insurance proceeds, debt issue proceeds, equity issue proceeds or excess cash flow.

VII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Secured Revolving Credit Facility may (in whole or in part) be accelerated (i.e., declared immediately due and payable or payable on demand) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Secured Revolving Credit Facility or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above or (ii) information undertakings), misrepresentation, cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more (“**Cross Default**”) and other events of default customary for this type of financing transaction.

Further, the occurrence of any event which is reasonably likely to have a material adverse effect on the business, assets or financial condition of the group (taken as a whole) which would affect the ability of an obligor to comply with the financial covenants, the ability of an obligor to perform its payment obligations under the finance documents or the validity or enforceability of any security (or the ranking and effectiveness of such security) granted for the finance documents or the rights and remedies of any finance party under any finance document (a “**Material Adverse Effect**”) also constitutes an event of default under the Revolving Credit Facility entitling the lenders (or the agent for the lenders) to accelerate.

(B) Unsecured Revolving Credit Facility

I. General

By an unsecured revolving facility agreement dated October 14, 2015 for Hapag-Lloyd AG as borrower with, amongst others, Deutsche Bank Luxembourg S.A., Goldman Sachs Bank USA and Joh. Berenberg, Gossler & Co. KG as lenders, the lenders intend to make available to Hapag-Lloyd AG an unsecured revolving credit facility in the total amount of up to US\$125,000,000 for general corporate purposes, except for the acquisition of companies or businesses (the “**Unsecured Revolving Credit Facility**”). The Unsecured Revolving Credit Facility is to be further amended subject to the suspensive condition of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**GloCo RCF Amendment Effective Date**”).

II. Repayment / maturity / clean down

Loans under the Unsecured Revolving Credit Facility must (subject to rollover) be repaid on the last day of the interest period of the relevant loan.

Hapag-Lloyd AG shall ensure that for a period of not less than five successive business days in each of its financial years, no loans shall be outstanding. Not less than three months may elapse between two such periods.

All loans and other amounts outstanding under the Secured Revolving Credit Facility shall be repaid in full on the applicable final maturity date.

The initial final maturity of the Secured Revolving Credit Facility is the third anniversary of the signing date of the Unsecured Revolving Credit Facility. Hapag-Lloyd AG may request an extension of the final maturity date for an additional one or two years, provided that only revolving commitments of lenders agreeing to such extension upon such request in accordance with the relevant terms of the Unsecured Revolving Credit Facility will be extended.

The Unsecured Revolving Credit Facility is available for utilization until one month prior to the applicable final maturity date.

As of March 31, 2017, no loans were outstanding under the Unsecured Revolving Credit Facility.

III. Undertakings and Financial Covenants

The Unsecured Revolving Credit Facility contains certain information undertakings, financial covenants and restrictive covenants which are customary for a facility of this nature taken out by a borrower operating in the business sector of Hapag-Lloyd AG, including restrictions on financial indebtedness, guarantees, loans out, disposals, acquisitions, joint ventures, payments to shareholders and reorganization measures as well as a negative pledge (*i.e.*, restrictions on the granting and subsistence of security), in each case subject to agreed exceptions, in all respects substantially as described under 12.2(b)(iii)(A)(III) “—*Secured Revolving Credit Facility—Undertakings and Financial Covenants*”. Subject to the occurrence of the GloCo Amendment Effective Date the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000.

In addition, the lending parties under the Unsecured Revolving Credit Facility benefit from a Most Favored Nation Position substantially as described under 12.2(b)(i)(B)(VII) “—*Liabilities to Banks—K-Sure II Financing—Undertakings and Financial Covenants*”.

The Unsecured Revolving Credit Facility generally, subject to certain exemptions, permits payments to direct or indirect shareholders of Hapag-Lloyd AG in all respects substantially as described under 12.2(b)(iii)(A)(III) “—*Secured Revolving Credit Facility—Undertakings and Financial Covenants*”.

IV. Interest Rates and Fees

The interest rate on each loan under the Unsecured Revolving Credit Facility for each interest period is the percentage rate per annum equal to the aggregate of (i) the applicable margin and (ii) LIBOR (for loans denominated in U.S. dollars) or EURIBOR (for loans denominated in euro).

Customary fees are payable in connection with the Unsecured Revolving Credit Facility, including commitment fees, utilization fees and agency fees.

V. Mandatory Prepayments

Change of Control Mandatory Prepayment. The loans (together with all other amounts accrued) under the Unsecured Revolving Credit Facility must (subject to a negotiation concept) be prepaid and all available commitments must be cancelled upon occurrence of a specified change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under 12.2(b)(iii)(A)(VI) “—*Secured Revolving Credit Facility—Mandatory Prepayments*” above.

Prepayments must also be made upon the occurrence of illegality.

No amounts so prepaid may be re-borrowed.

The Unsecured Revolving Credit Facility Agreement does not contain sweeps of asset disposal proceeds, insurance proceeds, debt issue proceeds, equity issue proceeds or excess cash flow.

VI. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Unsecured Revolving Credit Facility may (in whole or in part) be accelerated (*i.e.*, declared immediately due and payable or payable on demand) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The Unsecured Revolving Credit Facility includes events of default customary for this type of financing transaction in all respects substantially as described under 12.2(b)(iii)(A)(VII) “—*Secured Revolving Credit Facility—Events of Default*” above.

(C) Container Finance 2015

I. General

Hapag-Lloyd AG has entered into a US\$135,000,000 revolving loan agreement dated August 6, 2015 relating to the (re)financing of a portfolio of new containers and certain existing containers

between, amongst others, Hapag-Lloyd AG as borrower and beneficial owner of the containers, Hapag-Lloyd Container (No. 3) Ltd. as legal owner of the containers and ING Bank N.V. as agent and security agent and ING Bank Belgium SA/NV and NIBC N.V. as lenders and ING Belgium SA/NV as original hedging bank (as amended from time to time, the “**Container Finance 2015**”).

The Container Finance 2015 is to be further amended subject to the suspensive condition of completion of the UASC Business Combination in accordance with the consent request letter as of August, 2016 (the “**Container Finance Amendment Effective Date**”).

Legal ownership of the containers has been transferred from, amongst others, Hapag-Lloyd AG to Hapag-Lloyd Container (No. 3) Ltd. in accordance with a certain trust agreement, which has also been entered to the benefit of the finance parties.

II. Repayment / maturity

Loans under the Container Finance 2015 must (subject to rollover) be repaid on the last day of the interest period of the relevant loan. The interest periods for loans under the Container Finance 2015 may be three or six months or any other period agreed between the borrower and all of the lenders. All loans and other amounts outstanding under the Container Finance 2015 shall be repaid in full on the applicable final maturity date.

The initial maturity date of the Container Finance 2015 is August 3, 2018. Hapag-Lloyd AG may from time to time request extensions of the final maturity date, in each case for additional 364 days or any other period, provided that all lenders (at their sole discretion) approve such extension in writing. Upon such approval, the relevant applicable maturity date shall be extended as requested. No limit applies to the number of times Hapag-Lloyd AG may request the extension of the relevant applicable maturity date.

The Container Finance 2015 is available for utilization until three months prior to the applicable final maturity date.

As of March 31, 2017, loans in an aggregate principal amount of US\$110.00 million were outstanding under the Container Finance 2015 and a blended fixed interest rate of 3.296% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The Container Finance 2015 contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed containers, related manufacturing agreements, related leases, insurances and any other assets being subject of any security provided in connection with Container Finance 2015, restrictions on disposals of financed containers and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions.

Our financial and operating performance is monitored by financial covenants which are in all respects substantially as described under 12.2(b)(i)(A)(III) “—*Liabilities to Banks—K-Sure I Financing—Undertakings and Financial Covenants*” above. Subject to the occurrence of the Container Finance 2015 Amendment Effective Date the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000.

In addition the lending parties under the Container Finance 2015 benefit from a Most Favored Nation Position as described under 12.2(b)(i)(B)(VII) “—*Liabilities to Banks—K-Sure II Financing—Undertakings and Financial Covenants*”.

IV. Interest and fees

Under the Container Finance 2015, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a fixed margin, plus (iii) mandatory costs of the lenders.

V. Mandatory Prepayments

If, at any date when a borrowing base certificate is delivered by Hapag-Lloyd AG to the agent in accordance with the Container Finance 2015, the relevant borrowing base certificate specifying

amongst other things the product of an advance rate of 80 per cent. and the aggregate net book value of certain specified eligible containers (such product being referred to as the “**Borrowing Base**”), shows that the outstanding loan amount less any amount standing to the credit of the blocked account established in connection with the Container Finance 2015 for the purposes of mandatory prepayments and reductions of the Borrowing Base is in excess of the Borrowing Base, then Hapag-Lloyd AG shall repay the loans to the extent required to reduce the outstanding loan amount less any amount standing to the credit of such blocked account to an amount equal to the Borrowing Base. Any such prepayment shall be made on the last day of the then current interest period if it amounts to less than US\$300,000. If any such prepayment amounts to equal to or in excess of US\$300,000 the prepayment amount shall be paid into the blocked account immediately after the corresponding Borrowing Base Certificate Date and is to be applied in prepayment of the loans on the last day of the then current interest period.

In addition the loans (together with all other amounts accrued) under the Container Finance 2015 must (subject to a negotiation concept) be prepaid upon occurrence of a change of control with respect to Hapag-Lloyd AG, in all respects substantially as described under 12.2(b)(iii)(A)(VI) “—*Secured Revolving Credit Facility—Mandatory Prepayments*” above.

Prepayments must also be made upon the occurrence of illegality.

VI. Security

All obligations under the Container Finance 2015 are secured by (including but not limited to) mortgages over the containers (re)financed by the Container Finance 2015 and assignments of rights and claims with respect to the containers as well as shares mortgages over the shares in Hapag-Lloyd Containers (No. 3) Limited, being the legal owner of the containers and an account pledge in relation to the blocked account.

VII. Events of Default

The total commitments may be cancelled and the utilizations and other amounts outstanding under the Container Finance 2015 may be accelerated (in whole or in part) by the lenders (or the agent for the lenders) in case an event of default has occurred which is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Container Finance 2015 or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above and (ii) information undertakings) as well as a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under 12.2(b)(iii)(A)(VII) “—*Secured Revolving Credit Facility—Events of Default*”) and other events of default customary for this type of asset financing transaction.

(E) *Bladex Credit Facility*

I. General

By a US\$100,000,000 credit facility agreement originally dated November 26, 2013 and as amended from time to time for CSAV Germany Container GmbH (“**CC Co**”) as original borrower with Banco Latinoamericano de Comercio Exterior, S.A. (“**Bladex**”) as lender, Bladex has agreed (subject to satisfaction of certain conditions precedent and further subject to Bladex’s agreement to commit on a case by case basis) to make available to the borrower an unsecured credit facility to finance working capital transactions (the “**Bladex Credit Facility**”). Upon effectiveness of the HLAG CC Co Merger on May 19, 2015, Hapag-Lloyd AG assumed CC Co.’s position as borrower under the Bladex Credit Facility.

On January 6, 2015 Hapag-Lloyd AG entered into a guarantee (under a separate New York law governed guarantee agreement) in respect of CSAV Germany Container GmbH’s payment obligations under the Bladex Credit Facility vis-à-vis the lender. With the occurrence of the HLAG CC Co Merger on May 19, 2015 and HLAG assuming CSAV Germany Container GmbH’s borrower’s position under the Bladex Credit Facility such guarantee became economically meaningless.

II. Repayment / maturity

Loans disbursed under the US\$85 million tranche A of the Bladex Credit Facility must be repaid in eleven (11) quarterly installments on each interest payment date, starting 6 months after the closing

date (being the date on which the Agent notifies Hapag-Lloyd AG that the agreed conditions precedent have been satisfied and/or waived) and ending on the date falling three (3) years after such closing date. Loans disbursed under the US\$15 million tranche B of the Bladex Credit Facility must be repaid in one single installment on November 9, 2016. The repayment obligations are further evidenced by promissory notes that will be issued by the borrower to Bladex from time to time.

As of March 31, 2017, under the Bladex Credit Facility, loans in an amount of US\$80.75 million were outstanding under the Bladex Credit Facility and a blended fixed interest rate of 5.877% per annum was payable on the outstanding loans.

III. Undertakings and Financial Covenants

The Bladex Credit Facility contains certain information undertakings (including the provision of financial information and other information regarding Hapag-Lloyd AG's financial condition), financial covenants (to be maintained on Hapag-Lloyd AG's level) and certain restrictive covenants which are customary for a facility of this nature taken out by a borrower operating in the business sector of the borrower/Hapag-Lloyd AG, including restrictions on reorganization measures and transactions with affiliates, in each case subject to agreed exceptions.

The financial covenants are tested on Hapag-Lloyd AG's level substantially as described under 12.2(b)(i)(A)(III) "*—Liabilities to Banks—K-Sure I Financing—Undertakings and Financial Covenants*" above, it being noted that the Minimum Liquidity Covenant will be increased by an additional amount of US\$50,000,000 to an amount of US\$350,000,000 by virtue of operation of the Most Favored Nation Position upon occurrence of completion of the UASC Business Combination.

In addition Bladex will benefit from the Most Favored Nation Position substantially similar as described under 12.2(b)(i)(B)(VII) "*—Liabilities to Banks—K-Sure II Financing—Undertakings and Financial Covenants*" above.

IV. Interest Rates

For loans disbursed under the Bladex Credit Facility Agreement an interest rate equal to either the LIBOR plus the relevant applicable margin, in each case as specified in the applicable disbursement request, will apply. Interest is payable, in respect of each loan on the due date for such loan and on such other dates, in each case as specified in the relevant disbursement request.

V. Change of Control—Mandatory Prepayment

A loan disbursed (together with all other amounts accrued) under the Bladex Credit Facility must (subject to a negotiation concept), amongst other things, be prepaid upon occurrence of a specified change of control with respect to Hapag-Lloyd AG, substantially similar as described under 12.2(b)(iii)(A)(VI) "*—Secured Revolving Credit Facility—Mandatory Prepayments*" below.

VI. Events of Default

The utilizations and all other amounts outstanding under the Bladex Credit Facility may (in whole or in part) be accelerated by the lender in case an event of default has occurred which is continuing. The lender may also require that the borrower pledges and deposits with or delivers to it as collateral for any outstanding letters of credit and bank guarantees, cash, deposit account balances or other collateral acceptable to the lender in its sole discretion in an amount at least equal to such undrawn amount of letters of credit and bank guarantees.

The events of default include a cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of € 40,000,000 or more and occurrence of a Material Adverse Effect, in each case substantially similar to the Cross Default (with the exception of the relevant applicable cross-default threshold) and Material Adverse Effect as described under 12.2(b)(iii)(A)(VII) "*—Secured Revolving Credit Facility—Events of Default*" below and other events of default customary for this type of financing transaction.

(iv) Others

(A) Asset Backed Securities Program

I. General

Pursuant to a purchase and sale agreement between Hapag-Lloyd AG as originator and seller and Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be

established as Hapag-Lloyd Special Finance DAC) as purchaser originally dated April 7, 2011, subject to certain conditions and a special procedure Hapag-Lloyd AG offered to sell, assign and transfer absolutely (and not by way of security) to the purchaser certain freight receivables owed by debtors resident in, or organized under the laws of any state or province of the United States or Canada (other than governmental authorities) and the purchaser purchased and accepted the absolute assignment and transfer, without recourse, from Hapag-Lloyd AG of all of Hapag-Lloyd AG's rights, title and interest in such freight receivables and related security (as amended and/or restated from time to time, the "**Receivables Purchase and Sale Agreement**").

By an up to US\$350,000,000 loan and servicing agreement among Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower, Hapag-Lloyd AG as servicer, Hannover Funding Company LLC as conduit lender and Norddeutsche Landesbank Girozentrale as agent originally dated April 7, 2011, the lender agreed to make available to the borrower funds to finance the acquisition of the freight receivables (as amended and/or restated from time to time, the "**Loan and Servicing Agreement**"). The borrower's obligations under the Loan and Servicing Agreement are secured by security interests the borrower granted in favor of the agent over all transferred receivables, related rights and the Receivables Purchase and Sale Agreement.

By a shareholder loan agreement between Hapag-Lloyd AG as lender and Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower dated April 7, 2011 (as amended and/or restated from time to time the "**ABS Shareholder Loan Agreement**"), Hapag-Lloyd AG agreed to make certain loans available to the borrower on a revolving basis for the purposes of funding a portion of the purchase price of the freight receivables subject to the Receivables Sale and Purchase Agreement.

Further, a sub-servicing agreement and a back-up servicing agreement have been entered into between, as applicable, Hapag-Lloyd AG as servicer, Finacity Corporation as sub-servicer, the borrower, the agent and the conduit lender, each dated April 7, 2011 in relation to the servicing (or, as the case may be, and sub-servicing), administration and collection of the assigned freight receivables for the benefit of, amongst others, the borrower and the agent respectively.

II. Receivables Purchase and Sale Agreement

The parties to the Receivables Purchase and Sale Agreement expressly intend that the transfers of the freight receivables and related rights by Hapag-Lloyd AG to Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) shall be treated as sales (without recourse unless otherwise agreed in the Receivables Purchase and Sale Agreement) of all of Hapag-Lloyd AG's right, title and interest in the freight receivables and related rights and not as loans secured by the freight receivables and related rights.

The Receivables Purchase and Sale Agreement contains certain information undertakings and restrictive covenants which are customary for an agreement of this nature, including restrictions on mergers, acquisitions and sales, in each case subject to agreed exceptions provided for in the Receivables Purchase and Sale Agreement.

The Receivables Purchase and Sale Agreement can be terminated by Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC), amongst other things, upon the occurrence of a termination event under the Loan and Servicing Agreement or by Hapag-Lloyd AG with 30 days' notice prior to the initial advance (or any business day after the initial advance but prior to the termination date).

III. Loan and Servicing Agreement

The Loan and Servicing Agreement's purpose is to provide funds to the borrower for the acquisition of such receivables purchased under the Receivables Purchase and Sale Agreement. Hapag-Lloyd AG acting as servicer will administer the collection of the receivables purchased under the Receivables Purchase and Sale Agreement. It is responsible for making claims under and enforcing credit insurance policies and negotiating any dispute arising under a transferred receivable.

Discount . Under the Loan and Servicing Agreement, the borrower is required to pay a discount on a monthly basis until the final payout date. Discount accrues on the loan balance from the date of

the initial advance under the Loan and Servicing Agreement through the final payout date (being the date after the termination date of the Loan and Servicing Agreement on which no loan balance or discount is outstanding).

Undertakings . The Loan and Servicing Agreement contains certain information undertakings and restrictive covenants which are customary for a contract of this nature, including restrictions on changes to the corporate existence of the borrower and the servicer and the maintenance of records regarding the receivables. The borrower and the servicer made several covenants to comply with the Receivables Purchase and Sale Agreement and the other contracts named in the Loan and Servicing Agreement as transaction documents. Certain reporting obligations are transferred to Finacity Corporation by way of the sub-servicing agreement.

Cross Termination . The agent is permitted to terminate the Loan and Servicing Agreement and to enforce the security granted thereunder, amongst other things, in the event of the occurrence of a termination event under the Receivables Purchase and Sale Agreement. The Loan and Servicing Agreement also includes other customary events of default.

Facility Termination Date . The facility terminates on December 21, 2018.

IV. ABS Shareholder Loan Agreement

Hapag-Lloyd AG as lender has agreed to make loans to Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower under the ABS Shareholder Loan Agreement (only) until a termination date under the Receivables Purchase and Sale Agreement has occurred.

Subordination . Borrower and Issuer as lender have both covenanted that any amount payable by Hapag-Lloyd Special Finance Limited (after its conversion into a designated activity company to be established as Hapag-Lloyd Special Finance DAC) as borrower to Hapag-Lloyd AG as lender is subordinated to payments that have to be made under the Loan and Servicing Agreement.

Interest Rate . The interest payable on loan amounts outstanding under the ABS Shareholder Loan Agreement is computed by market interest rate per annum for such interest period and a certain fixed additional risk charge.

As per March 31, 2017, a loan in a total principal amount of US\$305.86 million was outstanding under the Asset Backed Securities Program and a blended fixed interest rate of 2.167% per annum was payable on the outstanding loans.

(B) Option Premium Finance Agreements

Hapag-Lloyd AG has entered into several committed or uncommitted bilateral option premium finance framework agreements with several banks as lenders (as described below, as amended from time to time, the “OPFFAS”). The OPFFAS serve the purpose of (pre-)financing any premium to be paid in connection with derivative instruments (e.g., FX, Bunker options) or similar agreement entered into or to be entered into by the respective lender and Hapag-Lloyd AG as borrower for the purpose of hedging against bunker and/or foreign exchange rate risks and include certain covenants and information obligations and event of default provisions as customary for this type of transaction.

As of March 31, 2017, no loans were outstanding under the OPFFAS.

(C) Ballindamm Refinancing 2016

Hapag-Lloyd Grundstücksholding GmbH, a 94.9% subsidiary of Hapag-Lloyd AG and 5.1% subsidiary of Hapag-Lloyd Stiftung, has entered into a € 85,000,000 credit agreement dated August 23, 2016 as borrower with Deutsche Genossenschafts-Hypothekenbank AG as lender for the purposes of the refinancing financial indebtedness incurred for the acquisition of the property Ballindamm 25/Ferdinandstrasse 56, 58, 62/Gertrudenstrasse 17, 20095 Hamburg (as amended from time to time, the “**Ballindamm Financing**”).

As per March 31, 2017 a loan in a total principal amount of € 83.52 million (equivalent in US\$89.20 million) was outstanding under the Ballindamm Financing and a blended fixed interest rate of 2.700% per annum was payable on the outstanding loans.

Undertakings . The Ballindamm Financing contains certain undertakings customary for this type of financing, including negative pledge on the financed property.

Security. All obligations under the Ballindamm Financing are secured by several land charges (*Grundschulden*) over the financed property, including related abstract acknowledgements of debt by the borrower, in an aggregate amount of €85 million and assignment of rental income.

Mandatory Prepayment / Increase of repayment installment. Subject to certain exceptions the borrower is obliged to prepay the outstanding loan in event of a change of control, which will occur, *inter alia*, if a new investor holds more than 50% of the shares in Hapag-Lloyd AG. Subject to customary break fees, the relevant amount of repayment installments will be increased from 3.0% per annum to 5.0% per annum in the event the principal amount of the initially disbursed loan to the current market value of the property exceeds 80%.

Expiry Date. The Ballindamm Financing terminates on August 31, 2026.

12.3 THE Alliance Heads of Agreement

THE Alliance is based on a legally binding heads of agreement (“**HOA**”) dated May 2016 between Hapag-Lloyd AG, K-Line, MOL, NYK and Yang Ming (together, the “**Members**”). On October 24, 2016, Hanjin, an original signatory to the HOA, was terminated as a member of THE Alliance with immediate effect as a result of Hanjin’s bankruptcy.

Operations

The operating agreement of THE Alliance was concluded and signed by the member lines on March 15, 2017. The HOA provides the operational basis of THE Alliance, covering the East – West trades encompassing:

- Asia-Europe;
- Asia-Mediterranean/Adriatic/Black Sea;
- Asia-North America West Coast;
- Asia-North America East Coast via Panama and via Suez;
- Asia-Middle East, Arabian Gulf and Red Sea; and
- Europe/Mediterranean-North America.

THE Alliance is intended to facilitate the sharing of capacity along trade lanes and among Members’ ships. Members remain competitors, and each member of THE Alliance engages in entirely separate sales and marketing activities. Costs associated with the ownership and operation of the Members’ ships generally remain the responsibility of the individual member that operates them.

Each Member provides ships for the services covered by THE Alliance, agreeing to share capacity on its ships with the other Members. In return, each Member is allocated slots on vessels contributed by other Members. The slot capacity to be contributed from each line is intended to tally with their demand for allocation. In the event of over or under-provision of slots, affected members will be entitled to financial compensation.

Termination and Withdrawal

Pursuant to the HOA, THE Alliance will have an initial term of five years commencing on April 1, 2017. Any Member may terminate its membership upon twelve months’ prior written notice without financial or other penalty, provided that termination notice shall not be given before thirty-six (36) months have elapsed after the commencement date of THE Alliance. Participation in THE Alliance may be terminated by the unanimous decision of the Members should any of the following events occur: (i) a change of control, (ii) a breach of the provisions of the HOA, (iii) the commencement of bankruptcy or dissolution procedures or (iv) the making of a general assignment for the benefit of creditors. The withdrawal or termination of a Member’s participation does not automatically terminate THE Alliance. The remaining Members shall consult with each other in order to assess whether adjustments to THE Alliance are required.

13. THE UASC BUSINESS COMBINATION

13.1 Overview

On July 15, 2016, Hapag-Lloyd AG and UASC Limited entered into a business combination agreement (the “**UASC BCA**”) to combine all activities, assets, liabilities, contractual relationships and employees of UASC Limited and its subsidiaries (together “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”). On July 18, 2016, Hapag-Lloyd AG, UASC Limited, CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) and Kühne Maritime GmbH (“**Kühne Maritime**”) (together, the “**HL BCA Controlling Shareholders**”), along with Qatar Holding LLC (“**Qatar Holding**”) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (together, the “**UASC Controlling Shareholders**”), entered into a shareholders support agreement (the “**SSA**”) to comply with the commitments in relation to the UASC Controlling Shareholders and the HL BCA Controlling Shareholders under the UASC BCA. The UASC Business Combination was completed on May 24, 2017.

UASC Limited has closed the sale and transfer of its minority participation in United Arab Chemicals Carriers Limited for proceeds of US\$182.4 million prior to the closing of the UASC Business Combination. According to the UASC BCA, UASC may apply the sale proceeds towards prepayment of its indebtedness.

The UASC Business Combination was completed by way of a contribution-in-kind by (i) all entities and individuals holding UASC Limited shares (“**UASC Shareholders**”) to Hapag-Lloyd AG against the issuance of the New Shares to the UASC Shareholders. The New Shares originate from a capital increase against contribution-in-kind resolved by the executive board of Hapag-Lloyd AG on May 18, 2017 and approved by the supervisory board of Hapag-Lloyd on May 23, 2017 utilizing the authorized capital resolved by the ordinary meeting of the shareholders of Hapag-Lloyd AG on August 26, 2016 (the “**Capital Increase I**”). As a result, Qatar Holding Germany and PIF received a 14.4% stake and 10.1% stake in Hapag-Lloyd AG, respectively. See 15 “Principal Shareholders”.

Under the terms of the UASC BCA and the SSA, Hapag-Lloyd AG, UASC Limited, the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. CG Hold Co and Kühne Maritime together will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital as resolved during Hapag-Lloyd AG’s regular annual general meeting on May 29, 2017. We currently intend to use the proceeds of the Capital Increase II to to repay indebtedness and for general corporate purposes.

13.2 History of UASC

UASC was established in July of 1976 by the Arab states of the Arabian Gulf, being Bahrain, Iraq, Kuwait, Qatar, Saudi Arabia and the United Arab Emirates. Over the past decade, UASC expanded its Middle Eastern footprint by connecting key locations in Asia, such as China, Hong Kong, Japan, Singapore and Thailand, to key destinations in Northern Europe, North America, the Mediterranean, the Black Sea, the Adriatic Sea and Africa, as well as adding new connections from the Indian subcontinent to destinations in the Middle East, Asia Minor and the Red Sea regions. Additionally, in this same time frame, UASC began operations in Austria, the Czech Republic, Hungary, Jordan, Poland, Pakistan, Slovakia, Switzerland and Uruguay either through directly owned subsidiaries or joint ventures as well as expanding into the South American markets of Argentina and Brazil via strategic partnerships.

13.3 Business of UASC

UASC’s headquarters are located in Dubai. As of March 31, 2017, it had four regional offices with more than 183 local offices and 127 ports worldwide. UASC’s fleet included 58 ships with a total carrier capacity of 565,507 TEU, making UASC the largest container shipping line in the Middle East with a wide range of services, including dry containerized shipping, temperature controlled containerized transportation, out of gauge cargo as well as other value added services.

For the fiscal year ended December 31, 2016 and for the three months ended March 31, 2017, after taking into account certain *pro forma* adjustments, UASC generated revenues of US\$2,498.8 million and US\$748.1, EBITDA of US\$161.9 million and US\$116.0 million and an EBITDA margin of 6.5% and 15.5%. See 8 “*Pro Forma Financial Information*”.

(a) Services

UASC’s services provided to its global customer base consist of sea and ocean containerized cargo, temperature controlled/refrigerated cargo and out of gauge cargo shipping services. UASC operates 45 services as of March 31, 2017.

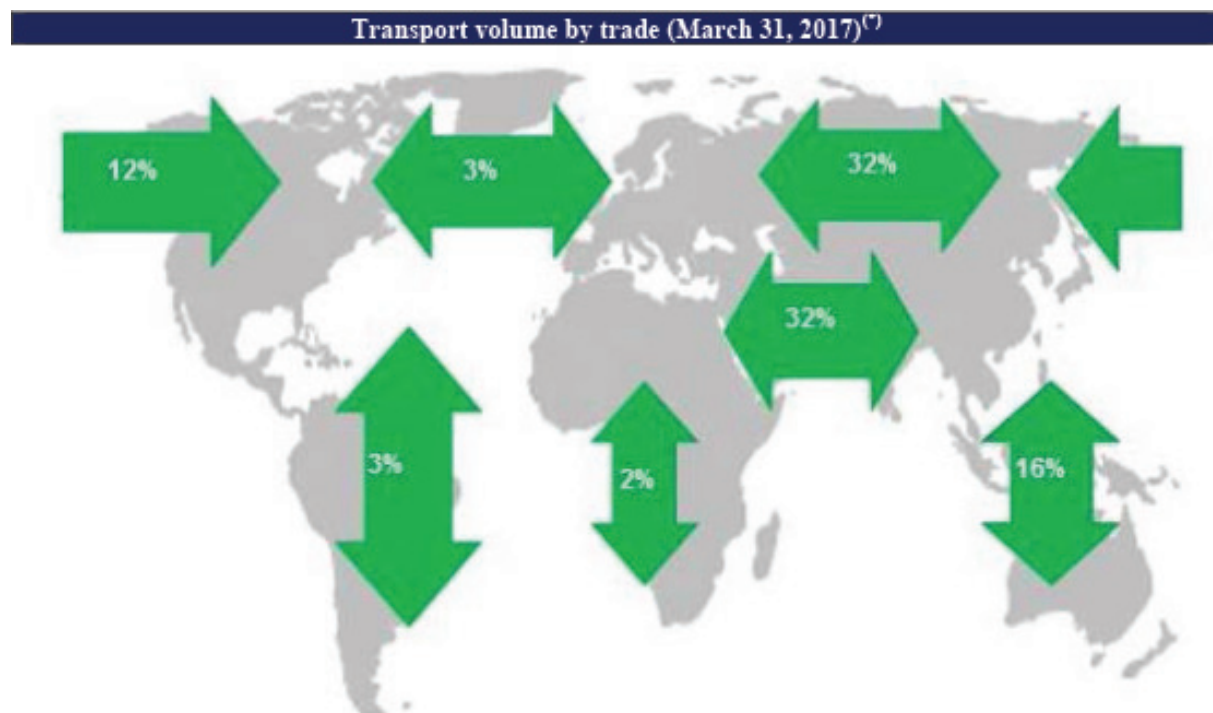
UASC’s core focus is on containerized, temperature controlled/refrigerated and out of gauge shipping, which primarily consists of the loading, shipping and unloading of goods in containers measured in 20-foot increments. In addition, UASC provides its customers with other valued added services complimentary to cargo shipping, such as shipping agency, freight forwarding, warehousing, trucking and logistics, customs brokerage, air cargo, petrochemical transportation, chartering, container as well as ship maintenance and repairs as well as storage services through its diversified subsidiaries and joint ventures. Under its “UASC Online” ecommerce platform, UASC provides customers with sailing schedules, booking, tracking and financing options as well as shipping instructions and printable bills of lading.

The table below shows UASC’s market shares per trade as of March 31, 2017:

	<u>Company’s market share</u>
Far East-Europe	7%
Transpacific	2%
North Atlantic	1%
Latin America	0%

Source: Alphaliner Monthly Monitor, April 2017

In the financial year ended December 31, 2016 and in the three months ended March 31, 2017, UASC’s trades contributed to UASC’s total transport volumes as follows: Far East (33% and 32%), Transpacific (13% and 12%), Atlantic (4% and 3%), Latin America (3% and 3%), Middle East (29% and 32%), EMAO (3% and 2%) and Intra-Asia (15% and 16%).



(*) Allocation of UASC volume according to Hapag-Lloyd trade definition.

(b) Operations

(i) Vessels

As of March 31, 2017, UASC's entire fleet comprised of 58 container vessels, of which it owned 42 (including five vessels chartered, out of which four have a capacity of 13,100 TEU each and one has a capacity of 6,900 TEU) and chartered 16, including five on a long-term basis, chartered five on a mid-term basis and chartered six on a short-term basis. UASC's fleet has an average age of 4.7 years with 92% of the fleet being less than ten years old. As of March 31, 2017, UASC's entire fleet had a combined capacity of 565,507 TEU. The average size of its entire vessel fleet is approximately 9,750 TEU compared to an industry average of 3,878 TEU and an average among the top 20 carriers of 5,066 TEU (*source*: MDS Transmodal, April 2017, assuming all announced mergers were carried out, Company information; Drewry Maritime Research, Q1 2017).

In 2014, UASC ordered a total of 17 new vessels ranging in size from 14,993 TEU to 19,870 TEU, all of which can run on both diesel and liquid natural gas ("LNG") with delivery occurring in 2014, 2015 and 2016. In 2014, UASC took delivery of the world's first LNG ready ultra-large container vessels ("ULCV"), the "M.V. Sajir", and in 2015, took delivery of the "M.V. Barzan", an environmentally efficient vessel. As of March 31, 2017, UASC's order book consisted of two vessels each with a capacity of 14,993 TEU scheduled for delivery during 2017.

The table below sets forth certain information regarding container vessels that UASC owned and finance leased as of March 31, 2017:

	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company⁽¹⁾
Barzan	2015	19,870	Bank Debt	Valletta	UASC Limited	Barzan Ltd.
Al Muraykh	2015	19,870	Bank Debt	Valletta	UASC Limited	Al Muraykh Ltd.
Al Nefud	2015	19,870	Bank Debt	Valletta	UASC Limited	Al Nefud Ltd.
Al Zubara	2015	19,870	Bank Debt	Valletta	UASC Limited	Al Zubara Ltd.
Al Dahna	2016	19,870	Bank Debt	Valletta	UASC Limited	Al Dahna Ltd.
Tihama	2016	19,870	Bank Debt	Valletta	UASC Limited	Tihama Ltd.
Al Mashrab	2016	14,993	Bank Debt	Valletta	UASC Limited	Al Mashrab Ltd.
Al Jasrah	2016	14,993	Bank Debt	Valletta	UASC Limited	Al Jasrah Ltd.
Umm Qarn	2016	14,993	Bank Debt	Majuro	UASC Limited.	Umm Qarn Ltd.
Sajir	2014	14,993	Bank Debt	Majuro	UASC Limited	Sajid Ltd.
Al Murabba	2015	14,993	Bank Debt	Majuro	UASC Limited	Al Murabba Ltd.
Salahuddin	2015	14,993	Bank Debt	Majuro	UASC Limited	Salahuddin Ltd.
Linah	2015	14,993	Bank Debt	Majuro	UASC Limited	Linah Ltd.
Al Nasriyah	2015	14,993	Bank Debt	Majuro	UASC Limited	Al Nasriyah Ltd.
Al Dhail	2016	14,993	Bank Debt	Majuro	UASC Limited	Al Dhail Ltd.
Umm Salal	2011	13,100	Bank Debt	Valetta	UASC Limited	Umm Salal Ltd.
Ain Snan	2012	13,100	Bank Debt	Valetta	UASC Limited	Ain Esnan Ltd.
Unayzah	2012	13,100	Bank Debt	Valetta	UASC Limited	Onayzah Ltd.
Alula	2012	13,100	Bank Debt	Valetta	UASC Limited.	Alula Ltd.
Tayma	2012	13,100	Bank Debt	Valetta	UASC Limited	Tayma Ltd.
Malik al Ashtar	2012	13,100	Debt Issuance	Valetta	UASC Limited	Al Jowf Ltd. ⁽²⁾
Al Riffa	2012	13,100	Bank Debt	Valetta	UASC Limited	SNC Carla ⁽³⁾ (Time charter to Al Riffa Ltd.)
Al Qibla	2012	13,100	Debt Issuance	Valetta	UASC Limited	Al Qibla Ltd. ⁽²⁾
Jebel Ali	2012	13,100	Bank Debt	Valetta	UASC Limited	SNC Valeria ⁽³⁾ (Time charter to Jebel Ali Ltd.)
Al Safat	2008	6,900	Bank Debt	Monrovia	UASC Limited	UASC Limited
Al Kharj	2008	6,900	Bank Debt	Monrovia	UASC Limited	UASC Limited
Al Bahia	2008	6,900	Bank Debt	Monrovia	UASC Limited	UASC Limited
Mayssan	2008	6,900	Bank Debt	Bahrain	UASC Limited	UASC Limited
Al Manamah	2008	6,900	Bank Debt	Bahrain	UASC Limited	UASC Limited
Jazan	2008	6,900	Bank Debt	Monrovia	UASC Limited	UASC Limited
Al Hilal	2008	6,900	None	Monrovia	UASC Limited	UASC Limited
Al Rawdah	2008	6,900	Bank Debt	Majuro	UASC Limited	Al Rawdah Ltd.
Fowairet	1998	3,800	Bank Debt	Monrovia	UASC Limited	UASC Limited

	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company ⁽¹⁾
Al Farahidi	1998	3,800	None	Monrovia	UASC Limited	UASC Limited
Deira	1998	3,800	None	Monrovia	UASC Limited	UASC Limited
Al Abdali	1998	3,800	None	Monrovia	UASC Limited	UASC Limited
Najran	1998	3,800	None	Monrovia	UASC Limited	UASC Limited
Asir	1998	3,800	None	Monrovia	UASC Limited	UASC Limited
Sakaka	1998	3,800	None	Monrovia	UASC Limited	UASC Limited
Al Rain	1998	3,800	None	Monrovia	UASC Limited	UASC Limited
Sabya	1998	3,800	Bank Debt	Monrovia	UASC Limited	UASC Limited
Sudair	1998	3,800	None	Monrovia	UASC Limited	UASC Limited

(1) All special purpose vehicles are 100% owned by UASC unless specified.

(2) All Class A shares owned by UASC and one class B share owned by Orphan Foundation.

(3) Legal ownership of vessels is with special purpose vehicles (*i.e.* SNC Carla and SNC Valeria) owned by Société Générale (lender), however, economic ownership remains with special purpose vehicles (*i.e.* Al Riffa and Jebel Ali) owned by UASC.

(ii) Container Fleet

As of March 31, 2017, UASC operated a total of 739,331 TEU of various types and sizes of containers including dry containers used for solid dry goods not requiring special temperature controls, refrigerated (“reefers”) containers and open-top containers as well as flat rack containers used for transporting abnormally shaped or exceptionally large goods. As of March 31, 2017, UASC operated a very young reefer fleet with 72% of all reefer containers being less than five years old.

The table below shows the number of containers and capacity UASC owned or leased as of March 31, 2017 by type.

Container Type	General			Special			Reefer			Total	
	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)	(% of total TEU)	(1,000)	(1,000 TEU)
20-foot	174.3	174.3	24%	2.2	2.2	0%	0.0	0.0	0	176.5	176.5
40-foot	265.0	530.0	72%	4.3	8.5	1%	12.1	24.3	3%	281.4	562.8
Total	439.3	704.3	95%	6.5	10.7	1%	12.1	24.3	3%	457.9	739.3

(iii) Ports

As of March 31, 2017, UASC had 125 ports on six continents divided into eleven geographic regions, being North and Central America (15 ports), South America (ten ports), North West Europe (nine ports), the Black Sea (two ports), the West Mediterranean (twelve ports), the East Mediterranean (twelve ports), West Africa (seven ports), the Middle East and Red Sea (19 ports), the Indian Sub-Continent (six ports), Asia (29 ports) and Australia (four ports).

(c) Alliances

As of March 31, 2017, UASC participated in the “Ocean 3” alliance comprising UASC, CMA CGM and CSG covering routes from Asia to the Americas, Europe and Africa. UASC, together with Hapag-Lloyd, joined THE Alliance comprising MOL, “K” Line, NYK, and Yang Ming as of April 2017.

(d) Employees

As of March 31, 2017, UASC had 3,512 full-time equivalent employees. The following table sets forth UASC’s full-time equivalent employees as of March 31, 2017.

	Full-time equivalent employees as of March 31, 2017
	(unaudited)
Land personnel	2,877
<i>Thereof based in:</i>	
<i>Agencies</i>	1,788
<i>Americas</i>	179
<i>Asia</i>	53
<i>Europe</i>	55
<i>Mediterranean</i>	0
<i>Middle East</i>	44
<i>South America</i>	8
<i>Head Office</i>	400
<i>Subsidiaries</i>	48
<i>Shared Service Centers</i>	302
Sea personnel	635
Total	3,512

(e) Legal and Tax Proceedings

From time to time UASC Limited and certain of its subsidiaries are involved in legal disputes and administrative proceedings as part of their ordinary business activities.

On May 29, 2015, the Office of Foreign Assets Control under the U.S. Department of Treasury (“**OFAC**”) commenced an investigation into 37 shipments undertaken by UASC to Sudan. UASC admitted that these shipments were moved without any applicable license or exemption and were not accurately checked. UASC responded to this matter on July 29, 2015. On September 30, 2016, OFAC concluded its investigation by issuing a cautionary letter to UASC without pursuing a civil monetary penalty. The cautionary letter represents a final enforcement response to the alleged violation.

On October 7, 2016, UASC received a subpoena from OFAC requesting shipping documentation relating to Dr. Hassan Al Nimah and/or Ms. Kehli Longworth from anywhere in the United States to Doha (Qatar), Cairo (Egypt), the Republic of Yemen or the Republic of Moldova during the years 2005 to 2012. UASC provided all available supporting documents on November 8, 2016. There are no further developments on this matter as of the date of this prospectus.

In May 2016, Hanjin Shipping Co., Ltd. (“**Hanjin**”) notified UASC of its intention to claim certain payments from UASC under the terms of a vessel sharing and slot allocation agreement. The claim is based on an alleged shortfall of slots that UASC failed to provide to Hanjin. Hanjin reserved the right to initiate judicial or arbitration proceedings should the matter not be resolved amicably. Both parties agreed to resolve the matter by UASC agreeing to settle a portion of the claim in cash and the remainder by way of future slot allocations. UASC has paid the agreed cash payment and Hanjin has started to receive the slot allocation. However, due to Hanjin’s bankruptcy, Hanjin is not in a position to execute the agreed slot allocation with UASC. As of the date of this prospectus, no official proceedings have been initiated and the matter remains only partly resolved.

Apart from the proceedings described above, UASC is not and has not been party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Company is aware) during the past twelve months, which may have, or have had in the recent past, significant effects on the UASC’s financial position or profitability.

13.4 Material Contracts

(a) Overview of UASC's Financing Arrangements

The following overview provides a summary of the key features of our financing arrangements, which are described in more detail in section 14.4(b) “—Description of UASC's Financing Arrangements” below.

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
1. United Arab Shipping Company Limited (“UASC”)	ABC Credit Financing. US\$548,000,000 facility dated June 17, 2014 (as amended and/or restated from time to time), between UASC as borrower, Arab Banking Corporation (B.S.C.) as agent, mandated lead arranger and lender and Qatar National Bank P.S.C., Al Ahli Bank of Kuwait K.S.C.P., Commercial Bank of Dubai and Gulf Bank KSC as mandated lead arrangers and lenders.	Unsecured term loan facility for general corporate purposes (now repaid).	—	US\$548,000,000	US\$548,000,000
2. UASC	Burgan Unsecured Facility. US\$150,000,000 unsecured term loan agreement dated April 15, 2012 (as amended and/or restated from time to time) between UASC as borrower and Burgan Bank K.P.S.C. as lender.	Unsecured term loan facility for general corporate purposes.	—	US\$150,000,000	US\$111,000,000
3. UASC	CBD Unsecured Facility. US\$37,500,000 facility agreement dated July 13, 2015 (as amended and/or restated from time to time) between UASC as borrower and Commercial Bank of Dubai as lender.	Unsecured term loan facility for general corporate purposes.	—	US\$37,500,000	US\$37,500,000
4. UASC	AUB Unsecured Facility. US\$53,200,000 facility dated July 12, 2015 (as amended and/or restated from time to time), between UASC as borrower, and Ahli United Bank B.S.C. as lender.	Unsecured term loan facility to refinance existing indebtedness (now repaid).	—	US\$53,200,000	US\$49,210,000
5. UASC	Gulf Bank Facility Agreement. US\$80,000,000 term loan (non-revolving) facility dated November 2, 2015 (as amended and/or restated from time to time) between UASC as borrower and Gulf Bank KSC as lender.	An unsecured on demand term loan facility for funding the obligor's shipping transport business activity.	—	US\$80,000,000	US\$80,000,000

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
6. UASC	QIB Facility. US\$200,000,000 unsecured <i>murabaha</i> facility dated May 29, 2014 (as amended and/or restated from time to time), between UASC as purchaser, and Qatar Islamic Bank (QSC) as seller.	An unsecured <i>murabaha</i> facility to purchase commodities (now repaid).	—	US\$200,000,000	US\$200,000,000
7. UASC	2008 Containership Financing. US\$375,000,000 loan agreement dated November 7, 2008 (as amended and/or restated from time to time) between, amongst others, UASC as borrower, BNP Paribas as facility agent, Gulf International Bank B.S.C. as security agent, and various financial institutions as lenders.	Secured financing of five 6,919 TEU containerships.	Asset security customary for this type of financing including vessel mortgages, account security and assignment of contracts to the lenders.	US\$375,000,000	US\$191,367,500
8. United Arab Agencies, Inc.	TD Bank Loan Note. US\$2,746,250 secured loan note dated March 14, 2014, for borrowing made available by TD Bank, N.A. as lender to United Arab Agencies, Inc. as borrower.	Secured loan note secured against real property.	Mortgage over the premises and security over insurances and leases.	US\$2,746,250	US\$2,065,000
9. Onayzah Limited, Alula Limited, Tayma Limited	KEXIM Vessel Financing. Loan Agreement dated December 14, 2010 with, amongst others, The Export-Import Bank of Korea as a lender and BNP Paribas S.A. as facility agent and security agent.	Secured financing of three 13,100 TEU containerships.	Asset security customary for this type of vessel financing including share pledges, vessel mortgages, account pledges and assignment of contracts to the lenders. Guarantee by UASC of the payment obligations of the borrowers under each vessel financing.	US\$302,040,000	US\$176,190,000

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/ guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
10. Al Rawdah Limited	ABN Secured Vessel Financing. US\$48,750,000 loan agreement dated December 28, 2010 between, amongst others, Al Rawdah Limited as borrower and ABN Amro Bank N.V., Singapore Branch as mandated lead arranger, agent and security trustee.	Secured financing of 60 per cent of the fair market value at drawdown of the vessel m.v. "Al Rawdah".	Asset security customary for this type of vessel financing including general assignment, share security, vessel mortgage and account security. Guarantee by UASC of the payment obligations of the borrower under the vessel financing.	US\$42,900,000	US\$17,160,000
11. Umm Salal Limited	Citibank Secured Vessel Financing. US\$102,753,801.89 loan agreement dated April 7, 2011 between Umm Salal Limited as borrower, Citibank Europe plc as mandated lead arranger, bookrunner and lender, Citibank Europe plc, UK Branch as agent, Citibank, N.A. London Branch as security trustee and Citibank Europe plc UK Branch as K-Sure agent	Secured financing of the contract price of one 13,100 TEU class containership and the financing of the payment of the export credit insurance premium payable to Korea Trade Insurance Corporation.	Asset security customary for this type of vessel financing including general assignment, share security, vessel mortgage and account security. Guarantee by UASC of the payment obligations of the borrower under the vessel financing. Export credit insurance cover for part of the vessel financing by Korea Trade Insurance Corporation.	US\$102,753,802	US\$55,658,311

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
12. Ain Esnan Limited	DB Secured Vessel Financing. US\$103,531,250.64 loan agreement dated April 14, 2011 between Ain Esnan Limited as borrower, Deutsche Bank AG, Hong Kong Branch as mandated lead arranger, lender, agent and K-Sure agent, Deutsche Bank AG, London Branch as swap bank and DB Trustees (Hong Kong Limited) as security trustee.	Secured financing of the contract price of one 13,100 TEU class containership and the financing of the payment of the export credit insurance premium payable to Korea Trade Insurance Corporation.	Asset security customary for this type of vessel financing including general assignment, share security, vessel mortgage and account security. Guarantee by UASC of the payment obligations of the borrower under the vessel financing. Export credit insurance cover for part of the vessel financing by Korea Trade Insurance Corporation.	US\$103,531,251	US\$60,393,229
13. Afif Limited, Al Jmelyah Limited	Burgan Vessel Financing. US\$189,600,000 facility agreement dated December 3, 2013 between Afif Limited and Al Jmelyah Limited as existing borrowers, UASC as guarantor and Burgan Bank K.P.S.C. as lender	Secured financing of the purchase of two 14,500 TEU vessels to be constructed by Hyundai Heavy Industries Co., Ltd and Hyundai Samho Heavy Industries Co., Ltd.	Asset security customary for this type of vessel financing including share pledges, a vessel mortgage, account pledges and assignment of contracts to the lender. Guarantee by UASC of the obligations of the borrowers under the vessel financings.	US\$189,600,000	US\$189,600,00
14. Al Jasrah Limited, Umm Qarn Limited	QNB Vessel Financing. US\$216,948,154 Secured Loan Agreement dated September 16, 2014 between, amongst others, Al Jasrah Limited and Umm Qarn Limited as borrowers, UASC as guarantor and Qatar National Bank S.A.Q. as agent and security agent	Secured financing of two 14,500 TEU vessels constructed by Hyundai Heavy Industries Co., Ltd and Hyundai Samho Heavy Industries Co., Ltd.	Asset security customary for this type of vessel financing including share pledges, vessel mortgages, account pledges and assignment of contracts. Guarantee by UASC of all obligations of the borrowers under the financing	US\$216,948,154	US\$215,948,154

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
15. Barzan Limited, Al Dahna Limited, Al Nefud Limited, Al Zubara Limited, Tihama Limited, Al Dhail Limited, Al Mashrab Limited, Al Murabba Limited, Al Nasriyah Limited, Linah Limited, Sajid Limited, Salahuddin Limited,	Syndicated Vessel Financing. US\$1,250,654,938 secured loan agreement (providing financing of US\$950,654,938 and the SAR equivalent of US\$300,000,000) dated December 12, 2013 with, amongst others, UASC as guarantor, Standard Chartered Bank as agent and DVB Group Merchant Bank (Asia) Ltd (DVB) as security agent.	Secured financing of 12 vessels (of which five 18,800 TEU and seven 14,500 TEU) constructed by Hyundai Heavy Industries Co., Ltd and Hyundai Samho Heavy Industries Co., Ltd.	Asset security customary for this type of vessel financing including share pledges, account pledges, mortgages and assignment of contracts. Guarantee by UASC of the obligations of the borrowers under the respective vessel financing Export credit insurance cover for part of the vessel financing by Korea Trade Insurance Corporation.	US\$1.25 billion	US\$1,109,974,489
16. Al Muraykh Ltd.	ADNL Vessel Financing. Facility Agreement dated November 27, 2013 between, amongst others, Al Muraykh Ltd. as borrower, UASC (as guarantor) and Abu Dhabi National Leasing, L.L.C. as facility arranger.	Secured financing of one 18,800 TEU vessel constructed by Hyundai Heavy Industries Co., Ltd and Hyundai Samho Heavy Industries Co., Ltd. (now repaid).	Asset security customary for this type of vessel financing including share pledges, account pledges, vessel mortgages and assignment of contracts to the facility arranger. Guarantee by UASC of all obligations of the borrower under the financing.	US\$113,625,000	US\$99,421,875
17. Al Rayyan Limited	Al Rayyan Container Financing. US\$50,000,000 secured term loan facility dated July 10, 2012, between Al Rayyan Limited as borrower and Arab Banking Corporation (B.S.C.) as arranger, facility agent, security agent and lender.	Secured financing of cargo containers (up to 80% of original purchase cost) sold by UASC to the borrower.	Asset security customary for this type of container financing including a lease assignment, security over accounts, mortgage over equipment, and security over shares. Guarantee by UASC of all obligations of the borrower under the financing.	US\$50,000,000	US\$23,000,000

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
18. Qurtuba Limited	SINOSURE-backed Container Financing. Four loan agreements providing (in aggregate) up to US\$78,169,163 of financing each dated July 23, 2012 between, amongst others, Qurtuba Limited as borrower and ABN Amro Bank N.V., Singapore Branch as mandated lead arranger, SINOSURE agent, lender, facility agent and security trustee.	Secured financing of marine cargo containers, to part finance Qurtuba Limited's acquisition of the equipment pursuant to the relevant purchase contract (now repaid).	Asset security customary for this type of container financing including share pledges, account pledges, container mortgages and assignment of contracts. Guarantee by UASC of the payment obligations of the borrower under the financing. Export credit insurance cover for part of the financing provided by China Export & Credit Insurance Corporation (SINOSURE).	US\$77,701,008	US\$33,994,190.42
19. Al Riffa Limited (as bareboat charterer)	Al Riffa Financing. French tax lease facility made available pursuant to a US\$102,662,974.55 term loan agreement dated December 10, 2010 (with Société Générale as Head Borrower), a Head Borrower Loan Agreement (with SNC Carla as borrower) and a lease (<i>Credit-bail</i>) agreement between SNC Carla as lessor and Al Riffa Limited as charterer.	Secured financing of (i) amounts payable under the acquisition contract in respect of one 13,100 TEU ship "Al Riffa" and (ii) the export credit insurance premium payable to Korea Trade Insurance Corporation.	Asset security customary for this type of vessel financing including account pledge, deed of covenants, Delegation agreement, general security assignment, vessel mortgage, pre-delivery security assignment and share pledge. Guarantee by UASC of the obligations of Al Riffa Limited under the transaction documents.	US\$102,662,974.55	US\$60,953,211.46

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
20. Jebel Ali Limited (as bareboat charterer)	Jebel Ali Financing. French tax lease facility made available pursuant to a US\$103,115,026.94 term loan agreement dated March 17, 2011 (with Société Générale as Head Borrower), a Head Borrower Loan Agreement (with SNC Valeria as borrower) and a lease (<i>Crédit-bail</i>) agreement between SNC Valeria as lessor and Jebel Ali Limited as charterer.	Secured financing of (i) amounts payable under the acquisition contract in respect of one 13,100 TEU ship “Jebel Ali” and (ii) the export credit insurance premium payable to Korea Trade Insurance Corporation.	Asset security customary for this type of vessel financing including account pledge, deed of covenants, Delegation agreement, general security assignment, vessel mortgage, pre-delivery security assignment and share pledge. Guarantee by UASC of the obligations of Jebel Ali Limited under the transaction documents.	US\$103,115,026.94	US\$63,057,899.12
21. Al Aziziyah Limited (as sub-lessor)	SG Container Box Financing. French tax lease facility made available pursuant to a US\$95,160,035 term loan facility dated June 23, 2015 (with Société Anonyme de Crédit A L’Industrie Francaise—CALIF as borrower and Société Générale and Banque Internationale à Luxembourg as lenders) and a lease (<i>Crédit-bail</i>) agreement between CALIF as lessor and Al Aziziyah Limited as charterer.	Secured financing of marine container boxes acquired by CALIF under a master acquisition agreement with UASC as seller, for leasing by the Borrower to Al Aziziyah Limited and sub-leasing to UASC (now repaid).	Asset security customary for this type of container financing including security assignment of rights under the lease agreement, assignment of insurances, requisition compensation and warranties, and Delegation agreement. Guarantee by UASC of the payment obligations of the Al Aziziyah Limited under the lease agreement and of Khafji Limited under a put option agreement in respect of the container boxes.	US\$95,160,035	US\$81,905,602

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
22. Al-Mutanabbi Limited	Al-Mutanabbi JOLCO Financing. US\$30,000,000 JOLCO financing pursuant to (i) a US\$21,000,000 loan made available by DVB Transport Finance Limited, Tokyo Branch as initial lender, to JPC No. 14 Limited as borrower pursuant to a loan agreement dated August 26, 2014 and (ii) an equity investment by the borrower repaid through lease rentals. Containers are leased by the borrower to Al-Mutanabbi Limited and sub-leased to UASC.	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	Asset security customary for this type of container financing including a mortgage over the financed containers, and assignment of contracts to the lender. Guarantee by UASC of the payment obligations of Al-Mutanabbi Limited.	US\$30,000,000	US\$15,750,000 (loan portion) US\$7,637,500 (equity portion)
23. Wakrah Limited	Wakrah JOLCO Financing. US\$30,000,000 JOLCO financing pursuant to (i) a US\$21,000,000 loan made available by DVB Transport Finance Limited, Tokyo Branch as initial lender, to JPC No. 15 Limited as borrower pursuant to a loan agreement dated April 22, 2015 and (ii) an equity investment by the borrower repaid through lease rentals. Containers are leased by the borrower to Wakrah Limited and sub-leased to UASC.	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	Asset security customary for this type of container financing including a mortgage over the financed containers, and assignment of contracts to the lender. Guarantee by UASC of the payment obligations of Wakrah Limited.	US\$30,000,000	US\$17,062,500 (loan portion) US\$7,747,500 (equity portion)
24. Busaiteen	Busaiteen JOLCO Financing. US\$45,000,000 JOLCO financing pursuant to (i) a US\$31,500,000 loan made available by, <i>inter alios</i> , DVB Transport Finance Limited, Tokyo Branch as lender, to JPC No. 12 Limited as borrower pursuant to a loan agreement dated July 22, 2015 and (ii) an equity investment by the borrower repaid through lease rentals. Containers are leased by the borrower to Busaiteen and sub-leased to UASC.	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	Asset security customary for this type of container financing including a mortgage over the financed containers, and assignment of contracts to the lender. Guarantee by UASC of the payment obligations of Busaiteen.	US\$45,000,000	US\$26,880,750 (loan portion) US\$12,054,250 (equity portion)

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
25. Hira Limited	<p>Hira JOLCO Financing. US\$50,002,360 JOLCO financing pursuant to (i) two loans in the amount of US\$21,883,547 and US\$13,118,105, respectively, made available by ING Bank N.V., Tokyo Branch as initial lender, to CLIP No. 76 Co., Ltd., and CLIP No. 77 Co., Ltd., respectively, as borrowers pursuant to two loan agreements each dated June 26, 2014 and (ii) an equity investment by the relevant borrower repaid through lease rentals.</p> <p>Containers are leased by each borrower to Hira Limited and sub-leased to UASC.</p>	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	<p>Asset security customary for this type of container financing including a mortgage over the financed containers, account pledge and assignment of contracts to the lender.</p> <p>Guarantee by UASC of the payment obligations of Hira Limited.</p>	US\$50,002,360	<p>US\$22,466,238.63 (loan portion)</p> <p>US\$15,000,708 (equity portion)</p>
26. Al Madinah Limited	<p>Al Madinah JOLCO Financing. US\$75,001,414 JOLCO financing pursuant to (i) three loans in the amount of US\$17,207,048.60, US\$17,764,896.80, and US\$17,529,044.40 respectively, made available by ING Bank N.V., Tokyo Branch as initial lender, to CLIP No. 109 Co., Ltd., CLIP No. 110 Co., Ltd. and CLIP No. 111 Co., Ltd., respectively, as borrowers pursuant to three loan agreements each dated May 25, 2015 and (ii) an equity investment by the relevant borrower repaid through lease rentals.</p> <p>Containers are leased by each borrower to Al Madinah Limited and sub-leased to UASC.</p>	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	<p>Asset security customary for this type of container financing including a mortgage over the financed containers, account pledge and assignment of contracts to the lender.</p> <p>Guarantee by UASC of the payment obligations of Al Madinah Limited.</p>	US\$75,001,414	<p>US\$40,143,951 (loan portion)</p> <p>US\$22,500,424 (equity portion)</p>
27. Al Oyun Limited	<p>Al Oyun JOLCO Financing. US\$125,000,000 JOLCO financing pursuant to (i) three loans in the amount of US\$27,295,568.30, US\$29,539,422.50, and US\$30,665,009.20, respectively, made available by ING Bank N.V., Tokyo Branch as initial lender, to CLIP No. 49 Co., Ltd., CLIP No. 119 Co., Ltd. and CLIP No. 120 Co., Ltd., respectively, as borrowers pursuant to three loan agreements each dated December, 14 2015 and (ii) an equity investment by the relevant borrower repaid through lease rentals.</p> <p>Containers are leased by each borrower to Al Oyun Limited and sub-leased to UASC.</p>	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	<p>Asset security customary for this type of container financing including a mortgage over the financed containers, account pledge and assignment of contracts to the lender.</p> <p>Guarantee by UASC of the payment obligations of Al Oyun Limited.</p>	US\$125,000,000	<p>US\$73,796,801 (loan portion)</p> <p>US\$37,500,000 (equity portion)</p>

Obligor	Description of financing arrangement	Subject matter of the financing arrangement	Security/guarantees	Financial indebtedness (original amount)	Financial indebtedness outstanding as of March 31, 2017
28. Manamah Limited	Manamah JOLCO Financing. US\$71,429,135 JOLCO financing pursuant to (i) three loans in the amount of US\$16,680,225.80, US\$18,435,298, and US\$14,884,870.70, respectively, made available by Bank of America, N.A., Tokyo Branch as initial lender, to CLIP No. 99 Co., Ltd., CLIP No. 100 Co., Ltd. and CLIP No. 105 Co., Ltd., respectively, as borrowers pursuant to three loan agreements dated December 20, 2014, December 20, 2014 and February 17, 2015 respectively and (ii) an equity investment by the relevant borrower repaid through lease rentals. Containers are leased by each borrower to Manamah Limited and sub-leased to UASC.	Secured financing of shipping containers pursuant to a Japanese operating lease with call option.	Asset security customary for this type of container financing including a mortgage over the financed containers, bank parent letter, account pledge and assignment of contracts to the lender. Guarantee by UASC of the obligations of Manamah Limited.	US\$71,429,135	US\$35,877,311 (loan portion) US\$21,428,741 (equity portion)
29. Al Jowf Limited, Al Qibla Limited	Transactions contemplated by a Certificate Purchase Agreement, dated June 15, 2015, between, amongst others, UASC, Wells Fargo Bank Northwest N.A. as pass through trustee and loan trustee, Al Jowf Limited and Al Qibla Limited and the certificate purchasers.	Bond financing for the purchase of two vessels (Al Qibla and Malik Al Ashtar).	Mortgages over the vessels, assignment of earnings, account pledge, and assignment of insurances.	US\$162,000,000	US\$146,746,042
30. Container finance leases	The lessors are Intermodal Finance Ltd., CAI International Inc., Dong Fang International, Florence Container Services, Seaco Global Ltd, Seacube Container Leasing, TAL International Container and Textainer Equipment Management.	Lease of 26,372 containers in total.	Asset security customary for this type of container financing.	US\$129,042,159	US\$57,074,060

(b) Description of UASC's Financing Arrangements

The following section describes in more detail those facilities described above which are outstanding, or have been entered into in connection with the UASC Business Combination.

Certain of the facilities described below have been utilized for the purposes of repaying the outstanding financial indebtedness of United Arab Shipping Company Limited (“**UASC Limited**”) owing to certain lenders under a syndicated term loan facility agreement dated June 17, 2014 (being the US\$548,000,000 ABC Credit Financing that is the first facility referred to in the table set out under 13.4(a) “—*Overview of UASC Financing Arrangements*” above). That facility agreement is referred to in this section as the “**Repaid ABC Credit Financing**”.

(i) *Unsecured Facilities*

(A) *QNB Unsecured Facility*

I. General

By a US\$200,000,000 facility agreement dated April 25, 2017 (as amended and/or restated from time to time, the “**QNB Unsecured Facility**”), with Qatar National Bank Q.P.S.C. (“**QNB**”) as agent and lender, the lender has agreed to make available to UASC Limited an unsecured term loan facility for the repayment of its outstanding financial indebtedness owing to QNB under the Repaid ABC Credit Financing.

II. Repayment / Maturity

The loan under the QNB Unsecured Facility shall be repaid in full on June 25, 2019.

As of March 31, 2017, no indebtedness was outstanding under the QNB Unsecured Facility (which was subsequently entered into on April 25, 2017) and instead the relevant borrowing (in the amount of US\$200,000,000) was at such time owed by the borrower to QNB under the Repaid ABC Credit Financing.

III. Undertakings and Financial Covenants

The QNB Unsecured Facility contains certain information covenants (including the provision of financial information and other information regarding UASC Limited’s financial condition), and restrictive covenants and general undertakings which are customary for a facility of this nature, including restrictions on disposals, change of business, mergers and non-arm’s length transactions.

Under the terms of its guarantee (see 13.4(b)(i)(A)(V) “—*Guarantees*” below), Hapag-Lloyd Aktiengesellschaft (“**Hapag-Lloyd AG**”) agrees to comply with certain financial covenants that are tested quarterly by reference to its latest consolidated accounts. Hapag-Lloyd AG agrees to ensure that at all times its equity is not less than EUR2,750,000,000 or (if greater) the value of 30% of total assets (excluding hedging reserve, currency translation reserve and the valuation of pension and plan assets) shown in its consolidated financial statements for the financial quarter ending on the relevant covenant testing date. In addition, Hapag-Lloyd AG agrees to ensure that the Hapag-Lloyd AG group’s cash and cash equivalent investments is, at all times, at least US\$350,000,000. Following the termination of a US\$200,000,000 revolving credit facility of Hapag-Lloyd AG dated October 1, 2010 (as amended and restated on September 30, 2015), Hapag-Lloyd AG would be required to ensure the group holds greater cash and cash equivalent investments in an amount equal to 3% of adjusted consolidated debt (if such amount is greater than US\$350,000,000).

In addition, the lending parties under the QNB Unsecured Facility benefit from any financial covenants that Hapag-Lloyd AG will grant to lenders under any other loan facility or facilities (including under any related guarantee) where the borrowing amount under that facility or facilities is (in aggregate) at least € 25,000,000 and where that facility or facilities is or are entered into after the date of the QNB Unsecured Facility (as long as such parallel financial covenants are applicable under such other financing arrangement). Such concept of the application of parallel financial covenants, is referred to in the following as the “**Most Favored Nation Position**”.

IV. Interest Rates and Fees

UASC Limited is required to pay interest to the lender at a rate per annum equal to LIBOR plus a margin that is of a customary level for this type of transaction.

UASC Limited is required to pay customary fees under and in connection with the QNB Unsecured Facility.

V. Guarantees

Hapag-Lloyd AG provides a guarantee in respect of the obligations of UASC Limited under the QNB Unsecured Facility.

VI. Mandatory Prepayment

(a) *General*

The QNB Unsecured Facility includes mandatory prepayments customary for an unsecured term loan of this type, including in the event of illegality affecting a lender.

(b) Change of Control—UASC

A mandatory prepayment event applies if UASC Limited ceases to be a wholly owned direct or indirect subsidiary of Hapag-Lloyd AG, without the prior consent of all the lenders.

(c) Change of Control—Hapag-Lloyd AG

A mandatory prepayment event may also occur if a “Change of Control Event” occurs. This would occur if:

(i) TUI Aktiengesellschaft (“**TUI**”) and certain initial investors in Hapag-Lloyd AG, taken together with any persons or group of persons that hold voting rights in Hapag-Lloyd AG and are party to a voting pooling or similar arrangement with TUI (or certain relevant persons wholly owned by TUI) or such other initial investors (“**Related Investors**”), cease to own more than 25% of the voting shares in Hapag-Lloyd AG;

(ii) the Related Investors at any time hold a greater percentage of the voting rights in Hapag-Lloyd AG than, taken together, TUI (including certain relevant persons wholly owned by TUI) and those initial investors referred to in (i) above;

(iii) a person or group of persons acting in concert (other than certain permitted shareholders, which includes, subject to certain agreed limits, those referred to in (i) above) at any time hold more than the percentage of shares held by those shareholders referred to in (i) above; and/or

(iv) any one of certain named shareholders (being Kühne Maritime GmbH, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH or Compañía Sud Americana de Vapores S.A.) individually (but together with any of its affiliates) becomes holder(s) of more than 50% of the voting rights of Hapag-Lloyd AG.

If a Change of Control Event occurs, then each lender may request the repayment of its participation in the facility. If no agreement is reached with the borrower for the continuation of the relevant lender’s participation, pursuant to a consultation regime in the facility, the borrower would be required to repay the participation of any such lender requesting prepayment.

VII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the QNB Unsecured Facility may (in whole or in part) be accelerated or declared to be payable on demand in case an event of default has occurred.

The events of default are customary for this type of transaction, and include an event or circumstance, or series of events or circumstances, which is reasonably likely to have a Material Adverse Effect. A “**Material Adverse Effect**” is defined as a material adverse effect on: (i) the business, assets or financial condition of Hapag-Lloyd AG and its subsidiaries, which would affect the ability of Hapag-Lloyd AG to comply with its financial covenants under its guarantee; (ii) the ability of either UASC Limited or Hapag-Lloyd AG to perform their respective payment obligations under the relevant finance documents; or (iii) the validity or enforceability of such finance documents or the rights or remedies of any finance party under such finance documents.

The events of default also include failure by Hapag-Lloyd AG to comply with its financial covenants.

(B) Burgan Unsecured Facility

I. General

UASC Limited has entered into a term loan agreement dated April 15, 2012, between UASC Limited as borrower and Burgan Bank K.P.S.C. as lender, for general corporate purposes (as amended and/or restated from time to time, the “**Burgan Unsecured Facility**”). The original amount of the facility was US\$150,000,000, which has been reduced to US\$120,000,000 pursuant to certain amendments entered into in connection with the UASC Business Combination.

II. Repayment / Maturity

The loan was originally repayable in ten consecutive semi-annual installments commencing on 30 October 2014, and in connection with certain amendments made to the Burgan Unsecured Facility,

the repayment profile for the loan has been amended to a profile comprising fourteen consecutive semi-annual installments commencing on 30 October 2015, with a final installment under the amended repayment profile being due on the final maturity date, being April 30, 2022.

As of March 31, 2017, the total principal amount of the loan outstanding under the Burgan Unsecured Facility was US\$111,000,000.

III. Undertakings and Financial Covenants

The Burgan Unsecured Facility contains certain information undertakings (including the provision of financial information relating to UASC Limited), and certain other general undertakings, subject to certain agreed exceptions. UASC Limited undertakes to ensure or procure that there is a minimum annual turnover of US\$200,000,000 per calendar year through a current account held by UASC Limited (or by any other member of the Hapag-Lloyd group with the lender. The lender benefits from a right of set off with respect to the amounts in the current account.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after January 9, 2017.

IV. Interest Rate

Under the Burgan Unsecured Facility, UASC Limited is required to pay interest to the lender at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a margin that is of a customary level for this type of transaction.

The borrower may select interest periods of three or six months’ duration, or as otherwise agreed with the lender.

V. Security and Guarantees

All obligations of the borrower under the Burgan Unsecured Facility are guaranteed by Hapag-Lloyd AG.

VI. Mandatory Prepayment

The Burgan Unsecured Facility includes a customary mandatory prepayment event in the event of illegality affecting a lender.

In addition, the Burgan Unsecured Facility includes mandatory prepayment events for a change of control affecting UASC Limited or Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(b) “—*QNB Unsecured Facility—Mandatory Prepayment—Change of Control—UASC*” and 13.4(b)(i)(A)(VI)(c) “—*QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Burgan Unsecured Facility may (in whole or in part) be accelerated or declared to be payable on demand in case an event of default has occurred which is continuing.

The events of default are customary for this type of transaction, and include an event or circumstance which is reasonably likely to have a Material Adverse Effect (substantially as defined under 13.4(b)(i)(A)(VII) “—*QNB Unsecured Facility—Events of Default*” above).

The events of default also include failure by Hapag-Lloyd AG to comply with its financial covenants (as referred to above).

(C) *CBD Unsecured Facility*

I. General

By a facility agreement dated July 13, 2015 with Commercial Bank of Dubai as lender, the lender has agreed to make available to UASC Limited an unsecured term loan facility, which was originally

made available in an amount of US\$37,500,000 for UASC Limited's general corporate purposes (as amended and/or restated from time to time, the "**CBD Unsecured Facility**"). In connection with certain amendments made to the CBD Unsecured Facility, an additional Tranche B was made available to UASC Limited under the facility for the purposes of repaying the existing financial indebtedness owing by UASC Limited to the lender under the Repaid ABC Credit Financing.

As amended, the loan under the CBD Unsecured Facility is split into two tranches: Tranche A in an amount of \$37,500,000 and Tranche B in an amount of \$91,000,000.

II. Repayment / Maturity

The loan under the CBD Unsecured Facility is due to be repaid in full on December 31, 2017.

As of March 31, 2017, the principal amount of the loan outstanding under the CBD Unsecured Facility was US\$37,500,000 (with Tranche B in the amount of US\$91,000,000 being subsequently drawn down on May 22, 2017).

III. Undertakings and Financial Covenants

The CBD Unsecured Facility contains certain undertakings which are customary for a facility of this nature, and which are substantially as described under 13.4(b)(i)(A)(III) "*—QNB Unsecured Facility—Undertakings and Financial Covenants*".

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) "*—QNB Unsecured Facility—Undertakings and Financial Covenants*".

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after September 19, 2016.

IV. Interest Rates and Fees

UASC Limited is required to pay interest to the lender at a rate per annum equal to LIBOR plus certain applicable margins (depending on the relevant tranche and period) which are of a customary level for this type of transaction.

UASC Limited is required to pay customary fees under and in connection with the CBD Unsecured Facility.

V. Guarantees

Hapag-Lloyd AG provides a guarantee in respect of the obligations of UASC Limited under the QNB Unsecured Facility.

VI. Mandatory Prepayment

The CBD Unsecured Facility includes a customary mandatory prepayment event in the event of illegality affecting a lender.

In addition, the CBD Unsecured Facility includes mandatory prepayment events for a change of control affecting UASC Limited or Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(b) "*—QNB Unsecured Facility—Mandatory Prepayment—Change of Control—UASC*" and 13.4(b)(i)(A)(VI)(c) "*—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*".

VII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the CBD Unsecured Facility may (in whole or in part) be accelerated or declared to be payable on demand in case an event of default has occurred which is continuing.

The events of default are customary for this type of transaction, and include an event or circumstance which is reasonably likely to have a Material Adverse Effect (substantially as defined under 13.4(b)(i)(A)(VII) "*—QNB Unsecured Facility—Events of Default*" above).

(D) GB Unsecured Facility I

I. General

By a US\$80,000,000 facility agreement dated November 2, 2015, with Gulf Bank K.P.S.C. as lender, the lender has agreed to make available to UASC Limited an unsecured term loan facility for its general corporate purposes (as amended and/or restated from time to time, the “**GB Unsecured Facility I**”).

II. Repayment / Maturity

The loan under the GB Unsecured Facility I shall be repaid by seven consecutive semi-annual installments and a final installment which is due on November 30, 2022 (being the final repayment date).

As of March 31, 2017, the principal amount of the loan outstanding under the GB Unsecured Facility I was US\$80,000,000.

III. Undertakings and Financial Covenants

The GB Unsecured Facility I contains certain information undertakings (including the provision of financial information and other information regarding UASC Limited’s financial condition), and restrictive covenants and general undertakings which are customary for a facility of this nature, including restrictions on disposals, change of business, mergers and non-arm’s length transactions.

UASC Limited undertakes to ensure or procure that there is a minimum annual turnover of US\$100,000,000 per calendar year in aggregate through a current account held by UASC Limited with the lender (or through any other accounts held by UASC Limited or any of its subsidiaries with the lender).

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after November 24, 2016.

IV. Interest Rates and Fees

UASC Limited is required to pay interest to the lenders at a rate *per annum* equal to LIBOR plus a margin that is of a customary level for this type of transaction.

UASC Limited is required to pay customary fees under and in connection with the GB Unsecured Facility I.

V. Guarantees and Security

Hapag-Lloyd AG provides a guarantee in respect of the obligations of UASC Limited under the GB Unsecured Facility I.

VI. Mandatory Prepayment

The GB Unsecured Facility I includes a customary mandatory prepayment event in the event of illegality affecting a lender.

In addition, the GB Unsecured Facility I includes mandatory prepayment events for a change of control affecting UASC Limited or Hapag-Lloyd AG, substantially as described under (respectively) 13.4(b)(i)(A)(VI)(b) “—*QNB Unsecured Facility—Mandatory Prepayment—Change of Control—UASC*” and 13.4(b)(i)(A)(VI)(c) “—*QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the GB Unsecured Facility I may (in whole or in part) be accelerated, or the loan may be declared to be payable on demand, in case an event of default has occurred which is continuing.

The events of default are customary for this type of transaction, and include an event or circumstance which is reasonably likely to have a Material Adverse Effect (substantially as defined under 13.4(b)(i)(A)(VII) “—*QNB Unsecured Facility—Events of Default*” above).

The events of default also include a failure by Hapag-Lloyd AG to comply with its financial covenants referred to above.

(E) GB Unsecured Facility II

I. General

By a US\$75,000,000 facility agreement dated May 12, 2017, with Gulf Bank K.P.S.C. as lender (“**Gulf Bank**”), the lender has agreed to make available to UASC Limited an unsecured term loan facility for the purposes of repaying UASC Limited’s existing outstanding indebtedness owing to Gulf Bank under the Repaid ABC Credit Financing and otherwise for its general corporate purposes (as amended and/or restated from time to time, the “**GB Unsecured Facility II**”).

II. Repayment / Maturity

The loan under the GB Unsecured Facility II shall be repaid in full on the applicable repayment date. The repayment date of the GB Unsecured Facility II is June 25, 2019.

As of March 31, 2017, no indebtedness was outstanding under the GB Unsecured Facility II (which was subsequently entered into on May 12, 2017) and instead the relevant borrowing (in the amount of US\$75,000,000) was at such time owed by the borrower to Gulf Bank under the Repaid ABC Credit Financing.

III. Undertakings and Financial Covenants

The GB Unsecured Facility II contains certain information undertakings (including the provision of financial information and other information regarding UASC Limited’s financial condition), and restrictive covenants and general undertakings which are customary for a facility of this nature, including restrictions on disposals, change of business, mergers and non-arm’s length transactions.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after January 11, 2017.

IV. Interest Rates and Fees

UASC Limited is required to pay interest to the lenders at a rate *per annum* equal to LIBOR plus a margin that is of a customary level for this type of transaction.

UASC Limited is required to pay customary fees under and in connection with the GB Unsecured Facility II.

V. Guarantees and Security

Hapag-Lloyd AG provides a guarantee in respect of the obligations of UASC Limited under the GB Unsecured Facility II.

VI. Mandatory Prepayment

The mandatory prepayment events under the GB Unsecured Facility II are all substantially as described under 13.4(b)(i)(D)(VI) “—*GB Unsecured Facility I—Mandatory Prepayment*” above.

VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the GB Unsecured Facility II may (in whole or in part) be accelerated, or the loan may be declared to be payable on demand, in case an event of default has occurred which is continuing.

The events of default are customary for this type of transaction, and include an event or circumstance which is reasonably likely to have a Material Adverse Effect (substantially as defined under 13.4(b)(i)(A)(VII) “—*QNB Unsecured Facility—Events of Default*” above).

The events of default also include a failure by Hapag-Lloyd AG to comply with its financial covenants (as referred to above).

(F) QIB Facility

I. General

By a US\$200,000,000 unsecured murabaha facility agreement dated May 12, 2017, with Qatar Islamic Bank (Q.P.S.C.) as seller (“**QIB**” or “**Seller**”), the Seller has agreed to purchase certain commodities and immediately sell them to UASC Limited through murabaha arrangements (as amended and/or restated from time to time, the “**QIB Facility**”). The QIB Facility was entered into to replace an existing murabaha facility with QIB dated May 29, 2014 (the “**Repaid QIB Facility**”) and to refinance and extend the final payment date for the purchase transactions under that previous murabaha agreement, and also for general corporate purposes.

II. Repayment / Maturity

Commitments under the QIB Facility shall be repaid in full on the applicable final maturity date.

The final maturity date of the QIB Facility is the date falling five years after the first purchase transaction under the QIB Facility, being May 22, 2022.

As of March 31, 2017, no indebtedness was outstanding under the QIB Facility (which was subsequently entered into on May 12, 2017) and instead the relevant borrowing (in the amount of US\$200,000,000) was at such time owed by the borrower to QIB under the Repaid QIB Facility.

III. Undertakings and Financial Covenants

The QIB Facility contains certain information undertakings (including the provision of financial information and other information regarding UASC Limited’s financial condition), general undertakings and restrictive covenants which are customary for a facility of this nature, including restrictions on disposals, changes of business, mergers and non-arm’s length transactions.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after May 24, 2017.

IV. Interest Rates and Fees

UASC Limited is required to pay a profit rate to the Seller at a rate per annum equal to the aggregate of LIBOR plus a margin that is of a customary level for this type of transaction.

UASC Limited is required to pay customary fees under and in connection with the QIB Facility.

V. Guarantees and Security

Hapag-Lloyd AG provides a guarantee in respect of the obligations of UASC Limited under the QIB Facility.

VI. Mandatory Prepayment

The QIB Facility includes a customary mandatory prepayment event in the event of illegality affecting a participant.

In addition, the QIB Facility includes mandatory prepayment events for a change of control affecting UASC Limited or Hapag-Lloyd AG, substantially as described under (respectively) 13.4(b)(i)(A)(VI)(b) “—*QNB Unsecured Facility—Mandatory Prepayment—Change of Control—UASC*” and 13.4(b)(i)(A)(VI)(c) “—*QNB Unsecured Facility—Mandatory Prepayment—Change of Control—Hapag-Lloyd AG*”.

VII. Events of Default

Any (a) commitments and/or (b) relevant Seller offer and purchaser acceptance relating to any commodities, the cost price of which has not yet been paid, may be cancelled by the Seller and the deferred purchase price and all other amounts outstanding under the QIB Facility may (in whole or in part) be accelerated (i.e., declared immediately due and payable or payable on demand) by the Seller in case an event of default has occurred which is continuing.

The events of default are customary for this type of transaction, and include an event or circumstance which the Seller reasonably believes has or is reasonably likely to have a Material Adverse Effect (substantially as defined under 13.4(b)(i)(A)(VII) “—QNB Unsecured Facility—Events of Default” above).

The events of default also include a failure by Hapag-Lloyd AG to comply with its financial covenants (as referred to above).

(ii) Multi-Facilities

(A) QNB Refinancing Facilities Agreement

I. General

By a US\$595,859,254 facilities agreement dated April 25, 2017 (as amended and/or restated from time to time, the “**QNB Refinancing Facilities Agreement**”), with Qatar National Bank Q.P.S.C. (“**QNB**”) as agent, lender, mandated lead arranger, global coordinator and security agent, the lender has agreed to make available to UASC Limited three facilities, being the “**Tranche A Facility**”, the “**Tranche B Facility**” (comprising the “**Tranche B-1 Facility**” and the “**Tranche B-2 Facility**”) and the “**Tranche C Facility**”, each as further described below.

(a) Tranche A Facility

The Tranche A Facility, in the amount of up to US\$304,610,000, was made available to UASC Limited: (i) for the purposes of prepaying and/or refinancing UASC Limited’s existing outstanding indebtedness to certain of the lenders under the Repaid ABC Credit Financing; (ii) for the purposes of prepaying and/or refinancing the amounts owing to Ahli United Bank B.S.C. under a US\$53,200,000 unsecured facility (the “**AUB Unsecured Facility**”) dated July 12, 2015 (being the fourth facility described in the table under 13.4(a) “—Overview of UASC Financing Arrangements” above); and (iii) for general corporate purposes (in an amount of up to US\$5,900,000). In addition, a portion of the Tranche A Facility, in an amount of up to US\$67,500,000 is available for drawing up until January 31, 2018, for the purposes of prepaying and/or refinancing a portion of Tranche B of the CBD Unsecured Facility in the same amount (such portion representing a corresponding portion of the indebtedness previously owing by UASC Limited to the Commercial Bank of Dubai under the Repaid ABC Credit Financing that was refinanced using such Tranche B, as described under 13.4(b)(i)(C) “—Unsecured Facilities—CBD Unsecured Facility” above).

(b) Tranche B-1 Facility

The Tranche B-1 Facility was made available to UASC Limited in three tranches, in a total amount of up to US\$194,767,852, for the purposes of: (i) financing UASC’s Limited’s purchase from Megabank International Commercial Bank Co., Ltd. of a minority participation under the Busaiteen JOLCO Financing (as referred to under 13.4(b)(vi)(C)(I) “—JOLCO Facilities—Busaiteen JOLCO Financing—General” below) (the “**Megabank Tranche**”); (ii) prepaying the existing indebtedness owing to Abu Dhabi National Leasing L.L.C. under a facility agreement dated November 27, 2013 (the “**ADNL Vessel Financing**”) that had been entered into for the purposes of financing an 18,800 TEU vessel (being the sixteenth facility described in the table under 13.4(a) “—Overview of UASC Financing Arrangements” above) (the “**ADNL Tranche**”); and (iii) prepaying the amounts outstanding under a container box financing (the “**SG Container Box Financing**”) entered into with, *inter alia*, Société Générale as lender (being the twenty-first facility described in the table under 13.4(a) “—Overview of UASC Financing Arrangements” above) (the “**Container Tranche**”).

(c) Tranche B-2 Facility

The Tranche B-2 Facility is available to UASC Limited for the purposes of prepaying and refinancing a portion of Tranche B of the CBD Unsecured Facility, in an amount of up to

US\$15,000,000 (as a refinancing by UASC Limited of investments previously made in respect of the acquisition of one or more vessels). The Tranche B-2 Facility is not expected to be drawn upon until 31 January 2018 at the latest.

(d) *Tranche C Facility*

The Tranche C Facility is available to UASC Limited for the purposes of (i) prepaying the existing indebtedness of UASC Limited to the Commercial Bank of Dubai under Tranche A of the CBD Unsecured Facility (as referred to under 13.4(b)(i)(C)(I) “—*Unsecured Facilities—CBD Unsecured Facility—General*” above), and a portion (in an amount of up to US\$8,500,000) of Tranche B of the CBD Unsecured Facility, (ii) partially prepaying the outstanding indebtedness under the EMTC Transaction (referred to under 13.4(b)(vii) “—*EMTC Transaction*” below) in an amount of up to US\$15,000,000, and (iii) providing cash collateral or liquidity deposits in respect of the EMTC Transaction, in an amount of up to US\$15,281,402. In addition, an amount of up to US\$5,200,000 is available for UASC Limited’s and/or its subsidiaries’ general corporate purposes.

As at May 22, 2017, the Tranche C Facility has been drawn down for the purposes described in (iii) and (iv) above. The portion of the Tranche C Facility available for the purposes described in (i) and (ii) above, is not expected to be drawn upon until January 31, 2018 at the latest.

II. Repayment / Maturity

The loan under the Tranche A Facility is repayable in full on the date falling five years after the first drawdown under that facility, being May 22, 2022.

Under the Tranche B-1 Facility: (i) the Megabank Tranche is repayable by seven consecutive quarterly installments of US\$378,000, commencing in June 2017, followed by thirteen consecutive quarterly installments of US\$721,350, followed by a final installment of US\$1,416,825 in June 2022; (ii) the ADNL Tranche is repayable by twenty-one consecutive semi-annual installments of US\$4,734,375, commencing in August 2017; and (iii) the Container Tranche is repayable by ten consecutive semi-annual installments of US\$4,418,144.50, commencing in June 2017, followed by a final balloon installment of US\$37,724,156.70 payable in June 2022.

The loan under the Tranche B-2 Facility will be repayable in full on the date falling three years after the first drawdown under that facility.

The loan under the Tranche C Facility is repayable in full on the date falling three years after the first drawdown under that facility, being May 22, 2022.

As of March 31, 2017, no indebtedness was outstanding under the QNB Refinancing Facilities Agreement (which was subsequently entered into on April 25, 2017) and instead the relevant borrowings were at such time owed by UASC Limited (a) under the Repaid ABC Credit Financing in an amount of US\$182,000,000, (b) under the AUB Unsecured Facility (as referred to above) in an amount of US\$49,210,000, (c) under the ADNL Vessel Financing (as referred to above) in an amount of US\$99,421,875, and (d) under the SG Container Box Financing (as referred to above) in an amount of US\$81,905,602.

III. Undertakings and Financial Covenants

The QNB Refinancing Facilities Agreement contains certain information covenants (including the provision of financial information and other information regarding UASC Limited’s financial condition), and restrictive covenants and general undertakings which are customary for a facility of this nature, including, subject to certain agreed exceptions, restrictions on disposals, change of business, mergers and non-arm’s length transactions.

UASC Limited also undertakes that it shall not, nor shall it permit its subsidiaries, to enter into any new secured financings (including increases to or any refinancing of previously consummated financings) in respect of vessels or container boxes legally or beneficially owned by UASC Limited or its subsidiaries, without the consent of the majority lenders (the “**Existing Assets Debt Restriction**”). That consent is not required if, as at the date the relevant indebtedness is incurred, that indebtedness is less than or equal to 85% of the market value of the relevant vessels financed under the transaction or (in the case of container boxes) 100% of the market value of the relevant container boxes.

The Existing Assets Debt Restriction only applies if any loans under the Tranche A Facility or Tranche C Facility remain outstanding, and also applies following repayment in full of such loans, if,

following a valuation procedure, the value of the vessel financed under the ADNL Tranche plus any additional security provided (excluding cash) is less than the amounts outstanding under the ADNL Tranche (less cash provided by way of security).

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—Unsecured *Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any parallel financial covenants concluded by Hapag-Lloyd AG after May 24, 2017.

IV. Interest Rates and Fees

UASC Limited is required to pay interest to the lender at a rate per annum equal to LIBOR plus an applicable margin for the relevant facility. The applicable margins, including after any agreed adjustments, are of a customary level for this type of transaction.

UASC Limited is required to pay customary fees under and in connection with the QNB Refinancing Facilities Agreement.

V. Guarantees and Security

Hapag-Lloyd AG provides a guarantee in respect of the obligations of UASC Limited under the QNB Refinancing Facilities Agreement.

Other than the guarantee, the obligations of UASC Limited under the Tranche A Facility and Tranche C Facility are unsecured.

The obligations of UASC Limited under the ADNL Tranche are secured by a first ranking mortgage over one 18,800 TEU vessel (being the vessel previously financed under the repaid ADNL Vessel Financing), a deed of covenants, and first ranking assignments of reinsurances, insurances, requisition compensation and earnings in respect of that vessel. The Tranche B-2 Facility is secured by second ranking security over the same assets.

The Container Tranche is secured by a security interest in certain container boxes (being the container boxes previously financed under the repaid SG Container Box Financing). The Megabank Tranche is secured by an assignment by UASC Limited of certain of its rights as lender arising from its minority participation under the Busaiteen JOLCO Financing, as described above.

VI. Mandatory Prepayment

(a) *General*

The QNB Refinancing Facilities Agreement includes mandatory prepayments customary for a term loan of this type, including in the event of illegality affecting a lender, breach of sanctions and (in the case of the ADNL Tranche and Tranche B-2 Facility) in the event of a total loss in respect of the vessel secured by those borrowings. The borrower is required to prepay the Container Tranche in the event of a total loss affecting containers exceeding a certain threshold, with the amount of the prepayment being proportionate to the value of the containers lost (as a percentage of the value of the containers prior to the total loss).

The borrower is required to prepay a percentage of the Container Tranche if a number of containers are sold whose sale proceeds exceed US\$1,000,000. The percentage to be prepaid is the net book value of the sold containers expressed as a percentage of the net book value of all the containers immediately prior to the sale.

The borrower is required to apply the proceeds of any sale or disposal of its minority participation in the Busaiteen JOLCO Financing in or towards mandatory prepayment of the Megabank Tranche.

(b) *Change of Control – UASC or UASC upstream guarantee*

A mandatory prepayment event applies if after May 24, 2017, Hapag-Lloyd AG ceases to be the 100% (direct or indirect) owner of UASC Limited or if UASC Limited issues an upstream guarantee of any indebtedness of its direct or indirect parent companies.

(c) Change of Control – Hapag-Lloyd AG

In addition, the QNB Refinancing Facilities Agreement includes a mandatory prepayment event in the event of a change of control affecting Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “—*QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the QNB Refinancing Facilities Agreement may (in whole or in part) be accelerated or declared to be payable on demand if an event of default occurs.

The events of default are customary for this type of transaction, and include an event or circumstance, or series of events or circumstances, which is reasonably likely to have a material adverse effect on: (i) the business, assets or financial condition of Hapag-Lloyd AG and its subsidiaries, which would affect the ability of Hapag-Lloyd AG to comply with its financial covenants under its guarantee; (ii) the ability of either UASC Limited or Hapag-Lloyd AG to perform its respective payment obligations under the relevant finance documents; or (iii) the validity or enforceability of such finance documents or the rights or remedies of any finance party under such finance documents, or on the validity, enforceability or effectiveness or ranking of the transaction security.

The events of default also include failure by Hapag-Lloyd AG to comply with its financial covenants (as referred to above).

(i) Secured facilities

(A) 2008 Containership Financing

I. General

UASC Limited has entered into a US\$375,000,000 term loan facility agreement dated November 7, 2008 and supplemented from time to time between, amongst others, UASC Limited as borrower, BNP Paribas as facility agent, Gulf International Bank B.S.C. as security agent, and various financial institutions as lenders, relating to the financing of up to 71% of the contract price of five 6,919 TEU containerships (as amended and/or restated from time to time, the “**2008 Containership Financing**”).

II. Repayment / Maturity

The loan is to be repaid in twenty consecutive semi-annual installments of 3.25% of the loan advanced (in the case of the first nineteen installments) and of 38.25% of the loan advanced (in the case of the final installment, being a balloon payment). The first installment was due on October 15, 2009 and the final balloon installment is payable on the final maturity date, being April 15, 2019.

As of March 31, 2017, the total principal amount of the loan outstanding under the 2008 Containership Financing was US\$191,367,500.

III. Undertakings and Financial Covenants

The 2008 Containership Financing contains certain information undertakings (including the provision of financial information relating to UASC Limited), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed vessels and any other assets being the subject of any security provided in connection with the 2008 Containership Financing and restrictions on reorganization measures, in each case subject to agreed exceptions.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after December 2, 2016.

IV. Interest Rates and Fees

Under the 2008 Containership Financing, UASC Limited is required to pay interest to the lenders at a rate *per annum* equal to the aggregate of (i) LIBOR, plus (ii) a margin that is of a customary level for this type of transaction.

UASC Limited is required to pay customary fees under and in connection with the 2008 Containership Financing.

V. Guarantees and Security

All obligations under the 2008 Containership Financing are secured by customary security for an asset financing transaction of this type, including but not limited to mortgages over the vessels financed by the 2008 Containership Financing, security over bank accounts and assignments of rights and claims (including rights and claims relating to earnings and insurances) with respect to the vessels. Pursuant to certain supplemental agreements, additional security was provided in connection with loan-to-value covenant breaches by UASC Limited. The additional security comprises (i) vessel mortgages over three container ships and assignments of rights and claims relating to earnings, insurance and requisition with respect to those container ships and (ii) cash collateral.

The borrower's payment obligations under the 2008 Container Financing are guaranteed by Hapag-Lloyd AG.

VI. Mandatory Prepayment

UASC Limited is required to prepay a relevant percentage of the loan if (i) the relevant financed vessel is sold, using the net proceeds of the sale or (ii) the relevant financed vessel becomes a total loss, using the insurance proceeds relating to the relevant financed vessel. The relevant percentage of the loan to be prepaid is how many financed ships have been sold or become a total loss on the relevant date, expressed as a percentage of the overall number of ships then the subject of financing under the 2008 Containership Financing.

UASC Limited is also required to prepay a portion of the loan in the event of a sale or total loss of a vessel which was not financed by the 2008 Containership Financing but which (as described under 13.4(b)(i)(A)(V) "*—Guarantees and Security*" above) has been secured as additional collateral for the 2008 Containership Financing. The prepayment amount is the full sales price or full proceeds of insurance, as applicable.

In addition, the loan under the 2008 Containership Financing shall be prepaid on the demand of the facility agent, if a security interest under the 2008 Containership Financing proves to have been or becomes invalid or unenforceable or such security interest proves to have ranked after, or loses its priority to, any other security interest.

Prepayments must also be made upon the occurrence of an illegality event, following notice from the facility agent to the borrower in respect thereof.

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) "*—Unsecured Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*".

VII. Events of Default

The total commitments may be cancelled and all other amounts outstanding under the 2008 Containership Financing may be accelerated (in whole or in part) or declared to be payable on demand if an event of default has occurred which is continuing. The events of default include (among other things) non-payment of any amount due and payable pursuant to the terms of the 2008 Containership Financing or any related finance document, change of ownership of any shares in UASC Limited without the prior written consent of the lenders, breach of financial covenants described above, as well as a cross-default relating to financial indebtedness or any commitment for financial indebtedness of the borrower and/or of Hapag-Lloyd AG or its subsidiaries (subject to agreed thresholds).

An event of default also includes an event or circumstance occurring or a series of events or circumstances occurring (other than a permitted disposal) which is reasonably likely to have a "Material Adverse Effect" (substantially as defined under 13.4(b)(i)(A)(VII) "*—Unsecured Facilities—QNB Unsecured Facility—Events of Default*" above).

VIII. Security Cover Ratio

If at any time the aggregate of the market value of the mortgaged vessels under the 2008 Containership Financing (including the additional mortgage security over the three additional containerships referred to under 13.4(b)(i)(A)(V) “*Guarantees and Security*” above), plus the net realizable value of any additional security previously provided under the security cover provisions, falls below 120% of the loan, UASC Limited shall either (i) prepay such part of the loan in an amount equal to the shortfall or (ii) provide, or ensure that a third party provides, additional security which has a net realizable value at least equal to the shortfall, within 60 days after the date on which the facility agent serves notice requiring the same.

(A) TD Bank Loan Note

I. General

United Arab Agencies, Inc. (“**UAA**”) as borrower has issued a US\$2,746,250 loan note dated March 14, 2014 to TD Bank, N.A. as lender, which is secured against a premises at Spalding Drive, Norcross, Georgia, USA (the “**Premises**”) (as amended and/or restated from time to time, the “**TD Bank Loan Note**”).

UAA is a Delaware corporation that is a wholly owned subsidiary of UASC Limited.

II. Repayment / Maturity

The principal amount of the loan note is to be repaid in one hundred and twenty (120) consecutive monthly installments of US\$22,885.42. The first installment was due on May 1, 2014 and the final installment is payable on the final maturity date, being April 1, 2024.

As of March 31, 2017, the total principal amount of the loan note outstanding under the TD Bank Loan Note was US\$2,065,000.

III. Undertakings and Financial Covenants

The TD Bank Loan Note contains certain information undertakings (including the provision of financial information relating to UAA), and general undertakings in each case customary for a loan note instrument of this nature, including certain restrictive covenants such as a negative pledge in relation to the Premises and undertakings in relation to the preservation of the Premises, including insurance undertakings and undertakings to maintain and repair the buildings at the Premises.

UAA’s financial condition is monitored by a financial covenant that requires UAA to maintain or cause to be maintained a debt service coverage ratio equal to or greater than 1.20:1.00 (as tested on an annual basis on the last day of each of UAA’s fiscal years).

IV. Interest Rates and Fees

Under the TD Bank Loan Note, UAA is required to pay interest to the lender at a rate per annum of 4.68% on the outstanding principal balance, calculated daily and paid in consecutive monthly installments.

V. Security

All obligations under the TD Bank Loan Note are secured by a mortgage over the Premises, including security over any insurance proceeds and any fixtures or equipment connected with the Premises. In addition, UAA assigns to the lender its rights under any leases in respect of the Premises.

VI. Events of Default

All unpaid principal and accrued interest outstanding under the TD Bank Loan Note may become due and payable if an event of default occurs. The events of default include (among other things) non-payment of any amount due and payable pursuant to the terms of the TD Bank Loan Note, breach of any other obligation (including non-compliance with the financial covenant and other undertakings, subject to agreed grace periods) as well as the occurrence of any event which, in the reasonable opinion of the lender, materially impairs the financial responsibility of UAA.

VII. Security Cover Ratio

If at any time the outstanding amount of UAA's obligations under the TD Bank Loan Note exceeds 65% of the fair market value of the Premises, UAA is required, upon notice and demand by the lender, to either reduce the amount of the debt outstanding or pledge additional collateral in order to maintain the required loan to value ratio.

(iii) SPV Vessel Secured Facilities

(A) KEXIM Vessel Financing

I. General

By a loan agreement dated December 14, 2010 between Onayzah Limited, Alula Limited and Tayma Limited as existing borrowers, UASC Ships (No.3) Limited as additional borrower, The Export-Import Bank of Korea (“**KEXIM**”), BNP Paribas, Industrial and Commercial Bank of China Limited, Dubai (DIFC) Branch and Ahli United Bank B.S.C. as commercial lenders and mandated lead arrangers, BNP Paribas as documentation agent, facility agent and security agent and BNP Paribas (Suisse) S.A. as account bank, the lenders thereunder agreed to make available to the borrowers a secured term loan of up to US\$302,040,000 for the financing of three 13,100 TEU class container carriers (as amended and/or restated from time to time, the “**KEXIM Vessel Financing**”). The loan agreement contemplates each borrower being joint and severally liable for the obligations of the other borrowers under the KEXIM Vessel Financing. The facility agreement contemplates each existing borrower acquiring title to the financed vessel and allocating its economic interest in such vessel to the additional borrower pursuant to a disponent owner agreement.

II. Repayment / Maturity

Each vessel loan is to be repaid by twenty-four equal consecutive semi-annual installments. The final repayment date for each vessel loan is 12 years after the drawdown date of the vessel loan for the vessel which was first delivered or (if earlier) September 7, 2024.

As of March 31, 2017, the aggregate principal amount of the loan outstanding under the KEXIM Vessel Financing was US\$176,190,000.

III. Undertakings and Financial Covenants

The KEXIM Vessel Financing contains certain information undertakings and other general undertakings, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants, covenants to preserve and protect the collateral (including insurance and maintenance undertakings) and financial reporting requirements.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after December 5, 2016.

IV. Interest and fees

Under the KEXIM Vessel Financing, the borrowers are required to pay interest at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a margin that is of a customary level for this type of transaction.

Customary fees are payable in connection with the KEXIM Vessel Financing. In addition, in the event of a mandatory prepayment due to the sale of a vessel (described under 13.4(b)(iii)(VI) “—*Mandatory Prepayment Events*” below), the borrowers must also pay a prepayment fee on the amount prepaid (not exceeding 1% of the amount prepaid), with the level of the fee depending on when the relevant vessel is sold.

V. Security and guarantees

All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessels, assignments by the borrowers of rights and claims under the shipbuilding contracts and refund guarantees, security over debt service reserve accounts and a general assignment by each of the borrowers and UASC Limited of their respective rights in the insurances and transaction documents.

All obligations of the borrowers under the KEXIM Vessel Financing are guaranteed by UASC Limited. In addition, the borrowers' obligations under the KEXIM Vessel Financing are guaranteed by Hapag-Lloyd AG.

VI. Mandatory Prepayment Events

The KEXIM Vessel Financing includes mandatory prepayment events for any sale of a vessel and in the event of the total loss of a vessel, which are customary for an asset financing facility of this nature.

The KEXIM Vessel Financing also includes a customary mandatory prepayment event if it becomes unlawful for a lender to perform its obligations or to participate in the loan.

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “—*QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the KEXIM Vessel Financing accelerated (in whole or in part) or declared to be payable on demand by the facility agent (on behalf of the lenders) if an event of default has occurred which is continuing.

The KEXIM Vessel Financing includes events of default which are customary for this type of secured asset financing transaction. Events of default include: (i) breach of obligations (including financial covenant obligations), (ii) a change in beneficial ownership or control of the borrowers or UASC Limited without consent, (iii) a reduction in share capital of the borrowers, UASC Limited, Hapag-Lloyd AG or the bareboat charterers, and (iv) the country of registration of a vessel becoming involved in war or civil war or under occupation (subject to agreed exceptions).

In addition, the events of default include the occurrence of an event or circumstance or series of events or circumstances (other than a permitted disposal) which is reasonably likely to have a Material Adverse Effect. A “**Material Adverse Effect**” is defined as a material adverse effect on: (i) the business, assets or financial condition of Hapag-Lloyd AG and its subsidiaries, which would affect the ability of Hapag-Lloyd AG to comply with its financial covenants under its guarantee; (ii) the ability of either UASC Limited or Hapag-Lloyd AG to perform their respective payment obligations under the relevant finance documents; or (iii) the validity or enforceability of the rights or remedies of any finance party under such finance documents or the validity, enforceability or effectiveness and ranking of any security interest granted pursuant to any finance document.

VIII. Security Cover Requirements

If at any time the market value of the financed vessels falls below 120% (or 145%, from January 1, 2018) of the loan outstanding, the borrowers are (joint and severally) required to either prepay the loan by the amount of the shortfall, or provide additional security to cover the shortfall, within 60 days of the facility agent's request.

(B) ABN Secured Vessel Financing

I. General

Under a loan agreement dated December 28, 2010 between, amongst others, Al Rawdah Limited as existing borrower and UASC Ships (No.6) Limited as additional borrower (each a subsidiary of UASC Limited) and ABN Amro Bank N.V., Singapore Branch, as mandated lead arranger, agent, security trustee and lender, the lender made available to Al Rawdah Limited as existing borrower a facility of up to US\$48,750,000 for the purpose of refinancing up to sixty per cent of the market value of the vessel m.v. “Al Rawdah” (as amended and/or restated from time to time, the “**ABN Secured Vessel Financing**”).

Pursuant to a subordinated loan agreement dated December 28, 2010 between UASC Limited and the existing borrower, UASC Limited made available a loan to the existing borrower to enable the existing borrower to finance the balance of the sale price. The facility agreement contemplates the existing borrower acquiring title to the financed vessel and allocating its economic interest in such vessel to the additional borrower pursuant to a disponent owner agreement. The vessel is chartered by the existing borrower to such additional borrower (as disponent owner), and by the additional borrower to UASC Limited.

II. Repayment / Maturity

Under the ABN Secured Vessel Financing, the loan is repayable by fourteen equal consecutive six monthly installments of US\$2,145,000, plus a balloon payment of US\$15,015,000 payable with the final installment. The first installment was payable six months after the drawdown date. The final repayment is due December 31, 2017.

As of March 31, 2017, the aggregate principal amount of the loan outstanding under the ABN Secured Vessel Financing was US\$17,160,000.

III. Undertakings and Financial Covenants

The loan agreement contains certain information undertakings (including the provision of financial information relating to UASC Limited and Hapag-Lloyd AG, as guarantors and their subsidiaries including the borrowers), undertakings as to insurance, ship covenants and general undertakings in each case customary for an asset financing facility of this nature. These include certain SPV restrictive covenants such as a negative pledge in relation to the financed vessel, related earnings and any other assets being the subject of any security provided in connection with the loan agreement.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

IV. Interest Rates and Fees

Interest is payable under the ABN Secured Vessel Financing at a rate per annum equal to LIBOR plus a margin that is of a customary level for this type of transaction, with interest periods being of 3 months' duration.

The borrowers are required to pay customary fees under the ABN Secured Vessel Financing.

V. Security and Guarantees

All obligations are also secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessel, share charge in respect of the shares in the existing borrower, assignments by UASC Limited and the borrowers of rights in insurances and requisition compensation, assignment by the borrowers of rights to earnings and the bareboat charter, and security over the borrowers' earnings accounts.

Under the ABN Secured Vessel Financing, (i) all payment obligations of the borrowers are guaranteed by UASC Limited, and (ii) all obligations of the borrowers are guaranteed by Hapag-Lloyd AG.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after May 24, 2017.

VI. Mandatory Prepayment

The ABN Secured Vessel Financing contains customary mandatory prepayment events if the vessel is sold or becomes a total loss or (subject to mitigation procedures) in the event of illegality affecting the finance parties.

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “*Unsecured Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the ABN Secured Vessel Financing accelerated (in whole or in part) or declared to be payable on demand by the agent (on behalf of the lenders) following the occurrence of an event of default.

The loan agreement includes events of default customary for this type of transaction including, but not limited to, breach of financial covenants, cross-default with the financial indebtedness of UASC Limited or Hapag-Lloyd AG, or any security under the ABN Secured Vessel Financing being (in the reasonable opinion of the majority lenders) imperilled or in jeopardy.

Events of default also include:

- subject to agreed thresholds and certain exceptions, cross-default with subsidiaries and affiliates of the borrowers and UASC Limited or Hapag-Lloyd AG;
- outbreak of war (whether or not declared) or civil war in the country of registration of the vessel (if the agent, acting on the majority lenders' instructions, considers the security to be materially prejudiced thereby);
- the occurrence of an event or circumstance which has a Material Adverse Effect, substantially as defined under 13.4(b)(iii)(A)(VII) “—*KEXIM Vessel Financing—Events of Default*” above);
- a change in the ultimate beneficial ownership by either UASC Limited or Hapag-Lloyd AG of any shares in any borrower or in the ultimate control by either UASC Limited or Hapag-Lloyd AG of the voting rights attached to those shares, without the consent of the majority lenders; and
- a change of ownership of UASC Limited without the consent of the majority lenders.

VIII. Security Cover Requirements

The borrowers may be required to provide additional security if the market value of the vessel plus the value of any additional security previously provided is less than 120% of the loan outstanding. If this applies then, following notice from the agent, the borrowers are required, within one month, to prepay the loan by the amount of the shortfall or to provide additional security for the shortfall (subject to a right for the additional security to be released if the requirements are subsequently met).

(C) Citibank Secured Vessel Financing

I. General

Under a loan agreement dated April 7, 2011 between, amongst others, Umm Salal Limited (a subsidiary of UASC Limited), as existing borrower, UASC Ships (No.4) Limited as additional borrower and Citibank Europe plc, UK Branch as lender, mandated lead arranger and bookrunner, the lender made available to the existing borrower a loan of (i) up to US\$100,000,000 to finance in part the acquisition cost of one 13,100 TEU class container vessel manufactured by Samsung Heavy Industries and (ii) up to US\$2,753,801.89 for financing the export credit insurance premium payable to the Korea Trade Insurance Corporation, the Korean export credit agency (“**K-Sure**”), who provided an export insurance policy covering up to 95% of the loan (as amended and/or restated from time to time, the “**Citibank Secured Vessel Financing**”).

UASC Limited leases the financed vessel from the existing borrower, and, pursuant to a subordinated loan agreement between UASC Limited and the existing borrower, UASC Limited made a loan to the existing borrower to enable the existing borrower to finance the balance of the purchase price. The facility agreement contemplates the existing borrower acquiring title to the financed vessel and allocating its economic interest in such vessel to the additional borrower pursuant to a disponent owner agreement. The vessel is chartered by the existing borrower to such additional borrower (as disponent owner), and by the additional borrower to UASC Limited.

II. Repayment / Maturity

The loan is to be repaid in 24 equal consecutive semi-annual installments with the first repayment due 6 months after the drawdown date. The final repayment date is 12 years after the drawdown date, being April 11, 2023.

As of March 31, 2017, the aggregate principal amount of the loan outstanding under the Citibank Secured Vessel Financing was US\$55,658,311.

III. Undertakings and Financial Covenants

The Citibank Secured Vessel Financing contains certain undertakings customary for an asset financing facility of this nature and substantially as described under 13.4(b)(iii)(B)(III) “—*SPV Secured Vessel Facilities—ABN Secured Vessel Financing—Undertakings and Financial Covenants*” above, including single-purpose entity restrictive covenants applicable to the borrowers, covenants to preserve and protect the collateral (including insurance and maintenance undertakings) and financial reporting requirements.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after November 29, 2016.

IV. Interest Rates and Fees

Interest is payable under the Citibank Secured Vessel Financing at a rate per annum equal to the sum of (1) a margin that is of a customary level for this type of transaction plus (2) LIBOR.

The borrowers may select interest periods of three or six months' duration.

The borrowers are required to pay customary fees under the Citibank Secured Vessel Financing.

V. Security and Guarantees

All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessel, share charge in respect of the shares in the existing borrower, assignments by UASC Limited and the borrowers of rights in insurances and requisition compensation, assignment by the borrowers of rights to earnings and the bareboat charter, and security over the borrowers' earnings accounts.

Under the Citibank Secured Vessel Financing, (i) all payment obligations of the borrowers are guaranteed by UASC Limited, and (ii) all obligations of the borrowers are guaranteed by Hapag-Lloyd AG.

VI. Mandatory Prepayment

The Citibank Secured Vessel Financing includes mandatory prepayment events customary for this type of asset financing transaction, and substantially as described under 13.4(b)(iii)(B)(VI) “—*ABN Secured Vessel Financing—Mandatory Prepayment*”.

An additional mandatory prepayment event applies in the event of (i) the termination, unenforceability, cancellation or other cessation of the K-Sure insurance policy, (ii) insolvency events occurring in relation to K-Sure, (iii) any consent necessary for K-Sure to provide the insurance policy or to comply with its obligations under the policy (which the majority lenders consider material) not being granted or not otherwise fully in place, (iv) illegality affecting K-Sure which the majority lenders consider material, or (v) a provision of the insurance policy which the majority lenders reasonably consider material being invalid or unenforceable. In such cases, subject to a 30 day restructuring mitigation / consultation period, the borrowers may be required to prepay the loan if the majority lenders so instruct.

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “—*Unsecured Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the Citibank Secured Vessel Financing accelerated (in whole or in part) or declared to be payable on demand by the agent (on behalf of the lenders) following the occurrence of an event of default.

The loan agreement includes events of default customary for this type of transaction including breach of financial covenants and cross-default with the financial indebtedness of UASC Limited and Hapag-Lloyd AG and any security under the Citibank Secured Vessel Financing being in any way imperilled or in jeopardy (subject to a 10 business day remedy period).

Events of default also include:

- subject to agreed thresholds and certain exceptions, cross-default with subsidiaries and affiliates of the borrowers and UASC Limited and Hapag-Lloyd AG;
- an event or circumstance in light of which the majority lenders consider there is a significant risk that the borrowers, UASC Limited or Hapag-Lloyd AG is or will become unable to discharge the liabilities under the Citibank Secured Vessel Financing, subject to a 10 business day remedy period;

- a change in the ultimate beneficial ownership by either UASC Limited or Hapag-Lloyd AG of any shares in any borrower or in the ultimate control by either UASC Limited or Hapag-Lloyd AG of the voting rights attached to those shares, without the consent of the majority lenders;
- a change of ownership of UASC Limited without the consent of the majority lenders;
- outbreak of war (whether or not declared) or civil war in the country of registration of the vessel (if the agent, acting on the majority lenders' instructions, considers security to be materially prejudiced thereby); and
- the occurrence of an event or circumstance which the majority lenders reasonably believe has or is reasonably likely to have a "Material Adverse Effect" (substantially as defined under 13.4(b)(iii)(A)(VII) "*KEXIM Vessel Financing—Events of Default*" above).

VIII. Security Cover Requirements

The borrowers may be required to provide additional security if the market value of the vessel plus the value of any additional security previously provided is less than 120% of the loan outstanding. If this applies then, following notice from the agent, the borrowers are required, within sixty days, to prepay the loan by the amount of the shortfall or to provide additional security for the shortfall (subject to a right for the additional security to be released if the requirements are subsequently met).

(D) DB Secured Vessel Financing

I. General

Under a loan agreement dated April 14, 2011 between, amongst others, Ain Esnan Limited (a subsidiary of UASC Limited), as existing borrower, UASC Ships (No. 5) Limited as additional borrower and Deutsche Bank AG, Hong Kong Branch as lender, mandated lead arranger, agent and K-Sure agent the lender made available to the borrowers a loan of (i) up to US\$100,680,000 to finance in part the acquisition cost of one 13,100 TEU class container vessel manufactured by Samsung Heavy Industries (or if less, the lower of 60% of the contract price of the vessel and 83.33% of its market value at drawdown) and (ii) up to US\$2,851,250.64 for financing the export credit insurance premium payable to K-Sure, who provided an export insurance policy covering up to 95% of the loan (as amended and/or restated from time to time, the "**DB Secured Vessel Financing**").

Pursuant to a subordinated loan agreement between UASC Limited and the existing borrower, UASC Limited made a loan to the existing borrower to enable the existing borrower to finance the balance of the purchase price. The facility agreement contemplates the existing borrower acquiring title to the financed vessel and allocating its economic interest in such vessel to the additional borrower pursuant to a disponent owner agreement. There is also a corresponding purchase option in favor of UASC Limited in the relevant sub-lease.

II. Repayment / maturity

The loan was available for drawing in four advances. The borrowers are required to repay the loan by twenty-four equal consecutive semi-annual installments, commencing on the date falling six months after the drawdown date of the fourth advance (or if earlier, six months after the last day of the availability period). The final repayment is due on January 13, 2024.

As of March 31, 2017, the aggregate principal amount of the loan outstanding under the DB Secured Vessel Financing was US\$60,393,229.

III. Undertakings and Financial Covenants

The DB Secured Vessel Financing contains certain undertakings customary for an asset financing facility of this nature and substantially as described under 13.4(b)(iii)(B)(III) "*ABN Secured Vessel Financing—Undertakings and Financial Covenants*" above.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) "*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*".

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after December 2, 2016.

IV. Interest Rates and Fees

Interest is payable under the DB Secured Vessel Financing at a rate per annum equal to the sum of (1) a margin that is of a customary level for this type of transaction and (2) LIBOR.

The borrowers are required to pay customary fees under the DB Secured Vessel Financing.

V. Security and Guarantees

All obligations of the borrowers are secured by asset security customary for this type of asset financing transaction, and substantially as described under 13.4(b)(iii)(C)(V) “—*Citibank Secured Vessel Financing—Security and Guarantees*”.

Under the DB Secured Vessel Financing, (i) all payment obligations of the borrowers are guaranteed by UASC Limited, and (ii) all obligations of the borrowers are guaranteed by Hapag-Lloyd AG.

VI. Mandatory Prepayment

The DB Secured Vessel Financing contains customary mandatory prepayment events which apply if the vessel is sold or becomes a total loss.

In addition, the borrowers may be required to repay the loan on demand of the agent if the shipbuilding contract is, among other things, terminated, sold, frustrated, rescinded or if claims are made under the refund guarantee.

An additional mandatory prepayment event applies in the event of (i) the termination, unenforceability, cancellation or other cessation of the K-Sure insurance policy, (ii) insolvency events occurring in relation to K-Sure, (iii) any consent necessary for K-Sure to provide the insurance policy or to comply with its obligations under the policy (which the majority lenders consider material) is not granted or is not otherwise fully in place, (iv) illegality affecting K-Sure which the majority lenders consider material, or (v) a provision of the insurance policy which the majority lenders reasonably consider material being invalid or unenforceable. In such cases, subject to a 45 day restructuring mitigation / consultation period, the borrowers are required to prepay the loan 60 days from the date on which demand for prepayment is given by the agent (acting on the instructions of the majority lenders) or (if applicable) such earlier date as may be necessary to ensure compliance with applicable law or regulation.

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “—*Unsecured Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the DB Secured Vessel Financing accelerated (in whole or in part) or declared to be payable on demand by the agent (on behalf of the lenders) following the occurrence of an event of default.

The loan agreement includes events of default customary for this type of transaction including, but not limited to, breach of financial covenants and cross-default with the financial indebtedness of UASC Limited and any security under the DB Secured Vessel Financing being in any way imperilled or in jeopardy.

Events of default also include:

- illegality affecting the borrowers, the guarantors or the finance parties;
- cross-default with UASC Limited, Hapag-Lloyd AG and Hapag-Lloyd AG’s subsidiaries (subject to agreed thresholds);
- an event or circumstance which has a Material Adverse Effect, substantially as defined under 13.4(b)(iii)(A)(VII) “—*KEXIM Vessel Financing—Events of Default*” above);
- a change in the ultimate beneficial ownership by either UASC Limited or Hapag-Lloyd AG of any shares in any borrower or in the ultimate control by either UASC Limited or Hapag-Lloyd AG of the voting rights attached to those shares, without the consent of the majority lenders;

- a change of ownership of UASC Limited without the consent of the majority lenders; and
- outbreak of war (whether or not declared) or civil war in the country of registration of the vessel (if the agent, acting on the majority lenders' instructions, considers the security to be materially prejudiced thereby).

The DB Secured Vessel Financing includes security cover requirements substantially as described under 13.4(b)(iii)(C)(VIII) “—*Citibank Secured Vessel Financing—Security Cover Requirements*”.

(E) Burgan Vessel Financing

I. General

By a facility agreement dated December 3, 2013 entered into between Afif Limited and Al Jmeliyah Limited as existing borrowers, UASC Ships (No.7) Limited as additional borrower, UASC Limited as existing guarantor, Hapag-Lloyd AG as additional guarantor and Burgan Bank K.P.S.C. as lender, the lender has agreed to make available to the borrowers a secured term loan facility of up to US\$189,600,000 for the purposes of financing in part the purchase price payable to the shipbuilder in respect of two 14,500 TEU vessels or reimbursing part of such contract price previously paid by the existing borrowers (as amended and/or restated from time to time, the “**Burgan Vessel Financing**”). The facility agreement contemplates each existing borrower acquiring title to one of the vessels and allocating its economic interest in such vessel to the additional borrower pursuant to a disponent owner agreement. The vessel is chartered by the existing borrower to such additional borrower (as disponent owner), and by the additional borrower to UASC Limited.

II. Repayment / Maturity

Each vessel loan is to be repaid by twenty-four consecutive semi-annual installments, commencing on the date falling six months after the delivery of the last vessel, in the following amounts:

(i) installments one to six, in an amount of \$492,960 each; (ii) installments seven to twenty three in an amount of \$3,792,000 each; and (iii) installment twenty four in an amount of \$27,378,240. The final repayment date for each vessel loan is the twelfth anniversary of the actual delivery date of the last vessel, being September 30, 2029.

As of March 31, 2017, the aggregate principal amount of the loan outstanding under the Burgan Vessel Financing was US\$189,600,000.

III. Undertakings and Financial Covenants

The Burgan Vessel Financing contains certain information undertakings and other general undertakings, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants applicable to the borrowers, covenants to preserve and protect the collateral (including insurance and maintenance undertakings) and financial reporting requirements.

The Burgan Vessel Financing requires that Hapag-Lloyd AG complies with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*” above.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after September 19, 2016.

IV. Interest and Fees

Under the Burgan Vessel Financing, the borrowers are required to pay interest at a rate per annum equal to the aggregate of LIBOR plus a margin that is of a customary level for this type of transaction.

Customary fees are payable in connection with the Burgan Vessel Financing.

V. Security and Guarantees

All obligations are secured (or will be secured when the vessels are delivered, in the case of the mortgage security) by asset security customary for this type of asset financing transaction including a mortgage over the financed vessels, share charges in respect of the shares in the existing borrowers, assignments by the borrowers of rights and claims under the shipbuilding contract and refund guarantees, and a general assignment by each of the borrowers and the bareboat charterers of

insurances, earnings and requisition compensation. The additional borrower is required to maintain a debt service account (subject to security for the benefit of the lenders) from which repayment installments of the relevant vessel loan are to be made.

All obligations of the borrowers under the Burgan Vessel Financing are guaranteed by UASC Limited and Hapag-Lloyd AG.

VI. Mandatory Prepayment Events

The Burgan Vessel Financing includes a customary mandatory prepayment event in relation to illegality affecting the lender. It also includes mandatory prepayment events in the event of (i) any sale of a vessel; (ii) defaults under the shipbuilding contract or any rescission of the shipbuilding contract or refund guarantees; (iii) non-delivery of a vessel; and (iv) total loss of a vessel, all of which are customary for an asset financing facility of this nature.

In addition a mandatory prepayment event applies if any borrower or UASC Limited ceases to be a wholly owned direct or indirect subsidiary of Hapag-Lloyd AG (without the consent of all the lenders).

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “—*Unsecured Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

The loan may be cancelled and all amounts outstanding under the Burgan Vessel Financing may be (in whole or in part) accelerated, or the loan declared to be payable on demand, by the lender if an event of default has occurred which is continuing.

The events of default are customary for this type of secured asset financing transaction, but also include: (i) a reduction in share capital of the borrowers; and (ii) the country of registration of a vessel becoming involved in war or civil war or under occupation (subject to agreed exceptions).

In addition, the events of default include the occurrence of an event or circumstance which is reasonably likely to have a “Material Adverse Effect”, substantially as set out under 13.4(b)(iii)(A)(VII) “—*KEXIM Vessel Financing—Events of Default*” above.

VIII. Security Cover Requirements

If at any time the market value of the vessels (plus any additional collateral provided, other than cash) falls below 120% of the aggregate of the loan outstanding (less cash provided by way of security), the borrowers are required to either prepay part of that loan by the amount of the shortfall, or provide additional security to cover the shortfall, within 60 business days of the lender’s request.

(F) QNB Vessel Financing

I. General

By a secured loan agreement dated September 16, 2014 between, *inter alia*, Al Jasrah Limited and Umm Qarn Limited as existing borrowers, UASC Ships (No.8) Limited as additional borrower, UASC Limited as existing guarantor, Hapag-Lloyd AG as additional guarantor and Qatar National Bank (Q.P.S.C.) as agent and security agent and various financial institutions as lenders, the lenders agreed to make available to the borrowers a secured term facility of up to US\$216,948,154 for the financing of two 14,500 TEU vessels built by Hyundai Heavy Industries (as amended and/or restated from time to time, the “**QNB Vessel Financing**”). The loan agreement contemplates each existing borrower acquiring title to one of the vessels and allocating its economic interest in such vessel to the additional borrower pursuant to a disponent owner agreement. The vessel is chartered by the existing borrower to such additional borrower (as disponent owner), and by the additional borrower to UASC Limited.

II. Repayment / Maturity

Each vessel loan is to be repaid by twenty-four consecutive semi-annual installments, commencing on the date falling six months after the delivery of the relevant vessel. The final repayment date for each vessel loan is the twelfth anniversary of the delivery of the relevant financed vessel, being May 2, 2028 and June 19, 2028.

As of March 31, 2017, the aggregate principal amount of the loans outstanding under the QNB Vessel Financing was US\$215,948,154.

III. Undertakings and Financial Covenants

The QNB Vessel Financing contains covenants substantially as described under 13.4(b)(iii)(E)(III) “—Burgan *Vessel Financing—Undertakings and Financial Covenants*”.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—Unsecured *Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after November 28, 2016.

IV. Interest and Fees

Under the QNB Vessel Financing, the borrowers are required to pay interest at a rate per annum equal to the aggregate of LIBOR plus a margin that is of a customary level for this type of transaction.

Customary fees are payable in connection with the QNB Vessel Financing.

V. Security and Guarantees

All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed vessels, share charges in respect of the shares in the borrowers, assignments by the borrowers of rights and claims under the shipbuilding contracts and refund guarantees, and a general assignment by each of the borrowers and the bareboat charters of insurances, earnings and requisition compensation. Each borrower is required to maintain a debt service account (subject to security for the benefit of the lenders) from which repayment installments of the relevant vessel loan are to be made.

All obligations of the borrowers under the QNB Vessel Financing are guaranteed by UASC Limited and Hapag-Lloyd AG.

VI. Mandatory Prepayment Events

The QNB Vessel Financing includes mandatory prepayment events in relation to illegality affecting the lender and in relation to sanctions. It also includes mandatory prepayment events in the event of (i) any sale of a vessel; (ii) defaults under the shipbuilding contract or any rescission of the shipbuilding contract or refund guarantees; (iii) non-delivery of a vessel; and (iv) total loss of a vessel, all of which are customary for an asset financing facility of this nature.

In addition a mandatory prepayment event applies if any borrower or UASC Limited ceases to be a wholly owned direct or indirect subsidiary of Hapag-Lloyd AG (without the consent of all the lenders).

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “—Unsecured *Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

The loan may be cancelled and all amounts outstanding under the QNB Vessel Financing may be (in whole or in part) accelerated, or the loan declared to be payable on demand, by the lender if an event of default has occurred which is continuing.

The events of default are customary for this type of secured asset financing transaction, but also include: (i) a reduction in share capital of the borrowers; and (ii) the country of registration of a vessel becoming involved in war or civil war or under occupation (subject to agreed exceptions).

In addition, the events of default include the occurrence of an event or circumstance which is reasonably likely to have a “Material Adverse Effect”, substantially as set out under 13.4(b)(iii)(A)(VII) “—*KEXIM Vessel Financing—Events of Default*” above.

VIII. Security Cover Requirements

If at any time following the anniversary of the first delivery date, the market value of the vessels (plus any additional collateral provided, other than cash) falls below an amount constituting 120% of

the aggregate senior tranches (less cash provided as security), the borrowers shall, within 90 days of being requested by the agent, prepay such part of the loan in an amount equal to the shortfall or provide additional security covering the shortfall (subject to a right to a release of the additional security, if the applicable requirements are met).

(G) Syndicated Vessel Financing

I. General

By a US\$1,250,654,938 secured loan agreement dated December 12, 2013 between, *inter alia*, Barzan Limited, Tihama Limited, Al Zubara Limited, Al Nefud Limited, Al Dahna Limited, Al Murabba Limited, Al Nasriyah Limited, Sajid Limited, Salahuddin Limited, Linah Limited, Al Dhail Limited and Al Mashrab Limited as existing borrowers, UASC Ships (No.1) Limited as additional borrower, UASC Limited as existing guarantor, Hapag-Lloyd AG as additional guarantor, Standard Chartered Bank as agent, DVB Group Merchant Bank (Asia) Ltd as security agent and various financial institutions as lenders (as amended and/or restated from time to time, the “**Syndicated Vessel Financing**”), the lenders thereunder agreed to advance to the borrowers commitments aggregating up to US\$950,654,938 and the South African Rand (“**SAR**”) equivalent of US\$300,000,000. The financing was made available to assist the borrowers (i) in financing in part the contract price payable for five 18,500 TEU vessels and seven 14,500 TEU vessels, each manufactured by Hyundai Heavy Industries and (ii) in financing in full, the export credit insurance premium payable to K-Sure for the insurance (for political and commercial risk cover) provided by K-Sure in an amount of up to 95% of the amount of the relevant K-Sure tranches. The loan agreement contemplates each existing borrower acquiring title to one of the vessels and allocating its economic interest to the additional borrower pursuant to a disponent owner agreement. The vessel is chartered by the existing borrower to such additional borrower (as disponent owner), and by the additional borrower to UASC Limited.

II. Repayment / maturity

Under the Syndicated Vessel Financing, each of the US\$ denominated commercial tranches, the SAR denominated commercial tranches and the relevant K-Sure covered tranches matures on the twelfth anniversary of the delivery date of the relevant financed vessel and is to be repaid in twenty-four equal consecutive, semi-annual installments commencing on the date falling six months after the relevant drawdown date.

As of March 31, 2017, the aggregate principal amount of the loan outstanding under the Syndicated Vessel Financing was US\$1,109,974,489.

III. Undertakings and Financial Covenants

The Syndicated Vessel Financing contains covenants substantially as described under 13.4(b)(iii)(E)(III) “—Burgan Vessel Financing—Undertakings and Financial Covenants”.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after December 2, 2016.

In addition, the Syndicated Vessel Financing contains covenants relating to the K-Sure export credit insurance policy, whereby the borrowers, UASC Limited and Hapag-Lloyd AG agree not to knowingly act or omit to do anything adversely prejudicing the K-Sure covered lenders under the policy.

IV. Interest and fees

The interest rate applicable to each US\$ commercial tranche is the percentage rate per annum equal to the aggregate of LIBOR plus a margin that is of a customary level for this type of transaction

The interest rate applicable to each SAR denominated commercial tranche is the percentage rate per annum equal to the aggregate of SAIBOR and a margin that is of a customary level for this type of transaction.

For the K-Sure covered tranche, the interest rate is the per annum rate equal to the aggregate of LIBOR and a margin that is of a customary level for this type of transaction.

Customary fees are payable in connection with the financing, including commitment fees, agency fees, account holder fees and other fees.

V. Security and guarantees

All obligations are secured by asset security customary for this type of ECA-supported asset financing transaction including a mortgage over the financed vessels, share charges in respect of the shares in the existing borrowers, assignments by the borrowers of rights and claims under the shipbuilding contracts and refund guarantees, and a general assignment by each of the borrowers and bareboat charterer of insurances, earnings and requisition compensation. Each borrower is required to maintain US\$ and SAR denominated debt service accounts (subject to security for the benefit of the lenders) from which repayment installments of the relevant vessel tranches are to be made.

All obligations of the borrowers under the Syndicated Vessel Financing are guaranteed by UASC Limited and Hapag-Lloyd AG.

VI. Mandatory prepayment events

The Syndicated Vessel Financing includes a mandatory prepayment event in relation to illegality affecting the lender and in relation to breach of sanctions. It also includes mandatory prepayment events in the event of (i) any sale of a vessel and (ii) total loss of a vessel, all of which are customary for an asset financing facility of this nature.

In addition a mandatory prepayment event applies if any borrower or UASC Limited ceases to be a wholly owned direct or indirect subsidiary of Hapag-Lloyd AG (without the consent of all the lenders).

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “—*Unsecured Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”. In addition, a mandatory prepayment event applies in the event of (i) the termination, unenforceability, cancellation or other cessation of the K-Sure insurance policy, (ii) notice from K-Sure to the agent and the K-Sure agent to determine its obligations under the insurance policy and (iii) the terms of the K-Sure insurance policy requiring the relevant vessel to be sold. In such cases, subject to a 90 day restructuring mitigation / consultation period, the borrowers must prepay the affected vessel loan(s).

VII. Events of Default

The total commitments may be cancelled and the loans and all other amounts outstanding under the Syndicated Vessel Financing (in whole or in part) accelerated or declared to be payable on demand by the agent (on behalf of the majority of lenders) if an event of default has occurred which is continuing.

The events of default are customary for this type of secured asset financing transaction, but also include: (i) a reduction in share capital of the borrowers; and (ii) the country of registration of a vessel becoming involved in war or civil war or under occupation (subject to agreed exceptions).

In addition, the events of default include the occurrence of an event or circumstance which is reasonably likely to have a “Material Adverse Effect”, substantially as set out under 13.4(b)(iii)(A)(VII) “—*KEXIM Vessel Financing—Events of Default*” above.

VIII. Security cover requirements

If at any time the market value of the vessels (plus any additional collateral provided, other than cash) falls below an amount constituting 120% of the aggregate senior tranches (less cash provided as security), the borrowers shall within 90 days of being requested by the agent, prepay such part of the loan in an amount equal to the shortfall or provide additional security covering the shortfall (subject to a right to a release of the additional security, if the applicable requirements are met).

(iv) *SPC Secured Container Facilities*

(A) *Al Rayyan Container Financing*

I. General

By a US\$50,000,000 secured term loan facility agreement dated July 10, 2012 for Al Rayyan Limited as borrower (being a special purpose vehicle incorporated in the Cayman Islands set up for the purposes of the financing) with Arab Banking Corporation (B.S.C.) as arranger, facility agent, security agent and lender, the lender has agreed to make available to the borrower a secured term loan facility for the purposes of financing part of the purchase price of US\$62,500,470 for marine cargo containers (as amended and/or restated from time to time, the “**Al Rayyan Container Financing**”). UASC Limited is the sole shareholder of the borrower and the borrower owns each of the cargo containers so financed, and leases the containers to UASC Limited under a lease.

II. Repayment / maturity

The loan under the Al Rayyan Container Financing is to be repaid in twenty-four consecutive quarterly installments, and a final balloon payment of US\$14,000,000 which shall be repaid with the final quarterly installment; the first installment being due and payable on the date falling 3 months after the utilization date of the loan. The final maturity date of the Al Rayyan Container Financing is the date falling seventy-two months after the utilization date, being July 23, 2018.

As of March 31, 2017, the aggregate amount of the loan outstanding under the Al Rayyan Container Financing was US\$23,000,000.

III. Undertakings and Financial Covenants

The facility agreement contains certain information undertakings (including provision of financial statements and financial information), undertakings as to insurance, container undertakings and general undertakings in each case customary for a secured asset financing facility for a special purpose vehicle, including: (i) restrictive covenants such as a negative pledge and restrictions on disposals, expenditure and mergers; (ii) restrictions on incurring any financial indebtedness other than as contemplated by the Al Rayyan Container Financing documents; (iii) restrictions on change of business; and (iv) restrictions on dividends, each subject to certain agreed exceptions. In addition the undertakings include positive undertakings regarding maintenance of title to assets and insurances, and compliance with laws and authorizations.

The guarantees granted by UASC Limited and Hapag-Lloyd AG in favor of the security agent (see further 13.4(b)(iv)(A)(V) “—*Security and Guarantees*” below) contain information undertakings (including the provision of financial information and compliance certificates) and general undertakings (for example, as regards title to assets, compliance with authorizations and a negative pledge in relation to the security granted by UASC Limited over the shares in the borrower), in each case customary for a guarantor in respect of a financing for a single purpose company.

The financial covenants applicable to Hapag-Lloyd AG under its guarantee are substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*” above.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after November 27, 2016.

IV. Interest Rates and Fees

Under the Al Rayyan Container Financing, the borrower is required to pay interest to the Lenders at a rate per annum equal to the aggregate of (i) a margin that is of a customary level for this type of transaction, plus (ii) LIBOR.

The Borrower is required to pay customary fees under and in connection with the Al Rayyan Container Financing.

V. Security and Guarantees

The obligations of the borrower under the Al Rayyan Container Financing, and of UASC Limited under the UASC Limited guarantee, are secured by (including but not limited to), mortgages over the containers, an assignment of the lease of the containers, security over the accounts of the borrower, and a share mortgage over the shares in the borrower granted by UASC Limited.

Each of UASC Limited and Hapag-Lloyd AG guarantees the obligations of the borrower under the Al Rayyan Container Financing.

VI. Mandatory Prepayment

The Borrower is required to prepay the loan (in part) if containers having a book value of US\$500,000 or higher become a total loss after the date of the facility agreement or (if later) since a mandatory prepayment was last made because containers having a book value of US\$500,000 or higher previously became a total loss. The amount of the prepayment is proportionate to the value of the containers that have become a total loss.

Subject to certain exceptions, the borrower is also required to prepay the loan (i) if any of the containers are sold by the borrower and (ii) in the event of the invalidity or unenforceability, or loss of priority, of the security created under the Al Rayyan Container Financing. The borrower is also required to prepay a lender's participation if it becomes unlawful for that lender to perform its obligations under the facility agreement or to fund its participation in the loan, or in the event of illegality relating to sanctions.

The borrower may be required to prepay the loan (if the lenders so require on not less than 30 days' notice) in the event of a change of ownership of the shares in UASC Limited (except a change permitted by the finance documents).

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) "*—Unsecured Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*".

VII. Events of Default

The total commitments may be cancelled and the loan and all other amounts outstanding under the Al Rayyan Container Financing accelerated (in whole or in part) by the facility agent (on behalf of the lenders) if an event of default has occurred which is continuing.

The events of default are customary for this type of secured asset financing transaction, but also include (i) a breach of the financial covenants by UASC Limited or Hapag-Lloyd AG, (ii) cross-defaults in relation to the financial indebtedness of the material subsidiaries of Hapag-Lloyd AG (in addition to cross-default with the financial indebtedness of the borrower, UASC Limited and Hapag-Lloyd AG), and (iii) a change, without the consent of the majority lenders, in the ultimate beneficial ownership of the shares in the borrower or in the ultimate control of the associated voting rights, or in the direct or indirect management control, of the borrower.

In addition, the events of default include the occurrence of an event or circumstance or series of events or circumstances (in either case, other than a permitted disposal) which is reasonably likely to have a "Material Adverse Effect", substantially as set out under 13.4(b)(iii)(A)(VII) "*—SPV Vessel Secured Facilities—KEXIM Vessel Financing—Events of Default*" above).

(B) Commercial Container Financing

I. General

By four purchase contracts dated December 1, 2011, Qurtuba Limited (a subsidiary of UASC Limited) agreed to purchase and take delivery of certain marine cargo containers manufactured and supplied by China International Marine Containers (Group) Ltd. Under a US\$33,994,190.82 commercial loan agreement dated May 12, 2017 (the "**Commercial Container Financing**") between Qurtuba Limited, as borrower, ABN Amro Bank N.V., Singapore Branch as lender, mandated lead arranger, facility agent and security trustee, the lender agreed to refinance four loan facilities originally granted to the borrower in order to finance the borrower's acquisition of those marine cargo containers (the four original loan facilities are referred to as the "**Repaid Commercial Container Financing**"). The container equipment acquired by the borrower and so refinanced, is leased to UASC Limited and sub-leased to Hapag-Lloyd AG.

II. Repayment / Maturity

The borrower is required to repay the loan by thirteen equal consecutive quarterly installments of US\$2,428,156.51, followed by a final installment of US\$2,428,156.19. The first installment is payable on May 31, 2017 and the final installment shall be repaid on August 31, 2020.

As of March 31, 2017, no indebtedness was outstanding under the Commercial Container Financing (which was subsequently entered into on May 12, 2017) and instead the relevant borrowing (in the amount of US\$33,994,190.42) was at such time owed by the borrower under the Repaid Commercial Container Financing.

III. Undertakings and financial covenants

The loan agreement contains certain information undertakings (including the provision of financial information relating to UASC Limited as guarantor and its subsidiaries including the borrower), and other general undertakings, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants applicable to the borrower, and covenants to preserve and protect the collateral (including as to insuring the containers and maintenance/alteration/repair/record-keeping requirements in respect of the containers).

As guarantor, UASC Limited has agreed to customary undertakings such as a negative pledge, maintenance of corporate status, and undertakings regarding financial statements.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after May 24, 2017.

IV. Interest Rates and Fees

The borrower is required to pay interest on the loan under each loan agreement at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a margin that is of a customary level for this type of transaction.

The borrower is required to pay customary fees under the loan agreement, including an upfront fee.

V. Security and Guarantees

All obligations are secured by asset security customary for this type of asset financing transaction including (i) security assignments in respect of, *inter alia*, warranties, rights under the leases and rights under the purchase contracts; (ii) container mortgages; (iii) account security granted by the borrower and (iv) a share mortgage in respect of the shares in the borrower, granted by UASC Limited.

UASC Limited guarantees the obligations of the borrower under the Commercial Container Financing. Hapag-Lloyd AG also guarantees the borrower’s obligations under the Commercial Container Financing.

VI. Mandatory Prepayment

The borrower is required to prepay the loan (in part) if containers having a book value of US\$2,000,000 or higher become a total loss since the date of the loan agreement or (if later) since a mandatory prepayment was last made as a result of containers having a book value of US\$2,000,000 or higher becoming a total loss. The amount of the prepayment is proportionate to the value of the containers that have become a total loss. As customary, the borrower is also required to partially prepay the loan if any of the containers are sold by the borrower.

A mandatory prepayment event may also occur in the event of a change of control in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “—*Unsecured Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

VII. Events of Default

Upon service of a notice on the borrower following an event of default, the total commitments and all other obligations of the lender to the borrower may be cancelled and the loan, all accrued interest and all other amounts accrued or owing under the Commercial Container Financing may become immediately due and payable, or as the case may be, payable on demand.

The loan agreement includes events of default customary for this type of transaction, including breach of covenants, non-payments and breach of financial covenants.

In addition, the events of default include (subject to certain agreed grace periods or exceptions) (i) cross-defaults in relation to the financial indebtedness of the borrower, Hapag-Lloyd AG and Hapag-Lloyd AG's subsidiaries, (ii) insolvency events in respect of the borrower, UASC Limited, Hapag-Lloyd AG or any material subsidiary of Hapag-Lloyd AG (iii) illegality affecting performance of obligations by security parties, (iv) changes in control of the borrower or UASC Limited, (v) invalidity or unenforceability affecting the provisions of the finance documents, and (vi) an event or circumstance arising or developing which has a material adverse effect.

(v) *French Tax Lease Facilities*

(A) *Al Riffa Financing*

I. General

UASC Limited has received the benefit of US\$102,662,974.55 in financing provided through a French tax lease facility which was used to finance: (i) the acquisition cost of one 13,100 TEU Containership "Al Riffa"; and (ii) the export credit insurance premium payable to K-Sure, who provided an export insurance policy providing 95% commercial and political risk cover in respect of the loan (as amended and/or restated from time to time, the "**Al Riffa Financing**"). The financing was made available to Société Générale, as Head Borrower (the "**Al Riffa Head Borrower**") under a senior K-Sure mortgage loan agreement dated December 10, 2010 (the "**AR K-Sure Loan Agreement**"), for the purpose of enabling the Al Riffa Head Borrower to make advances available to the entity purchasing the ship (being SNC Carla) (the "**Al Riffa Owner**"), to enable the Al Riffa Owner to finance the acquisition cost of the ship. Such onward advances were made under a head borrower loan agreement (the "**AR Head Borrower Loan Agreement**") dated December 10, 2010 between the Al Riffa Head Borrower, as lender, and the Al Riffa Owner, as borrower. The ship was acquired pursuant to an acquisition contract between the Al Riffa Owner, as buyer, and Al Riffa Limited ("**Al Riffa**"), as seller (Al Riffa being a subsidiary of UASC Limited). The balance of the acquisition cost was financed for the Al Riffa Owner under a subordinated loan agreement between the Al Riffa Owner, as borrower, and Al Riffa, as subordinated lender. After the sale, the ship was chartered by the Al Riffa Owner to Al Riffa pursuant to a bareboat charter (the "**Al Riffa Bareboat Charter**").

II. Repayment / maturity

The loan under the AR K-Sure Loan Agreement is to be repaid in 25 semi-annual installments. The first installment was due on June 30, 2012, and the final maturity date is June 30, 2024.

The rental under the Al Riffa Bareboat Charter is payable in 25 semi-annual installments. The rental consists of a variable rental and a fixed rental, which are used to pay the amounts due under the AR K-Sure Loan Agreement, the AR Head Borrower Loan Agreement and the subordinated loan agreement.

As of March 31, 2017, the aggregate amount of the loan outstanding under the AR K-Sure Loan Agreement was US\$60,953,211.46.

III. Undertakings and Financial Covenants

The AR K-Sure Loan Agreement and AR Head Borrower Loan Agreement contain customary undertakings for an asset financing transaction of this type.

The Al Riffa Bareboat Charter contains certain information undertakings and other general undertakings at the Al Riffa level, including covenants to preserve and protect the collateral (including operational, maintenance and insurance covenants), restrictive covenants (including restrictions against merging or consolidating with other persons or incurring any other financial indebtedness) and financial reporting requirements. In addition, the Al Riffa Bareboat Charter provides that Al Riffa shall enter into a time charter with UASC Limited, who may enter into sub-time charters with other parties (subject to certain agreed conditions).

The guarantee between Hapag-Lloyd AG and the Al Riffa Owner (see further 13.4(b)(iv)(A)(V) "*—Security and Guarantees*" below), contains additional covenants, at the Hapag-Lloyd AG level, including financial covenants substantially as described under 13.4(b)(i)(A)(III) "*—Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*" above.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after the date of the Hapag-Lloyd AG guarantee.

IV. Interest Rates and Fees

Interest is payable under the AR K-Sure Loan Agreement at a rate per annum equal to the sum of LIBOR plus a margin that is of a customary level for this type of transaction. Interest is payable under the AR Head Borrower Loan Agreement at a rate per annum equal to the sum of EURIBOR plus a margin that is of a customary level for this type of transaction.

The rental under the Al Riffa Bareboat Charter includes fixed rental (denominated in dollars and euro), and variable rental which is the aggregate of (i) fixed rate amounts payable by the Al Riffa Owner pursuant to any interest rate swaps, (ii) the floating rate interest payable under the AR Head Borrower Loan Agreement (if applicable), (iii) a margin that is of a customary level for this type of transaction, and (iv) the interest payable under the subordinated loan agreement.

V. Security and Guarantees

The obligations of Al Riffa under the transaction documents are secured by security customary for this type of asset financing transaction, including a mortgage over the ship, a share pledge in respect of the shares in Al Riffa granted by UASC Limited, a pre-delivery security assignment and a general security assignment assigning (amongst other things) insurances, requisition proceeds, ship warranties, Al Riffa's rights under the time charter agreement with UASC Limited and the Al Riffa Owner's rights under the UASC Limited and Hapag-Lloyd AG guarantees (as described below).

Each of UASC Limited and Hapag-Lloyd AG guarantees the obligations of the borrower under the Al Riffa Financing.

VI. Mandatory Prepayment

The AR K-Sure Loan Agreement and AR Head Borrower Loan Agreement include customary mandatory prepayment events for a transaction of this type.

In the event of the K-Sure insurance policy being illegal or invalid or terminated, or ceasing to be in full force and effect, then the loan under the AR K-Sure Loan Agreement may become repayable if the K-Sure agent so notifies the Al Riffa Head Borrower.

The Al Riffa Bareboat Charter includes early termination events for (i) illegality (subject to a mitigation regime) and (ii) a total loss in respect of the ship.

The Al Riffa Owner is required to transfer title to the ship to Al Riffa once the termination sum (covering all amounts payable to the Al Riffa Owner or the finance parties pursuant to the transaction documents) under the Al Riffa Bareboat Charter has been paid and all other obligations have been performed thereunder.

VII. Events of Default

The primary events of default are those contained in the Al Riffa Bareboat Charter, and which are triggered by conduct of Al Riffa – those events of default are customary for this type of asset financing transaction and include, amongst other things, breach of obligations and insolvency events.

In addition, an event of default would occur if (i) UASC Limited ceases to own directly or indirectly 100% of the share capital and voting rights in Al Riffa, (ii) Hapag-Lloyd AG ceases to own directly or indirectly at least 100% of the share capital and voting rights of UASC Limited, or (iii) if a change of control occurs in respect of Hapag-Lloyd AG, substantially as described under 13.4(b)(i)(A)(VI)(c) “—*Unsecured Facilities—QNB Unsecured Facility—Mandatory Prepayment—Change of Control – Hapag-Lloyd AG*”.

The events of default also include the occurrence of a “Material Adverse Effect”, defined substantially as set out under 13.4(b)(iii)(A)(VII) “—*SPV Vessel Secured Facilities—KEXIM Vessel Financing—Events of Default*” above.

If an event of default under the Al Riffa Bareboat Charter is continuing, the Al Riffa Owner may terminate the charter period and, by notice to Al Riffa, require it to pay the applicable “Termination Sum” (which covers, amongst other things, all other amounts payable to the Al Riffa Owner or the finance parties pursuant to the transaction documents).

Customary events of default for an asset financing transaction of this type are also included in the AR K-Sure Loan Agreement and the AR Head Borrower Loan Agreement. An event of default under such agreements would trigger an event of default under the Al Riffa Bareboat Charter.

VIII. Purchase Option

Al Riffa has the right to purchase the ship by notice to the Al Riffa Owner at least 120 days and not more than 180 days prior to the scheduled expiry date. Al Riffa may exercise the purchase option, subject to payment of an amount of € 58,970,931.77, together with any other amounts unpaid under the transaction documents.

IX. Security Cover Ratio

Al Riffa undertakes to ensure that the market value of the ship (estimated by the average of the valuations of three approved appraisers) divided by the aggregate of (i) the loan under the AR K-Sure Loan Agreement, (ii) certain hedging values and (iii) certain tax exposure amounts (as determined in accordance with the finance documents) remains at all times equal to or greater than 1.20. If the quotient of that calculation is less than 1.20, Al Riffa is required to provide additional security in order to satisfy the cover ratio requirement.

(B) Jebel Ali Financing

I. General

UASC Limited has received the benefit of US\$103,115,026.94 in financing provided through a French tax lease facility which was used to finance: (i) the acquisition cost of one 13,100 TEU Containership “Jebel Ali”; and (ii) the export credit insurance premium payable to K-Sure, who provided an export insurance policy providing 95% commercial and political risk cover in respect of the loan (as amended and/or restated from time to time, the “**Jebel Ali Financing**”). The financing was made available to Société Générale, as Head Borrower (the “**Jebel Ali Head Borrower**”) under a senior K-Sure mortgage loan agreement dated March 17, 2011 (the “**JA K-Sure Loan Agreement**”), for the purpose of enabling the Jebel Ali Head Borrower to make advances available to the entity purchasing the ship (being SNC Valeria) (the “**Jebel Ali Owner**”), to enable the Jebel Ali Owner to finance the acquisition cost of the ship. Such onward advances were made under a head borrower loan agreement (the “**JA Head Borrower Loan Agreement**”) dated March 17, 2011 between the Jebel Ali Head Borrower, as lender, and the Jebel Ali Owner, as borrower. The ship was acquired pursuant to an acquisition contract between the Jebel Ali Owner, as buyer, and Jebel Ali Limited (“**Jebel Ali**”), as seller (Jebel Ali being a subsidiary of UASC Limited). The balance of the acquisition cost was financed by the Jebel Ali Owner under a subordinated loan agreement between the Jebel Ali Owner, as borrower, and Jebel Ali, as subordinated lender. After the sale, the ship was chartered by the Jebel Ali Owner to Jebel Ali pursuant to a bareboat charter (the “**Jebel Ali Bareboat Charter**”).

II. Repayment / Maturity

The loan under the JA K-Sure Loan Agreement is to be repaid in 25 semi-annual installments. The first installment was due on June 28, 2012, and the final maturity date is June 30, 2024.

The rental under the Jebel Ali Bareboat Charter is payable in 25 semi-annual installments. The rental consists of a variable rental and a fixed rental, which are used to pay the amounts due under the JA K-Sure Loan Agreement, the JA Head Borrower Loan Agreement and the subordinated loan agreement.

As of March 31, 2017, the aggregate amount of the loan outstanding under the JA K-Sure Loan Agreement was US\$63,057,899.12.

III. Undertakings and Financial Covenants

The JA K-Sure Loan Agreement and JA Head Borrower Loan Agreement contain customary undertakings for an asset financing transaction of this type.

The Jebel Ali Bareboat Charter contains certain information undertakings and other general undertakings at the Jebel Ali level, substantially as described under 13.4(b)(v)(A)(III) “—*Al Riffa Financing—Undertakings and Financial Covenants*” above. In addition, the Jebel Ali Bareboat Charter provides that Jebel Ali shall enter into a time charter with UASC Limited, who may enter into sub-time charters with other parties (subject to certain agreed conditions).

The guarantees from UASC Limited and Hapag-Lloyd AG, which are substantially as described under 13.4(b)(v)(A)(III) “—*Al Riffa Financing—Undertakings and Financial Covenants*” above.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after the date of the Hapag-Lloyd AG guarantee.

IV. Interest Rates and Fees

Interest is payable under the JA K-Sure Loan Agreement and the JA Head Borrower Loan Agreement substantially as described under 13.4(b)(v)(A)(IV) “—*Al Riffa Financing—Interest Rates and Fees*” above.

The rental under the Jebel Ali Bareboat Charter includes fixed rental (denominated in dollars and euro), and variable rental substantially as described under 13.4(b)(v)(A)(IV) “—*Al Riffa Financing—Interest Rates and Fees*” above.

V. Security and Guarantees

UASC Limited and Hapag-Lloyd AG each guarantee to the Jebel Ali Owner the obligations of Jebel Ali under the Jebel Ali Bareboat Charter and the other finance documents to which Jebel Ali is a party.

The obligations of Jebel Ali under the transaction documents are secured by security customary for this type of asset financing transaction, and substantially as described under 13.4(b)(v)(A)(V) “—*Al Riffa Financing—Security and Guarantees*” above.

VI. Mandatory Prepayment

The JA K-Sure Loan Agreement and JA Head Borrower Loan Agreement include customary mandatory prepayment events for a transaction of this type.

In the event of the K-Sure insurance policy being illegal or invalid or terminated, or ceasing to be in full force and effect, then the loan under the JA K-Sure Loan Agreement may become repayable if the K-Sure agent so notifies the Jebel Ali Head Borrower.

The Bareboat Charter includes early termination events and transfer of title provisions substantially as described under 13.4(b)(v)(A)(VI) “—*Al Riffa Financing—Mandatory Prepayment*” above.

VII. Events of Default

The events of default under the JA K-Sure Loan Agreement, the JA Head Borrower Loan Agreement, and the Jebel Ali Bareboat Charter, and the possible consequences thereof, are substantially as described under 13.4(b)(v)(A)(VII) “—*Al Riffa Financing—Events of Default*” above.

VIII. Purchase Option

Jebel Ali has the right to purchase the ship by notice to the Jebel Ali Owner at least 120 days and not more than 180 days prior to the scheduled expiry date. Jebel Ali may exercise the purchase option, subject to payment of an amount of € 55,761,256.51, together with any other amounts unpaid under the transaction documents.

IX. Security Cover Ratio

Jebel Ali undertakes to maintain the market value of the ship relative to certain liabilities, substantially as described under 13.4(b)(v)(A)(IX) “—*Al Riffa Financing—Security Cover Ratio*” above.

(vi) JOLCO Facilities

(A) Al-Mutanabbi JOLCO Financing

I. General

UASC Limited, as sub-lessee, has received the benefit of US\$30,000,000 in financing (as amended and/or restated from time to time, the “**Al-Mutanabbi JOLCO Financing**”) provided through a

Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC Limited and/or Hapag-Lloyd AG. The financing is made available through a combination of loan and equity contributions. The loan portion is provided by DVB Transport Finance Limited, Tokyo Branch, as initial lender, to JPC No. 14 Limited as borrower (“**JPC No. 14**”) pursuant to a loan agreement dated August 26, 2014 (the “**Al-Mutanabbi JOLCO Loan Agreement**”). The remainder of the container purchase price paid to UASC Limited at closing is provided by JPC No. 14, which is a special purpose company managed by JP Lease Products & Services Co., Ltd. The financed containers are leased by JPC No. 14 to Al-Mutanabbi Limited (“**Al-Mutanabbi**”) pursuant to a lease agreement dated August 26, 2015 (the “**Al-Mutanabbi JOLCO Lease**”) and sub-leased to UASC Limited and in some cases are further sub-sub-leased to Hapag-Lloyd AG and/or sub-sub-sub-leased back to UASC Limited. Rent under the Al-Mutanabbi JOLCO Lease is then used to service the debt and to provide a return to JPC No. 14 on the equity investment.

II. Repayment / Maturity / Rental Payments

Principal and interest under the Al-Mutanabbi JOLCO Loan Agreement are payable quarterly in arrears over an approximately seven year period ending on the final repayment date of June 30, 2021, with a final balloon installment due on the final repayment date. The Al-Mutanabbi JOLCO Lease term also ends on June 30, 2021 and rent under the Al-Mutanabbi JOLCO Lease is paid quarterly in arrears. Al-Mutanabbi JOLCO Lease rent consists of a Rent A portion which is used by JPC No. 14 to repay the loan and a Rent B portion which provides JPC No. 14 a return on its equity investment.

As of March 31, 2017, the principal amount of the loan outstanding under the Al-Mutanabbi JOLCO Loan Agreement was US\$15,750,000 and the equity investment remaining to be repaid to JPC No.14 was US\$7,637,500.

III. Undertakings and Financial Covenants

The Al-Mutanabbi JOLCO Lease contains certain information undertakings and other general undertakings, at the Al-Mutanabbi level, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants, covenants to preserve and protect the collateral and financial reporting requirements.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after September 19, 2016.

IV. Interest Rate

Interest on the loan principal is payable at a rate per annum equal to a fixed rate that is of a customary level for this type of transaction. The equity investment of JPC No.14 is repaid under the Al-Mutanabbi JOLCO Lease in consecutive payment dates at three monthly intervals, with an effective rate of interest that is of a customary level for this type of transaction.

V. Security and Guarantees

All payment obligations of Al-Mutanabbi under the Al-Mutanabbi JOLCO Lease and other transaction documents are guaranteed by each of UASC Limited and Hapag-Lloyd AG.

All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by JPC No. 14 in favor of the lenders, and a general assignment by each of Hapag-Lloyd AG and UASC Limited, Al-Mutanabbi and JPC No. 14 in favor of the lenders of their respective rights in the insurances and transaction documents.

VI. Events of Default

a. Events of Default under the Al-Mutanabbi JOLCO Lease

The primary events of default are those contained in the Al-Mutanabbi JOLCO Lease and which are triggered by conduct of Al-Mutanabbi. The events of default under the Al-Mutanabbi JOLCO Lease are customary for this type of asset financing transaction.

Among other things, an event of default is triggered by the occurrence of an event or circumstance or series of events or circumstances which is or are reasonably likely to have a material adverse effect on (i) the business, assets or financial condition of Hapag-Lloyd AG and its subsidiaries affecting the ability of Hapag-Lloyd AG to comply with its financial covenants, (ii) the ability of UASC Limited, Hapag-Lloyd AG or Al-Mutanabbi to perform their payment obligations under the transaction documents or (iii) the validity or enforceability of the rights or remedies of any finance party under such transaction documents or the validity, enforceability or effectiveness and ranking of any security interest granted pursuant to any transaction document.

Upon an event of default under the Al-Mutanabbi JOLCO Lease, JPC No. 14 can terminate the leasing and require Al-Mutanabbi to pay the “Stipulated Loss Value” (as specified therein) to JPC No. 14. Upon payment of such Stipulated Loss Value and other amounts due and payable under the Al-Mutanabbi JOLCO Lease, JPC No. 14 is obliged to transfer title of the containers to Al-Mutanabbi in accordance with the terms of the Al-Mutanabbi JOLCO Lease.

b. Events of Default under the Al-Mutanabbi JOLCO Loan Agreement

The Al-Mutanabbi JOLCO Loan Agreement separately contains loan event of defaults which are triggered by the conduct of JPC No. 14 (a special purpose company formed solely to own and lease the financed containers), however, these are somewhat limited in comparison to the events of default under the Al-Mutanabbi JOLCO Lease. The events of default under the Al-Mutanabbi JOLCO Loan Agreement are customary for this type of asset financing transaction.

The loan can be accelerated by the lenders following a breach by JPC No. 14 of its obligations under the Al-Mutanabbi JOLCO Loan Agreement or following the occurrence of an event of default under the Al-Mutanabbi JOLCO Lease. In addition, the Al-Mutanabbi JOLCO Loan Agreement provides for mandatory repayment following certain total loss events with respect to the financed containers, breaches of sanctions provisions, and situations where Al-Mutanabbi has terminated the Al-Mutanabbi JOLCO Lease due to a lessor default.

VII. Purchase Option

Under the Al-Mutanabbi JOLCO Lease, Al-Mutanabbi may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$13,880,500). There is also corresponding purchase option in favor of UASC Limited in the relevant sub-lease.

(B) Wakrah JOLCO Financing

I. General

UASC Limited, as sub-lessee, has received the benefit of US\$30,000,000 in financing (as amended and/or restated from time to time, the “**Wakrah JOLCO Financing**”) provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC Limited and/or Hapag-Lloyd AG. The financing is made available through a combination of loan and equity contributions. The loan portion is provided by DVB Transport Finance Limited, Tokyo Branch, as initial lender, to JPC No. 15 Limited as borrower (“**JPC No. 15**”) pursuant to a loan agreement dated April 22, 2015 (the “**Wakrah JOLCO Loan Agreement**”). The remainder of the container purchase price paid to UASC Limited at closing is provided by JPC No. 15, which is a special purpose company managed by JP Lease Products & Services Co., Ltd. The financed containers are leased by JPC No. 15 to Wakrah Limited (“**Wakrah**”) pursuant to a lease agreement dated April 22, 2015 (the “**Wakrah JOLCO Lease**”) and sub-leased to UASC Limited and in some cases are further sub-sub-leased to Hapag-Lloyd AG and/or sub-sub-sub-leased back to UASC Limited. Rent under the Wakrah JOLCO Lease is then used to service the debt and to provide a return to JPC No. 15 on the equity investment.

II. Repayment / Maturity / Rental Payments

Principal and interest under the Wakrah JOLCO Loan Agreement are payable quarterly in arrears over an approximately seven year period ending on the final repayment date of June 30, 2022, with a final balloon installment due on the final repayment date. The Wakrah JOLCO Lease term also ends on March 27, 2022 and rent under the Wakrah JOLCO Lease is paid quarterly in arrears. Wakrah JOLCO Lease rent consists of a Rent A portion which is used by JPC No. 15 to repay the loan and a Rent B portion which provides JPC No. 15 a return on its equity investment.

As of March 31, 2017, the principal amount of the loan outstanding under the Wakrah JOLCO Financing was US\$17,062,500 and the equity investment remaining to be repaid to JPC No.15 was US\$7,747,500.

III. Undertakings and Financial Covenants

The documents for the Wakrah JOLCO Financing contain customary undertakings for a transaction of this type substantially as described under 13.4(b)(vi)(A)(III) “—*Al-Mutanabbi JOLCO Financing—Undertakings and Financial Covenants*”.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after September 19, 2016.

IV. Interest Rate

Interest on the loan principal is payable at a fixed rate that is of a customary level for this type of transaction. The equity investment of JPC No.15 is repaid under the Wakrah JOLCO Lease in consecutive payment dates at three monthly intervals, with an effective fixed rate of interest that is of a customary level for this type of transaction.

V. Security and guarantees

All payment obligations of Wakrah under the Wakrah JOLCO Lease and other transaction documents are guaranteed by UASC and Hapag-Lloyd AG. All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by JPC No. 15 in favor of the lenders, and a general assignment by each of Hapag-Lloyd AG, UASC Limited, Wakrah and JPC No. 15 in favor of the lenders of their respective rights in the insurances and transaction documents.

VI. Events of Default

a. Events of Default under the Wakrah JOLCO Lease

The events of default and the possible consequences thereof under the Wakrah JOLCO Lease are substantially as described under 13.4(b)(vi)(A)(VI)(a) “—*Al-Mutanabbi JOLCO Financing—Events of Default—Events of Default under the Al-Mutanabbi JOLCO Lease*”.

b. Events of Default under the Wakrah JOLCO Loan Agreement

The events of default and the possible consequences thereof under the Wakrah JOLCO Loan Agreement are substantially as described under 13.4(b)(vi)(A)(VI)(b) “—*Al-Mutanabbi JOLCO Financing—Events of Default—Events of Default under the Al-Mutanabbi JOLCO Loan Agreement*”.

VII. Purchase Option

Under the Wakrah JOLCO Lease, Wakrah may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$13,867,500). There is also a corresponding purchase option in favor of UASC Limited in the relevant sub-lease.

(C) *Busaiteen JOLCO Financing*

I. General

UASC Limited, as sub-lessee, has received the benefit of US\$45,000,000 in financing (as amended and/or restated from time to time, the “**Busaiteen JOLCO Financing**”) provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC Limited and/or Hapag-Lloyd AG. The financing is made available through a combination of loan and equity contributions. The loan portion is provided by, inter alios, DVB Transport Finance Limited, Tokyo Branch, as lender, to JPC No. 12 Limited as borrower (“**JPC No. 12**”) pursuant to a loan agreement dated July 22, 2015 (the “**Busaiteen JOLCO Loan**”).

Agreement”). In addition, a minority portion of the loan is held by UASC Limited as a lender, subject to customary “affiliate lender” restrictions. The remainder of the container purchase price paid to UASC Limited at closing is provided by JPC No. 12, which is a special purpose company managed by JP Lease Products & Services Co., Ltd. The financed containers are leased by JPC No. 12 to Busaiteen (“**Busaiteen**”) pursuant to a lease agreement dated July 22, 2015 (the “**Busaiteen JOLCO Lease**”) and subleased to UASC and in some cases are further sub-sub-leased to Hapag-Lloyd AG and/or sub-sub-sub-leased back to UASC Limited. Rent under the Busaiteen JOLCO Lease is then used to service the debt and to provide a return to JPC No. 12 on the equity investment.

II. Repayment / Maturity / Rental Payments

Principal and interest under the Busaiteen JOLCO Loan Agreement are payable quarterly in arrears over an approximately seven year period ending on the final repayment date of June 30, 2022, with a final balloon installment due on the final repayment date. The Busaiteen JOLCO Lease term also ends on June 30, 2022 and rent under the Busaiteen JOLCO Lease is paid quarterly in arrears. Busaiteen JOLCO Lease rent consists of a Rent A portion which is used by JPC No. 12 to repay the loan and a Rent B portion which provides JPC No. 12 a return on its equity investment.

As of March 31, 2017, the principal amount of the loan outstanding under the Busaiteen JOLCO Financing was US\$26,880,750 and the equity investment remaining to be repaid to JPC No.12 was US\$12,054,250.

In addition, the outstanding amount owing to one of the lenders under the Busaiteen JOLCO Financing (being Megabank International Commercial Bank Co., Ltd.) in the amount of US\$13,440,375 has been subsequently prepaid using the Megabank Tranche made available by Qatar National Bank (Q.P.S.C.) under the QNB Refinancing Facilities Agreement as described under 13.4(b)(ii)(A)(I)(b) “—*Multi-facilities—QNB Refinancing Facilities Agreement—General—Tranche B-1*” above.

III. Undertakings and Covenants

The documents for the Busaiteen JOLCO Financing contain customary undertakings for a transaction of this type, substantially as described under 13.4(b)(vi)(A)(III) “—*Al-Mutanabbi JOLCO Financing—Undertakings and Financial Covenants*”.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

IV. Interest Rate

Interest on the loan principal is payable at a fixed rate that is of a customary level for this type of transaction (on the Tranche A loan principal) and a floating rate equal to LIBOR plus a margin that is of a customary level for this type of transaction (on the Tranche B loan principal).

V. Security and Guarantees

All payment obligations of Busaiteen under the Busaiteen JOLCO Lease and other transaction documents are guaranteed by each of UASC Limited and Hapag-Lloyd AG. All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by JPC No. 12 in favor of the lenders, and a general assignment by each of Hapag-Lloyd AG, UASC Limited, Busaiteen and JPC No.12 in favor of the lenders of their respective rights in the insurances and transaction documents.

VI. Events of Default

a. Events of Default under the Busaiteen JOLCO Lease

The events of default and the consequences thereof under the Busaiteen JOLCO Lease are substantially as described under 13.4(b)(vi)(A)(VI)(a) “—*Al-Mutanabbi JOLCO Financing—Events of Default—Events of Default under the Al-Mutanabbi JOLCO Lease*”.

b. Events of Default under the Busaiteen JOLCO Loan Agreement

The events of default and the possible consequences thereof under the Busaiteen JOLCO Loan Agreement are substantially as described under 13.4(b)(vi)(A)(VI)(b) “—*Al-Mutanabbi JOLCO Financing—Events of Default—Events of Default under the Al-Mutanabbi JOLCO Loan Agreement*”.

VII. Purchase Option

Under the Busaiteen JOLCO Lease, Busaiteen may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$16,210,750.00). There is also a corresponding purchase option in favor of UASC Limited in the relevant sub-lease.

(D) Hira JOLCO Financing

I. General

UASC Limited, as sub-lessee, has received the benefit of US\$50,002,360 in financing provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC Limited and/or Hapag-Lloyd AG (as amended and/or restated from time to time, the “**Hira JOLCO Financing**”). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by ING Bank N.V., Tokyo Branch, as initial lender, to CLIP No. 76 Co., Ltd. and CLIP No. 77 Co., Ltd., respectively, as borrowers (together “**CLIP 76/77**”) pursuant to two loan agreements each dated June 26, 2014 (together, the “**Hira JOLCO Loans**”). The remainder of the container purchase price paid to UASC Limited at closing is provided by CLIP 76/77, which are each special purpose companies managed by Financial Products Group Co., Ltd. The financed containers are leased by CLIP 76/77 to Hira Limited (“**Hira**”) pursuant to two lease agreements each dated June 26, 2014 (together, the “**Hira JOLCO Leases**”) and sub-leased to UASC Limited and in some cases are further sub-sub-leased to Hapag-Lloyd AG and/or sub-sub-sub-leased back to UASC Limited. Rent under the Hira JOLCO Leases is then used to service the debt and to provide a return to CLIP 76/77 on the equity investment.

II. Repayment / Maturity / Rental Payments

Principal and interest under the Hira JOLCO Financing are payable quarterly in arrears over an approximately six year period ending on the final repayment date of June 30, 2021. Each Hira JOLCO Lease term also ends on June 30, 2021 and rent under each Hira JOLCO Lease is paid quarterly in arrears. Rent under each Hira JOLCO Lease consists of a Rent A portion which is used by CLIP 76/77 to repay the loans and a Rent B portion which provides CLIP 76/77 a return on its equity investment.

As of March 31, 2017, the aggregate principal amount of the loans outstanding under the Hira JOLCO Loans was US\$22,466,238.63 and the equity investment remaining to be repaid to CLIP 76/77 was US\$15,000,708.

III. Undertakings and Financial Covenants

The documents for the Hira JOLCO Financing contain customary undertakings for a transaction of this type substantially as described under 13.4(b)(A)(III) “—*Al-Mutanabbi JOLCO Financing—Undertakings and Financial Covenants*”.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after September 19, 2016.

IV. Interest Rate

Interest on the loan principal is payable at the rate per annum equal to a fixed rate that is of a customary level for this type of transaction .

V. Security and Guarantees

All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by CLIP 76/77 in favor of the lenders, and a general assignment by each of Hapag-Lloyd AG, UASC Limited, Hira and CLIP 76/77 in favor of the lenders of their respective rights in the insurances and transaction documents.

All payment obligations of Hira under the Hira JOLCO Leases and other transaction documents are guaranteed by each of UASC Limited and Hapag-Lloyd AG.

VI. Events of Default

a. Events of Default under the Hira JOLCO Leases

The primary events of default are those contained in the Hira JOLCO Leases and which are triggered by conduct of Hira. The events of default under the Hira JOLCO Leases are customary for this type of asset financing transaction. Among other things, an event of default is triggered by the occurrence of an event in relation to Hira or Hapag-Lloyd AG and its subsidiaries (including UASC Limited) which has a material adverse effect affecting Hira's or the Hapag-Lloyd AG group's financial condition or ability to perform its obligations under the transaction documents.

Upon an event of default under the Hira JOLCO Leases, CLIP 76/77 can terminate the leasing and require Hira to pay the "Stipulated Loss Value" (as specified therein) to CLIP 76/77. Upon payment of such Stipulated Loss Value and other amounts due and payable under the Hira JOLCO Leases, CLIP 76/77 is obliged to transfer title to the containers to Hira in accordance with the terms of the Hira JOLCO Leases.

b. Events of Default under the Hira JOLCO Loans

The Hira JOLCO Loans separately contain loan event of defaults which are triggered by the conduct of CLIP 76/77, however, these are somewhat limited in comparison to the events of default under the Hira JOLCO Leases. The events of default under the Hira JOLCO Loans are customary for this type of asset financing transaction.

The loan can be accelerated by the lenders following a breach by CLIP 76/77 of their obligations under the Hira JOLCO Loans or following the occurrence of an event of default under the Hira JOLCO Leases. In addition, the Hira JOLCO Loans provide for mandatory repayment following certain total loss events with respect to the financed containers, breaches of sanctions provisions, and situations where Hira has terminated the Hira JOLCO Leases due to a lessor default.

VII. Purchase Option

Under the Hira JOLCO Leases, Hira may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$12,504,000 under the lease with CLIP No. 76 Co., Ltd. and US\$7,496,000 under the lease with CLIP No. 77 Co., Ltd.). There is also a corresponding purchase option in favor of UASC Limited in the relevant sub-lease. There is also a corresponding purchase option in favor of UASC Limited in the relevant sub-lease.

(E) Al Madinah JOLCO Financing

I. General

UASC Limited, as sub-lessee, has received the benefit of US\$75,001,414 in financing provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC Limited and/or Hapag-Lloyd AG (as amended and/or restated from time to time, the "**Al Madinah JOLCO Financing**"). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by ING Bank N.V., Tokyo Branch, as initial lender, to CLIP No. 109 Co., Ltd., CLIP No. 110 Co., Ltd. and CLIP No. 111 Co., Ltd., respectively, as borrowers (together "**CLIP 109/110/111**") pursuant to three loan agreements each dated May 25, 2015 (together, the "**Al Madinah JOLCO Loans**"). The remainder of the container purchase price paid to UASC Limited at closing is provided by CLIP 109/110/111, which are each special purpose companies managed by Financial Products Group Co., Ltd. The financed containers are leased by CLIP 109/110/111 to Al Madinah Limited ("**Al Madinah**") pursuant to three lease agreements each dated May 25, 2015 (together, the "**Al Madinah JOLCO Leases**") and sub-leased to UASC Limited and in some cases are further sub-sub-leased to Hapag-Lloyd AG and/or sub-sub-sub-leased back to UASC Limited. Rent under the Al Madinah JOLCO Leases is then used to service the debt and to provide a return to CLIP 109/110/111 on the equity investment.

II. Repayment / Maturity / Rental Payments

Principal and interest under the Al Madinah JOLCO Loans are payable quarterly in arrears over an approximately seven year period ending on the final repayment date of June 30, 2022. Each Al Madinah JOLCO Lease term also ends on June 30, 2022 and rent under each Al Madinah JOLCO Lease

is paid quarterly in arrears. Lease rent consists of a Rent A portion which is used by CLIP 109/110/111 to repay the loan and a Rent B portion which provides CLIP 109/110/111 a return on its equity investment.

As of March 31, 2017, the aggregate principal amount of the loans outstanding under the Al Madinah JOLCO Loans was US\$40,143,951 and the equity investment remaining to be repaid to Clip 109/110/111 was US\$22,500,424.

III. Undertakings and Financial Covenants

The documents for the Al Madinah JOLCO Financing contain customary undertakings for a transaction of this type, substantially as described under 13.4(b)(vi)(A)(III) “—*Al-Mutanabbi JOLCO Financing—Undertakings and Financial Covenants*”.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after September 19, 2016.

IV. Interest Rate

Interest on the loan principal is payable at the rate per annum equal to a fixed rate that is of a customary level for this type of transaction.

V. Security and Guarantees

All payment obligations of Al Madinah under the Al Madinah JOLCO Leases and other transaction documents are guaranteed by each of UASC Limited and Hapag-Lloyd AG. All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by Clip 109/110/111 in favor of the lenders, and a general assignment by each of Hapag-Lloyd AG, UASC, Al Madinah and Clip 109/110/111 in favor of the lenders of their respective rights in the insurances and transaction documents.

VI. Events of Default

The events of default under the Al Madinah JOLCO Loans and Al Madinah JOLCO leases, and the possible consequences thereof, are substantially as described under 13.4(b)(vi)(D)(VI) “—*Hira JOLCO Financing—Events of Default*”.

VII. Purchase Option

Under the Al Madinah JOLCO Leases, Al Madinah may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$9,833,000 under the lease with CLIP No. 109 Co., Ltd., US\$10,151,000 under the lease with CLIP No. 110 Co., Ltd. and US\$10,017,000 under the lease with CLIP No. 111 Co., Ltd.). There is also a corresponding purchase option in favor of UASC Limited in the relevant sub-lease.

(F) Al Oyun JOLCO Financing

I. General

UASC Limited, as sub-lessee, has received the benefit of US\$125,000,000 in financing provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance shipping containers operated by UASC Limited and/or Hapag-Lloyd AG (as amended and/or restated from time to time, the “**Al Oyun JOLCO Financing**”). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by ING Bank N.V., Tokyo Branch, as initial lender, to CLIP No. 49 Co., Ltd., CLIP No. 119 Co., Ltd. and CLIP No. 120 Co., Ltd., respectively, as borrowers (together “**CLIP 49/119/120**”) pursuant to three loan agreements each dated December 14, 2015 (together, the “**Al Oyun JOLCO Loans**”). The remainder of the container purchase price paid to UASC Limited at closing is provided by CLIP 49/119/120, which are each special purpose companies managed by Financial Products Group Co., Ltd. The financed containers are leased by CLIP 49/119/120 to Al Oyun Limited (“**Al Oyun**”) pursuant to three lease agreements each

dated December 14, 2015 (together, the “**Al Oyun JOLCO Leases**”) and sub-leased to UASC and in some cases are further sub-sub-leased to Hapag-Lloyd AG and/or sub-sub-sub-leased back to UASC Limited. Rent under the Al Oyun JOLCO Leases is then used to service the debt and to provide a return to CLIP 49/119/120 on the equity investment.

II. Repayment / Maturity / Rental Payments

Principal and interest under the Al Oyun JOLCO Loans are payable quarterly in arrears over an approximately seven year period ending on the final repayment date of June 30, 2022. Each Al Oyun JOLCO Lease term also ends on June 30, 2022 and rent under each Al Oyun JOLCO Lease is paid quarterly in arrears. Lease rent consists of a Rent A portion which is used by CLIP 49/119/120 to repay the loans and a Rent B portion which provides CLIP 49/119/120 a return on its equity investment.

As of March 31, 2017, the aggregate principal amount of the loans outstanding under the Al Oyun JOLCO Loans was US\$73,796,801 and the equity investment remaining to be repaid to Clip 49/119/120 was US\$37,500,000.

III. Undertakings and Financial Covenants

The documents for the Al Oyun JOLCO financing contain certain information undertakings and other general undertakings, at the Al Oyun level, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants, covenants to preserve and protect the collateral and financial reporting requirements.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facility—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after September 19, 2016.

IV. Interest Rate

Interest on the loan principal is payable at a fixed rate that is of a customary level for this type of transaction.

V. Security and Guarantees

All payment obligations of Al Oyun under the Al Oyun JOLCO Leases and other transaction documents are guaranteed by each of UASC Limited and Hapag-Lloyd AG. All obligations are secured by asset security customary for this type of asset financing transaction including a mortgage over the financed containers by CLIP 49/119/120 in favor of the lenders, and a general assignment by each of Hapag-Lloyd AG, UASC Limited, Al Oyun and CLIP 49/119/120 in favor of the lenders of their respective rights in the insurances and transaction documents.

VI. Events of Default

The events of default under the Al Oyun JOLCO Loans and Al Oyun JOLCO leases, and the possible consequences thereof, are substantially as described under 13.4(b)(vi)(D)(VI) “—*Hira JOLCO Financing—Events of Default*”.

VII. Purchase Option

Under the Al Oyun JOLCO Leases, Al Oyun may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$16,572,000 under the lease with CLIP No. 49 Co., Ltd., US\$17,935,000 under the lease with CLIP No. 119 Co., Ltd. and US\$18,618,000 under the lease with CLIP No. 120 Co., Ltd.). There is also a corresponding purchase option in favor of UASC Limited in the relevant sub-lease.

(G) Manamah JOLCO Financing

I. General

UASC Limited, as sub-lessee, has received the benefit of US\$71,429,135 in financing provided through a Japanese operating lease with a call option (JOLCO) structure, which was used to finance

shipping containers operated by UASC Limited and/or Hapag-Lloyd AG (as amended and/or restated from time to time, the “**Manamah JOLCO Financing**”). The financing is made available through a combination of loan and equity contributions. The loan portion is provided by Bank of America, N.A., Tokyo Branch, as initial lender, to CLIP No. 99 Co., Ltd. and CLIP No. 100 Co., Ltd., respectively, as borrowers pursuant to two loan agreements each dated December 20, 2014 (together, the “**Manamah 2014 JOLCO Loans**”) and to CLIP No. 105 Co., Ltd. (together with CLIP No. 99 Co., Ltd. and CLIP No. 100 Co., Ltd., “**CLIP 99/100/105**”) as borrower pursuant to a loan agreement dated February 17, 2015 (the “Manamah 2015 JOLCO Loan”, and together, with the Manamah 2014 JOLCO Loans, the “**Manamah JOLCO Loans**”). The remainder of the container purchase price paid to UASC Limited at closing is provided by CLIP 99/100/105, which are each special purpose companies managed by Financial Products Group Co., Ltd. The financed containers are leased to Manamah Limited (“**Manamah**”) by CLIP No. 99 Co., Ltd. and CLIP No. 100 Co., Ltd., respectively, pursuant to two lease agreements each dated December 20, 2014 (together, the “**Manamah 2014 JOLCO Leases**”) and by CLIP No. 105 Co., Ltd. pursuant to a lease agreement dated February 17, 2015 (the “**Manamah 2015 JOLCO Lease**”, and together, with the Manamah 2014 JOLCO Leases, the “**Manamah JOLCO Leases**”). The containers are sub-leased to UASC Limited and in some cases are further sub-sub-leased to Hapag-Lloyd AG and/or sub-sub-sub-leased back to UASC Limited. Rent under the Manamah JOLCO Leases is then used to service the debt and to provide a return to CLIP 99/100/105 on the equity investment.

As of March 31, 2017, the aggregate principal amount of the loans outstanding under the Manamah JOLCO Loans was US\$35,877,311 and the aggregate equity investment remaining to be repaid to Clip 99/100/105 was US\$21,428,741.

II. Repayment / Maturity / Rental Payments

Principal and interest under the Manamah JOLCO Loans are payable quarterly in arrears over an approximately six year period ending on the final repayment date of December 29, 2021 in the case of the Manamah 2014 JOLCO Loans and February 25, 2022 in the case of the Manamah 2015 JOLCO Loan. Each Manamah 2014 JOLCO Lease term ends on December 29, 2021 and the Manamah 2015 JOLCO Lease term ends on February 25, 2022. Rent under each Manamah JOLCO Lease is paid quarterly in arrears. The lease rent consists of a Rent A portion which is used by CLIP 99/100/105 to repay the loan and a Rent B portion which provides CLIP 99/100/105 a return on its equity investment.

In the event that Manamah does not exercise its purchase option for the containers (see further 13.4(b)(vi)(G)(VII) “—*Purchase Option*” below), each Manamah JOLCO Lease provides that such leases shall automatically be extended for a twelve month extension term following the end of the scheduled lease period. In the event of such an extension, the final repayment date under the corresponding loan is also extended by twelve months.

III. Undertakings and Financial Covenants

The documents for the Manamah JOLCO financing contain certain information undertakings and other general undertakings, at the Manamah level, customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants, covenants to preserve and protect the collateral and financial reporting requirements.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

The Most Favored Nation Position also applies in favor of the lending parties, with respect to any facility or facilities entered into after May 24, 2017.

IV. Interest Rate

Interest on the loan principal is payable at a fixed rate that is of a customary level for this type of transaction on the Manamah 2014 JOLCO Loans and on the Manamah 2015 JOLCO Loans.

V. Security and Guarantees

All obligations of Manamah under the Manamah JOLCO Leases and other transaction documents are guaranteed by each of UASC Limited and Hapag-Lloyd AG. All obligations are secured by asset

security customary for this type of asset financing transaction including a mortgage over the financed containers by CLIP 99/100/105 in favor of the lenders, and a general assignment by each of Hapag-Lloyd AG, UASC Limited, Manamah and CLIP 99/100/105 in favor of the lenders of their respective rights in the insurances and transaction documents.

VI. Events of Default

The events of default under the Manamah JOLCO Loans and Manamah JOLCO leases, and the possible consequences thereof, are substantially as described under 13.4(b)(vi)(D)(VI) “—*Hira JOLCO Financing—Events of Default*”.

VII. Purchase Option

Under the Manamah JOLCO Leases, Manamah may exercise an option to purchase the containers at the end of the lease term for a fixed purchase option price (expected to be US\$9,500,000 under the lease with CLIP No. 99 Co., Ltd., US\$10,500,000 under the lease with CLIP No. 100 Co., Ltd. and US\$8,505,000 under the lease with CLIP No. 105 Co., Ltd.). There is also a corresponding purchase option in favor of UASC Limited in the relevant sub-lease.

(vii) EMTC Transaction

I. General

On May 19, 2017, Al Jowf Limited (the “**Al Jowf Existing Issuer**”) and Ship Management (No.1) Limited (the “**Al Jowf Additional Issuer**”; together with the Al Jowf Existing Issuer, the “**Al Jowf Issuers**”), jointly and severally, issued their 5.17% Series A Equipment Note due June 30, 2027 (the “**Al Jowf Equipment Note**”) under the Amended and Restated Trust Indenture (2015-1 Malik Al Ashtar), dated as of May 19, 2017 (the “**Al Jowf Indenture**”) among the Al Jowf Issuers and Wells Fargo Bank Northwest, National Association as, among others, loan trustee (the “**Al Jowf Loan Trustee**”). Such Al Jowf Equipment Note replaced the equipment note previously issued by Al Jowf Limited on August 27, 2015, in an original principal amount equal to \$81,000,000 (the “**Original Al Jowf Equipment Note**”), to partially finance the purchase of a vessel (the “**Al Jowf Vessel**”) under the Trust Indenture (2015-1 Malik Al Ashtar), dated as of August 27, 2015 between the Al Jowf Existing Issuer and the Loan Trustee. As at the date of issuance of the Al Jowf Equipment Note on May 19, 2017, the principal balance thereof outstanding was equal to US\$73,373,021.

On May 19, 2017, Al Qibla Limited (the “**Al Qibla Existing Issuer**”; and together with the Al Jowf Existing Issuer, the “**Existing Issuers**”) and Ship Management (No.2) Limited (the “**Al Qibla Additional Issuer**”; together with the Al Jowf Additional Issuer, the “**Additional Issuers**”, together with the Al Qibla Existing Issuer, the “**Al Qibla Issuers**”, and the Al Jowf Issuers and Al Qibla Issuers, collectively the “**Issuers**”), jointly and severally, issued their 5.17% Series A Equipment Note due June 30, 2027 (the “**Al Qibla Equipment Note**”, and together with the Al Jowf Equipment Note, the “**Equipment Notes**”) under the Amended and Restated Trust Indenture (2015-1 Al Qibla), dated as of May 19, 2017 (the “**Al Qibla Indenture**”) among the Al Qibla Issuers and Wells Fargo Bank Northwest, National Association as, among others, loan trustee (the “**Al Qibla Loan Trustee**” and, together with the Al Jowf Loan Trustee, the “**Loan Trustee**”). Such Al Qibla Equipment Note replaced the equipment note previously issued by the Al Qibla Existing Issuer on September 10, 2015, in an original principal amount equal to \$81,000,000 (the “**Original Al Qibla Equipment Note**” and together with the Original Al Jowf Equipment Note, the “**Original Equipment Notes**”), to partially finance the purchase of a vessel (the “**Al Qibla Vessel**”, and together with the Al Jowf Vessel, the “**EMTC Vessels**”) under the Trust Indenture (2015-1 Al Qibla), dated September 10, 2015 between the Al Qibla Existing Issuer and the Loan Trustee. As at the date of issuance of the Al Qibla Equipment Note on May 19, 2017, the principal balance thereof outstanding was equal to US\$73,373,021.

The Original Equipment Notes were purchased by Wells Fargo Bank Northwest, National Association, as subordination agent (the “**EMTC Subordination Agent**”) with the proceeds of the offering of pass through trust certificates (the “**Certificates**”) pursuant to a certificate purchase agreement dated June 15, 2015 (as amended, the “**Certificate Purchase Agreement**”) among, amongst others, UASC Limited, Wells Fargo Bank Northwest, National Association, as pass through trustee (the “**Pass Through Trustee**”) and loan trustee, the Issuers and the certificate purchasers. The Equipment Notes issued in replacement for the Original Equipment Notes were likewise issued to and in the name of the EMTC Subordination Agent.

In addition, the Al Jowf Existing Issuer entered into the Bareboat Charter Agreement (2015-1 Al Jowf), dated August 27, 2015 (as amended, the “**Al Jowf Bareboat Charter**”) with UASC as bareboat charter party (the “**EMTC Bareboat Charter Party**”) and the Al Qibla Existing Issuer entered into the Bareboat Charter Agreement (2015-1 Al Qibla) dated September 10, 2015 (as amended, the “**Al Qibla Bareboat Charter**”), together with the Al Jowf Bareboat Charter, the “**EMTC Bareboat Charters**”) with the EMTC Bareboat Charter Party.

Payments required to be made by the EMTC Bareboat Charter Party under the EMTC Bareboat Charters have been assigned to the Loan Trustee to make payments on the Equipment Notes held by the EMTC Subordination Agent for the benefit of a pass through trust (the “**Pass Through Trust**”), which payments are passed through to the Certificate holders subject to an intercreditor agreement dated June 15, 2015 between the trustee under the Pass Through Trust, Al Ahli Bank of Kuwait K.S.C.P as liquidity provider (the “**EMTC Liquidity Provider**”), and the EMTC Subordination Agent.

With respect to the obligations of UASC under the above referenced transactions, Hapag-Lloyd AG entered into separate Guarantees, each dated May 8, 2017 (the “**HLAG Guarantees**”), among, *inter alios*, Hapag-Lloyd AG, the relevant Issuers, the relevant Loan Trustee, the Pass Through Trustee, the EMTC Subordination Agent and the EMTC Liquidity Provider (as defined below) guaranteeing *inter alia* the EMTC Bareboat Charter Party’s liabilities and obligations under certain transaction documents, including the relevant EMTC Bareboat Charter.

The HLAG Guarantees became effective upon consummation of the UASC Business Combination on May 24, 2017 (the “**Completion Effective Date**”), and upon the occurrence of the Completion Effective Date the interest rate on the Equipment Notes increased from 5.17% per annum to 6.55% per annum. Such rate subsequently decreased to 5.67% per annum in connection with a partial prepayment with respect to the Equipment Notes by the Issuers that was made concurrently with the regularly scheduled debt service payments due on June 30, 2017.

The transaction described herein is collectively referred to as the “**EMTC Transaction**” and the documents entered into in connection therewith are collectively referred to as the “**EMTC Transaction Documents**”.

Set forth below is a description of certain principal terms of the Equipment Notes, the Certificate Purchase Agreement, the EMTC Bareboat Charters and the HLAG Guarantees.

(viii) *Certificates*

I. General

Each Certificate was issued by a pass through trust (the “**Pass Through Trust**”) and represents a fractional undivided interest in the Pass Through Trust. All payments or distributions made to the Certificate holders are repayable solely from the property of the Pass Through Trust (the “**Trust Property**”) (which includes the applicable Equipment Notes, monies receivable under a revolving credit agreement (EMTC, Class 2015-1A) dated June 15, 2015 (as amended, the “**EMTC Liquidity Facility**”) issued by Al Ahli Bank of Kuwait K.S.C.P. (the “**EMTC Liquidity Provider**”) and funds deposited into the accounts relating to the Pass Through Trust).

II. Initial Aggregate Face Amount

The initial aggregate face amount of the Certificates was equal to \$162,000,000, which was equal to the original aggregate principal amount of the Equipment Notes (see below under “**Equipment Notes**”). The Certificates were initially issued on July 10, 2015 (the “**EMTC Funding Date**”), and replacement Certificates were issued in connection with the consummation of the UASC Business Combination.

III. Distribution Dates

The regular distribution dates for scheduled payments are June 30 and December 30 and the final legal distribution date is December 30, 2028 (the “**EMTC Final Legal Distribution Date**”).

The interest rate on the Certificates as at the date of initial issuance was equal to 5.17% per annum. Such rate increased to 6.55% per annum as at the Completion Effective Date and subsequently decreased to 5.67% per annum as at the date of the Special Partial Redemption (as defined below)) (the “**EMTC Interest Rate**”).

If Equipment Notes are subject to early repayment as described below under 13.4(b)(ix)(III) “Equipment Notes—Optional Redemption” and 13.4(b)(ix)(V) “—Mandatory Prepayment”, a related “Special Distribution Date” will be established for the Certificates. Any payments received in respect of any such early repayment of the Equipment Notes, including any “make-whole” amounts paid in respect thereof, are required to be paid to the Certificate holders, subject to the applicable distribution and subordination provisions.

IV. Distributions & Subordination

The Pass Through Trustee distributes all payments of principal, premium (if any) and interest received on the Equipment Notes held by the EMTC Subordination Agent on behalf of the Pass Through Trust to the holders of the Certificates of the Pass Through Trust, subject to the applicable distribution and subordination provisions for the Certificates.

Distributions in respect of the Certificates are made (i) first, with respect to accrued interest at the EMTC Interest Rate on the Pool Balance (as defined below) of the Certificates to Certificate holders and (ii) second, to the expected distributions in respect of the Pool Balance (as defined below) of the Certificates to the Certificate holders.

Distributions to all Certificate holders are subordinated to, among others, (i) the right of the Pass Through Trustee to receive payment of its fees and expenses and (ii) the right of the EMTC Liquidity Provider to receive reimbursement of amounts drawn under the EMTC Liquidity Facility and all interest, fees and other amounts owing to the EMTC Liquidity Provider under the EMTC Liquidity Facility and certain other agreements.

The “Pool Balance” of the Certificates issued by the Pass Through Trust indicates, as of any date, (i) the initial aggregate face amount of the Certificates, less (ii) the aggregate amount of all distributions made as of such date in respect of the Certificates, other than distributions made in respect of interest or “make-whole” amounts or reimbursement of any costs and expenses incurred in connection therewith.

V. Control of Remedies in respect of Certain Trust Property.

Upon an Indenture Event of Default (as defined below), remedies in respect of the Trust Property represented by the Equipment Notes are controlled by the relevant “Controlling Party”, subject to certain conditions, including in exercising remedies such as accelerating the related Equipment Notes and/or causing foreclosure on the lien on the EMTC Vessel Mortgage (as defined below). Until payment in full of all amounts due in respect of the Certificates, the Controlling Party is the Pass Through Trustee; provided that, in certain circumstances where drawings have been made on the EMTC Liquidity Facility, the EMTC Liquidity Provider is the Controlling Party.

VI. Liquidity Facility

The EMTC Subordination Agent entered into the EMTC Liquidity Facility with the EMTC Liquidity Provider. On any distribution date, if, after giving effect to applicable subordination provisions, the EMTC Subordination Agent does not have sufficient funds for the payment of interest on the Certificates, the EMTC Liquidity Provider will make an advance in the amount needed to fund such interest shortfall up to a maximum cap, which is expected to provide an amount sufficient to pay interest on the Certificates on up to three consecutive semi-annual regular distribution dates, at the EMTC Interest Rate. The EMTC Liquidity Provider may be replaced by one or more other entities under certain circumstances.

Upon each drawing under the EMTC Liquidity Facility, the EMTC Subordination Agent is obligated to reimburse the EMTC Liquidity Provider for the amount of such drawing. If the EMTC Liquidity Provider has not been reimbursed 18 months after the EMTC Liquidity Facility has been drawn in full or all of the Equipment Notes have been accelerated (subject to certain conditions), the EMTC Liquidity Provider may direct the Loan Trustee regarding remedies and enforcement proceedings.

The EMTC Liquidity Facility is subject to *inter alia* downgrade drawings (if the EMTC Liquidity Provider is downgraded below a pre-agreed threshold) and non-extension drawings (if the EMTC Liquidity Facility is not renewed within an agreed timeframe prior to the expiry date of the EMTC Liquidity Facility).

Pursuant to a Liquidity Facility Account Agreement, dated as of May 19, 2017 (the “**Liquidity Facility Account Agreement**”) entered into among the Existing Issuers and the EMTC Liquidity Provider, the Existing Issuers provided for the benefit of the EMTC Liquidity Provider a cash account (with a balance in an amount equal to approximately 110% of the EMTC Liquidity Facility Provider’s total maximum exposure under the EMTC Liquidity Facility) that can be debited subject to the terms and conditions of the Liquidity Facility Account Agreement (i) to the extent of certain unpaid expenses relating to the EMTC Liquidity Facility and (ii) to fund all or any portion of any advance under the EMTC Liquidity Facility.

VII. Directed Transfer

In certain circumstances where a sanctions related event has occurred, the holders of the Certificates are required to transfer their Certificates as directed by the Issuers for a purchase price equal to 100% of the Pool Balance attributable thereto, together with interest accrued thereon to the date of purchase and other amounts then due to the relevant holder under the EMTC Transaction Documents but without payment of any “make-whole” or other similar amount.

(ix) Equipment Notes

I. Maturity and Interest

The Equipment Notes of each of the Al Jowf Issuers or Al Qibla Issuers will mature on June 30, 2027 and accrue interest at the EMTC Interest Rate, payable semi-annually on June 30 and December 30 of each year.

II. Optional Redemption

All (but not less than all) the Equipment Notes of each of the Al Jowf Issuers or the Al Qibla Issuers are subject to early optional redemption at any time after the first anniversary of the EMTC Funding Date. In the event of such redemption, the note holders are entitled to receive an amount equal to the principal amount thereof outstanding, together with accrued interest plus a “make-whole” amount, if any; provided that, a portion of the Equipment Notes is permitted to be redeemed without payment of a “make-whole” amount in the circumstances described in the two succeeding paragraphs.

A portion of the Equipment Notes of each of the Al Jowf Issuers or the Al Qibla Issuers is subject to early redemption at any time in the event the relevant Issuer(s) elects to prepay such portion for purposes of complying with the EMTC Minimum Value Requirement (as defined below). In the event of such redemption, the holders of the Equipment Notes are entitled to receive an amount equal to the principal amount thereof to be redeemed, together with accrued interest but without payment of a “make-whole” amount.

A portion of the Equipment Notes of each of the Al Jowf Issuers or the Al Qibla Issuers is also subject to early redemption at any time on or before September 30, 2017 in a principal amount equal to \$7,500,000 at the election of the Al Jowf Issuers or Al Qibla Issuers as long as the other Issuers make a similar prepayment (thus effectively requiring the Issuers to collectively make an aggregate prepayment in an amount equal to \$15,000,000 if such option is elected by either of the Issuers) (the “**Special Partial Redemption**”). In the event of such a Special Partial Redemption, the holders of the Equipment Notes are entitled to receive an amount equal to the principal amount thereof to be redeemed, together with accrued interest but without payment of a “make-whole” amount. The Special Partial Redemption option was exercised by the Issuers concurrently with the regularly scheduled debt service payments due on June 30, 2017.

III. Mandatory Prepayment

If a total loss occurs with respect to an EMTC Vessel (and no replacement of such EMTC Vessel is effected) or the EMTC Bareboat Charter Party elects to purchase such EMTC Vessel as a result of an illegality or similar event with respect to the EMTC Transaction, the relevant EMTC Bareboat Charter will terminate and all of the related Equipment Notes will be subject to mandatory redemption. The redemption price in such case will be the unpaid principal amount of such Equipment Notes, together with accrued interest, but without payment of any “make-whole” amounts.

Any termination events in respect of an EMTC Bareboat Charter (other than as a result of a total loss, an illegality or similar event or an EMTC Bareboat Charter Event of Default) gives rise to a

mandatory redemption of all of the related Equipment Notes. The redemption price in any such case is the unpaid principal amount of such Equipment Notes, together with accrued interest and any “make-whole” amounts.

IV. Indenture Events of Default

“Events of Default” under each Indenture (the “**Indenture Events of Default**”) include, “Events of Default” under the relevant EMTC Bareboat Charters, failure to pay scheduled amounts (including interest thereon or “make-whole” amounts (if any)) in respect of the relevant Equipment Notes by the relevant Issuer within 10 business days, failure to pay any other amount payable by the relevant Issuer within 20 business days, breaches of representations or covenants by the relevant Issuer (subject to certain cure rights and periods), customary bankruptcy, insolvency and similar events and an “Event of Default” under the other Indenture.

V. Security and SPV guarantees

The following security has been granted by each Issuer as security for its obligations under the relevant Indenture and the guarantee provided by the Issuers in favor of the Loan Trustee (the “**EMTC Guarantee**”) guaranteeing the obligations of the other Issuer under that Issuer’s Indenture, subject to certain carve outs: (1) a first priority ship mortgage over the relevant EMTC Vessel has been granted by the respective Existing Issuers, together with a collateral deed of covenants (the “**EMTC Vessel Mortgage**”); (2) a first priority assignment of all earnings and requisition compensation of and attributable to the relevant EMTC Vessel, including in respect of the relevant EMTC Bareboat Charter and any other charter or sub-charter relating to the relevant EMTC Vessel; (3) a pledge of certain bank accounts of the relevant Issuer; and (4) a first priority assignment of all insurances of and attributable to the relevant EMTC Vessel.

VI. Cross Collateralization

The Equipment Notes of each of the Al Jowf Issuers or the Al Qibla Issuers (as long as all of the Equipment Notes issued by both the Al Jowf Issuers and Al Qibla Issuers are held by the Subordination Agent) have been guaranteed by each other Existing Issuer and Additional Issuer and are cross collateralized. Among other things, this means that any proceeds from the exercise of remedies with respect to a particular EMTC Vessel are available to cover shortfalls then due under the Equipment Notes issued with respect to the other EMTC Vessel. In the absence of any such shortfall, excess proceeds are held by the Loan Trustee as additional collateral for such other Equipment Notes.

VII. Collateral Value Coverage Ratio; Minimum Value Requirement

Each Issuer has agreed to maintain a minimum collateral value coverage ratio in respect of its EMTC Vessel as follows: if (i) the market value of the EMTC Vessel is less than (ii) the product of (x) the outstanding principal amount of the relevant Equipment Notes, as reduced by the value of any additional security (including cash on deposit) previously provided to the Loan Trustee as contemplated below, and (y) 120% (the “**EMTC Minimum Value Requirement**”), the Loan Trustee has the right to require the Issuer to provide, within 60 business days, additional security of a kind acceptable to the Loan Trustee (cash being deemed acceptable) which would result in such EMTC Minimum Value Requirement being satisfied, subject to the right of the Issuer to prepay such portion of the Equipment Notes as would otherwise result in such EMTC Minimum Value Requirement being satisfied.

The above described EMTC Minimum Value Requirement is tested annually beginning with the first twelve month anniversary of the EMTC Funding Date and, for such period as the Equipment Notes are held by the Subordination Agent, the EMTC Minimum Value Requirement is tested against all EMTC Vessels then subject to the EMTC Transaction on an aggregated basis. The market value of an EMTC Vessel is established by averaging three valuations from experts selected by the relevant Issuer (to be drawn from an approved list as set forth in the relevant Indenture).

If and to the extent that, following the provision of any additional security, the market value of an EMTC Vessel is such that the EMTC Minimum Value Requirement is satisfied, any excess security is, upon the written request of and at the cost and expense of the relevant Issuer, required to be released by the Loan Trustee (immediately in the case of cash collateral and within 30 days in all other cases).

A breach of the EMTC Minimum Value Requirement covenant would, subject to various cure rights, result in an Indenture Event of Default but would not constitute an EMTC Bareboat Charter Event of Default (as defined below) or otherwise interfere with the EMTC Bareboat Charter Party's right of quiet enjoyment under any EMTC Bareboat Charter.

(x) Bareboat Charters and Related Matters

I. General

Each EMTC Bareboat Charter is for a term of 14 years from its respective delivery date.

II. Insurance Covenant

In addition to specific insurance requirements further set forth in the relevant EMTC Bareboat Charter, the EMTC Bareboat Charter Party is required to maintain, with financially sound and reputable brokers (including Willis, Marsh, AON and JLT) or insurers, insurance on such terms and in such amounts (including deductibles) as approved by the respective Existing Issuers and Loan Trustees as at the EMTC Funding Date or from time to time thereafter, and which are customary in the case of entities of established reputations engaged in the same business and situation as the EMTC Bareboat Charter Party. Such insurances may be procured and effected by Hapag-Lloyd AG from time to time subject to the terms and conditions of the relevant EMTC Bareboat Charter.

III. Other Covenants

Other covenants of the EMTC Bareboat Charter Party are included in the relevant EMTC Bareboat Charter and/or related agreements, including the following: (a) each EMTC Bareboat Charter (i) includes "hell and high water" terms, (ii) includes a hire rate intended to sufficiently cover at least the debt service in principal and interest due on the relevant Equipment Notes of the respective Issuers as well as an equity return for the Issuers, and (iii) provides for payment of other amounts, including amounts due and owing by the respective Issuers in respect of any break funding costs, premia, "make-whole" amounts, liquidity funding, increased costs or withholding taxes, fees or other costs or indemnities; (b) the technical and commercial management of the EMTC Vessels is to be performed by the EMTC Bareboat Charter Party or the vessel manager; (c) each EMTC Vessel is to be maintained in accordance with customary commercial ship ownership maintenance and management practice so as to keep it in as good an operating condition as it was in when delivered to the EMTC Bareboat Charter Party on the applicable delivery date (ordinary wear and tear excepted) and in a condition entitling it to the highest class applicable to vessels of its type with the relevant classification society; (d) each EMTC Vessel is to comply with all requirements from time to time of its classification society such that the EMTC Vessel is maintained free and clear of any overdue recommendations and qualifications affecting class; (e) there shall be no change in classification society for any EMTC Vessel without the prior approval of the respective Issuers and Loan Trustees unless the proposed classification society is a member of the International Association of Classification Societies; (f) there shall be no change in the registration of the EMTC Vessel from its flag as at the applicable delivery date without the prior written consent of the respective Issuers and Loan Trustees, not to be unreasonably withheld; (g) the EMTC Bareboat Charter Party is to comply with ISM Code and ISPS Code; and (h) the EMTC Bareboat Charter Party and any other charterer shall comply with all laws applicable to the EMTC Vessel.

IV. Bareboat Charter Events of Default

"Events of Default" under each of the EMTC Bareboat Charters (the "**EMTC Bareboat Charter Events of Default**") include: (i) failure of the EMTC Bareboat Charter Party under the EMTC Bareboat Charter or Hapag-Lloyd AG under the relevant HLAG Guarantee to pay amounts due within 10 days; (ii) breach of Hapag-Lloyd AG's financial covenants under the relevant HLAG Guarantee; (iii) failure to carry and maintain the required insurances; (iv) breaches of representations or covenants by the EMTC Bareboat Charter Party or Hapag-Lloyd AG (subject to customary cure rights and periods); (v) customary bankruptcy, insolvency and similar events, certain illegality events with respect to the EMTC Bareboat Charter Party of Hapag-Lloyd AG; (vi) an "Event of Default" under the other EMTC Bareboat Charter; and (vii) any Change of Control (as defined below).

(xi) HLAG Guarantees

I. Financial Covenants

Under the terms of each HLAG Guarantee, Hapag-Lloyd AG agrees to comply with financial covenants, substantially as described in the second paragraph under 13.4(b)(i)(A)(III) “—*Unsecured Facilities—QNB Unsecured Facility—Undertakings and Financial Covenants*”.

II. Change of Control

A “**Change of Control**” means the occurrence of the following: (a) (i) any person or group of persons acting in concert, other than one or more permitted persons under the HLAG Guarantee, becoming the beneficial owner, directly or indirectly, of more than 50% of the total voting power in Hapag-Lloyd AG or (ii) Hapag-Lloyd AG ceases to own 100% of the voting share capital of UASC; and, in addition, (b) a period of 60 days having expired since the occurrence of the event described in paragraph (a) above without the relevant Existing Issuer and, if applicable, the respective Loan Trustees having agreed in writing (by way of waiver, consent, amendment or otherwise) to not derive or exercise any rights from or with respect to that event pursuant to relevant provisions of the Bareboat Charter.

(xii) Finance Leases

I. General

In addition to the BLME Master Lease Agreement, UASC Limited and Aratrans Transport are party to seventeen finance lease agreements, in respect of 26,372 containers. The lessors are Intermodal Finance Ltd., CAI International Inc., Dong Fang International, Florence Container Services, Seaco Global Ltd, Seacube Container Leasing, TAL International Container and Textainer Equipment Management. The maturity dates range from September 30, 2016 to May 31, 2023. The combined original facility value was US\$129,042,159 and the outstanding amount as at March 31, 2017 was US\$57,074,060.

13.5 Rationale of the UASC Business Combination

(a) Strategic advantages

Our strategic goal is to form a shipping company that ranks among the largest shipping companies globally and will operate one of the most modern fleets in the industry against the backdrop of a consolidating market. With a transport capacity of approximately 1.6 million TEU and an anticipated market share of approximately 8%, the combined undertaking occupies a market position among the world’s five largest container shipping companies, ranking behind the fourth largest, COSCO, which has a transport capacity of approximately 1.6 million. Our combined fleet has an average age of 7.2 years and an average vessel size of 6,839 TEU compared to 5,066 for the top 20 carriers as of March 31, 2017 (*source*: MDS Transmodal, April 2017, assuming all announced mergers were carried out, Company information; Drewry Maritime Research, Q1 2017). We believe that this advantage in terms of average capacity will allow us to benefit from significant scale effects.

Furthermore, the UASC Business Combination offers advantages in terms of flexibility and customer services. Our fleet will benefit from an extended ocean network of more than 130 services and enjoy access to approximately 600 ports and 7,400 inland points worldwide. Our combined entity will employ more than 4,800 sales and customer service experts, who will undergo intensified training within the transition period, with 1,700 days of training sessions already planned.

The addition of UASC’s young, fuel-efficient vessels, which includes seventeen ULCVs, reduces the need for new vessel investment in the coming years, enabling us to focus on maximizing free cash flow in order to further deleverage. The UASC Business Combination provides us with an even more balanced position on all important trades and supports our leadership on the important Middle East Trade. Together we have a transport volume of at least one million TEU on five trades (Atlantic, Transpacific, Far East, Latin America and Middle East). As a result of the UASC Business Combination, we are a strong and attractive partner in the newly formed THE Alliance.

(b) Operational advantages

The joint team of Hapag-Lloyd and UASC expects total synergies to amount to US\$435 million per year from 2019 onwards based on a synergy report prepared by Hapag-Lloyd, UASC and a third

party (the “**Synergy Report**”). Implementation of the planned synergies commenced with the closing of the UASC Business Combination. In addition, we are only considering cost synergies and have not included any topline potential (*e.g.*, through cross-selling or a more extensive network). The joint team from Hapag-Lloyd and UASC expects one-off costs of approximately US\$150 million related to both the implementation of the planned synergies (synergy-related one-offs) as well as related to the successful conclusion of the UASC Business Combination (transaction-related one-offs and integration support).

The combination of Hapag-Lloyd and UASC is anticipated to provide operational synergies, in particular in the areas of (i) network, (ii) personnel, (iii) administrative, (iv) terminals, (v) inland and (vi) equipment.

Network. As the Group has access to a larger pool of vessels, the deployment of vessels can be further improved resulting in lower slot costs on the basis of a larger fleet and through economies of scale by bundling volumes on fewer and more profitable services and vessels. We expect to achieve synergies by combining two stand-alone networks and optimizing the combined deployment of vessels for selected trades, resulting in a fleet reduction of surplus vessels.

Personnel and Administrative. Hapag-Lloyd has its headquarters in Germany and UASC has their headquarters in Dubai. Following the UASC Business Combination, the Group will have its headquarters in Germany and regional headquarters in each of Asia (Singapore), North America (Piscataway, New Jersey), South America (Valparaíso), Europe (Hamburg) and the Middle East (Dubai), leading to a general reduction in overhead. Furthermore, we expect to achieve overhead synergies by improving our productivity through a higher organizational efficiency, best practice sharing, a unified IT platform and a reduction of other overhead costs (*i.e.*, office rents, travel, communication, training, service providers, insurances).

Terminals and Inland. We have identified ports, in particular in Europe, where we expect to achieve terminal synergies through matching of more beneficial contracts and economies of scale effects with terminal operators. In addition, we plan to realize synergies within our inland business by applying the combined group’s best rates as well as bundling transport volumes and optimizing logistics processes.

Equipment. By combining the partly complementary trade flows of Hapag-Lloyd and UASC, we also expect equipment synergies as a result of reduced imbalances thereby reducing empty container repositioning and further plan to improve our leasing conditions for containers. Furthermore, the addition of UASC’s fleet to Hapag-Lloyd’s existing fleet results in a modernization of the total fleet as well as a larger average vessel size, creating further cost efficiencies. See 3.3(a) “*Risk Factors—Risks Relating to the UASC Business Combination—The anticipated synergies from the UASC Business Combination might not materialize and we might not be able to fully exploit economies of scale*” and 3.3 (g) “*Risk Factors—Risks Relating to the UASC Business Combination—We may not be able to maintain and fully utilize the much larger fleet of the Group following the UASC Business Combination*”.

(c) Financial advantages

In addition to strategic and operational advantages, we also expect the UASC Business Combination to lead to financial benefits for the Group. The planned capital increase, supported by our controlling shareholders, of US\$400 million is expected to further enhance our equity base and liquidity. The addition of UASC’s young, fuel-efficient vessels, which includes seventeen ULCVs, the last two of which are expected to be delivered during 2017, reduces the need for new vessel investment in the coming years, enabling us to focus on maximizing free cash flow and to significantly deleverage over time. See 3.3(b) “*Risk Factors—Risk related to the UASC Business Combination— Certain of our large shareholders may fail to honor their commitments under the Shareholder Support Agreement*”.

14. REGULATORY ENVIRONMENT

Hapag-Lloyd's operations are materially affected by government regulations in the form of international conventions, national, regional and local laws and regulations in the jurisdictions in which its vessels operate, as well as in the country or countries of its registration. Because such conventions, laws and regulations are constantly subject to revision, it is not possible to predict the continuing costs of compliance with such conventions, laws and regulations, the impact thereof on the resale price or useful life of vessels or on business operations. Additional laws and regulations, environmental, security related or otherwise, may be adopted and could increase the Hapag-Lloyd's costs or limit the Company's ability to service particular areas. See 3.1(r) "*Risk Factors—Risks Relating to Our Business and Industry—We could face substantial liability if we fail to comply with existing environmental regulations, and we may be adversely affected by changes to those regulations*". The following explanation is restricted to the most important conventions, laws and regulations which might be important for Hapag-Lloyd's business operations.

14.1 Permits, Licenses and Certificates

Hapag-Lloyd is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations. The kinds of permits, licenses and certificates required for the operation of owned, chartered or leased vessels, as well as permits, licenses and certificates required for shipping and other related services, will depend upon a number of factors. Subject to the discussion in this section, the Company believes that it has been and will continue to be able to obtain all permits, licenses and certificates material to the conduct of its operations.

14.2 Maritime Regulations

(a) Competition rules

(i) European Union

In the European Union, Hapag-Lloyd is subject to the competition rules, particularly those set forth in Articles 101 and 102 of the Treaty of Rome, as modified by the Treaty of Amsterdam and Lisbon ("**Treaty of the Functioning of the European Union**" or "**TFEU**"). Art. 101 TFEU generally prohibits and declares void any agreement or concerted actions among competitors which adversely affect competition, in particular if they lead to the formation of cartels or anticompetitive foreclosure. The abuse of a dominant position held by one or more (shipping) companies is prohibited by Art. 102 TFEU. However, certain joint operation agreements (also referred to as a 'consortium') in the liner shipping industry such as vessel sharing agreements, slot swap agreements are block exempted from certain prohibitions of Art. 101 TFEU by Commission Regulation (EC) No 906/2009 as amended by Commission Regulation 697/2014/EU. This regulation, under certain conditions (including, *inter alia*, a maximum cumulated market share of the consortium members of 30%; mandatory contractual right to withdraw for any consortium member without any financial or other penalty), permits joint operation of services amongst competitors with the exception of price fixing, capacity and sales limitation and allocation of markets and customers. This regulation is deemed to expire on April 25, 2020.

(ii) United States

Hapag-Lloyd's ocean common carrier operations involving service between non-U.S. ports and ports in the United States, its territories and possessions are subject to the provisions of the U.S. Shipping Act of 1984, as amended by the U.S. Ocean Shipping Reform Act of 1998 (the "**Shipping Act**"). The Shipping Act is administered by the Federal Maritime Commission ("**FMC**"), and establishes a regulatory regime governing, among other things, certain agreements between or among ocean common carriers operating in U.S. foreign commerce; the publication of tariffs of rates and charges by ocean common carriers; the regulation of service contracts entered into between ocean common carriers and their customers; and the regulation of ocean common carrier practices.

Under the Shipping Act, vessel operating common carriers serving U.S. ports may offer their services to customers either through non-public and confidential service contracts, or through tariffs containing rates, rules and conditions of service that are published in private electronic systems and made available, typically through internet access, to any person pursuant to the provisions of the Shipping Act and FMC regulations. The Shipping Act provides, among other things, that agreements that are filed with the FMC and that become effective under the Shipping Act and FMC regulations have immunity from the antitrust laws of the United States. Conference and rate agreements that allow

ocean common carriers to fix the rates, terms and conditions of carriage on either a binding basis (in the case of conference agreements) or non-binding and voluntary basis (in the case of voluntary (rate) discussion agreements) would not, but for the immunity granted by the Shipping Act, be permitted under U.S. Antitrust laws.

The most common types of FMC-filed agreements to which we are a party are alliance, vessel sharing and slot exchange agreements, under which carriers share space on each other's vessels with concurrent agreement on the size and number of vessels the parties will deploy, the ports to be served, the space to be allocated to each party and similar terms. These agreements provide efficiencies for carriers and enhance service to customers.

Agreements filed with the FMC become effective by operation of law 45 days after they are filed with the FMC or 30 days after notice of the filing is published in the official journal of the U.S. federal government (the "**Federal Register**"), whichever date is later, unless the FMC (i) requests additional information or documentary materials relating to the agreement or (ii) obtains an injunction against the agreement. In the event that the FMC requests additional information or documentary materials, a filed agreement becomes effective 45 days after the FMC receives all of the additional information and documentary materials requested and/or a statement of reasons for noncompliance with the request. The Shipping Act authorizes the FMC to seek an injunction in the United States District Court of the District of Columbia to prevent an agreement from becoming effective. The FMC would have to show, under Section 6(g) of the Shipping Act, that the agreement is so anti-competitive that it would result in an unreasonable reduction in transportation service or an unreasonable increase in transportation cost. For as long as an agreement remains in effect, quarterly monitoring reports must be filed with the FMC by parties to ocean common carrier agreements that authorize discussion or agreement on certain activities.

Hapag-Lloyd's ocean common carrier operations to/from U.S. ports are subject to FMC oversight under the Shipping Act and FMC regulatory requirements relating to carrier agreements, tariffs and service contracts, and certain "Prohibited Acts" under Section 10 of the Shipping Act. Violations of the requirements of the Shipping Act and/or of the FMC's regulations can be subject to civil penalties of up to US\$9,000 for each non-willful violation and up to US\$45,000 for each willful violation. These civil penalties are subject to adjustments at least every four years. The last adjustment of these penalties was made in July 2014.

14.3 Security and Safety Matters

(a) International

(i) IMO standards on maritime safety and security

The International Maritime Organization ("**IMO**"), which is the United Nations agency responsible for maritime safety and the prevention of maritime pollution by ships, has adopted stringent safety standards as part of the International Convention for the Safety of Life at Sea ("**SOLAS**"). Among other things, SOLAS establishes requirements for vessel design, materials, construction, lifesaving equipment, safe management and operation, including the mandatory installation of automatic identification systems (AIS) and long range identification and tracking systems (LRIT) to permit tracking of vessels, and measures to improve vessel safety and security. The SOLAS requirements are revised continuously.

In 1994, SOLAS was amended to incorporate the International Safety Management Code ("**ISM Code**") adopted in 1993. The ISM Code provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code became mandatory for container vessel operators in 2002. Hapag-Lloyd's operations comply with the ISM Code and all of our vessels have obtained the required certificates demonstrating compliance with the ISM Code.

The ISM Code requires that each vessel is in possession of a safety management certificate ("**SMC**"). This certificate evidences the compliance of a vessel with all procedures related to safety and environment protection according to the ISM Code and as laid down in the company's safety management system which is approved by an authorized body (*e.g.*, Det Norske Veritas (Norway)/ Germanischer Lloyd ("**DNV GL**")). Furthermore the responsible company must be certified and hold a Document of Compliance ("**DoC**"), issued by the flag state administration, under the provisions of the ISM Code. In case the company's DoC is rendered invalid, all SMC's of vessels for which the

company is responsible, will be rendered invalid as well. Our operations comply with the ISM Code and all of our vessels have obtained the required certificates demonstrating compliance with the ISM Code.

Following the terrorist attacks on September 11, 2001, the IMO amended SOLAS in December 2002 to include “special measures to enhance maritime security” and adopted the International Ship and Port Facility Security Code, (the “**ISPS Code**”) which imposes various detailed security obligations on vessels and port facilities effective as of July 1, 2004. The ISPS Code takes the approach that an assessment of risks must be made in each particular case and requires, among other things:

- the designation of a Company Security Officer by each company ensuring, *inter alia*, that the ship security assessment is carried out properly;
- the designation of a Ship Security Officer for each ship in charge of the vessel security on board;
- onboard installation of ship security alert systems;
- development of ship security plans; and
- compliance with flag-state security certification requirements.

SOLAS was amended to make parts of the International Code for Ships Operating in Polar Waters (the “**Polar Code**”) mandatory from January 1, 2017. The Polar Code sets forth safety and environment related provisions (ship design, construction and equipment, operational and training aspects, search and rescue, marine environment) regarding navigation in waters surrounding the two poles. The Polar Code is not applicable to any of the trades serviced by Hapag-Lloyd and therefore does not affect any of Hapag-Lloyd’s vessels.

On January 1, 2017, the International Code of Safety for Ships using Gases or other Low-flashpoint Fuels (“**IGF Code**”) entered into force. The IGF code has been made mandatory under SOLAS.

Further amendments recently entered into force, concerning, *e.g.*, the establishment of appropriate minimum safe manning levels, the testing of free-fall lifeboats, fire safety and firefighting, documents, transport information relating to the carriage of dangerous goods in packaged form and the container/ vehicle packing certificate, minimum requirements for the carriage of specific hazardous liquid substances, the requirement for new ships to be constructed to reduce onboard noise and to protect personnel from noise, the secondary means of venting cargo tanks in order to ensure adequate safety against over- and under-pressure in the event of a cargo tank isolation valve being damaged or inadvertently closed and requirements relating to the performance of ventilation systems.

Our vessels are regularly audited by flag states, as well as inspected by other national and international authorities acting under the provisions of their international agreements related to port state control authority, the process by which a nation exercises authority over foreign vessels when the vessels are in the waters subject to its jurisdiction. Our vessels are in compliance with all requirements of SOLAS (including the ISPS and ISM Code) and are holding the mandatory certificates according to the ISM Code (the DoC for the responsible company as well as SMCs for each vessel) and the ISPS Code (International Ship Security Certificate for each vessel).

As of August 20, 2013 the Maritime Labour Convention 2006 (“**MLC**”) came into force, one year after thirty member states with a total share in the world’s gross tonnage of ships of 33% have ratified the Convention on August 20, 2012.

The MLC was developed by the International Labour Organization (“**ILO**”) to ensure a worldwide similar standard of work and living conditions for seafarers on board of seagoing ships. As the MLC is only the “umbrella regulation”, all flag states were/are obliged to incorporate the necessary provision into their national legislation. Germany executed the legal provision of the MLC with the new the German Maritime Labor Act (*Seearbeitsgesetz*).

To ensure compliance with the MLC requirements, inspections had to be performed at the latest by August 20, 2014 on board of all ships, resulting in the issuance of the Maritime Labor Certificate (“**ML Certificate**”; *Seearbeitszeugnis*) with a validity of five years. The ML Certificate approves the compliance with all requirements according to flag state law, namely with the German Maritime Labor Act (*Seearbeitsgesetz*). All Hapag-Lloyd vessels are in compliance with MLC requirements and hold the necessary ML Certificate.

(ii) Registration and Inspection by Classification Societies

Hapag-Lloyd's vessels are registered with internationally recognized classification societies, such as DNV GL. The principal purpose of these classification societies is to provide objective and independent confirmation to all parties involved in the shipping industry, including insurance underwriters, that ships are being maintained to the standards that are considered appropriate to minimize claims on underwriters. A beneficial by-product of the activities of classification societies is to provide reassurance to owners and others with a financial or other interest in those ships that the ships are being regularly surveyed and properly maintained.

Every seagoing vessel must be "classed" by a classification society that has been approved by the vessel's flag state. Classification societies certify that a vessel is "in class", signifying that the vessel has been built and maintained in accordance with the rules of the classification society. Also, flag states often delegate to classification societies the authority to conduct vessel inspections that are required by international conventions, by corresponding laws and ordinances of the flag state, or by additional regulations and requirements independently issued by the flag state.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as in class by a classification society which is a member of the International Association of Classification Societies ("IACS"). Each of Hapag-Lloyd's vessels is class certified by a member of IACS. All vessels the Company purchases, including secondhand vessels, must be class certified prior to delivery.

Classification societies inspect vessels during and immediately after construction and issue an initial "in class" certification if the society's rules are met. To maintain "in class" status, a vessel must undergo regular inspections to assess its structural strength and integrity and the reliability and function of main and essential auxiliary machinery, systems and equipment, including, among others, the propulsion system, steering system and electrical plant. These inspections, referred to as surveys, typically involve a classification society surveyor visually examining various parts of the vessel and witnessing tests, measurements and trials where applicable. After the initial certification, surveys are conducted in regular intervals. The most important types of surveys can be summarized as follows:

Annual Surveys: Once every twelve months, the classification society must survey certain relevant parts of the vessel (*i.e.*, the hull and the machinery, including the electrical plant, and where applicable special equipment classed) to validate the class certificate. Annual surveys typically take one day, but in some cases, they take up to several days to complete.

Intermediate Surveys: In between the second and third year after an initial class survey or class renewal survey an extended vessel survey is required. These inspections are referred to as intermediate surveys and typically take three or more days. During an intermediate survey, the classification society surveyor conducts a more extensive inspection of the vessel's hull, equipment, and machinery, and may also include ultrasonic thickness measurements of the hull in some cases. The shafts, stern tube bearing, boilers, and other parts are also inspected. Generally, dry-docking is required for intermediate surveys in order to thoroughly examine the vessel's hull. Vessels classed for in-water survey may have a diving inspection of the hull performed instead of a dry-dock inspection.

Class Renewal Surveys: Class renewal surveys must be carried out every five years, with the first class renewal survey taking place five years after construction. Class renewal surveys include extensive in-water and out-of-water examinations to verify that the structure, main and essential auxiliary machinery, systems and equipment are still in compliance with the classification society rules. The survey is intended to assess whether the structural integrity remains effective and to identify areas exhibiting corrosion, deformation, fractures, other damage or other forms of structural deterioration. The screw shafts, tube shafts, stern bearing, boilers and thermal oil heaters are also inspected. Dry-docking is required for class renewal surveys in order to thoroughly examine the vessel's hull. The survey includes audio gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. Substantial amounts of money may have to be spent for steel renewals to pass such survey if the vessel experiences excessive wear and tear. Class renewal surveys may take several weeks to complete.

Continuous Survey Hull/Machinery: The vessel owner/manager may agree with the classification society to implement a continuous survey system on the vessel by arranging a continuous survey cycle for the vessel's hull and/or machinery, in which every part of the vessel would be surveyed within a

five-year period. Therefore, the required class renewal inspections are split into an agreed schedule to extend over the entire five-year period.

Non-periodic Surveys/Special Surveys: Additional surveys may be required to assess damage or suspected damage and to evaluate repair, renewal, alteration, or conversion work. Surveys may also be required if a vessel changes ownership or changes its flag state.

If any defect is found in a classification society survey, the classification society will issue a “condition of class” or “recommendation”. Conditions of class and recommendations require a ship’s owner to carry out specific measures, repairs, or additional inspections within prescribed time limits in order to maintain the vessel’s class certification. During operation of the vessel the valid class certificate is continuously checked by port state control officers during every port call of the vessel.

In certain cases, if appointed by the flag state, classification societies also assess vessel compliance with international conventions and applicable flag state laws and regulations and issue separate additional certificates for and on behalf of the flag state authority.

Classification society rules do not cover every structure or item of equipment on a vessel and do not cover operational elements such as crew training. Activities that fall outside the scope of classification society rules include items such as: design and manufacturing processes; choice of type and power of machinery; number and qualification of crew; and cargo carrying capacity. However, in addition to classification society rules, vessels are subject to safety regulations and inspections of their flag states, which cover those not covered by classification society rules, including those relating to the safety, fitness for purpose and seaworthiness of the vessels.

Since December 2007, we have received the DNV GL 5 Star Excellence award certifying our outstanding high quality and safety standard in maintaining and operating our vessels. The last renewal of the award took place in May 2015. DNV GL 5 STAR Excellence reflects Hapag-Lloyd’s commitment to continually improve our processes and increase the efficiency of our ship operations beyond statutory requirements.

14.4 United States

Following the terrorist attacks on September 11, 2001, the U.S. Government adopted certain measures to improve security at various U.S. ports and with respect to cargo movements to and from the United States. On December 2, 2002, the Department of Homeland Security implemented an “Advance Manifest Rule” designed to screen cargo before it is loaded for carriage to U.S. ports. The rule requires carriers to submit, by electronic means, expanded documentation regarding the transport parties and the cargo to be loaded on board a vessel going to the U.S. at least 24 hours prior to loading at the foreign port of loading.

Hapag-Lloyd participates in the U.S. Customs Trade Partnership against Terrorism (“**C-TPAT**”) initiative, a voluntary supply chain security program led by U.S. Customs and Border Protection (“**CBP**”) which we joined in 2002. C-TPAT is the premier trade security program for U.S. trade, and customers are increasingly requiring participation in this program from their carriers. The purpose of C-TPAT is protecting the U.S. and international supply chains from possible intrusion by terrorist organizations. C-TPAT requires us to document and validate Hapag-Lloyd’s supply chain security procedures in relation to existing CBP C-TPAT criteria and guidelines as applicable. CPB has also formulated the design for a holistic Trusted Trader program, currently in the test phase, which unifies C-TPAT and the Importer Self-Assessment (“**ISA**”) processes. ISA is a voluntary trade compliance program that provides the opportunity for importers to assume responsibility for monitoring their own compliance. CBP has a number of mutual recognition arrangements with other countries, including New Zealand, Japan, and Canada, which link various similar international industry partnership programs in order to create a unified and sustainable security program.

The Security and Accountability for Every Port Act of 2006 (the “**SAFE Port Act**”) codified C-TPAT into law. It also, through the Container Security Initiative, mandates that all containers entering U.S. ports be screened for radiation. The SAFE Port Act contains other initiatives, including a plan for increased random inspections of container contents, the inspection of high-risk containers in foreign ports, and the implementation of an automated targeting system for high-risk cargo, all of which may further increase inspection and monitoring costs for carriers. The U.S. inspection, notification and monitoring programs may be expanded in the future and may also be followed by implementation of similar or more intrusive and costly notification, monitoring and inspection programs in other countries where Hapag-Lloyd operates.

In July 2003, the U.S. Coast Guard issued rules to implement certain portions of the U.S. Maritime Transport Security Act of 2002 (“**MTSA**”). Under this new law, all foreign commercial and passenger vessels required to comply with SOLAS were required to develop and to submit vessel security plans (“**VSPs**”) to the U.S. Coast Guard. The VSPs and related port security plans went into effect as of July 1, 2004.

Since MTSA implemented the ISPS Code in the United States, and due to the fact that U.S. Coast Guard regulations are generally consistent with the international requirements, foreign-flag vessels are exempt from the MTSA requirement to submit a security plan to the United States for approval, provided such vessels have on board a valid International Ship Security Certificate demonstrating the vessel’s compliance with the ISPS Code. As part of its port-state control program, the U.S. Coast Guard conducts verification examinations and inspections to verify ISPS Code compliance. Failure to comply with these requirements may result in an imposition of penalties, detention of a vessel, denial of port entry, or expulsions from port. Hapag-Lloyd’s vessels call at U.S. ports which are subject to both the MTSA and the U.S. Coast Guard’s security regulations. In rare instances, operations at these ports may be significantly curtailed or shut down by the U.S. Coast Guard for security reasons beyond Hapag-Lloyd’s control.

Under the Advance Passenger Information System Final Rule, effective as of June 6, 2005, crew and passenger information for all commercial vessels arriving in the United States from, or departing for, a foreign port or place must be submitted electronically at least 96 hours before entering the first U.S. port or place of destination, with certain exceptions for voyages of less than 96 hours. Failure to comply with these rules may result in a vessel’s entry into a U.S. port being delayed or denied or the assessment of penalties.

14.5 European Union

The European Union has been empowered to enact legislation on maritime safety and environmental protection since the passage of the 1992 Maastricht Treaty. The bulk of this legislation aims at implementing IMO conventions in a harmonized way in order to enhance safety and pollution prevention standards and monitoring procedures. In the field of maritime safety and security the European Union implements IMO rules into the EU legal system and provides a basis for harmonized interpretation across the entire EU.

(a) Enhancement of ship and port facility security

In view of the terrorist attacks of September 11, 2001, and to face the threats of intentional unlawful acts such as terrorism and piracy, the EU adopted Regulation 725/2004/EC as amended by Regulation 219/2009/EC and Commission Decision 2009/83/EC. The Regulation constitutes the basis for a harmonized interpretation and implementation of the amendments to SOLAS and the ISPS Code enshrined in the new Chapter XI-2 of SOLAS. Member states of the EU (the “**Member States**”) are required to monitor compliance with the security rules by ships calling at their ports. Each ship intending to enter the port of a Member State must, upon request of the competent maritime safety authority, provide information concerning ship and cargo safety at least 24 hours in advance, unless the voyage time is shorter. As a reaction to substantial issues such as terrorism, piracy and illegal migration, new approaches on maritime security are continuously discussed at EU level.

(b) Safety of on-board equipment and training of crews

Directive 2014/90/EU provides for the uniform application of the relevant international conventions relating to the safety of on-board equipment in order to achieve a high standard of quality and ensure the free movement of such equipment within the European Community. This new Directive repeals Directive 1996/98/EC as of September 18, 2016 and was due to be implemented in the national law of the EU Member States by September 18, 2016. Directive 2014/90/EU provides, *inter alia*, for a wheel mark affixed to marine equipment. The requirements of the Directive have been complied with by German legislators and are in accordance with the relevant conformity assessment procedures. Instead of or in addition to a wheel mark, an appropriate and reliable form of electronic tag may be used. On board checks of such equipment by the supervisory authority are admissible. Directive 2008/106/EC, amended by Directive 2012/35/EU, enacts the International Convention on Standards of Training, Certification and Watchkeeping 1995, concluded under the auspices of the IMO, as amended, which consolidates prior European legislation on the minimum level of training of seafarers with the

objective of removing substandard crews and guaranteeing effective oral communication relating to safety between members of the crew. These rules could change in the near future, since the European Commission is currently undertaking a review of Directive 2008/106/EC to verify whether the legislative framework for training and certification is fit for purpose. As required by Directive 2014/90/EU, the Commission recently indicated design, construction and performance requirements and testing standards for marine equipment in Commission Implementing Regulation 2017/306/EU.

(c) AEO Regime

Globalization and the changed security situation of international trade under the threat of terrorist attacks caused the World Customs Organization (WCO) to set up a Framework of Standards to Secure and Facilitate Global Trade (“SAFE”) establishing modern and efficient risk management in the customs administrations worldwide. The EU’s implementation rules are set out in the Union Customs Code (Regulation 952/2013 and its Delegated and Implementing Regulations). Economic operators are required to provide the customs authorities with details of goods before they are imported into the EU or exported from it. A core element of the security package is the introduction of the status as an Authorized Economic Operator (“AEO”). Since 2008, enterprises located in the EU can apply for such status which entails benefits in the customs clearance relating to security and safety (“AEO-S”), simplifications under the customs regulations (“AEO-C”) or both (“AEO-F”). Simplifications under the customs regulation relate to simplified declaration procedures, deferred payments and simplifications under special procedures. The Member States may grant AEO status to any economic operator meeting the common criteria. These criteria concern security and safety control systems, financial solvency, practical standards of competence or professional qualifications, and the operator’s track record in complying with customs and tax rules. The certification as an AEO is valid in all EU Member States and unlimited in time. The certification may be suspended or revoked, *inter alia*, if non-compliance with the criteria for granting of the certificate has been detected. Hapag-Lloyd AG is holder of the AEO Certificate “Customs Simplifications / Security and Safety (AEO-F)”.

14.6 Environmental Matters

(a) International

(i) International Convention for the Prevention of Pollution from Ships (MARPOL)

Hapag-Lloyd’s vessels are subject to standards imposed by the IMO, the United Nation’s agency for maritime safety and the prevention of pollution by ships. The IMO has adopted MARPOL 73/78, the main international convention covering the prevention of pollution of the marine environment by ships from operational or accidental causes. Restrictions, limit values and technical standards are set forth in six annexes to the convention that deal, respectively, with the prevention of pollution by oil (Annex I), noxious liquid substances in bulk (Annex II), harmful substances in packaged forms (Annex III), sewage from ships (Annex IV), garbage from ships (Annex V) and air pollution from ships (Annex VI). All annexes have entered into force and each state that is a party to the convention must accept mandatory Annexes. All of Hapag-Lloyd’s vessels comply with the applicable provisions of MARPOL 73/78.

On January 1, 2017, certain amendments to regulation 12 of MARPOL Annex I, concerning tanks for oil residues (sludge) entered into force. The amendments update and revise the regulation, expanding on the requirements for discharge connections and piping to ensure oil residues are properly disposed of.

In September 1997, the IMO adopted Annex VI to MARPOL to address air pollution from ships. Effective from May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and adversely affect our business, cash flows, results of operations and financial condition. In October 2008, the IMO adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances, which amendments entered into force on July 1, 2010. The amended Annex VI will reduce air pollution from vessels by, among other things, (a) implementing a progressive reduction of sulfur

oxide emissions from ships by reducing the global sulfur fuel cap initially to 3.5% (from the initial cap of 4.5%), effective beginning January 1, 2012, then progressively to 0.5%, which is the effective cap beginning January 1, 2020; and (b) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The revised Annex VI allows for Emission Control Areas (“ECA”) to be designed for sulfur oxide and particulate matter, or nitrogen oxide or all three types of emissions from ships. It furthermore reduces the limits applicable in sulfur oxide ECAs to 1.00% from July 1, 2010 (from previously 1.5%) and to 0.10% effective from January 1, 2015. The North Sea (including the English Channel) and the Baltic Sea have been designated as sulfur oxide ECAs by the IMO; the former was implemented on November 22, 2007 and the latter on May 19, 2006. In the course of the revision of Annex VI both ECAs have been listed as ECAs for the control of sulfur oxide and particulate matter. The North American ECA, extending 200 miles from the territorial sea baseline adjacent to the Atlantic/Gulf, the Pacific coasts and the coasts of the Hawaiian Islands, was implemented on August 1, 2012. The IMO designated a United States Caribbean Sea ECA, including Puerto Rico and the U.S. Virgin Islands; the regulation to implement this ECA entered into force on January 1, 2013 with the ECA effective from January 1, 2014. As a result, as of 2012 and 2014, respectively, Annex VI imposes on vessels trading to the North American and Caribbean Sea ECAs a more stringent “first-phase” sulfur oxide emission standard than prevails elsewhere. Even more stringent requirements in these ECAs became effective in the second phase within 2015 and in the third phase within 2016. Further, new vessels constructed beginning in 2016 which trade in these ECAs will be subject to special marine diesel engine emission requirements according to revised MARPOL Annex VI, NOx Tier III. From September 1, 2017, amendments to MARPOL will enter into force concerning NOx tier III reporting, in particular concerning the record requirements for operational compliance with NOx Tier III emission control areas. As a result of these amendments, certain ships will be required to maintain records of the operational status of their marine diesel engines, together with the date, time and position of the ship when operating in NOx Emission Control Areas.

MARPOL was further amended to make parts of the International Code for Ships Operating in Polar Waters (Polar Code) mandatory from January 1, 2017. The Polar Code sets forth safety and environment related provisions (ship design, construction and equipment, operational and training aspects, search and rescue, marine environment) regarding navigation in waters surrounding the two poles.

The following other MARPOL amendments will enter into force on September 2017:

- amendments to MARPOL Annex IV relating to the dates for implementation of the discharge requirements for passenger ships while in a special area, i.e. not before 1 June 2019 for new passenger ships and not before 1 June 2021 for existing passenger ships;
- amendments to MARPOL Annex II, appendix I, related to the revised GESAMP hazard evaluation procedure for chemical substances carried by ships;
- amendments to the NOx Technical Code 2008 to facilitate the testing of gas-fueled engines and dual fuel engines; and
- amendments to regulation 1 and 11 of Annex IV and the Form of the International Sewage Pollution Prevention Certificate to establish effective dates for the Baltic Sea Special Area and consequential changes and editorial improvements to the Form of the International Sewage Pollution Prevention Certificate.

In October 2016, the IMO’s Marine Environment Protection Committee passed a proposal to implement NOx Emission Control Areas in the North Sea and the Baltic. The NOx regulations require new vessels operating in the Baltic Sea and the North Sea to reduce their NOx emissions by 75% starting from January 1, 2021.

Further, in 2011 the IMO adopted mandatory technical and operational energy efficiency measures in order to significantly reduce the amount of greenhouse gas emissions from ships. These measures were included in Annex VI and entered into force on January 1, 2013. These include the introduction of the Energy Efficiency Design Index (“EEDI”) and the Ship Energy Efficiency Management Plan (“SEEMP”). The EEDI indicates the energy efficiency of ships. Consequently, newbuild ships must prove compliance with certain minimum standards for energy efficiency relative to the EEDI reference line (10% improvement target for ships built between 2015 and 2019; 20% improvement target for ships built between 2020 and 2024; 30% improvement target after 2025). It lies with the shipbuilding businesses to choose the technical modalities necessary to ensure compliance with the required

standards. However, the EEDI does not apply to ships already in operation, whereas the obligation to set up a SEEMP is also applicable to operated ships. The SEEMP aims at providing ship owners with incentives to implement a more energy efficient performance of ships, yet without an obligation to reduce emissions. These amendments apply to ships with a registered tonnage of 400 and above and leave room for the competent state authorities to exempt certain ships from these requirements under specific circumstances. As the first shipping company worldwide, Hapag-Lloyd had its entire own-managed fleet certified prior to its effective date and on a voluntary basis in accordance with the EEDI in February 2012. The certification was issued by DNV GL as an independent third-party.

In October 2016, the IMO approved a roadmap (2017 to 2023) for developing a comprehensive IMO strategy on the reduction of greenhouse gas emissions from ships, which aims at an initial greenhouse gas emissions strategy to be adopted in 2018.

We may incur additional costs to comply with the revised standards that include additional hull design optimization efforts during the planning phase and capital investment for energy saving devices.

(ii) Bunker Convention

In 2001, the IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the “**Bunker Convention**”), which imposes strict liability on vessel owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention also requires registered owners of vessels over 1,000 gross tonnes to maintain insurance in specified amounts to cover liability for bunker fuel pollution damage. The Bunker Convention became effective on November 21, 2008. Each of Hapag-Lloyd’s container ships has been issued a certificate attesting that insurance is in force in accordance with the Bunker Convention.

(iii) Enforcement

Responsibility for the enforcement of IMO conventions is primarily left to the flag states. However, under regional port state control initiatives (for example, the Paris Memorandum of Understanding (“**Paris MOU**”) for the European coastal line), port state authorities are empowered to verify the compliance with international IMO requirements of foreign vessels using their ports. These memoranda of understanding set and enforce harmonized inspection procedures designed to target substandard ships. The IMO continues to review and introduce new regulations. It is difficult to accurately predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on Hapag-Lloyd’s operations.

(iv) Greenhouse Gas Regulation

In February 2005, the Kyoto Protocol to the United Nations Framework Convention on Climate Change (the “**Kyoto Protocol**”) entered into force. Pursuant to the Kyoto Protocol, countries which are party to the Kyoto Protocol are required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases. The emissions of greenhouse gases from international shipping have not yet been made subject to the Kyoto Protocol which, at the end of the 2012 United Nations Climate Change Conference in Doha, was extended to 2020. At the Paris climate conference in December 2015, 195 countries adopted a universal, legally binding global climate deal (which is a separate instrument under the United Nations Framework Convention on Climate Change (“**UNFCCC**”), rather than an amendment to the Kyoto Protocol). The agreement deals with greenhouse gas emissions mitigation, adaptation and finance and sets out a global action plan to limit global warming to below 2°C above pre-industrial limits, starting in 2020. The agreement entered into force on November 4, 2016. Shipping emissions are not directly included in the Paris Agreement. However, in order for countries to meet their national contributions under the Paris Agreement, they may adopt restrictions on shipping emissions. Moreover, future amendments to the Kyoto Protocol or a new agreement may also include restrictions on shipping emissions. For the obligations to reduce greenhouse gas emissions from ships introduced under the auspices of the IMO, please refer to the section on MARPOL above.

The European Emissions Trading System (“**EU ETS**”) aims at a reduction of 20% of greenhouse gas emissions for 2020 compared to 1990 levels. The EU ETS applies to large industrial installations, the energy and the aviation sectors. As a rule, operators are required to hold allowances in order to emit CO₂ emissions. One allowance confers the right to emit the equivalent of one tonne of CO₂ during a specified allocation period. The competent authority sets an emissions cap and the total amount of

allowances cannot exceed this set, limiting the total emissions of the operator to that level. Currently, the EU ETS does not apply to ship emissions. Yet, the EU is considering legislative action in view of reducing greenhouse gas emissions from maritime transport. As a first step in this process, the EU adopted in April 2015 Regulation 2015/757/EU on the monitoring, reporting and verification (“**MRV**”) of carbon dioxide emissions from maritime transport. Regulation 2015/757/EU entered into force on July 1, 2015 and applies to large ships above 5,000 gross tonnage using EU ports. The Regulation requires, *inter alia*, submission of a monitoring plan for each ship, monitoring of CO₂ emissions for each ship on a per-voyage and an annual basis and reporting to the European Commission and the authorities of the flag states. Further, monitoring is subject to verification procedures and documents of compliance are required on board of each ship. The first reporting period starts on January 1, 2018. The Member States have to provide for sanctions in case of non-compliance with the requirements. As a starting point for reducing maritime emissions, the data collected on the basis of such legislation is supposed to enable informed discussions on appropriate reduction targets. At a later stage, the pricing of the emissions is intended. Still, the EU favors a solution on the international level by amending the relevant IMO Marine Environment Protection Committee (“**MEPC**”) standards and not only on the European level.

Generally, several roadmaps, strategies and plans are in place at EU level providing for the reduction of emissions, an increase of the share of renewable energies or more energy efficiency. For example, the European Commission adopted a White Paper “Roadmap to a Single European Transport Area—Towards a competitive and resource efficient transport system” on March 28, 2011. According to this paper, the Commission aims at cutting the EU CO₂ emissions from maritime transport by 40% (if feasible even 50%) by 2050 compared to 2005 levels.

In October 2014, EU Heads of State and Government also reached an agreement on a new climate and energy framework for 2030. Various objectives have been agreed upon, including a cut in greenhouse gas emissions by at least 40% by 2030 compared to 1990 levels, an EU-wide binding target for renewable energy of at least 27% and an indicative energy efficiency target of at least 27%. These objectives do not presently include any new targets for the transport sector after 2020. These objectives for 2021 through 2030 will be implemented in part through a revised EU Emissions Trading Scheme, which is currently in the process of being adopted.

In the United States, the U.S. Environmental Protection Agency (“**EPA**”) in December 2009 issued a finding that greenhouse gases threaten public health and safety. A June 2014 U.S. Supreme Court decision regarding an EPA rule requiring pre-construction permits for large sources of greenhouse gas emissions underscored the Court’s view that the EPA has the right to regulate greenhouse gas emissions under the Clean Air Act. The EPA has already proposed limiting carbon dioxide emissions from existing power plants under Section 111(d) of the Clean Air Act, and other federal regulations relating to the control of greenhouse gas emissions may follow. In addition, climate change initiatives are being considered in the U.S. Congress. A lawsuit brought by coal companies and coal-producing states challenging the power plant proposal was dismissed by a federal court in June 2015; however, a wave of legal challenges to the EPA’s climate change rules is expected.

Compliance with the EU MRV system will trigger additional costs. Further, any passage of climate control legislation or other regulatory initiatives by the IMO, European Union, the United States or other countries or states where Hapag-Lloyd operates that restrict emissions of greenhouse gases could require the Company to make significant financial expenditures that it cannot predict with certainty at this time, or otherwise limit its operations.

(b) European Union

(i) Pollution prevention

Implementation of safety and pollution prevention standards at EU level is primarily governed by Directive 2009/15/EC, as amended by Directive 2014/111/EU, and Regulation 391/2009/EC, as amended by Regulation 1355/2014/EU, both replacing Directive 94/57/EC, which lay down minimum standards for the recognition of classification societies by Member States. Together with Directive 2009/16/EC these were part of the legislative measures of the third Maritime Safety Package. The third Maritime Safety Package was adopted by the European Parliament with the objective of restoring the competitiveness of the sector by benefitting operators which comply with safety standards. Directive 2009/16/EC, as amended by Directive 2013/38/EC and Regulation 2015/757/EU, and repealing Directive 95/21/EC, sets forth harmonized Member State port control rules as to inspection rates,

targeting, inspection procedures, port access refusal, rectification of deficiencies, and detention of ships. The main element of Directive 2009/16/EC corresponds to the new inspection regime of the Paris MOU adopted in May 2009. Under this regime ships will be subject to inspection in intervals corresponding to their risk profile (the most dangerous ships will be inspected every six months). They are considered as high risk, standard risk or low risk ships on the basis of historic (*e.g.*, detentions and the number of deficiencies) and generic parameters, such as type and age of the ship and the flag state performance. A new factor to categorize ships is the company performance according to its ships' deficiency and detention rates. With reference to the Maritime Labour Convention, Directive 2013/38/EC extends the scope of port state control to various labor law issues.

In addition, Directive 2000/59/EC, amended by Directive 2002/84/EC, Commission Directive 2007/71/EC, Regulation 1137/2008/EC and Commission Directive 2015/2087, establishes a framework for port reception facilities for ship-generated waste and cargo residues. Its Annex II on waste notification has been amended by Directive 2015/2087/EU in order to reflect the new garbage categorization in Annex V MARPOL and to include reporting on the waste deliveries in the previous port of call.

(ii) Tracking dangerous and polluting cargo

Directive 2002/59/EC, repealing Council Directive 93/75/EEC and as amended by Directive 2009/17/EC, Directive 2009/18/EC, Directive 2011/15/EU and Directive 2014/100/EU, sets up a vessel traffic monitoring and information system that aims at giving Member States rapid access to all important information relating to the movements and cargo of ships carrying dangerous or polluting materials. Directive 2014/100/EU implemented a maritime information and exchange system (SafeSeaNet) to enhance (electronic) exchange of information regarding maritime safety, port and maritime security, marine environment protection and the efficiency of maritime traffic and maritime transport. Following the Erika tanker disaster in 1999, various legislative texts have been adopted, including Regulation 1406/2002, as amended several times, setting up a European Maritime Safety Agency designed, among other things, to monitor the overall functioning of the European Community port state control arrangements by means of visits to the Member States. In addition, in 2005, the European Union adopted Directive 2005/35/EC as amended by Directive 2009/123/EC, on ship-source pollution, providing for criminal sanctions for intentional, reckless or negligent pollution discharges by ships. The Directive may result in criminal liability for pollution from vessels in waters of European countries that have adopted implementing legislation, as required from April 1, 2007. Criminal liability for pollution may result in substantial penalties or fines and increased civil liability claims. The European Commission adopted a White Paper "Roadmap to a Single European Transport Area—Towards a competitive and resource efficient transport system" on March 28, 2011. This may, for example, entail stricter controls of vessels and more rigid enforcement practices.

We comply with Directive 2010/65/EU and have sent all reporting requirements to the National Single Window (a centralized notification recorder) since June 1, 2015. This also includes the announcement of dangerous goods cargo and ship waste notifications.

(iii) Reducing the sulfur content of marine fuels

Previously Directive 1999/32/EC relating to a reduction in the sulfur content of fuels (as amended by Directive 2012/33/EU), included requirements for liquid fuels derived from petroleum and used by ships operating in Member States' territorial waters.

Directive 1999/32/EC has been repealed and replaced by Directive 2016/802/EU on the reduction of the sulphur content of certain liquid fuels. Directive 2016/802/EU codifies the various amendments introduced to Directive 1999/32/EC and Directive 2012/33/EU.

Directive 2016/802/EU sets out rigid requirements for the sulfur content of marine fuels under MARPOL to the complete area under EU jurisdiction, regardless of whether a Member State is signatory to MARPOL, by

- limiting the sulfur content of marine fuels used in the territorial seas, exclusive economic zones and pollution control zones falling within Sulfur Oxide Emission Control Areas
 - to 1.0% by mass until December 31, 2014; and
 - to 0.1% by mass as from January 1, 2015;

- limiting the sulfur content of marine fuels used in the territorial seas, exclusive economic zones and pollution control zones
 - to 3.5% by mass as from June 18, 2014; and
 - to 0.5% as from January 1, 2020;
- limiting the sulfur content of marine fuels used within the territory of Member States to 3.5% by mass.

Under Directive 2016/802/EU, ships at berth in EU ports remain subject to the prohibition of using marine fuels with a sulfur content exceeding 0.1% per mass. Contrary to the amended MARPOL Annex VI, Directive 2016/802/EU is not subject to a feasibility review.

As an alternative to complying with the thresholds, ships may use specific emission abatement methods.

Compliance with the sulfur thresholds required by Directive 2016/802/EU, especially in ECAs, can lead to a significant rise in the price of marine fuels, at least in the short term. This may substantially impact our business and negatively affect Hapag-Lloyd's competitiveness with other types of transport. Yet, the European Commission will, if appropriate, propose measures to counteract a shift from sea to land-based transport and Member States may under certain circumstances provide state aid to operators affected by Directive 2016/802/EU.

(iv) Recommendation to install shore-side electricity installations in ports

Commission Recommendation 2006/339/EC of May 8, 2006 promotes shore-side electricity for use by ships at berth in European Union ports. It recommends that Member States install shore-side electricity for use by ships at berth in ports and offer economic incentives to operators to use such electricity. Currently, in ports, ships use their auxiliary engines, *inter alia*, to produce electricity and thus generate greenhouse gas emissions. One measure to reduce such emissions is to provide ships with shore-side electricity. According to experts, the supply of electricity to berths would significantly reduce emissions of particulate matter, volatile organic compounds, nitrogen oxide and sulfur oxide. The Commission calls on Member States to work within the IMO to promote the development of harmonized international standards for shore-side electrical connections. Directive 2016/802/EU obliges Member States, as an alternative solution for reducing emissions, to encourage the use of onshore power supply systems by docked vessels. Should the use of onshore power supplies eventually be enacted into mandatory legislation, it will entail additional expenses for making vessels fit for such connection. Hapag-Lloyd has retrofitted 23 ships with onshore power supply devices to comply with California legislation as from January 1, 2014.

(v) Ship Recycling

On December 31, 2013, the EU Ship Recycling Regulation 1257/2013/EC, amending Regulation 1013/2006/EC and Directive 2009/16/EC (“**EU SRR**”), entered into force. Based on the 2009 Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships (“**Hong Kong Convention**”) (not yet into force), the EU Regulation aims at reducing the negative impacts associated with the recycling of ships. The rules apply to large commercial seagoing vessels flying the flag of an EU Member State, and to ships flying the flag of a third country calling at EU ports or anchorages. The Regulation prohibits and restricts the installation and use of certain hazardous materials on ships. New ships are required to carry an inventory list of hazardous materials. Ships have to be recycled in special ship recycling facilities, registered by the EU. Hapag-Lloyd has implemented a green ship recycling policy on a voluntary basis. Selected ship recycling yards have to comply with ISO 14001, the Hong Kong Convention and, if possible, the EU SRR. All newbuilds have an inventory list of hazardous materials.

(vi) REACH Regulation

The EU Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No. 1907/2006), (“**REACH**”), as amended, imposes significant obligations concerning chemical substances. Most of the burden of complying with REACH is on the chemical industry and the carriage of dangerous substances and of dangerous mixtures by inland waterways and sea is excluded from its scope. But REACH includes a number of restrictions on the use of chemicals

and requirements for authorization to use certain chemicals which may affect the ability to use certain substances or require the need for substitutes authorized in the EU for the construction of new ships, repair of existing ships and for the type of equipment used on board.

(c) United States

In the United States, ship operators are subject to a number of federal and state laws and regulations with respect to protection of the environment in the course of ship operations in U.S. trade lanes. These laws include the U.S. Oil Pollution Act of 1990 (the “**Oil Pollution Act**”), and similar state statutes, with respect to oil spill liability; the U.S. Comprehensive Environmental Response, Compensation, and Liability Act (“**CERCLA**”) with respect to spills or releases of hazardous substances; the U.S. Federal Water Pollution Control Act (the “**Clean Water Act**”); the U.S. Clean Air Act; and the U.S. National Invasive Species Act of 1996 (“**NISA**”) with respect to ballast water management.

Under the Oil Pollution Act, ship owners, operators and demise charterers are deemed “Responsible Parties” and are jointly, severally and strictly liable for all removal costs and other damages (including natural resource and property damages and lost revenues and profit) caused by oil spills from their ships. Although the Oil Pollution Act is primarily directed at oil tankers (which we do not operate), it also applies to non-tanker ships with respect to the bunker fuel carried on board the ships. The Oil Pollution Act can in some instances limit the liability for a non-tank vessel to the greater of US\$1,000 per gross tonne or US\$854,000 per discharge, which may be adjusted periodically for inflation. However, the liability limits do not apply if the incident was caused by the responsible party’s gross negligence, willful misconduct, or a violation of an applicable federal safety, construction or operating regulation. In addition, the liability is not limited if the responsible party fails to report the oil spill or fails to cooperate or comply with a removal order. In its Fiscal Year 2014 Report to Congress on the Oil Pollution Act liability limits, the U.S. Coast Guard proposed increased limits for non-tank vessels of the greater of US\$1,400 per gross tonne or US\$19,300,000 per discharge for vessels greater than 300 gross tonnes or the greater of US\$5,300 per gross tonne or US\$1,000,000 for vessels less than or equal to 300 gross tonnes.

The Oil Pollution Act and the Clean Water Act also impose civil and criminal penalties relating to certain spill incidents. Furthermore, although the oil spill disaster in the Gulf of Mexico resulted from the explosion of the “Deepwater Horizon” offshore drilling unit, bills have been introduced in the U.S. Congress that could eliminate liability caps under the Oil Pollution Act for all vessels.

CERCLA governs spills or releases of hazardous substances other than petroleum, natural gas and related products. CERCLA imposes liability that is strict, as well as joint and several, on the owner or operator of a vessel, vehicle or facility from which there has been a release, as well as other responsible parties. Spills or releases could occur during shipping, land transportation, terminal or transport related operations. Damages may include past, present and future removal costs, natural resource damages and economic losses, without regard to physical damage to a proprietary interest. Liability under CERCLA is generally limited to the greater of US\$300 per gross tonne or US\$5 million for vessels carrying any hazardous substances, such as cargo or residue, or US\$0.5 million for any other vessel, per release of or incident involving hazardous substances. These limits of liability do not apply if the incident is caused by gross negligence, willful misconduct or a violation of certain regulations, in which case liability is unlimited.

Responsible parties under the Oil Pollution Act and CERCLA, including operators of vessels, must establish and maintain evidence of financial responsibility sufficient to meet the maximum liability (calculated under the assumption that the limits available in the preceding paragraph are applicable) to which it could be subject hereunder. In instances where a responsible party owns or operates more than one vessel, financial responsibility is determined based solely on the particular vessel owned or operated by such responsible party that has the greatest maximum liability. Financial responsibility may be established by one or any combination of the following: evidence of insurance, surety bond, guarantee, letter of credit, qualification as self-insurer or other evidence of financial responsibility. We have met our financial responsibility obligations under the Oil Pollution Act and CERCLA by purchasing the maximum insurance coverage available under our protection and indemnity policies to cover damages that might arise under such laws. For information on insurance policies, see 11.15 “*Our Business—Insurance*”. However, the Oil Pollution Act specifically preserves state law liability and remedies, whether by statute or at common law. Some U.S. states have enacted legislation providing

for unlimited liability for oil spills both in terms of removal costs and damages. As such, cumulative liability under certain U.S. state laws for a spill could be unlimited, and could theoretically exceed our available insurance coverage in the case of a catastrophic spill.

The Clean Water Act prohibits the discharge of oil or hazardous substances and imposes strict liability in the form of civil penalties for damages and remedial costs. Liability can be imposed under the Clean Water Act in addition to the more recent Oil Pollution Act and CERCLA. The EPA regulates the discharge of ballast water and other substances under the Clean Water Act. EPA regulations require commercial vessels operating as a means of transportation 79 feet in length or longer (other than commercial fishing vessels) to obtain coverage under a Vessel General Permit (“VGP”) authorizing discharges of ballast waters and other wastewaters incidental to the operation of vessels when operating within the three-mile territorial waters or inland waters of the United States. The VGP requires vessel owners and operators to comply with a range of best management practices and reporting and other requirements for a number of incidental discharge types. The EPA issued a new VGP in March 2013 to replace the 2008 VGP. The new VGP became effective on December 19, 2013. Hapag-Lloyd has obtained coverage under the VGP for all of its container ships that operate in U.S. waters. The costs associated with meeting the requirements under the VGP are not material.

On April 30, 2010, the EPA promulgated regulations that impose more stringent standards for emissions of particulate matter, sulfur dioxides and nitrogen oxides from new Category 3 marine diesel engines (typically ranging in size from 2,500 to 70,000 kW (3,000 to 100,000 hp)) on vessels constructed on or after January 1, 2016 and registered or flagged in the U.S. and implement the new MARPOL Annex VI requirements for U.S. and foreign flagged ships entering U.S. ports or operating in U.S. internal waters. Effective July 1, 2009, California also adopted fuel content regulations that apply to all vessels sailing within 24 miles of the California coast whose itineraries call for them to enter California ports, terminal facilities or estuarine waters. Although a risk exists that new regulations could require significant capital expenditures and otherwise increase our costs, based on the regulations proposed to date, the Company believes that no material capital expenditures beyond those currently contemplated and no material increase in costs are likely to be required, aside from those costs discussed below.

Similar to the European Union, California has promulgated rules to encourage and over time oblige vessels in Californian ports to use shore power (“cold ironing”) while at berth. As of January 1, 2014, at least 50% of an operator’s fleet calling into ports in California must connect to shore power, and the total auxiliary engine power generated by the fleet’s ships while docked at the port must achieve a 50% emission reduction across the fleet. Plans outlining how the fleet will be modified to achieve compliance with these rules had to be submitted to the California Air Resources Board by July 1, 2013. These plans had to be updated and resubmitted by July 1, 2016 to detail compliance with the 70% emission reduction requirement applicable by 2017, and again by July 1, 2019 for compliance with the ultimate 80% reduction required across the fleet by 2020. Retrofitting of vessels to meet the cold ironing rules has been a material capital expenditure and additional vessels need to be retrofitted to comply with these rules.

NISA was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. NISA established a ballast water management program for ships entering U.S. waters calling for voluntary mid-ocean ballast water exchange, ballast water exchange in waters where such exchange does not pose an environmental threat, or the use of environmentally sound alternative ballast water management methods approved by the U.S. Coast Guard. Mid-ocean ballast exchange is mandatory prior to calling at Californian ports and the mandatory keeping of records throughout the United States began as of January 2004. Other states could adopt additional regulations that could increase the cost of operating in state waters. In March 2012, the U.S. Coast Guard adopted new standards requiring, amongst other things, ship owners and operators to install, operate and maintain U.S. Coast Guard approved on-board ballast water management systems to meet the new treatment standards for living organisms in ballast water. This requirement applies to all new vessels constructed on or after December 1, 2013. Vessels constructed before December 1, 2013 with a ballast water capacity of less than 1500 cubic meters or more than 5000 cubic meters as of the first dry-docking have been subject to these requirements since January 1, 2016. A ship may also use an alternative management system (approved by another flag state and meeting IMO BWM Convention criteria) for up to five years. In February 2004, an IMO diplomatic conference adopted a convention on ballast water controls (the “BWM Convention”) that sets forth worldwide rules that will take effect twelve months after ratification by 30 member states that

collectively represent 35% of the world's shipping tonnage. As of September 8, 2016, the convention had been ratified by 52 member states, representing 35.14% of the gross tonnage of the world's merchant shipping. The BWM Convention will enter into force on September 8, 2017, which will result in additional costs for us to comply with the BWM Convention. This effect could be exacerbated if certain proposed rules in the United States for ballast water management and treatment are adopted. New York and California, for example, are implementing legislation that is much more stringent than current international and U.S. legislation. Additionally, the U.S. Coast Guard is continuing to evaluate stricter standards for ballast water treatment and a broader application of the 2012 rule. While classification is still ongoing, these inconsistencies may cause additional costs.

15. PRINCIPAL SHAREHOLDERS

15.1 Shareholder Structure

The Company's share capital as of the date of this prospectus amounts to € 164,042,940.00 divided into 164,042,940 ordinary registered shares with no par value (*Stückaktien*). On the basis of the notifications received by the Company as of the date of this prospectus in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz – WpHG*) and pursuant to information provided by the respective shareholders, the following shareholders directly or indirectly hold more than 3% of the Company's ordinary shares as of the date of this prospectus. The percentage values shown in the table below are based on the amount of voting rights last notified to the Company by the respective shareholder in relation to the Company's share capital as of the date of the prospectus. It should be noted that the number of voting rights last notified could have changed since such notifications were submitted to the Company without requiring the relevant shareholder to submit a corresponding voting rights notification if no notifiable thresholds have been reached or crossed.

Shareholder	Shareholding	
	Number of shares	Direct or indirect ownership in the Company (in %)
CSAV Germany Container Holding GmbH ("CG Hold Co") ⁽¹⁾	37,032,743	22.6%
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH ("HGV") ⁽¹⁾	24,363,475	14.9%
Kühne Maritime GmbH and Kühne Holding AG (together, "Kühne") ⁽¹⁾	28,878,073	17.6%
Qatar Holding Germany GmbH ("Qatar Holding Germany")	23,663,648	14.4%
The Public Investment Fund of the Kingdom of Saudi Arabia ("PIF")	16,637,197	10.1%
Freefloat	33,467,804	20.4%
Total	164,042,940	100.0%

(1) Pursuant to a shareholders' agreement, CG Hold Co, HGV and Kühne Maritime GmbH ("Kühne Maritime") have agreed to uniformly exercise any and all voting rights pertaining to the shares held in Hapag-Lloyd by issuing a common voting proxy and binding instructions to an agent. (see "*Shareholders' Agreement*").

The following is a brief description of each of our main beneficial shareholders:

CSAV is a leading South American shipping line, operating car carrier, reefer and bulk services and is headquartered in Valparaíso, Chile.

HGV is the investment holding company of the City of Hamburg with a total asset value of approximately €13.4 billion in 2015. HGV owns controlling stakes in numerous regional utility, infrastructure, transportation and real estate companies.

Kühne Maritime is an investment vehicle of Klaus Michael Kühne, the majority shareholder of Kuehne+Nagel, a leading worldwide logistics provider. In 2016, Kuehne+Nagel had total turnover of approximately CHF 16,525 million.

Qatar Holding is a private equity firm specializing in strategic and direct investments in strategic private and public equity. It is an indirect 100% subsidiary of Qatar's sovereign wealth fund, Qatar Investment Authority ("QIA").

PIF is a sovereign wealth fund owned by Saudi Arabia, founded for the purpose of investing funds on behalf of the Government of the Saudi Arabia.

Each share carries one voting right.

Pursuant to a shareholders' agreement among CG Hold Co, HGV and Kühne Maritime GmbH ("Kühne Maritime") (as amended and acceded to by CSAV and Tollo on November 17, 2014 and

further amended from time to time, the “**Shareholders’ Agreement**”), CG Hold Co, HGV and Kühne Maritime have agreed that, from the day of the annual general meeting onwards, to uniformly exercise any and all voting rights pertaining to the shares held by them in Hapag-Lloyd.

15.2 Shareholders’ Agreement

On April 16, 2014, CG Hold Co, HGV and Kühne Maritime entered into a shareholders’ agreement regarding their investment in Hapag-Lloyd (as amended and acceded to by CSAV and Tollo Shipping Co. S.A. (“**Tollo**”) on November 17, 2014 and further amended and restated from time to time the “**Shareholders’ Agreement**”), according to which the parties have agreed to pool their voting rights in Hapag-Lloyd. Originally, such pooling took place through a consortium company, Hamburg Container Lines Holding GmbH & Co. KG (the “**Consortium Company**”). CG Hold Co held a 50% interest and 50% of the voting rights in the Consortium Company while HGV and Kühne Maritime each held a 25% interest and 25% of the voting rights. Previously, in the Shareholders’ Agreement, among other provisions, each of CG Hold Co, HGV and Kühne Maritime have committed themselves to pool their voting rights on all decisions related to Hapag-Lloyd’s business for a term of ten years. In order to pool their votes, the parties each granted a voting proxy to the Consortium Company relating to a certain number of their shares in Hapag-Lloyd, which represented approximately 32.6% of the shares issued by Hapag-Lloyd. CG Hold Co, HGV and Kühne Maritime agreed to vote with regard to the shares that were not subject to the voting proxies, which represented approximately 18.9% of the issued shares in Hapag-Lloyd, in the same manner as with regard to the shares subject to the voting proxies.

Previously, under the Shareholders Agreement, CG Hold Co, HGV and Kühne Maritime’s respective shares in Hapag-Lloyd were subject to transfer restrictions with regard to the shares that were subject to the voting proxies. In relation to their residual shares in Hapag-Lloyd, the parties had no transfer restrictions. After five years, HGV was also entitled to request the release of 50% of its shares in Hapag-Lloyd that are subject to the voting proxy for purposes of a sale.

In conjunction with the business combination of Hapag-Lloyd with UASC Limited, CG Hold Co, HGV and Kühne Maritime revised, amended and restated the Shareholders’ Agreement (the “**New Shareholder’s Agreement**”) according to which the pooling as set forth above was only applied until the date of Hapag-Lloyd’s regular annual general meeting, i.e. until May 29, 2017, 24:00hrs CET. From that point in time onwards, CG Hold Co, HGV and Kühne Maritime have agreed to uniformly exercise any and all voting rights pertaining to the shares held by them in Hapag-Lloyd, currently representing approximately 54.6% of the shares issued by Hapag-Lloyd by issuing a common voting proxy and binding instructions to an agent.

It is the New Shareholders’ Agreement parties’ aim that their voting rights in Hapag-Lloyd shall be exercised uniformly in the general meeting of Hapag-Lloyd at all times. In order to agree on a uniform voting in a general meeting, prior to a general meeting the parties shall adopt a resolution of how the pooled votes shall be cast in such general meeting. It shall be the parties’ aim to resolve unanimously on the parties’ position regarding all agenda items. If the parties cannot adopt a unanimous resolution for any agenda item, they shall refer such issue to the competent decision making bodies of the ultimate shareholders of the New Shareholders’ Agreement parties to resolve upon such issue prior to the respective general meeting of Hapag-Lloyd.

If the ultimate shareholders of the parties cannot adopt a unanimous decision, CG Hold Co, HGV and Kühne Maritime shall cast the votes (i) against the measure with regard to resolutions requiring a majority of at least 75% of the votes cast or the registered share capital present at the time of the adoption of the resolution pursuant to mandatory law or the articles of association of Hapag-Lloyd (“**Articles of Association**”), or (ii) each at its own discretion regarding the respective shares of each of CG Hold Co, HGV and Kühne Maritime in Hapag-Lloyd with regard to resolutions requiring a simple majority of the votes cast pursuant to mandatory law or the Articles of Association.

Through the coordination of their voting rights, the shareholders will be in a position to exert substantial influence on the general shareholders’ meeting of Hapag-Lloyd and, consequently, on matters decided by the general shareholders’ meeting, including the distribution of dividends, any proposed capital increase or the appointment of the supervisory board.

Even though the New Shareholders’ Agreement shall have a regular fixed term until November 30, 2024, its parties are free to dispose of their shares in Hapag-Lloyd and the parties of the New

Shareholders' Agreement have granted to each other a right of first refusal for their shares if one party intends to sell shares representing a certain portion of the voting rights in Hapag-Lloyd in a private transaction (over-the-counter).

The New Shareholders' Agreement will terminate (i) if the aggregated participation of the parties in the voting rights in Hapag-Lloyd drops below the threshold of 25% of the issued share capital of Hapag-Lloyd at any given time or (ii) if the participation of one party in the voting rights in Hapag-Lloyd drops below the threshold of 5% and the other parties cannot agree on the terms for a continuation of the New Shareholders' Agreement. In addition, the Shareholders' Agreement may be terminated prior to November 30, 2024 by any party whose nominee was not elected to the supervisory board of Hapag-Lloyd.

With respect to the dividend distributions of Hapag-Lloyd, the parties of the New Shareholders' Agreement have agreed to undertake to vote in favor of the distribution of a significant proportion of the total annual group profit (IFRS) of Hapag-Lloyd as a dividend in the range of 50% to 70%, but not below 50%, to the extent distributable. Should the profit resulting from valuation adjustments and/or comparable non-cash events exceed 50% of the annual group profit, the New Shareholders' Agreement provides that its parties shall agree on the percentage of such annual profit that shall be distributed as a dividend. For further information on our dividend policy please see 5 "*Dividend Policy*".

With respect to the composition of the supervisory board of Hapag-Lloyd, it has been agreed in the New Shareholders' Agreement that CG Hold Co shall nominate two members and HGV as well as Kühne Maritime shall nominate one member each; CG Hold Co, HGV and Kühne Maritime shall jointly nominate two further members, one of such members being the designated chairman of the supervisory board. In the event that any of the parties' shareholdings is reduced under a certain portion of voting rights in Hapag-Lloyd, these nomination rights shall be adjusted accordingly.

16. GENERAL INFORMATION ON THE COMPANY AND THE GROUP

16.1 Corporate History, Name, Registered Office, Financial Year and Duration of the Company

The Company was formed under German law on February 20, 2004 as a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) with the corporate name “TAMINO Vermögensverwaltungsgesellschaft mbH”. It was registered with the commercial register of the local court (*Amtsgericht*) of Hamburg under the docket number HRB 89830 on February 20, 2004. With effect as of April 30, 2004, TAMINO Vermögensverwaltungsgesellschaft mbH merged with Hapag-Lloyd Container Linie GmbH and was renamed “Hapag-Lloyd Container Linie GmbH”. With effect as of July 21, 2006, the Company was transformed into a stock corporation (*Aktiengesellschaft*) and was renamed “Hapag-Lloyd Aktiengesellschaft”, which is its present corporate name. For more information on the historic origin of the Group, please refer to 11.4 “*Our Business—Our History*”. The Company is registered with the commercial register of the local court (*Amtsgericht*) of Hamburg under docket number HRB 97937.

Hapag-Lloyd AG is the parent Company of the Group. The commercial name of the Company is Hapag-Lloyd.

The registered seat of the Company is Hamburg, its business address is Ballindamm 25, 20095 Hamburg, Germany, and its telephone number is +49(0)40 3001-0.

The financial year of the Company equals the calendar year. The term of the Company is unlimited.

16.2 Corporate Purpose

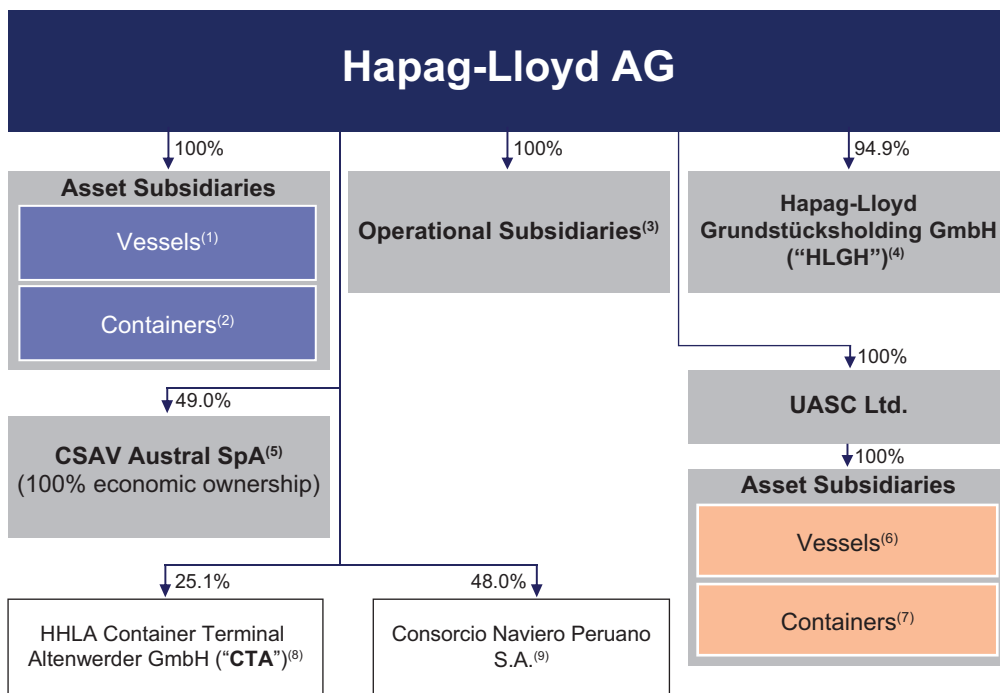
In accordance with Section 2 of the Company’s Articles of Association (“**Articles of Association**”), its corporate purpose is

- liner shipping at sea;
- operations in the logistics business;
- operations in the ship owner, ship broker, freight forwarding, agency and storage businesses;
- operation of port facilities;
- the acquisition or sale of real estate, its development, cultivation, renting and leasing and management; and
- provision of data processing and all other related services, with the exception of activities which are subject to a regulatory approval.

The Company is also entitled to conduct any transactions or measures related to its corporate purpose or which appear to promote achievement of its corporate purpose; in this respect, the Company is also authorized to found, acquire or take participating interests in German and foreign companies of any kind, as well as to establish branch offices in Germany and abroad. The Company may transfer its operations, in whole or in part, to affiliated companies. The Company may also pursue its corporate purpose by managing affiliated companies or by participating in investment or joint venture companies.

16.3 Group Structure

Hapag-Lloyd AG is the parent company of the Group. The following diagram sets forth the general organizational structure of the Company as of the date of this prospectus. The shareholdings are calculated in accordance with Section 16 of the German Stock Corporation Act (*Aktiengesetz*). Accordingly, the calculation includes shares held directly by the Company, indirectly through a direct or indirect subsidiary of the Company included in the Company’s consolidated financial statements or by a third party acting for the account of such companies. The group of consolidated companies includes 74 subsidiaries and under the equity method companies as of the date of this prospectus. For changes in the shareholdings, see 15 “*Principal Shareholders*”.



- (1) All vessels are economically owned by the Company and its international as well as German subsidiaries except for vessels which are registered in the United States. These five vessels are economically and legally owned by a subsidiary in the United States. Vessels registered in Chile, Liberia, the Marshall Islands, the Isle of Man and the UK are legally owned by subsidiaries.
- (2) All containers are economically owned by the Company, some containers are legally owned by subsidiaries in the UK.
- (3) Nearly all operational subsidiaries are wholly-owned by Hapag-Lloyd AG. The group of consolidated companies includes 74 subsidiaries as of March 31, 2017 and four companies were consolidated under the equity method.
- (4) Owner of the property at Ballindamm, Hamburg (asset subsidiary).
- (5) CSAV Austral SpA (the "**Cabotage Entity**") performs (i) cabotage services (*i.e.*, services that are subject to legal restrictions aimed at protecting transporters of goods within a country from competition from foreign carriers) in Chile, (ii) container transport between Chile and Brazil under the *Convenio sobre transporte marítimo entre Chile y Brasil 1974* (the "**Chile-Brazil Convention**") and (iii) container transport between the *Conosur* countries (Brazil, Uruguay, Argentina, Chile, Peru and Ecuador).
- (6) All vessels are indirectly economically and legally owned by the Company through its 100% subsidiary UASC Limited, except for two vessels where legal ownership is with special purpose vehicles (*i.e.*, SNC Carla and SNC Valeria) owned by Société Générale (lender) while economic ownership remains with special purpose vehicles (*i.e.*, Al Riffa and Jebel Ali) owned by UASC Limited
- (7) All containers are indirectly economically and legally owned by the Company through its 100% subsidiary UASC Limited, except for some container which are legally owned by the lessor under container lease agreements.
- (8) Remaining stake owned by HHLA Container Terminals GmbH, a subsidiary of Hamburger Hafen und Logistik AG ("**HHLA**"). CTA is considered an associated company of the Company.
- (9) Consortio Naviero Peruano S.A. is considered a joint venture of the Company.

16.4 Significant Subsidiaries

The table below provides an overview of the Company's significant subsidiaries as of March 31, 2017. The financial data presented in this table has been taken from the relevant IFRS financial statements or the Company's accounting systems as of March 31, 2017. The subsidiaries and equity interests are not subject to any distribution restrictions with respect to their parent company. Since March 31, 2017 no material change has occurred with the exception of the USAC Business Combination which closed on May 24, 2017 (for further details on the effects of the USAC Business Combination on the Company's financial condition please see "8. Pro Forma Financial Information").

Name, domicile	Business area	Interest held by Hapag-Lloyd AG	Subscribed capital as of March 31, 2017 (in US\$)
Hapag-Lloyd USA LLC, Wilmington, USA	Container shipping	100%	79,466,218.67
Hapag-Lloyd Mexico S.A. de C.V., Mexico City, Mexico	Container shipping	100%	4,597.50
Hapag-Lloyd (America) LLC, Wilmington, USA	Container shipping	100%	2,000,000.00
Hapag-Lloyd (Canada) Inc., Montreal, Canada	Container shipping	100%	3,799,943.01
Hapag-Lloyd (Italy) S.R.L., Milano, Italy	Container shipping	100%	449,208,48
Hapag-Lloyd (UK) Ltd., Barking, United Kingdom	Container shipping	100%	1,786,520,60
Hapag-Lloyd (France) S.A.S., Asnieres sur Seine, France	Container shipping	100%	4,809,918,82
Hapag-Lloyd (Japan) K.K., Tokyo, Japan	Container shipping	100%	841,429,92
Companhia Libra de Navegacao S.A., São Paulo, Brasil	Container shipping	100%	77,670,349.09
Hapag-Lloyd (China) Shipping Ltd., Shanghai, China	Container shipping	100%	2,191,055.87
Hapag-Lloyd Pte. Ltd., Singapore, Singapore	Container shipping	100%	3,586,566.68
Hapag-Lloyd (Peru) S.A.C., Lima, Peru	Container shipping	60%	332,365.78
Hapag-Lloyd Spain S.L., Barcelona, Spain	Container shipping	90%	3,967.48
Hapag-Lloyd Chile SpA, Valparaiso, Chile	Container shipping	100%	4,401,476.00
CSAV Austral SpA, Valparaiso, Chile	Container shipping	49%	100,539,773.57
Hapag-Lloyd Argentina S.R.L., Buenos Aires, Argentina	Container shipping	100%	1,084,205.04
UASAC Denizcilik Nakliyat A.Ş., Istanbul, Turkey	Container shipping	60%	123,000.00
United Arab Shipping Company Ltd., Dubai, United Arab Emirates	Container shipping	100%	1,933,285,000.00
United Arab Shipping Company Services Limited (DIFC) ("USL (DIFC)"), Dubai, United Arab Emirates	Container shipping	100%	17,251,000.00

16.5 Statutory Auditor

The Company has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Ludwig-Erhard-Str. 11-17, 20459 Hamburg, Germany ("KPMG"), as its auditor of the Audited Unconsolidated Financial Statements in accordance with the German Commercial Code (*Handelsgesetzbuch*; "HGB") as of and for the financial year ended December 31, 2016 and of the Audited Consolidated Financial Statements prepared in accordance with IFRS and the additional requirements of German commercial law pursuant to Section 315a HGB as of and for the financial years ended December 31, 2016, 2015 and 2014. In each case, KPMG conducted its audits in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer*). The Unaudited Interim Condensed Consolidated Financial Statements prepared in accordance with IAS 34 (*Interim Financial Reporting*) as of and for the three months ended March 31, 2017 have not been audited. KPMG is a member of the Chamber of Public Accountants (*Wirtschaftsprüferkammer*), Rauchstraße 26, 10787 Berlin, Germany.

16.6 Notices and Paying Agent

In accordance with the Articles of Association, the Company's announcements appear exclusively in the German Federal Gazette (*Bundesanzeiger*), unless otherwise prescribed by law. If the law provides that explanations or information must be made available to the shareholders but without

indicating in which form, it is sufficient to post such information on the Company's website. Notices concerning our shares will be published either in the German Federal Gazette (*Bundesanzeiger*) or in various media that are distributed throughout the European Economic Area. Subject to compliance with the applicable provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*), notices to the Company's shareholders will be made exclusively by electronic communication.

Notices in connection with the approval of the prospectus or any supplements thereto will be published in accordance with the regulations of the German Securities prospectus Act (*Wertpapierprospektgesetz*), in the manner of publication provided for in this prospectus, that is, through publication on our website, <https://www.hapag-lloyd.de/en/ir.html>. Printed copies of this prospectus may be obtained from the Company at Ballindamm 25, 20095 Hamburg, Germany.

17. DESCRIPTION OF SHARE CAPITAL AND APPLICABLE REGULATIONS

17.1 Current Share Capital of the Company

The Company's share capital currently amounts to €164,042,940.00. It is divided into 164,042,940 ordinary registered shares with no par value (*auf den Namen lautende Stückaktien*), each such share with a notional value of €1.00 per share. The share capital has been fully paid up. The shares were created pursuant to the German Stock Corporation Law (*Aktiengesetz*). As of the date of this prospectus, 118,110,917 of the Company's shares are admitted to trading on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with additional post-admission obligations (Prime Standard) and on the regulated market segment (*regulierter Markt*) of the Hamburg Stock Exchange.

17.2 Share Capital of the Company and Development of Share Capital since the Company's incorporation

The share capital of the Company as of the date of its transformation into a stock corporation (*Aktiengesellschaft*) on July 21, 2006 amounted to €25,600,000.00. Since that date the Company's share capital developed as follows:

- on August 19, 2013, the share capital of the Company was increased by €40,465,678.00 from €25,600,000.00 to €66,065,678.00;
- on December 2, 2014, the share capital of the Company was increased by €28,313,862.00 to €94,379,540.00;
- on December 19, 2014, the share capital of the Company was increased by €10,502,700.00 to €104,882,240.00;
- on November 4, 2015, the share capital of the Company was increased by €13,228,677.00 to €118,110,917.00.
- on May 24, 2017, the share capital of the Company was increased by €45,932,023.00 to €164,042,940.00.

17.3 Authorized Capital

The executive board of the Company was authorized by a resolution of the Company's general shareholder meeting on August 26, 2016 to increase the share capital of the Company, with the approval of the supervisory board, on one or more occasions by June 30, 2018 by up to €50,000,000 by issuing up to 50,000,000 no-par value shares for contributions in cash and/or in kind (the "**Authorized Capital 2016**"). The Authorized Capital 2016 has been registered with the commercial register on October 4, 2016. On May 18, 2017, the executive board resolved, with the consent of the supervisory board, to increase the Company's share capital against contribution-in-kind from €118,110,917 by €45,932,023.00 to €164,042,940.00 partially utilizing the Company's Authorized Capital 2016 (Sections 202 et seq. German Stock Corporation Act – *Aktiengesetz*). The 45,932,023 New Shares were issued to the UASC Shareholders under the exclusion of the Company's existing shareholders' subscription rights. The implementation of this capital increase was registered with the commercial register on May 24, 2017. The remaining Authorized Capital 2016 in the amount of €4,067,977 was cancelled by resolution of the Company's general shareholder meeting on May 29, 2017.

The executive board of the Company was authorized by a resolution of the Company's general shareholder meeting on May 29, 2017 to increase the share capital of the Company, with the approval of the supervisory board, on one or more occasions by April 30, 2022 by up to €23,000,000.00 by issuing up to 23,000,000 no-par value shares for contributions in cash and/or in kind (the "**Authorized Capital 2017**"). The shareholders are entitled to the statutory subscription right. The new shares may also be underwritten by one or more banks with an obligation to offer them for subscription to the shareholders (indirect subscription right). With the consent of the supervisory board of the Company, however, the executive board is authorized to exclude the shareholders' subscription rights in order to exclude fractional amounts from the subscription rights.

17.4 General Provisions Relating to Liquidation of the Company

Apart from liquidation as a result of insolvency proceedings, the Company may be liquidated only with a vote of 75% or more of the share capital represented at the shareholders' meeting at which such

a vote is taken. Pursuant to the German Stock Corporation Act (*Aktiengesetz*), in the event of the Company's liquidation, any assets remaining after all of the Company's liabilities have been settled will be distributed among the shareholders in proportion to their shareholdings. The German Stock Corporation Act (*Aktiengesetz*) provides certain protections for creditors which must be observed in the event of liquidation. The Company's articles of association ("**Articles of Association**") provide in Section 17.4 that all measures requiring a majority of three fourths of the nominal capital represented when the resolution is adopted pursuant to the German Stock Corporation Act ("**AktG**") or any other act or law (*i.e.*, measure including the termination and liquidation of the company, the change of its legal form, split up and spin off, the conclusion of control and profit sharing agreements, the alienation of the company's entire assets and property, any material reorganizations of the company within the meaning of the Holz Müller ruling, amendments to the Articles of Association, mergers and capital increase) shall require a majority of 75% of the nominal capital represented when the resolution is adopted.

17.5 General Provisions Relating to Increases or Decreases in the Share Capital

The German Stock Corporation Act (*Aktiengesetz*) provides that the share capital of a stock corporation may be increased by a resolution adopted at the general shareholders' meeting. Such resolution must be adopted by a majority of at least 75% of the share capital represented when the resolution is passed, unless the stock corporation's articles of association provide for a different majority. The Articles of Association provide in Article 17.1 that the resolutions of the general shareholders' meeting are adopted by a simple majority of the votes cast and, to the extent the law requires approval by a majority of capital in addition to the majority of votes, resolutions may be adopted by a simple majority of the share capital represented at the meeting, except as otherwise provided by mandatory law. However, pursuant to Section 17.2 of the Articles of Association, resolutions on changes of the Articles of Association require a three-quarter majority of the share capital represented at the meeting.

In addition to an ordinary capital increase in cash or kind, shareholders may resolve to issue authorized capital (*genehmigtes Kapital*), upon a vote of 75% of the share capital represented at the passing of the resolution authorizing the executive board to issue shares, up to a specific amount within a period not exceeding five years. The nominal amount of such issuance may not exceed 50% of the share capital in existence at the time of the authorization, that is, at the time the authorized capital is entered into the commercial register.

Additionally, shareholders may resolve to create contingent capital (*bedingtes Kapital*) for the purpose of issuing shares (i) to holders of convertible bonds or other securities convertible into shares of the Company, (ii) as consideration in connection with a merger with other companies or (iii) to executives and employees of the Company and Group companies. A resolution to create contingent capital must be adopted by at least 75% of the share capital represented at the passing of the resolution. The nominal amount of the contingent capital created for the purpose of share issues (i) to holders of convertible bonds or other securities convertible into shares of the Company or as consideration in connection with a merger with another company may not exceed 50% and (ii) the nominal amount of the contingent capital created for the purpose of share issues to executives and employees may not exceed 10% of the nominal share capital in existence at the time such resolution is passed.

A resolution to decrease the share capital must be adopted by at least 75% of the share capital represented at the passing of the resolution.

17.6 General Provisions Relating to Subscription Rights

According to the German Stock Corporation Act (*Aktiengesetz*), each shareholder is generally entitled to subscription rights to any new shares issued within the framework of a capital increase, including convertible bonds, bonds with warrants, profit-sharing rights or income bonds. A minimum subscription period of two weeks has to be provided for the exercise of such subscription rights. Furthermore, such subscription rights are freely transferable and may be traded on German stock exchanges within a specified period prior to the expiration of the subscription period. The general shareholders' meeting may pass a resolution excluding subscription rights in whole or in part as part of the capital increase resolution, if at least 75% of the share capital represented adopts the resolution. To exclude subscription rights, the executive board must also make a report available to the shareholders justifying the exclusion and demonstrating that the Company's interest in excluding the subscription

rights outweighs the shareholders' interest in keeping them. The exclusion of subscription rights upon the issuance of new shares is permitted, in particular, if the Company increases the share capital against cash contributions, if the amount of the capital increase does not exceed 10% of the existing share capital and the issue price of the new shares is not significantly lower than the stock exchange price of the Company's shares.

17.7 Exclusion of Minority Shareholders

According to the "squeeze-out" regulations of Section 327a et seq. German Stock Corporation Act (*Aktiengesetz*), the general shareholders' meeting of a stock corporation can, at the request of a shareholder holding 95% of the share capital ("**principal shareholder**"), resolve to transfer the shares of the minority shareholders to the principal shareholder against payment of an appropriate cash settlement.

In addition, according to Sections 39a and 39b of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) concerning squeeze-outs after a takeover or mandatory public offer, at the request of the bidder who owns shares of the target company amounting to at least 95% of the voting rights, the remaining shares must be transferred to the bidder upon court order in exchange for the guarantee of an appropriate settlement. The regional court (*Landgericht*) of Frankfurt am Main has exclusive jurisdiction in this regard. To this end, the compensation guaranteed as part of the takeover or mandatory public offer is deemed an appropriate settlement if, on the basis of the offering, the bidder has acquired shares amounting to at least 90% of the share capital affected by the offering. In addition, after a takeover or mandatory public offer, the shareholders of a target company who have not accepted the offering can accept it pursuant to Section 39c German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) within three months after the acceptance period has expired (a "**sell-out**"), if the bidder has the right to file an application for the transfer of the outstanding voting shares in accordance with Section 39a German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

In addition, under the provisions of Section 62(5) of the German Reorganization and Transformation Act (*Umwandlungsgesetz*), within three months after the conclusion of a merger agreement, the shareholders' meeting of a transferring company may pass a resolution pursuant to Section 327a(1) sentence 1 of the German Stock Corporation Act (*Aktiengesetz*), *i.e.*, a resolution on the transfer of the shares held by the remaining shareholders (minority interests) to the transferee company (Majority Shareholder) in exchange for an adequate cash settlement if the Majority Shareholder has at least 90% of the share capital. The result of this "squeeze-out under reorganization law" is the exclusion of the minority shareholders in the transferring company. The entitlement to consideration is based on the provisions of Section 327a et seq. of the German Stock Corporation Act (*Aktiengesetz*).

In addition to the legal provisions on the exclusion of minority shareholders, the German Stock Corporation Act (*Aktiengesetz*) also provides for what is called the integration of stock corporations (*Eingliederung*) in Section 319 et seq. German Stock Corporation Act (*Aktiengesetz*). According to these provisions, the general shareholders' meeting of a stock corporation can approve the integration of a company if 95% of the shares of the company to be integrated are held by the future principal company. The former shareholders of the integrated company are entitled to an appropriate settlement that generally must be granted in the form of shares of the principal company while, if the principal company is a controlled company, the former shareholders may also demand an adequate compensation in cash instead of a compensation in the form of shares. Such integration is, however, only possible if the future principal company is a stock corporation with its registered office in Germany.

17.8 Shareholder Notification Requirements; Mandatory Takeover Bids; Managers' Transactions

As a listed company, the Company is subject to the provisions of the German Securities Trading Act (*Wertpapierhandelsgesetz*), governing disclosure requirements for shareholdings, Regulation 596/2014/EU of the European Parliament and of the Council of April 16, 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC Text with EEA relevance (the "**Market Abuse Regulation**") governing, among other things, directors' dealings to disclose transactions in the Company's shares, debt instruments, or related financial instruments, and the provisions of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*).

The German Securities Trading Act (*Wertpapierhandelsgesetz*) requires that anyone who acquires, sells or in some other way reaches, exceeds or falls below 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the voting rights in an issuer whose country of origin is Germany must immediately but no later than within four trading days after the individual or company is aware or should have been aware of the respective changes in voting rights notify the issuer and at the same time the German Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*; “**BaFin**”). The notice can be drafted in either German or English and either sent in writing or via telefax. The notice must include, among other things, the individual or entity’s address, the share of voting rights held and the date of reaching, exceeding or falling below the respective threshold. As a domestic issuer (*Inlandsemitter*), the Company must publish such notices immediately but no later than within three trading days through various media distributed across the entire European Economic Area (*Medienbündel*). The Company must also transmit the notice to BaFin and to the electronic Company Register (*elektronisches Unternehmensregister*) for storage.

The German Securities Trading Act contains various rules that provide for an attribution and aggregation of voting rights of persons associated with each other or acting in concert. For example, shares belonging to a company are attributed to each person controlling the company, and shares held for the account of another person are attributed to such other person. Shares or financial instruments held for trading by a securities services company are not taken into account for determining the notification obligation if it is ensured that the voting rights held by them are not exercised and that they amount to no more than 5% of the voting of shares or do not grant the right to purchase more than 5% of the voting shares.

Rights attached to shares held by a person or entity subject to the notification obligation, or by reason of which voting rights are attributed to such person or entity do not exist for the period during which the notification obligations are not satisfied. This does not apply to dividend rights if the notification was omitted unintentionally and this has subsequently been remedied. If a shareholder willfully fails to file a notice or provides false information, the shareholder is excluded from exercising the rights attached to its shares (including voting and dividend rights) for the duration of the delay. If the failure relates specifically to the share of voting rights held and the shareholder acted willfully or was grossly negligent, the shareholder is generally not permitted to exercise the administrative (voting) rights attaching to its shares for a period of six months after it files the necessary notification. In addition, a fine may be imposed for failure to comply with the notification obligation.

Except for the 3% threshold, similar notification obligations *vis-à-vis* the Company and BaFin exist for persons or entities reaching, exceeding or falling below the aforementioned thresholds when directly or indirectly holding financial instruments entitling their holder to unilaterally acquire existing shares of the Company carrying voting rights. This obligation also applies to “other instruments” that grant the direct or indirect holder the right to acquire unilaterally, based on a legally binding agreement, existing shares of the Company carrying voting rights that do not qualify as “financial instruments” within the meaning of the German Securities Trading Act (*Wertpapierhandelsgesetz*), for example, securities lending agreements or sales and repurchase agreements.

Moreover, under the German Securities Trading Act (*Wertpapierhandelsgesetz*), any person who directly or indirectly holds financial instruments that grant the holder the unilateral right under a legally binding agreement to acquire previously issued voting shares of an issuer whose country of origin is the Federal Republic of Germany is subject to a notification obligation if the sum of the shares they can so acquire, together with any voting right stakes they may already hold in the issuer or which are attributable to them, reaches, exceeds or falls below any of the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75%.

Furthermore, the German Securities Trading Act (*Wertpapierhandelsgesetz*) requires any shareholder whose holdings reach or exceed the 10% threshold or a higher threshold to notify the issuer of the aims being pursued with the acquisition of the voting rights and the origin of the funds used for the acquisition within 20 trading days of the date on which the respective threshold is met or exceeded. Once this information is received, and even if no information is received, the issuer has to publish it in the form discussed above, or give notice that the disclosure requirement was not met, within no more than three trading days. The Articles of Association may stipulate that the shareholders are not subject to a notification obligation, but this is not the case for the Articles of Association.

In addition, under the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*), anyone whose voting rights reach or exceed 30% of the voting shares of the Company is obligated to disclose this fact and the percentage of voting rights held without undue delay, at the latest, within seven calendar days over the internet and over an electronic financial news service and thereupon, unless granted an exemption, to launch a public mandatory offer to all holders of shares in the Company. The German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz*) contains a number of provisions intended to ensure that share ownership is correctly attributed to the person who actually controls the voting rights conferred by the shares. Shareholders who fail to disclose that their holdings meet or exceed the 30% threshold or fail to make a public mandatory offer are prohibited from exercising the rights conferred by these shares (including voting rights and the right to receive dividends) until the failure has been remedied. Breaches of the duty of disclosure are also punishable by a fine.

Persons discharging managerial responsibilities at the Company within the meaning of the Market Abuse Regulation, such as the members of the executive board and the supervisory board, have to notify the Company and BaFin promptly and no later than three business days following transactions exceeding a total of € 5,000 per annum in the Company's shares, debt instruments, or in related financial instruments undertaken for their own account (so-called Managers' Transactions). This also applies to persons or entities that are closely associated with such executives within the meaning of the Market Abuse Regulation. The company shall ensure that such managers' transactions notifications are made public promptly and no later than three business days after the transaction.

18. DESCRIPTION OF THE GOVERNING BODIES OF HAPAG-LLOYD AG

18.1 Overview

The corporate bodies of the Hapag-Lloyd AG are the executive board (*Vorstand*), the supervisory board (*Aufsichtsrat*) and the general meeting (*Hauptversammlung*). Their competencies are laid down in the German Stock Corporation Act (*Aktiengesetz*) and the Company's articles of association (*Satzung*) (the "**Articles of Association**"), as well as in the rules of procedure (*Geschäftsordnungen*) of the executive board and the supervisory board.

In general, the executive board is responsible for conducting the Company's business in accordance with the law, the Articles of Association and its own rules of procedure. It represents the Company in its dealings with third parties.

The executive board is responsible for the management of the Company and decides on fundamental questions of business policy, company strategy and on annual long-term planning. The executive board must further ensure appropriate management and control of risk within the Company and its subsidiaries in order to identify at an early stage any developments jeopardizing the Company's future as a going concern. The executive board is also obliged to report to the supervisory board on a regular and at least quarterly basis on the course of business, with particular reference to revenue, profitability and the situation of the Company and of its subsidiaries, and at the supervisory board's final meeting of the financial year to report on its planned business policy and other fundamental issues relating to corporate planning (including financial, investment and personnel planning).

The executive board is also obliged to duly report to the supervisory board such transactions as may be of considerable importance to the Company's profitability (in particular the return on equity) or liquidity, so that the supervisory board may have an opportunity to express its opinion on such transactions before they are concluded. The supervisory board may also request a report at any time on matters concerning the Company, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on the Company's situation.

The supervisory board determines the exact number of members of the executive board, appoints the members of the executive board and is entitled to dismiss them for good cause (*aus wichtigem Grund*). The supervisory board advises the executive board on the management of the Company and monitors its conduct of business. Under the German Stock Corporation Act, the supervisory board is not authorized to exercise management functions.

Simultaneous membership of the executive board and the supervisory board is generally prohibited in companies under German law. However, simultaneous membership that results from a member of the supervisory board taking a seat on the executive board of the same German stock corporation for a maximum period of one year is permissible in exceptional cases. During this period, such individual may not perform any duties for the supervisory board.

As set out in the German Stock Corporation Act (*Aktiengesetz*), the supervisory board advises on, and oversees, the executive board's management of the Company, but is not itself authorized to manage it. The Articles of Association or the by-laws of the supervisory board or executive board must, however, designate the types of transactions that may only be made with the approval of the supervisory board unless the delay of such transactions until the approval of the supervisory board has been granted would involve significant disadvantages for the company or its subsidiaries. The supervisory board may issue a general authorization for a specific type of business in advance.

The members of the executive board and of the supervisory board have duties of loyalty and care towards the Company. In discharging those duties, the members of these corporate bodies must consider a wide range of interests, in particular and foremost those of the Company, then of its shareholders, employees and creditors. The executive board must also take due account of the shareholders' right to equal treatment and equal information. The members of the executive board or of the supervisory board shall be jointly and severally liable to the Company for any damages that may arise if they fail to discharge their duties.

Shareholders may generally not bring an action in court against members of the executive board or members of the supervisory board for breaches of their duties towards the Company. Only the Company itself normally has the right to bring a claim for damages against members of the executive board or members of the supervisory board, whereby the Company is represented by the executive

board when bringing claims against a supervisory board member and by the supervisory board when bringing claims against an executive board member. Pursuant to a ruling by the German Federal Court of Justice, the supervisory board is obliged to bring potentially enforceable claims against the executive board unless material considerations pertaining to the interests of the corporation outweigh or are at least equivalent to those in favor of such a claim. Despite a refusal of the supervisory board to pursue a claim for damages, such a claim may be enforced (i) upon a resolution of the general meeting, (ii) upon a petition with the competent court by minority shareholders meeting certain minimum requirements as to their stake in the Company, or (iii) by the Company's creditors whose claims could not have been settled by the Company.

Under German law, no individual shareholder (or any other person) may exert its influence in the Company, to cause a member of the executive board or the supervisory board to engage in any act detrimental to the Company. Shareholders with a controlling interest may not use it to cause the Company to act against its own interests unless the prejudice to its interests is compensated for. Anyone using their interest in the Company to cause a member of the executive board, a member of the supervisory board or a person who holds a power of attorney or is authorized to act for the Company to engage in any act detrimental to the Company or to our shareholders must compensate the Company and the shareholders for any loss sustained thereby.

18.2 Executive Board

(a) Current Composition of the Executive Board

The Company's Articles of Association stipulate that the executive board is to be composed of at least two persons. The supervisory board determines how many members sit on the executive board and appoints the members of the executive board. It may also appoint the chairman and deputy chairmen of the executive board.

The members of the executive board are appointed by the supervisory board for a term not exceeding five years. They may be reappointed or their term of office may be extended, in each instance for a period of up to five years. The supervisory board may revoke the appointment of a member of the executive board before the end of their term of office for good cause, such as gross breach of duty or if the general meeting no longer has confidence in them. The position established by the appointment of an executive board member is distinct from the member's employment relationship with the Company. The latter also has a maximum term of five years.

The executive board has overall responsibility for the Company's business. In accordance with the executive board's rules of procedure, each member of the executive board is assigned an area of responsibility defined in a plan forming part of the rules of procedure, which sets out the allocation of duties. Notwithstanding the overall responsibility held by the executive board, each member of the executive board is responsible for the area allocated to him. Pursuant to the rules of procedure of the executive board, certain management actions may only be taken and certain types of transactions may only be concluded with the approval of the supervisory board or of a competent committee of the supervisory board. Meetings of the executive board shall be held every two weeks. According to the provisions of the rules of procedure for the executive board, the executive board has a quorum when at least half of its members are present at the executive board's meeting. In case of resolutions passed outside of meetings of the executive board, the executive board has a quorum when at least half of its members vote on the resolution. Resolutions by the executive board are adopted by simple majority. Should a vote by the executive board result in a tie, the vote of the chairman of the executive board decides if the executive board consists of more than two members.

The Company is represented by two members of the executive board or by one member of the executive board together with an authorized officer (*Prokurist*) or two authorized officers.

(b) Members of the Executive Board

The persons set forth below are the current members of the executive board.

<u>Name</u>	<u>Age</u>	<u>Member since</u>	<u>Appointed until</u>	<u>Current Responsibility</u>
Rolf Habben Jansen	50	April 1, 2014	March 31, 2019	Chief Executive Officer
Anthony James Firmin	63	July 1, 2014	June 30, 2019	Chief Operating Officer
Nicolás Burr	41	March 26, 2015	February 29, 2020	Chief Financial Officer
Thorsten Haeser	49	October 1, 2015	September 30, 2018	Chief Commercial Officer

The members of the executive board of the Company can be contacted at the Company's business address: Ballindamm 25, 20095 Hamburg, Germany.

The following description provides summaries of the *curricula vitae* of the current members of the Company's executive board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Company.

Rolf Habben Jansen: Rolf Habben Jansen was born in Spijkenisse near Rotterdam on August 27, 1966. He graduated in economics from the Erasmus University in Rotterdam in 1991. In the same year, he embarked on his career as a trainee at the former Dutch shipping company Royal Nedlloyd. He held a number of different positions both there and at the Swiss logistics firm Danzas, before the latter merged with DHL, a subsidiary of Deutsche Post AG. From 2001, he was responsible at DHL for contract logistics for large parts of Europe, and from 2006 he was in charge of the services group's 100 most important customers as Head of Global Customer Solutions. As Chief Executive Officer from 2009, he spent five years heading up the global logistics company Damco. Rolf Habben Jansen has been a member of Hapag-Lloyd AG's executive board since April 2014, and took office as Chief Executive Officer on July 1, 2014.

Alongside his office as chairman of the executive board and Chief Executive Officer, Mr. Habben Jansen is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- World Shipping Council (Board Member)
- Stolt-Nielsen Ltd (Board Member)
- Hapag-Lloyd Grundstücksholding GmbH (Managing Director)

Previously:

- DAMCO NV (Chief Executive Officer)

Other than listed above, Mr. Habben Jansen has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Anthony James Firmin: Anthony James Firmin was born in England on December 17, 1953. He joined Hapag-Lloyd in 1995 as Finance Director of Hapag-Lloyd America Inc. responsible for the regions USA, Canada and Latin America. Prior to that the business administration graduate had been Head of Accounting at Sharp Electronics, Hamburg, and Chief Financial Officer of Johnson & Johnson Professional Products in Hamburg. In 2000, he was appointed managing director of Hapag-Lloyd Container Linie GmbH responsible for worldwide business administration. In 2005, he took over responsibility for ship and container management, co-operations and purchasing from Ulrich Kranich. From June 2009 he was Managing Director of Yield Management & Network. With effect from July 1, 2014, Mr. Firmin has been appointed as member of the executive board as Chief Operating Officer.

Alongside his office as member of the executive board and Chief Operating Officer, Mr. Firmin is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Frank-Gruppe (Member of the advisory board)
- The Britannia Steam Ship Insurance Association Ltd. (Member of the executive committee)
- HHLA Container Terminals GmbH, HHLA Container Terminal Altenwerder GmbH, Service Center Altenwerder GmbH (Member of the supervisory board)
- Through Transport Mutual Insurance Association Ltd. (Member of the executive committee)

Previously:

- None

Other than listed above, Mr. Firmin has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Nicolás Burr was born in Madrid, Spain on November 9, 1975 and holds Chilean citizenship. He studied Industrial Engineering at Universidad Católica in Santiago de Chile. In 2005 he received an MBA with focus on Finance from MIT Sloan School of Management in Cambridge/MA (USA). He held management positions at a number of companies in Santiago de Chile, Buenos Aires and Wilmington (USA). From 2012 until 2015, he was the Chief Financial Officer of CSAV. In March 2015, Nicolás Burr was appointed member of the executive board of Hapag-Lloyd AG as Chief Financial Officer.

Alongside his office as member of the executive board and Chief Financial Officer, Mr. Burr is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Hapag-Lloyd Grundstücksholding GmbH (Managing Director)

Previously:

- Madeco Mills S.A. (Chief Financial Officer)
- Indalum S.A. (Chief Executive Officer)

Other than listed above, Mr. Burr has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Thorsten Haeser was born in Germany on May 1, 1968. He studied law at the Universities of Freiburg i.Br., Bonn and Munich, finalizing his training at the Regional Court of Munich (*Landgericht München*) and graduating by passing the “Assessor” examination. Until his appointment as a member of the executive board of Hapag Lloyd AG, Thorsten Haeser was Managing Director of Versatel GmbH, a company owned by United Internet AG. As Chief Commercial Officer he was responsible for all sale activities of Versatel GmbH. Prior to that, he held various management positions at Sixt SE (previously Sixt AG), Telefonica O2 and Wiest AG. Thorsten Haeser joined the executive board of Hapag-Lloyd on October 1, 2015 as Chief Commercial Officer.

Alongside his office as member of the executive board and Chief Commercial Officer, Mr. Haeser is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- None

Previously:

- Sixt SE (previously Sixt AG) (Member of the management board)
- Versatel GmbH (Managing director)
- Telefonica O2 (Managing director sales, Member of the board)
- Wiest AG (Member of supervisory board)

Other than listed above, Mr. Haeser has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

(c) Compensation and Other Benefits of the Executive Board Members

The compensation of the members of the executive board consists of fixed and variable, performance-based components: (i) annual fixed salary, which amounts to €750,000 for Mr. Habben Jansen as Chief Executive Officer, €450,000 for Mr. Firmin as Chief Operating Officer, €450,000 for Mr. Burr as Chief Financial Officer and €450,000 for Mr. Haeser as Chief Commercial Officer; (ii) an

annual bonus, which is linked to achievements in the most recently completed financial year of €654,100, (iii) fringe benefits in a total amount of €695,396 and (iv) a long-term variable component based on virtual shares (“LTIP”), to be granted only if the term of office has lasted at least four years. Under LTIP, a fixed amount in euros is granted to the executive board members per calendar year. This allocation amount is converted into virtual shares in the Company on a specific date. The relevant share price for the conversion at the time of allocation is the average share price over the last 60 trading days before the virtual shares are granted, which happens on the first trading day of the calendar year. The virtual shares are divided equally into performance share units and retention share units. They are subject to a four-year vesting period, during which the corresponding values are unavailable. After four years at the earliest, the executive board member is entitled to the amount equaling the number of virtual shares granted multiplied by the Company’s share price. The concrete number of virtual shares relevant for the payment is finally determined based on the performance of the Company’s share price in comparison with the average MDAX share price performance. The number of virtual shares can be a maximum of 1.5 and a minimum of zero, depending on the performance of the Hapag-Lloyd shares relative to the chosen index as measured by a performance factor. In the event that the service contract with the executive board member expires, is cancelled for reasons of incapacity of the executive board member or retirement, then the waiting period ends with the date of such expiration, cancellation or retirement, *i.e.* prior to the expiration of four years.

Moreover, the members of the executive board are entitled to further benefits such as severance payments in certain events, usage of company cars, lease of apartments, and continued payment of fixed salary in case of sickness, disability or death as well as health benefits.

In the financial year ended December 31, 2016, the total compensation of the members of Hapag-Lloyd’s executive board amounted to €5.6 million (2015: €6.5 million).

The members of the executive board active in 2016 received the following compensation payments in the financial year ended December 31, 2016.

<u>Executive Board Member</u> (in €)	<u>Fixed compensation</u>	<u>Bonus payment</u>	<u>Fringe benefits</u>	<u>Components with long-term incentive effects (“Virtual Shares”)⁽⁵⁾</u>	<u>Payments for board mandates within the Group</u>	<u>Total</u>
Rolf Habben Jansen ⁽¹⁾	750,000	126,400	172,238	700,000	—	1,748,638
Anthony James Firmin ⁽²⁾	450,000	82,160	22,086	500,000	—	1,054,246
Nicolás Burr ⁽³⁾	450,000	200,000	393,302	500,000	—	1,543,302
Thorsten Haeser ⁽⁴⁾	450,000	245,540	107,770	500,000	—	1,303,310

(1) Mr. Habben Jansen is a member of the executive board since April 1, 2014.

(2) Mr. Firmin is a member of the executive board since July 1, 2014.

(3) Mr. Burr is a member of the executive board since March 26, 2015.

(4) Mr. Haeser is a member of the executive board since October 1, 2015.

(5) In the financial year ended December 31, 2016, the members of the executive board were allocated the following number of virtual shares: Mr. Habben Jansen (39,842), Mr. Firmin (28,458), Mr. Burr (28,458) and Mr. Haeser (28,458). The total value of the allotment is based on a fair value per virtual share on the date of allotment of €17.57, rounded up to the nearest whole number.

Pension provisions recognized for current and former members of the executive board amounted to €16.3 million as of December 31, 2016.

The members of the executive board are also covered by directors and officers insurance (“D&O-Insurance”) policies with a limitation of the indemnity of €200 million (per claim and for all claims during the policy period) for all of the Company’s members of the executive board in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*). The D&O-Insurance policies cover financial losses arising from a breach of duty on part of the members of the executive board in the course of their duties.

(d) Shareholdings of Executive Board Members

As of the date of this prospectus, members of the executive board hold the following numbers of shares in the Company:

<u>Executive Board Member</u>	<u>Number of Shares</u>
Rolf Habben Jansen	11,000
Anthony James Firmin	500
Nicolás Burr	2,500
Thorsten Haeser	5,000

18.3 Supervisory Board

(a) Current Composition of the Supervisory Board

The current composition of the supervisory board of the Company is regulated in its Articles of Association: pursuant to Section 9.1 of the Articles of Association the supervisory board shall consist of sixteen members; eight are elected by the general meeting (representatives of the shareholders), and eight are elected in accordance with the German Act on Company Co-Determination (*Mitbestimmungsgesetz—MitbestG*) (representatives of the employees).

Insofar as the general meeting does not decide on a shorter term of office for prospective members at the time of the election or for all the members of the supervisory board, the members of the supervisory board are elected in accordance with the Articles of Association for the term ending upon conclusion of the general meeting at which the supervisory board is discharged of its duties for the fourth financial year following commencement of the term of office (Section 9.2 Articles of Association). The financial year in which the term of office commences is not counted.

In accordance with the Articles of Association, any member of the supervisory board may resign at any time without providing a reason for doing so. Generally, two weeks' notice must be given, except when resigning due to extraordinary reasons.

According to Article 5.4 of the rules of procedure for the supervisory board, the supervisory board has a quorum when at least half of the members appointed to the supervisory board vote on the resolution. Unless otherwise required by law, resolutions by the supervisory board are adopted by simple majority. Should a vote by the supervisory board result in a tie, a second vote shall take place immediately afterwards. In the event of a second tie, the chairman of the supervisory board shall have the casting vote.

The supervisory board shall normally hold one meeting every quarter and at least one meeting every half year. The supervisory board issues its rules of procedure in accordance with Article 11.1 of the Articles of Association. The supervisory board has issued rules of procedure by resolution passed on January 26, 2015.

(b) Members of the Supervisory Board

The persons set forth below are the current members of the Company's supervisory board:

<u>Name</u>	<u>Age</u>	<u>Member since</u>	<u>Appointed until</u>	<u>Current Responsibility</u>	<u>Principal Activity</u>
Michael Behrendt	66	December 3, 2014	2019 ⁽¹⁾	Chairman	Former Chairman of the Executive Board Hapag-Lloyd AG
Christine Behle	48	August 26, 2016	2021	Deputy Chairwoman	Member of the Federal Executive Board of ver.di Vereinte Dienstleistungsgewerkschaft
Oscar Eduardo Hasbún Martínez	48	December 3, 2014	2022 ⁽¹⁾	Second Deputy Chairman	Chief Executive Officer of Compañía Sud Americana de Vapores S.A.
Jutta Diekamp	62	October 12, 2004	2021 ⁽¹⁾⁽²⁾	Member	Deputy Chairwoman of the Marine Staff Committee Hapag-Lloyd AG

<u>Name</u>	<u>Age</u>	<u>Member since</u>	<u>Appointed until</u>	<u>Current Responsibility</u>	<u>Principal Activity</u>
Nicola Gehrt	46	August 26, 2016	2021	Member	Head of Investor Relations, TUI Group
Karl Gernandt	56	March 23, 2009	2021	Member	Chairman of the Board of Directors Kühne Holding AG
Dr. Rainer Klemmt-Nissen	63	March 22, 2011	2021 ⁽¹⁾	Member	Managing Director of HGV Hamburger Gesellschaft für Vermögens-und Beteiligungsmanagement mbH
Joachim Kramer	61	June 10, 2017	2021 ⁽²⁾	Member	Ship mechanic
Annabell Kröger	52	June 10, 2017	2021 ⁽²⁾	Member	Senior Manager Cash Management Hapag-Lloyd AG
Arnold Lipinski	59	June 29, 2001	2021 ⁽¹⁾⁽²⁾	Member	Senior Director, Marine Personnel Hapag-Lloyd AG
Dr. Nabeel M. Al-Amudi	43	May 29, 2017	2022	Member	Chairman of the Board and Board Member of Tabdul
Sabine Nieswand	52	August 26, 2016 ⁽²⁾	2021 ⁽²⁾	Member	Chairwoman of the Works Council Hapag-Lloyd AG
José Francisco Pérez Mackenna	59	December 3, 2014	2022 ⁽¹⁾	Member	Managing Director of Quiñenco S.A., Santiago de Chile
Klaus Schroeter	58	August 26, 2016	2021 ⁽²⁾	Member	Federal Group Leader Shipping of ver.di Vereinte Dienstleistungsgewerkschaft
H.E. Sheikh Ali bin Jassim Al-Thani	56	May 29, 2017	2022	Member	Advisor to the CEO of Qatar Investment Authority
Uwe Zimmermann	54	August 26, 2016	2021 ⁽²⁾	Member	Commercial Clerk Hapag-Lloyd AG

(1) Ending upon conclusion of the general meeting at which the supervisory board is discharged of its duties for the fourth financial year following commencement of the term of office. The financial year in which the term of office commences is not counted.

(2) Employee representative according to the German Co-determination Act (*Mitbestimmungsgesetz*).

The members of the supervisory board of the Company can be contacted at the Company's business address: Ballindamm 25, 20095 Hamburg, Germany.

The following description provides summaries of the *curricula vitae* of the current members of the Company's supervisory board and indicates their principal activities outside the Group to the extent those activities are significant with respect to the Company.

Michael Behrendt was born in Hamburg, Germany on June 19, 1951. He studied law at the University of Hamburg, finalizing his training at the Higher Regional Court of Hamburg (*Hanseatisches Oberlandesgericht*) and graduating by passing the "Assessor" examination. While a student, Mr. Behrendt gained practical experience at various companies in the U.S. He joined VTG Vereinigte Tanklager und Transportmittel GmbH in 1985 and was appointed Managing Director in 1994. Following the merger between VTG and Lehnkering AG, Mr. Behrendt was appointed Management Board Chairman of VTG Lehnkering AG and member of the Executive Board of Hapag-Lloyd AG in 1999. He served as Chairman of the Executive Board of Hapag-Lloyd AG between January 2002 and June 2014. Mr. Behrendt is President of the Übersee-Club in Hamburg and a member of various Supervisory and Advisory Boards. Michael Behrendt replaced Dr-Ing. E.h. Jürgen Weber as chairman of the supervisory board after the closing of the Business Combination with CSAV/CCS.

Alongside his office as chairman of the supervisory board, Mr. Behrendt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- MAN SE (Member of the supervisory board)
- MAN Diesel & Turbo SE (Member of the supervisory board)
- MAN Truck & Bus AG (Member of the supervisory board)
- Barmenia Allgemeine Versicherungs-AG (Deputy chairman of the supervisory board)
- Barmenia Krankenversicherung a.G. (Deputy chairman of the supervisory board)
- Barmenia Lebensversicherung a.G. (Deputy chairman of the supervisory board)
- Esso Deutschland GmbH (Member of the supervisory board)
- ExxonMobil Central Europe Holding GmbH (Member of the supervisory board)
- RENK Aktiengesellschaft (Member of the supervisory board)

Previously:

- Hapag-Lloyd AG (Chairman of the executive board)

Other than listed above, Mr. Behrendt has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Christine Behle was born July 12, 1968 in Wuppertal, and received an education as a “*Stadtinspektorin*” for the city of Wuppertal. Since 1995, she has performed various functions at the ÖTV and ver.di unions, including regional trade union secretary and regional head of division. Since 2011 she has served as a member of the ver.di board.

Alongside her office as deputy chairwoman of the supervisory board, Ms. Behle is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Lufthansa AG (Member of the supervisory board)
- Bremer Lagerhaus Gesellschaft AG (Member of the supervisory board)
- Bochum-Gelsenkirchener Straßenbahnen AG (Member of the supervisory board)
- ver.di Vereinte Dienstleistungsgewerkschaft (Member of the federal executive board)
- Vermögensverwaltungs Gesellschaft ver.di GmbH

Previously:

- Stadtwerke Köln GmbH
- Auto-Club Europa e. V.

Other than listed above, Ms. Behle has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Oscar Eduardo Hasbún Martínez was born in Santiago de Chile, Chile on February 23, 1969. He graduated in Business Administration from Universidad Católica in Santiago. From 1998 to July 2002 he was a member of the Management Board of Michelin, Chile. In August 2002 he started working for the Luksic Group in several positions. He terminated his commitment with the Luksic Group in December 2014. Since May 2011 he is the CEO of Compañía Sud Americana de Vapores S.A. Since January 2015 he is a member of Hapag-Lloyd’s supervisory board and serves as a member of the Audit Committee. Furthermore, Mr. Hasbún Martínez is a member of the supervisory board of SM-SAAM.

Alongside his office as second deputy chairman of the supervisory board, Mr. Hasbún Martínez is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Compañía Sud Americana de Vapores S.A. (Chief Executive Officer)
- SM-Sudamericana Agencias Aéreas y Marítimas S.A. (Member of the supervisory board)
- Signus Capital Investment (Chief Executive Officer)
- Inversiones Dalmacia Ltd. (Chief Executive Officer)

Previously:

- EXCELSA (Chief Executive Officer)
- Plava Laguna d.d. (Chairman of the Board and Board Member)
- Hotel Croatia d.d. (Chairman of the Board)
- Hotel Odisej d.o.o. (Vice-President of the Board and Board Member)
- Hotel Argentina d.d. (Member of the Board)
- ATLAS Real Estate d.d. (Chief Executive Officer and Board Member)
- SANDYPOINT México (Chairman of the Board)
- Quaestus Real Estate Fund (Member of the Board)

Other than listed above, Mr. Hasbún Martínez has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Jutta Diekamp was born in Hamburg, Germany, on October 25, 1954 and grew up in California and Hawaii, USA. She trained to be an assistant nurse and commenced her career as a stewardess for the Krupp Reederei in October 1974. In 1979, she joined Hapag-Lloyd to pursue her stewardess career. Since 2002, she has been, among others, member to the worker's union ver.di and Chairwoman of Hapag-Lloyd AG's European Staff Committee (*Europäischer Betriebsrat*). Ms. Diekamp is Deputy Chairwoman of Hapag-Lloyd AG's Marine Staff Committee (*Seebetriebsrat*) and, since 2004, is an employee representative in the supervisory board of Hapag-Lloyd AG.

Ms. Diekamp has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Nicola Gehrt was born on July 21, 1970 in Elmshorn, Germany. She graduated from the University of Applied Sciences in Munich with a degree in economics in 1995. She has held different management positions in corporate finance and investor relations. From 1998 to 2000, she worked for PricewaterhouseCoopers as a consultant in Munich. She then served as head of investor relations at CPU Softwarehouse AG in Augsburg from 2000-2001 and at IVU Technologies AG in Berlin in the same position from 2001 to 2002. She joined the investor relations department of TUI Group in 2003 where she is currently serving as the head of investor relations Continental Europe, Middle East and Asia.

Alongside her office as member of the supervisory board, Ms. Gehrt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- TUI Deutschland GmbH (Member of the Supervisory Board)

Previously:

- None

Other than listed above, Ms. Gehrt has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Karl Gernandt was born in Bonn, Germany on July 21, 1960. After his training as a bank clerk at Deutsche Bank AG and completing his masters' degree in business administration at Hochschule St. Gallen, Switzerland, he started his career at Deutsche Bank where he held several positions between 1988 and 1996. From 1997 until 1999, he was part of the "Financial Institution Group" at A.T. Kearney GmbH, specializing in strategic planning. In 1999 and 2000, Karl Gernandt was appointed chief financial officer and chief executive officer, respectively, of Holcim Deutschland AG; in 2000, he was appointed to the European board of Holcim Ltd. and in 2007, he was appointed CEO of Holcim Region Western Europe. On October 1, 2008, Klaus-Michael Kühne, majority shareholder of Kuehne+Nagel-Group and president of the administrative board of Kuehne+Nagel International AG, appointed Karl Gernandt as his successor for important functions in his fields of interest. Karl Gernandt currently is the executive chairman of the administrative board of Kühne Holding AG and vice chairman of Kuehne+Nagel International AG as well as the Kühne Foundation. In addition, he functions as a member of the management board of the Klaus-Michael Kühne Foundation and as member of the supervisory board of KLU Kühne Logistics University, Hamburg, Germany.

Alongside his office as member of the supervisory board, Mr. Gernandt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Kühne Holding AG (Chairman of the Administrative Board)
- KLU, Kühne Logistics University (Member of the Supervisory Board)
- Kühne Maritime GmbH (Managing Director)
- Kühne Immobilien GmbH (Managing Director)
- Kühne + Nagel AG, Luxembourg (Chairman of the Board)
- Kühne Stiftung (Member of the Foundation Board)
- Klaus-Michael Kühne Foundation (Member of the Management Board)
- HSV Fußball AG (Member of the Supervisory Board)
- Kühne Real Estate AG, Switzerland (Chairman of the Board)
- Kühne Real Estate Australia Pty Ltd. (Chief Executive Officer)
- Kühne Real Estate Canada Ltd. (Chief Executive Officer)
- VTG AG (Member of the Supervisory Board starting January 1, 2017)

Previously:

- Kühne + Nagel International AG (Executive Chairman)

Other than listed above, Mr. Gernandt has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Dr. Rainer Klemmt-Nissen was born in Hamburg, Germany on March 16, 1954. After studying law and politics in Tübingen and Oxford, he completed his legal traineeship (*Referendariat*). In 1984, Dr. Rainer Klemmt-Nissen entered the public services of the Free and Hanseatic City of Hamburg and took over several positions in the Economic and Finance departments. He subsequently headed the Wealth and Investment Management Department of the fiscal authority. He was appointed as managing director of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH in 2010.

Alongside his office as member of the supervisory board, Dr. Klement-Nissen is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Hamburg Messe und Congress GmbH (Member of the supervisory board)
- Hamburger Hochbahn AG (Member of the supervisory board)
- HSH Nordbank AG (Member of the supervisory board)
- HSH Finanzfonds AG (Member of the board of the institutional authorities (*Anstaltsträgerversammlung*))
- Vattenfall Wärme Hamburg GmbH (Member of the supervisory board)

Previously:

- Flughafen Hamburg GmbH (Member of the supervisory board)
- Sprinkenhof AG (Member of the supervisory board)
- Hamburg Port Authority Anstalt des öffentlichen Rechts (Member of the supervisory board)
- Hamburger Hafen und Logistik AG (Member of the supervisory board)
- HHLA Container Terminals GmbH (Member of the supervisory board)

Other than listed above, Dr. Klemmt-Nissen has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Annabell Kröger completed her banking apprenticeship in 1984. From 1984 to 1989 she worked for Vereinsund Westbank. In October 1989 she joined Hapag-Lloyd AG Treasury & Finance. Currently she holds the position of senior manager cash management at Hapag-Lloyd AG.

Annabell Kröger has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Joachim Kramer completed his apprenticeship as a seaman in 1974. In 1983 he received his ship mechanic diploma. Since 1971 (with a break during 1989) he has been working at Hapag-Lloyd AG. Mr. Kramer is also a lay judge at the labor court in Hamburg.

Joachim Kramer has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Arnold Lipinski was born in Stuhm, Germany, on July 20, 1957. Following his training (*Ausbildung*) as a deckhand at Hapag-Lloyd in 1976, he received his Navigator's Diploma in 1985. Additionally, he completed his ship operation engineering marine engineering studies in 1991. Mr. Lipinski functioned as an officer and, later on, captain for Hapag-Lloyd's fleet until 2001. As of 2001, he is Hapag-Lloyd AG's Senior Director for Marine Personnel.

Other than listed above, Mr. Lipinski has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

H.E. Dr. Nabeel M. Al-Amudi received degrees in chemical engineering and law from Stanford University and Harvard Law School, respectively. Afterwards H.E. Dr. Al-Amudi joined Saudi Aramco as in-house counsel in 2002 and later served as manager of corporate planning in the company's long range planning department. Since 2011, H.E. Dr. Al-Amudi served as associate general counsel and later president of Aramco Services Company and president of Saudi Refining, Inc. In late January 2015, he was appointed by Royal Order as President and Vice Chairman of the Saudi Port Authority. More recently, he acted as chairman of the boards of Tabadul and United Arab Shipping Company Limited.

Alongside his office as member of the supervisory board, H.E. Dr. Al-Amudi is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Tabadul (Chairman of the Board and Board Member)

Previously:

- United Arab Shipping Company Limited (Chairman of the Board and Board Member)
- Aramco Services Company (Board Member)
- Saudi Refining Inc. (Board Member)
- Motiva Enterprises (Board Member)

Other than listed above, H.E. Dr. Al-Amudi has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Sabine Nieswand was born on June 25, 1964 in Bremen, Germany. After her apprenticeship as a legal assistant, she held several positions as a controller and accountant at Kühne + Nagel, Senator Lines, and DAL (*Deutsche Afrika Linie*). Since 2006, Ms. Nieswand is employed by Hapag-Lloyd as a controller. Since 2014, she is chairwoman of the works council in Hamburg.

Ms. Nieswand has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

José Francisco Pérez Mackenna was born in Chile on March 16, 1958. He graduated in Business Administration from Universidad Católica in Santiago de Chile and holds an MBA degree from the University of Chicago. Since 1998 José Francisco Pérez MacKenna is Chief Executive Officer of Quiñenco S.A., Santiago de Chile, a shareholder of Compañía Sud Americana de Vapores S.A. Prior to joining Quiñenco S.A., between 1991 and 1998, he was Chief Executive Officer of CCU. Since December 2014 José Francisco Pérez MacKenna is member of the supervisory board of Hapag-Lloyd AG.

Alongside his office as member of the supervisory board, Mr. Pérez Mackenna is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Agrícola Manantiales Limitada (Partner)
- Banchile Corredores de Seguros Limitada (Member of the management body)
- Banco de Chile (Member of the board of directors)
- Compañía Cervecerías Unidas Argentina S.A. (Member of the board of directors)
- Central Cervecera de Colombia S.A.S. (Alternate member of the board of directors)
- Cervecera CCU Chile LTDA. (Member of the management body)
- Compañía Industrial Cervecera S.A. (Member of the board of directors)
- Compañía Pisquera de Chile S.A. (Member of the board of directors)
- Compañía Sud Americana de Vapores S.A. (Chairman of the board of directors)
- Embotelladoras Chilenas Unidas S.A. (Member of the board of directors)
- Empresa Nacional de Energía Enx e Invesans (Chairman of the board of directors)
- Excelsa Establishment (Member of the board of directors)
- Hidrosur S.A. (Chairman of the board of directors)
- Invaxans S.A. (Chairman of the board of directors)
- Inversiones IRSA Limitada (Member of the management body)
- Inversiones y Rentas S.A. (Member of the board of directors)

- LQ Inversiones Financieras (Member of the management body)
- Inversiones LQ-SM Limitada (Member of the management body)
- Nexans S.A. (Member of the board of directors)
- Quiñenco S.A. (Managing Director)
- Sociedad Administradora de la Obligación Subordinada SAOS S.A. (Member of the board of directors)
- Inversiones y Asesorías Manatiales S.A. (Shareholder)
- Sociedad Matriz del Banco de Chile S.A. (Member of the board of directors)
- Sudamericana Agencias Aéreas y Marítimas S.A (SAAM) (Board member, member of the Audit Committee)
- TechPack S.A. (Vice chairman of the board of directors, member of the audit committee)
- Viña San Pedro Tarapacá S.A. (Member of the board of directors)

Previously:

- Compañía Cervecerías Unidas (Chief Executive Officer)

Other than listed above, Mr. Pérez Mackenna has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Klaus Schroeter was born in Hannover, Germany in 1959. He graduated with a degree in the social sciences before joining Germany's Food, Beverages and Catering Union ("NGG") in 1987. During his time with NGG, Mr. Schroeter served as executive secretary, national union officer and head of collective bargaining for the hotel and catering industry, as well as assistant to the union chairman.

In 2014, Mr. Schroeter joined German labor union ver.di where, beginning in 2017, he will coordinate collective bargaining on behalf of the union's transport division. In addition, Mr. Schroeter was made head of the seafarers' section of the International Transport Workers' Federation flags of convenience campaign.

Other than listed above, Mr. Schroeter has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

H.E. Sheikh Ali Bin Jassim Al Thani joined the Investment Department of the Qatari Ministry of Finance as a senior analyst in 1984, and subsequently held numerous positions before joining the Supreme Council for Economic Affairs and Investments as the Head of Direct Investments in 2001. Since 2007, H.E. Sheikh Al Thani has served as Senior Adviser for Strategic and Direct Investments for the Qatar Investment Authority.

Alongside his office as member of the supervisory board, H.E. Sheikh Al Thani is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- SCI Elysees 26 (Board Member)
- Libyan Qatari Bank (Vice Chairman and Board Member)
- Qatar Abu Dhabi Investment Company P.Q.S.C. (Board Member)
- Qatar Holding LLC (Board Member)
- Qatar Navigation Q.P.S.C. (Chairman, Managing Director and Board Member)

Previously:

- United Arab Shipping Company Limited (Board Member)

Other than listed above, H.E. Sheikh Al Thani has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

Uwe Zimmermann joined Hapag-Lloyd in 1998 as manager of finance of Hapag-Lloyd Germany in Düsseldorf. Previously, Uwe Zimmermann worked as team leader in finance/accounting/controllers for LTK Travel in Düsseldorf, as commercial clerk in finance at Travel Agency Accounting in Bonn, and as an accountant at Lufthansa City Center finance department in Essen.

Mr. Zimmermann has not been a member of any administrative, management or supervisory body of any other company or partnership outside Hapag-Lloyd within the last five years.

(c) Supervisory Board Committees

The Articles of Association stipulate that the supervisory board must form a mediation committee (*Vermittlungsausschuss*) pursuant to section 27(3) German Codetermination Act (*Mitbestimmungsgesetz*). The supervisory board may also form further committees comprising its members and set down its duties and powers. The supervisory board has established the committees provided for by its rules of procedure. In addition, the rules of procedure (*Geschäftsordnung*) of the supervisory board provide for three further committees to be formed of its members: the presidential and personnel committee (*Präsidial- und Personalausschuss*), the audit and finance committee (*Prüfungs- und Finanzausschuss*) and the nomination committee (*Nominierungsausschuss*).

(i) Mediation Committee

The purpose of the mediation committee is to make proposals if, when an appointment to the executive board is made or revoked, a majority of at least two-thirds of the votes of the supervisory board is not reached. The mediation committee consists of the chairman of the supervisory board, the deputy chairman, one representative of the shareholders and one representative of the employees, each of them elected with the majority cast by the votes of the supervisory board members.

The current members of the mediation committee are:

<u>Name</u>	<u>Position</u>
Michael Behrendt	Chairman
Christine Behle	Member
Jutta Diekamp	Member
Francisco Pérez Mackenna	Member

(ii) Presidential and Personnel Committee

Pursuant to Article 8.3 of the rules of procedure of the supervisory board, the presidential and personnel committee is responsible for the coordination of the activities of the supervisory board and the supervisory board committees and permanent contact with the executive board. It prepares the supervisory board's meetings and supervises the application of the supervisory board's resolutions.

The committee is responsible for the standing contact with the executive board as well as the ongoing advice of the executive board between the meetings of the supervisory board. The presidential and personnel committee selects prospective members of the executive board and prepares the appointment and dismissal of the members of the executive board.

The presidential and personnel committee, *inter alia*, decides on legal transactions with members of the executive board and the supervisory board (Article 10 of the rules of procedure of the supervisory board). In the case of urgent matters and if a decision of the supervisory board cannot be obtained on time, the executive and personnel committee may take resolutions instead of the supervisory board if necessary to avert material damage to the Company.

The presidential and personnel committee consists of the members of the mediation committee as well as one additional representative of the shareholders and one additional representative of the employees.

The current members of the presidential and personnel committee are:

<u>Name</u>	<u>Position</u>
Michael Behrendt	Chairman
Christine Behle	Member
Sabine Nieswand	Member
Jutta Diekamp	Member
Karl Gernandt	Member
Dr. Rainer Klemmt-Nissen	Member
Arnold Lipinski	Member
Uwe Zimmerman	Member
Francisco Pérez Mackenna	Member
H.E. Sheikh Ali bin Jassim Al Thani	Member

(iii) Audit and Finance Committee

The audit and finance committee is responsible for the preparation of advice and resolution of accounting matters (Article 9 of the rules of procedure of the supervisory board). This includes questions relating to accounting and risk management and the requisite independence of the external auditor and commissioning an external auditor to audit the annual financial statements of the Company. The audit and finance committee shall consist of eight members, four of which are representatives of the shareholders and four of which are representatives of the employees. At least one member of the audit and finance committee shall be an independent member having expertise knowledge in the fields of accounting and annual auditing within the meaning of the German Corporate Governance Code.

The current members of the audit and finance committee are:

<u>Name</u>	<u>Position</u>
Karl Gernandt	Chairman
Dr. Rainer Klemmt-Nissen	Member
Klaus Schroeter	Member
Uwe Zimmermann	Member
Oscar Hasbún Martínez	Member
Arnold Lipinski	Member
Dr. Nabeel M. Al-Amudi	Member
Annabell Kröger	Member

(iv) Nomination Committee

The nomination committee is responsible for proposing to the supervisory board suitable candidates for recommendation to the shareholders' meeting for election (Article 10.1 of the rules of procedure of the supervisory board). The nomination committee consists of the representatives of the shareholders in the executive and personnel committee and the chairman of the audit and finance committee provided that this person is a representative of the shareholders; if this is not the case the longest serving representative of the shareholders is a member of the audit and finance committee.

The current members of the nomination committee are:

<u>Name</u>	<u>Position</u>
Michael Behrendt	Chairman
Karl Gernandt	Member
Dr. Rainer Klemmt-Nissen	Member
Francisco Pérez Mackenna	Member
H.E. Sheikh Ali bin Jassim Al Thani	Member

(d) Compensation of the Members of the Supervisory Board

Each ordinary member of the supervisory board receives a fixed remuneration in the amount of €50,000.00 for every full business year of its membership in the supervisory board (Art. 12.1 of the Articles of Association). The chairman of the supervisory board receives a fixed annual remuneration of €150,000.00. The deputy chairman of the supervisory board receives a fixed annual remuneration in the amount of €75,000.00. Members of supervisory board committee receive an additional

remuneration of €10,000.00 (except for the membership in the mediation committee and the nomination committee), the chairman of a supervisory board committee receives an additional payment of €20,000.00 (except for the chairmen of the mediation committee and the nomination committee).

Additional remuneration for chairmen and members of the committees within the supervisory board is as follows:

<i>(in €)</i>	<u>Chairman</u>	<u>Members (including deputy chairman)</u>
	<i>(in €)</i>	
Mediation Committee	0	0
Presidential and Personnel Committee	20,000	10,000
Audit and Finance Committee	20,000	10,000
Nomination Committee	0	0

Additionally, the members of the supervisory board receive attendance fees and reimbursement of expenses. If a supervisory board member only serves for a part of the year as member of the supervisory board or in a certain function, the compensation is granted *pro rata temporis*.

The aggregate compensation paid to the members of the Company's supervisory board amounted to €0.9 million in the financial year 2016 (2015: €0.9 million). No pensions are granted to members of the supervisory board in such function; thus, no provisions for pensions for members of the supervisory board are recognized. The members of the supervisory board are not entitled to any severance payments or other benefits at the end of their business relationship with the Company.

(e) Shareholdings of Supervisory Board Members

As of the date of this prospectus, members of the supervisory board hold the following numbers of shares in the Company:

<u>Supervisory Board Member</u>	<u>Number of Shares</u>
Arnold Lipinski	750
Annabell Kröger	10
Sabine Nieswand	10

Other than as disclosed above, no other members of the supervisory board of Hapag-Lloyd AG hold any shares in the Company as of the date of this prospectus.

18.4 Certain Information Regarding the Members of the Executive Board and Supervisory Board

During the last five years, no member of the executive board or supervisory board of Hapag-Lloyd AG has been convicted of any fraudulent offense. In addition, no member of either board has been publicly incriminated or sanctioned by statutory or regulatory authorities (including professional associations) or, acting in the capacity of a member of a management or supervisory entity or as founder of an issuer, been associated with any bankruptcies and/or insolvencies, receiverships or liquidations. No member of the executive board or supervisory board has ever been deemed by a court to be unfit for membership in a management or supervisory entity of a company or to be unfit to exercise management duties for or manage the business of an issuer during the past five years.

There are no conflicts of interest or potential conflicts of interest between the duties of members of the executive board and duties of members of the supervisory board of the Company *vis-à-vis* the Company and their private interests or other duties other than by virtue of Mr. Karl Gernandt, Dr. Rainer Klemmt-Nissen and Nicola Gehrt being employed by one of the Company's direct shareholders.

No member of the executive board or the supervisory board has entered into a service agreement with a company of Hapag-Lloyd that provides for special benefits, such as severance pay, at the end of the business relationship (other than pensions or compensation in the case of an early termination of the service agreement, which is determined on the basis of the remaining term of the agreement and the contractually agreed compensation). The members of the executive board are not bound by restrictive covenants and may therefore engage in competing activities following the end of their office.

There are no family relationships between the members of the executive board and those of the supervisory board, either among themselves or in relation to the members of the other body.

18.5 General Meeting

Pursuant to Section 175 of the German Stock Corporation Act (*Aktiengesetz*), the annual general shareholders' meeting takes place within the first eight months of each financial year and, pursuant to the Articles of Association, has to be held at the Company's registered office or in another German city with more than 100,000 residents. Pursuant to the Articles of Association, the annual general shareholders' meeting must be called at least 30 days before the day of the meeting and the agenda must be published in the Federal Gazette (*Bundesanzeiger*). The general meeting is generally convened by the executive board. The supervisory board may call a general meeting if the wellbeing of the company so requires. Shareholders whose holdings together constitute at least 5% of the share capital may also call a general meeting.

Shareholders are entitled to participate in the general meeting and to exercise their voting rights if they are entered in the Company's share register and have given notification of attendance which must be received at least six days prior to the meeting.

Voting rights may be exercised by proxies. If neither a bank nor a shareholders' association is named as proxy, authority to attend and vote by proxy must be granted (i) in textual form (*Textform*) in accordance with Section 126b of the German Civil Code or via the internet or (ii) directly to the proxy in textual form (*Textform*) in accordance with Section 126b of the German Civil Code. If a proxy is instructed directly, the proxy will be required to produce documentation of its authority at the general meeting.

Each share entitles the shareholder who holds it to one vote at the general meeting. The general meeting adopts resolutions concerning, for example:

- appointment of members of the supervisory board (representatives of the shareholders);
- use of annual profit;
- relieving members of the executive board and the supervisory board;
- appointment of the auditor;
- capital procurement and reduction measures; and
- amendments to the Articles of Association.

Resolutions at the general meeting shall be passed by a simple majority of the votes cast, unless statutory law or the Articles of Association stipulate otherwise. Under German company law, resolutions of fundamental importance require the approval of at least three quarters of the share capital represented at the vote. Resolutions of fundamental importance (*grundlegende Bedeutung*) include those relating to:

- changes in the corporate purpose;
- capital increases;
- amendments to the Articles of Association;
- reductions in capital;
- creation of authorized or conditional capital;
- transformations pursuant to the German Transformation Act (*Umwandlungsgesetz*), including mergers, divisions, transfer of assets (*Vermögensübertragung*) and changes in the legal form;
- sale of all or substantially all of the Company's assets pursuant to Section 179a of the German Stock Corporation Act;
- conclusion of enterprise agreements (*Unternehmensverträge*), such as domination and profit and loss transfer agreements; and
- the dissolution of the Company.

Under Section 17.2 of the Articles of Association, resolutions on amendments to Articles of Association require a majority of at least three fourths of the nominal capital represented when the resolution is adopted, provided that no mandatory statutory provisions prescribe a larger majority or in

so far as Articles of Association prescribe no other form of majority. Under Section 17.3 of the Articles of Association the amendment of certain provisions of the Articles of Association stipulating the Company's legal seat, place of effective management (*Verwaltungssitz*), management (*Unternehmensleitung*), staff functions (*Stabsfunktionen*) and its essential business operations (*wesentlicher Geschäftsbetrieb*) requires a majority of at least 90% of the share capital represented at the general meeting at which the resolution is adopted. The same majority requirement applies to an amendment of Section 17.3 of the Articles of Association itself.

Under section 17.4 of the Articles of Association the following resolutions require a majority of at least 75% of the share capital represented at the general meeting at which the resolution is adopted:

- transformations pursuant to Section 190 et seq. German Transformation Act (*Umwandlungsgesetz*);
- split-ups (*Aufspaltungen*) pursuant to Section 123 (1), 124 et. seq. of the German Transformation Act (*Umwandlungsgesetz*) or split-offs (*Abspaltungen*) pursuant to Section 123 (2), 124 et seq. German Transformation Act (*Umwandlungsgesetz*) in each case if the container shipping business is affected in part or total by the transformation;
- the obligation of the company to transfer substantially all of its corporate assets; and
- the conclusion of enterprise agreements (*Unternehmensverträge*) between the Company and one of its shareholders.

The same majority requirement applies for an amendment of Section 17.4 of the Articles of Association itself.

Neither German law nor the Articles of Association restrict the right of shareholders who are resident outside of Germany or possess foreign nationality to hold shares in the Company or exercise the voting rights the shares confer.

18.6 Corporate Governance

The German Corporate Governance Code as amended on February 7, 2017 (entered into force upon publication in the Official Gazette on April 24, 2017; hereinafter referred to as the “**Code**”) provides recommendations (“should provisions”) and suggestions (“can provisions”) for the management and supervision of German companies listed on a stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to make the German system of corporate governance and supervision transparent for investors. The Code includes recommendations and suggestions for management and supervision with regard to shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. However, the German Stock Corporation Act (*Aktiengesetz*) only requires that the executive board and supervisory board of a German listed company to declare every year, either that the recommendations have been or will be applied, or which recommendations have not been or will not be applied and explain why the executive board and the supervisory board do not/will not apply the recommendations that have not been or will not be applied. This declaration is to be made permanently accessible to shareholders. However, deviations from the suggestions contained in the Code need not be disclosed. The declaration of compliance must, however, be publicly available on the Company's website at all times.

As of the date of this prospectus, the Company complies with, and after the listing of the Company's shares, intends to further comply with all recommendations in the Code apart from the following: No. 5.3.2 sentence 3 German Corporate Governance Code provides, *inter alia*, the recommendation that the chairman of the Audit Committee shall be independent. Currently, Mr. Karl Gernandt is the chairman of the Audit Committee and shall continue to be its chairman after envisaged listing. Mr. Gernandt is at the same time Managing Director of a main shareholder of Hapag-Lloyd. Therefore, within the meaning of no. 5.3.2 sentence 3 German Corporate Governance Code, Mr. Gernandt lacks the required independence.

19. CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Company or that are in control of or controlled by the Company must be disclosed unless they are already included as consolidated companies in the Company's audited consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in the Company or, by virtue of an agreement, has the power to control the financial and operating policies of the Company's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Company's financial and operating policies, including close family members and intermediate entities. This includes the members of the executive board and supervisory board and close members of their families, as well as those entities over which the members of the executive board and supervisory board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below is a summary of such transactions with related parties for the financial years ended December 31, 2016, 2015 and 2014 up to and including the date of this prospectus. Further information, including quantitative amounts, of related party transactions are contained in the notes to the Company's audited consolidated financial statements as of and for the fiscal years ended December 31, 2016, 2015 and 2014, which are all included in 21 "Financial Information" of this prospectus on pages F-23, F-95, F-167 et seq. Business relationships between companies of Hapag-Lloyd, which are consolidated in the consolidated financial statements, are not included. Those companies which are directly or indirectly controlled by the Company are listed under Section F-83, F-153, F-226 et seq. of the notes to the Company's audited consolidated financial statements as of and for the financial years ended December 31, 2016, 2015 and 2014.

As part of its business, Hapag-Lloyd has entered into several transactions with related parties, including the Company's principal shareholders. All such transactions are on arm's length terms.

The following is a summary of the most significant transactions of Hapag-Lloyd with related parties for the financial years ended December 31, 2016, 2015 and 2014 up to and including the date of this prospectus.

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. There are loan relationships collateralized at standard market conditions with HSH Nordbank AG, a subsidiary of the Free and Hanseatic City of Hamburg.

Transactions with related parties (excluding management in key positions):

	Delivered goods and services and other income				Goods and services received and other expenses			
	As of and for the year ended December 31,			As of and for the three months ended March 31,	As of and for the year ended December 31,			As of and for the three months ended March 31,
	2014	2015	2016	2017	2014	2015	2016	2017
	(in € million)							
Shareholders	279.1	362.2	321.6	89.6	40.7	82.8	106.1	23.7
Associated companies	0.2	0.6	18.8	4.9	57.7	68.8	116.8	35.1
Other investments	5.5	8.8	—	—	2.2	2.3	—	—
Total	284.8	371.6	340.4	94.5	100.6	153.9	222.9	58.8

	Receivables				Liabilities			
	As of December 31,			As of March 31,	As of December 31,			As of March 31,
	2014	2015	2016	2017	2014	2015	2016	2017
	(in € million)							
Shareholders	179.8	122.9	43.5	36.0	241.9	286.1	10.2	9.7
Affiliated non-consolidated	—	—	—	—	0.2	0.2	0.2	0.2
Associated companies	1.5	3.7	14.6	15.2	5.1	5.2	13.9	15.0
Other investments	1.1	1.7	0.0	—	0.3	0.4	0.0	—
Total	182.4	128.3	58.1	51.2	247.5	291.9	24.3	24.9

The amounts arising from transactions with related parties contained in the above table result from services rendered (Q1 2017: €94.5 million; 2016: €340.2 million; 2015: €369.9 million; 2014: €284.0 million), interest income (Q1 2017: €nil; 2016: €nil; 2015: €0.1 million ; 2014: €0.4 million) and other services (Q1 2017: €nil; 2016: €0.2 million; 2015: €1.6 million; 2014: €0.4 million).

Of the expenses shown above, in the three months ended March 31, 2017, €58.5 million result from operating services (2016: €221.5 million; 2015: €127.5 million; 2014: €80.6 million), €nil relate to interest expenses (2016: €0.0 million; 2015: €13.3 million ; 2014: €16.8 million), and €0.3 million are from other services (2016: €1.4 million; 2015: €13.1 million; 2014: €3.2 million).

Except as mentioned above and for transactions in the ordinary course of business, there have been no material transactions with related parties since March 31, 2017.

The remuneration of key management personnel in the Group to be disclosed under IAS 24 encompasses the remuneration paid to the active members of the executive board and supervisory board of Hapag-Lloyd. For further information on the remuneration of the members of the executive board and supervisory board see 18.2(c) “*Description of the Governing Bodies of Hapag-Lloyd AG—Executive Board—Compensation and Other Benefits of the Executive board*”, 18.3(d) “*Description of the Governing Bodies of Hapag-Lloyd—Supervisory Board—AG Compensation of the Members of the Supervisory Board*”, as well as the notes to the Company’s audited consolidated financial statements as of and for the fiscal years ended December 31, 2016, 2015 and 2014, which are all included in the Section 21 “*Financial Information*” of this prospectus on page F-1 et seq.

On April 16, 2014, Hapag-Lloyd AG, Compañía Sud Americana de Vapores S.A. (“**CSAV**”), HGV, Kühne Maritime GmbH (“**Kühne Maritime**”) and CSAV Germany Container Holding GmbH (“**CG Hold Co**”) entered into a business combination agreement (as amended and acceded by Tollo Shipping Co. S.A. (“**Tollo**”) on November 17, 2014 and further amended from time to time, the “**CCS Activities BCA**”).

On July 15, 2016, Hapag-Lloyd AG and UASC Limited entered into a business combination agreement (the “**UASC BCA**”) to combine all activities, assets, liabilities, contractual relationships and employees of UASC Limited and its subsidiaries (together “**UASC**”) with Hapag-Lloyd AG (the “**UASC Business Combination**”).

Under the terms of the UASC BCA and the shareholder support agreement among Hapag-Lloyd AG, UASC Limited, CSAV Germany Container Holding GmbH (“**CG Hold Co**”), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“**HGV**”) and Kühne Maritime GmbH (“**Kühne Maritime**”) (together, the “**HL BCA Controlling Shareholders**”), along with Qatar Holding LLC (“**Qatar Holding**”) and The Public Investment Fund of the Kingdom of Saudi Arabia (“**PIF**”) (together, the “**UASC Controlling Shareholders**”) (the “**SSA**”), the HL BCA Controlling Shareholders and the UASC Controlling Shareholders have committed themselves to a cash capital increase in the amount of US\$400 million within a period of six months following the completion of the UASC Business Combination. CG Hold Co and Kühne Maritime will backstop 50% of such capital increase and the UASC Controlling Shareholders will backstop the remaining 50% (the “**Capital Increase II**”). The Capital Increase II shall be effected on the basis of new authorized capital as resolved during Hapag-Lloyd AG’s regular annual general meeting on May 29, 2017. We currently intend to use the proceeds of the Capital Increase II to repay indebtedness and for general corporate purposes.

20. TAXATION

20.1 Taxation in the Federal Republic of Germany

The Company does not assume any responsibility for the withholding of taxes at source.

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of shares in the Company. It does not purport to be a comprehensive or definitive description of all German tax considerations that may be relevant to a decision to purchase shares in the Company, and in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser (including the tax consequences of the acquisition or holding of shares in the Company by investment funds and other tax-exempt entities). This summary is based on the tax laws of Germany currently in force and as applied on the date of this prospectus, including the typical provisions that are included in the double taxation treaties that Germany has concluded with other countries. It should be noted that the legal situation may change, including, in certain cases, with retroactive effect.

Prospective purchasers of shares in the Company are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposal of shares in the Company and on the procedure to be followed for any refund of German withholding tax (Kapitalertragsteuer) paid. Prospective purchasers of shares in the Company are further advised to consult their own tax advisors as to the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or the tax laws of which apply to them for other reasons. Due consideration to a shareholder's specific tax-related circumstances can only be given within the scope of an individual tax consultation.

(a) Taxation of the Company

The earnings of the Company are subject to corporate income tax of 15% plus a solidarity surcharge (*Solidaritätszuschlag*) of 5.5% of this amount (*i.e.*, a total tax rate of 15.825%). In addition, income generated at its German places of business is also usually subject to trade tax of between 7% and 17.5%, depending on the multiplier applied by the relevant municipal authority.

In principle, dividends and other shares in profits that the Company receives from German or foreign corporations are exempt from tax. However, 5% of these dividends are treated as non-deductible business expenses and are subject to tax. The same applies to gains from the disposal of shares in corporations. However, dividends received by a company that does not hold a direct participation of at least 10% in the share capital of the company that is paying the dividends at the beginning of the calendar year in which the dividends are paid are not exempt from tax. The acquisition of a participation of at least 10% in the course of a calendar year is deemed to have occurred at the beginning of such calendar year for the purpose of this rule. Losses on disposals are not tax deductible. For trade tax purposes, the exemption of dividends from German or foreign companies as described above depends, among other things, on whether the company that is receiving the dividends has held or holds at least 15% in the share capital of the company making the distribution since the beginning of the assessment period. In the case of companies domiciled in another member state of the European Union, a holding of 10% in the share capital of the company at the beginning of the assessment period is sufficient. Otherwise, profits resulting from shares in corporations are fully subject to trade tax.

The interest barrier (*Zinsschranke*) rules limit the degree to which interest expenses are tax deductible. Hence, for corporate income and trade tax purposes, if no exception to the interest barrier rules applies, net interest expense is only deductible in an amount of up to 30% of creditable EBITDA for tax purposes (*verrechenbares EBITDA*) in the given fiscal year. Non-deductible interest expense or (subject to certain limitations) creditable EBITDA that has not been fully utilized can be carried forward to subsequent years if certain prerequisites are met. For the purpose of trade tax, however, an additional limitation to the deductibility of interest expenses exists: since 25% of the interest expense, to the extent it was deducted for income tax purposes, is added back to compute the trade tax base, the deductibility generally amounts to only 75%.

Corporate income tax losses incurred by the Company in one year may be carried back to the immediately preceding assessment period up to an amount of € 1 million. Trade tax losses cannot be carried back. Any remaining losses regarding corporate income tax and trade tax may only be offset within certain restrictions against profits from future years ("**minimum taxation**"). While there is no

limit on carrying over tax loss carryforwards, they can only be fully offset against taxable income up to €1 million in each year. In addition, 60% of the portion of taxable income exceeding this amount can be offset with existing tax loss carryforwards; 40% is subject to corporate income tax and trade tax at the applicable rates.

If, directly or indirectly, more than 50% of a company's shares or voting rights are transferred to a purchaser (including parties related to the purchaser and a group of purchasers whose interests are aligned) or a similar transfer occurs within five years, all of that company's as yet unused loss carryforwards and interest carryforwards lapse and any losses accrued during the current fiscal year until the relevant transfer may only be offset against future profits in certain limited circumstances. If, directly or indirectly, more than 25% up to and including 50% of the shares or voting rights are transferred to a purchaser (including parties related to the purchaser and a group of purchasers whose interests are aligned), the loss carryforwards, the interest carryforwards, or accrued losses pertaining to the current fiscal year are generally forfeited only in proportion to the shares or voting rights transferred. As an exception, in case of such a transfer, tax losses carried forward in an amount equal to certain built-in gains of the Company may still be upheld; to the extent these built-in gains exceed the loss carryforwards also interest carryforwards may be upheld.

(b) Taxation of Shareholders

The shareholders are generally subject to tax on their shareholdings (taxation of dividends), disposal of shares (taxation of capital gains) and transfers of shares free of charge (inheritance and gift tax).

(i) Taxation of Dividends

To the extent that the Company does pay dividends from the tax-recognized contribution account (*steuerliches Einlagekonto*), the dividends are not subject to tax. However, dividends paid out of a tax-recognized contribution account lower the acquisition costs or tax base of the shares, which may result in a greater amount of taxable capital gain upon the shareholder's sale of the shares. To the extent that dividends from the tax-recognized contribution account exceed the then lowered acquisition costs of shares, a capital gain may be recognized by certain shareholders, which may be subject to tax in accordance with the provisions regarding the disposal of shares outlined below.

(A) Withholding Tax

The full amount of a dividend distributed by the Company (unless it is paid out of the tax-recognized contribution account) is, in general, subject to German withholding tax at a rate of 25% plus solidarity surcharge of 5.5% on the withholding tax, resulting in an aggregate rate of 26.375%. The basis for the withholding tax is the dividend approved for distribution by the Company's general shareholder meeting.

Withholding tax is, in principle, withheld regardless of whether the shareholders reside in Germany or abroad. Exemptions may be available for some shareholders. These could include corporations resident in another EU Member State, to which the EU Parent-Subsidiary Directive (Council Directive 90/435/EEC of 23 July 1990, as amended) applies. Similar exceptions may also apply in the case of double taxation agreements. In all these cases the restrictive preconditions according to Section 50d(3) Income Tax Act have to be fulfilled. Application forms for the respective exemption can be obtained from the German Federal Tax Office (*Bundeszentralamt für Steuern*), An der Kuppe 1, 53225 Bonn, Germany (www.bzst.bund.de), and from German embassies and consulates.

Withholding tax is withheld and remitted to the German tax authorities by the disbursing agent (*auszahlende Stelle*), i.e., the bank, financial services institution, securities trading enterprise or securities trading bank (each as defined in the German Banking Act (*Kreditwesengesetz*) and in case of a bank or financial service institution including a German branch of such foreign enterprises, but excluding a foreign branch of a German enterprise) that holds or administers the shares in custody and disburses or credits the dividend income from the shares or disburses or credits the dividend income from the shares on delivery of the dividend coupons or disburses such dividend income to a foreign agent or by the central securities depository (*Wertpapiersammelbank* in terms of the German Depository Act (*Depotgesetz*)) holding the shares in collective custody, if such central securities depository disburses the dividend income from the shares to a foreign agent.

Dividends to a corporation domiciled outside of Germany are subject to a reduced tax (irrespective of any double taxation treaties) in the event the shares do neither constitute an asset of a permanent establishment in Germany nor an asset for which a permanent representative has been appointed in Germany. In this case, 2/5 of the withholding tax will be refunded upon application. The refund requires that the corporation fulfils the preconditions of Section 50d(3) Income Tax Act. Refund application forms may be obtained from the German Federal Central Tax Office (*Bundeszentralamt für Steuern*), An der Kuppe 1, 53225 Bonn, Germany (www.bzst.bund.de), as well as from German embassies and consulates. A further reduction or refund under an applicable double taxation treaty may be possible.

For shareholders resident in Germany (i.e., shareholders whose residence, habitual abode, place of effective management, or statutory seat is located in Germany) holding their shares as business assets as well as for shareholders residing outside Germany (foreign shareholders) holding their shares through a permanent establishment or a fixed base in Germany, or as business assets for which a permanent representative has been appointed in Germany, the tax withheld is credited against the shareholders' personal income tax or corporate income tax liability. Such crediting of withholding tax requires a certificate within the meaning of Section 45a(2) Income Tax Act. Any tax withheld in excess of the shareholders' personal income tax or corporate income tax liability is refunded. The same principles apply to the solidarity surcharge.

For individual shareholders who are subject to church tax, an electronic information system for church withholding tax purposes applies in relation to investment income, with the effect that church tax will be collected by the disbursing agent by way of withholding unless the shareholder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*), An der Kuppe 1, 53225 Bonn, Germany (www.bzst.bund.de) in which case the shareholder will be assessed to church tax. If the church tax is withheld together with the withholding tax, the withholding tax will be reduced by 25% of the church tax levied on the withholding tax.

(B) Shareholders Resident in Germany

In case of shareholders (individuals, partnerships and corporations) subject to German taxation on their worldwide income (i.e., persons whose place of residence or habitual abode or, in case of corporations, its statutory seat or place of effective management is situated in Germany) the dividend payments are subject to German taxation.

(ii) Taxation of Dividend Income of Investors Resident in Germany Holding their Shares as Non-Business Assets (Privatvermögen)

For individual shareholders resident in Germany holding their shares as non-business assets dividends are subject to a final flat tax (*Abgeltungsteuer*). Under this regime dividend income of private investors will be taxed at the flat tax rate of 25% plus a 5.5% solidarity surcharge thereon (aggregate tax burden: 26.375%) and church tax, if applicable. Except for an annual lump sum allowance (*Sparerpauschbetrag*) of €801 (€1,602 for married couples and registered partners assessed jointly), private investors will not be entitled to deduct expenses incurred in connection with the capital investments from their dividend income. In certain cases, however, upon election and filing of an annual income tax return, the dividend payments may be taxed at the shareholder's individual tax rate if this results in a lower income tax burden. The withholding tax will then be credited against the income tax. Private investors are not entitled to deduct expenses incurred in connection with the capital investments from their income except of the annual lump sum allowance even if they opt for taxation at their individual tax rate. This option may be exercised only for all capital income from capital investments received in the relevant assessment period uniformly and married couples as well as registered partners assessed jointly may only jointly exercise the option.

If an individual shareholder owns (i) at least 1% of the shares in the Company and works for the Company or (ii) at least 25% of the shares, the dividends are taxed under the partial income method (*Teileinkünfteverfahren*) upon application (see below 21.1(b)(iii) “—Taxation of Dividend Income of Investors Resident in Germany Holding their Shares as Business Assets (*Betriebsvermögen*)—Sole Proprietors”).

(iii) Taxation of Dividend Income of Investors Resident in Germany Holding their Shares as Business Assets (Betriebsvermögen)

If shares are held as business assets of a shareholder, the tax treatment of the shareholder depends on whether the shareholder is a corporation, a sole proprietor or a partnership (*Mitunternehmerschaft*). Withholding tax (including the solidarity surcharge thereon) withheld and remitted to the German tax authorities is credited against the respective shareholder's individual or corporate income tax liability or if in excess thereof, is refundable to the shareholder. The flat tax regime does not apply to shares held as business assets.

Corporations. Dividends are subject to corporate income tax in case the shareholder has portfolio share holdings (<10% of the share capital) in the Company at the beginning of the calendar year. Acquisitions of at least 10% during the year are deemed to take place at the start of the calendar year. Expenses incurred in connection with the shares are tax-deductible. Otherwise, dividends to corporate shareholders are exempt from corporate income tax. However, 5% of the tax-exempt dividend income is deemed to be a non-deductible business expense for tax purposes and is therefore subject to corporate income tax (plus solidarity surcharge thereon) and trade tax. Business expenses actually incurred in connection with the shares are entirely tax deductible.

Dividends are fully subject to trade tax after deduction of related business expenses, unless the corporation has held at least 15% of the Company's registered share capital as from the beginning of the relevant assessment period. In the latter case, 5% of the dividends will be subject to trade tax. Special rules for banks, financial services institutions, financial enterprises, life and health insurance companies, and pension funds, are described below.

Sole Proprietors. If the shares are held by a sole proprietor as business assets, the "partial income method" (*Teileinkünfteverfahren*) applies. Accordingly, for income tax purposes, generally 60% of the dividend distributions are taxable. Correspondingly, 60% of the business expenses related to the dividend income are deductible for tax purposes (subject to any other restrictions on deductibility). In addition, dividends are entirely subject to trade tax if the shares are held as a business asset of a permanent establishment in Germany and if the shareholder does not hold at least 15% of the share capital of the Company at the beginning of the relevant assessment period. The trade tax levied—depending on the municipal trade tax rate and the individual tax situation—is partly or entirely credited against the shareholder's personal income tax liability by means of a lump-sum tax credit system. If the shareholder is subject to church tax, such tax may become due as well.

Partnerships. If the shareholder is a partnership, the shareholder is subject to income or corporation tax plus solidarity surcharge. The taxation of each partner depends on whether it is a corporation (see paragraph on corporations above) or an individual (see paragraph on sole proprietors above). If the shares are attributable to the permanent establishment of a trading or deemed trading business of the partnership (i.e., if the partnership is generally subject to trade tax), the dividends will also be subject to trade tax, unless the partnership has held at least 15% of the Company's registered share capital as from the beginning of the relevant assessment period so that 5% of dividends will be subject to trade tax to the extent corporations are partners, and are exempt from trade tax to the extent individuals are partners. If the partner is an individual, any trade tax paid by the partnership may generally be credited, fully or partly, against his or her individual income tax.

(A) Shareholders not Resident in Germany

For foreign shareholders who do not hold their shares in a permanent establishment or a fixed base in Germany, or as a business asset for which a permanent representative has been appointed in Germany, the German tax liability is, in principle, satisfied upon deduction of withholding tax (possibly reduced by way of a refund under a double taxation treaty or the EU Parent/Subsidiary Directive (2011/96/EU of November 30, 2011, as amended) or a refund of 2/5 of the withholding tax; see 21.1(b)(i)(A) "*Taxation of Dividends—Withholding tax*" for requirements to be met)).

However, shareholders who hold their shares through a permanent establishment or a fixed base in Germany, or as business assets for which a permanent representative has been appointed in Germany, are subject to the same rules described above for shareholders resident in Germany. The tax withheld and remitted (including solidarity surcharge thereon) is credited against the shareholder's income or corporate income tax liability or, if in excess thereof, will be refunded to the shareholder.

(iv) *Taxation of Capital Gains*

(A) *Withholding tax*

Subject to the qualifications set out below, capital gains are generally subject to withholding tax at a rate of 25% plus solidarity surcharge of 5.5% thereon (in total: 26.375%), if the shares are kept or administered in a custodial account maintained by a German resident bank or a German resident financial services institution, also including a German branch of a foreign bank or foreign financial services institution, a German securities trading firm or a German securities trading bank as a disbursing agent and the capital gains are paid out or credited by this disbursing agent.

Generally, this rule applies regardless of whether and to what extent the capital gains may be exempt from taxation and irrespective of the shareholder being resident in Germany or not, provided that tax would not be withheld, under certain conditions in case of shares held as business assets in Germany. The tax base for the withholding tax is generally calculated as the difference between the proceeds received upon the disposal (less the expenses directly related to the disposal of the shares) and the acquisition costs (under certain conditions, prior payments from the tax-recognized contribution account may lead to reduced acquisition costs of the shares). If the shares were not acquired from the disbursing agent by whom they have been held ever since, a different basis of calculation equal to 30% of the proceeds from the disposals may apply, with the same withholding tax rate (in total: 26.375%) unless the shareholder validly provides proof of the acquisition costs and the shares are moved from a depository account held in an EU member state or a contracting state of the EEA Agreement. If the shareholder is subject to church tax, the same principles apply as described above (see 21.1(b)(i)(A) “—*Taxation of Dividends—Withholding tax*”).

(B) *Shareholders Resident in Germany*

In case of shareholders (individuals, partnerships and corporations) subject to German taxation on their worldwide income (i.e., persons whose place of residence or habitual abode or, in case of corporations, statutory seat or place of effective management is situated in Germany) capital gains received from the disposal of shares will be subject to German taxation.

(C) *Taxation of Capital Gains of Investors Resident in Germany Holding their Shares as Non-Business Assets (Privatvermögen)*

Any gains from the sale or redemption of the shares will be subject to a flat tax (*Abgeltungsteuer*) of 25% plus solidarity surcharge of 5.5% thereon resulting in an aggregate tax burden of 26.375% and church tax if applicable. Except for an annual lump sum allowance (*Sparerpauschbetrag*) of €801 (€1,602 for married couples and registered partners assessed jointly) private investors will not be entitled to deduct expenses incurred in connection with the capital investments from their capital gains. In certain cases, however, upon election and filing of an annual income tax return, the capital gains may be taxed at the shareholder's individual tax rate if this results in a lower income tax burden. The tax withheld at source is then credited against the individual income tax liability assessed or, in excess of such liability, refunded. The deduction of actual expenses related to the capital gains (other than the expenses directly related to the disposal of the shares which can be deducted when calculating the capital gains) is excluded in that case as well. The option may only be exercised for all capital gains and income from capital investments received in the relevant assessment period uniformly and married couples assessed jointly may only exercise the option jointly.

Losses from the disposal of the shares may only be offset against other capital gains resulting from the disposal of shares in the Company and in other stock corporations. The offsetting of overall losses with other income (e.g. business or rental income) and other capital income is not possible. Such losses are to be carried forward and to be offset against positive capital gains deriving from the sale of shares in future years.

The flat tax will not apply if the seller of the shares or, in case of gratuitous transfer, its legal predecessor has held, directly or indirectly, at least 1% of the share capital of the Company at any time during the five years prior to the disposal. In such cases 60% of the capital gains are taxed upon this disposal. Correspondingly, only 60% of related expenses are deductible for tax purposes.

(D) Taxation of Capital Gains of Investors Resident in Germany Holding their Shares as Business Assets (Betriebsvermögen)

If shares are held as business assets of a shareholder, the taxation of capital gains realized upon disposal depends on whether the shareholder is a corporation, a sole proprietor, or a partnership:

Corporations. Capital gains realized by a corporate shareholder upon disposal of shares are generally exempt from corporate income tax and trade tax. Capital gain for this purpose is the amount by which the disposal proceeds or the equivalent value after deduction of expenses directly related to the disposal of shares exceeds the tax base at the time of disposal. However, 5% of the capital gain is deemed to be a non-deductible business expense and is therefore subject to corporate income and trade tax. Capital losses or other profit reductions relating to the sold shares are not tax deductible.

It should be noted, however, that the recent legislative proposal (with respect to the reform of the German investment taxation and other tax law changes) to subject capital gains from portfolio share holdings to tax in full from 2018 onwards similarly to dividends payable on portfolio share holdings (see 21.1(b)(iii) “—*Taxation of Dividend Income of Investors Resident in Germany Holding their Shares as Business Assets (Betriebsvermögen)—Corporations*”) has not been implemented in the final bill. However, it cannot be excluded that similar legislative initiatives may be pursued in the future.

Sole Proprietors. If the shares are held by sole proprietors, pursuant to the partial income method (*Teileinkünfteverfahren*), 60% of the capital gains realized upon disposal are subject to income tax and solidarity surcharge. Correspondingly, 60% of the business expenses related to such capital gains and 60% of any capital losses incurred upon disposal of shares are tax deductible.

In addition, 60% of the capital gains are subject to trade tax if the sole proprietor is subject to trade tax. However, trade tax is partly or entirely credited against the shareholder’s personal income tax liability depending on the applicable municipal trade tax rate and individual circumstances. If the shareholder is subject to church tax, such tax may become due as well.

Partnerships. If the shareholder is a partnership, taxation depends on whether the partners are subject to personal income tax or corporate income tax: If the partners are subject to corporate income tax, any capital gain is generally tax exempt in an amount of 95% (see 21.1(b)(iv)(D) “—*Corporations*”). If the partners are subject to personal income tax, the partial income method (*Teileinkünfteverfahren*) applies and 60% of the capital gains are taxable (see 21.1(b)(iv)(D) “—*Sole Proprietors*”). For information on the deductibility of business expenses related to capital gains and capital losses for partners who are subject to corporate income tax see also 21.1(b)(iv)(D) “—*Corporations*” and see above 21.1(b)(iv)(D) “—*Sole Proprietors*” for information with respect to partners who are subject to personal income tax. In addition, 60% of the capital gains are subject to trade tax at the level of a partnership if the partnership is liable to trade tax and the partners are individuals and 5% of the capital gains are subject to trade tax if partners are corporations. However, the trade tax paid at the level of a partnership may partly or entirely be credited—depending on the applicable municipal trade tax rate and individual circumstances—against the personal income tax liability of the partners who are individuals.

Special rules for banks, financial services institutions, financial enterprises, life and health insurance companies, and pension funds, are described below.

(E) Shareholders not Resident in Germany

Capital gains realized upon disposal of shares by a shareholder resident outside of Germany are only subject to German income tax (plus solidarity surcharge) in the event (i) the shares are held through a permanent establishment or through a fixed base in Germany, or held as business assets for which a permanent representative has been appointed in Germany or (ii) the shareholder or, in case of a gratuitous transfer, its legal predecessor has held, directly or indirectly, at least 1% of the share capital of the Company at any time during the five year period prior to the disposal. In this case:

- 5% of the capital gain is subject to corporate income tax and solidarity surcharge, if the shareholder is a corporation; and
- 60% of the capital gain is taxed in all other cases.

However, some of the German double taxation treaties provide for a complete exemption from German taxation (except in case (i)) in such cases and assign the right to tax to the shareholder’s state of residence. In this case and according to the tax authorities in general no withholding tax is assessed

upon the sale provided sufficient proof of the foreign tax status is given. Otherwise, withholding tax of 25% plus 5.5% solidarity surcharge thereon (in total 26.375%) may be levied in the event a disbursing agent keeps or administers or carries out the sale of the shares and pays or credits the capital income unless capital gains are attributed to German business assets and additional documentation requirements are met. In these cases, for foreign corporations, 2/5 of the withholding tax may be refunded if certain preconditions are met.

Capital gains realized upon disposal of shares held through a permanent establishment or through a fixed base in Germany, or held as assets for which a permanent representative has been appointed in Germany, are subject to the same rules as described above for shareholders resident in Germany.

(F) Special Rules for Banks, Financial Services Institutions, Financial Institutions, Life and Health Insurance Companies, and Pension Funds

To the extent banks and financial services institutions hold shares in the Company which are allocated to their trading portfolio (*Handelsbestand*) neither the standard tax exemption for corporations nor the partial income method (*Teileinkünfteverfahren*) applies to dividend income received or to capital gains or losses realized upon the disposal of shares in the Company, *i.e.*, dividend income and capital gains are fully subject to corporate income tax or income tax and, if applicable, in principle to trade tax. The same applies to shares in the Company that were acquired by financial institutions within the meaning of the German Banking Act whose shares are held indirectly or directly by financial institutions or financial services providers in an amount greater than 50% and which are to be shown as “current assets” (*Umlaufvermögen*), at the time of their acquisition. The standard tax exemption for corporations neither applies to dividends received nor to capital gains or losses if the shares in the Company are attributable to the capital investments (*Kapitalanlagen*) of life and health insurance companies or pension funds. The aforementioned exceptions do not apply to dividends within the scope of the EU Parent/Subsidiary Directive (2011/96/EU of 30 November 2011, as amended).

(G) Inheritance and Gift Tax

The transfer of shares by way of gift or succession is, in principle, subject to German inheritance and gift tax in particular if one of the following criteria is met:

- I. the testator, donor, heir, donee, or any other beneficiary has his or her residence or habitual abode, registered seat or place of effective management in Germany at the time of the transfer or is a German citizen who has not stayed abroad for more than five years without having a residence in Germany;
- II. irrespective of these personal circumstances, the shares are held as business assets for which a permanent establishment is maintained or a permanent representative is appointed in Germany; or
- III. at the time of succession or donation, the testator or donor held, either alone or with other closely related persons, directly or indirectly, at least 10% of the registered share capital of the Company. In some cases participation under 10% may also lead to German inheritance and gift tax.

The few double taxation treaties on inheritance and gift tax which Germany has entered into generally provide that German inheritance or gift tax is levied only in case (i) and, with certain restrictions, in case (ii). Special provisions apply to certain German expatriates and former German citizens.

(c) Other Taxes

No German capital transfer tax, value added tax, stamp duty or similar taxes are levied on the purchase or disposal of shares or other forms of share transfer. Wealth tax is currently not levied in Germany. However, an entrepreneur can opt to pay value-added tax on the sale of shares, despite being generally exempt from value-added tax, if the shares are sold to another entrepreneur for the entrepreneur’s business.

The European Commission and certain EU Member States (including Germany) are currently intending to introduce a financial transactions tax (“FTT”) (presumably on secondary market transactions involving at least one financial intermediary). It is currently uncertain when the proposed FTT will be enacted by the participating EU Member States and when the FTT will enter into force.

21. FINANCIAL INFORMATION

Index to Financial Information

	<u>Page</u>
UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF HAPAG-LLOYD AG IN ACCORDANCE WITH IAS 34 AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2017	F-2
Consolidated Income Statement	F-3
Consolidated Statement of Comprehensive Income	F-4
Consolidated Statement of Financial Position	F-5
Consolidated Statement of Changes In Equity	F-8
Consolidated Statement of Cash Flows	F-7
Condensed Notes to the Interim Consolidated Financial Statements	F-9
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HAPAG-LLOYD AG PREPARED IN ACCORDANCE WITH IFRS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016	F-17
Consolidated Income Statement	F-18
Consolidated Statement of Comprehensive Income	F-19
Consolidated Statement of Financial Position	F-20
Consolidated Statement of Changes In Equity	F-22
Consolidated Statement of Cash Flows	F-21
Notes to the Audited Consolidated Financial Statements	F-23
Auditor's Report	F-88
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HAPAG-LLOYD AG PREPARED IN ACCORDANCE WITH IFRS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015	F-89
Consolidated Income Statement	F-90
Consolidated Statement of Comprehensive Income	F-91
Consolidated Statement of Financial Position	F-92
Consolidated Statement of Changes In Equity	F-93
Consolidated Statement of Cash Flows	F-94
Notes to the Audited Consolidated Financial Statements	F-95
Auditor's Report	F-160
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HAPAG-LLOYD AG PREPARED IN ACCORDANCE WITH IFRS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014	F-161
Consolidated Income Statement	F-162
Consolidated Statement of Comprehensive Income	F-163
Consolidated Statement of Financial Position	F-164
Consolidated Statement of Changes in Equity	F-165
Consolidated Statement of Cash Flows	F-166
Notes to the Consolidated Financial Statements	F-167
Auditor's Report	F-232
AUDITED UNCONSOLIDATED FINANCIAL STATEMENTS OF HAPAG-LLOYD AG PREPARED IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH) AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016	F-233
Balance Sheet	F-234
Income Statement	F-236
Notes	F-237
Auditor's Report	F-264

**Unaudited Interim Condensed Consolidated
Financial Statements
of Hapag-Lloyd AG
in Accordance with IAS 34
as of and for the three months ended March 31, 2017**

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG
for the period 1 January to 31 March 2017

	<u>Q1</u> <u>2017</u>	<u>Q1</u> <u>2016</u>
	<u>million EUR</u>	
Revenue	2,132.1	1,925.7
Other operating income	26.3	22.5
Transport expenses	1,789.1	1,592.0
Personnel expenses	147.4	141.7
Depreciation, amortisation and impairment	127.8	118.6
Other operating expenses	<u>98.2</u>	<u>96.9</u>
Operating result	<u>(4.1)</u>	<u>(1.0)</u>
Share of profit of equity-accounted investees	<u>7.6</u>	<u>5.8</u>
Earnings before interest and taxes (EBIT)	<u>3.5</u>	<u>4.8</u>
Interest income	1.6	1.2
Interest expenses	<u>63.4</u>	<u>44.3</u>
Earnings before income taxes	<u>(58.3)</u>	<u>(38.3)</u>
Income taxes	<u>3.8</u>	<u>4.5</u>
Group profit / loss	<u>(62.1)</u>	<u>(42.8)</u>
thereof attributable to shareholders of Hapag-Lloyd AG	(62.8)	(44.0)
thereof attributable to non-controlling interests	<u>0.7</u>	<u>1.2</u>
Basic / diluted earnings per share (in EUR)	<u>(0.53)</u>	<u>(0.37)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG
for the period 1 January to 31 March 2017

	<u>Q1</u> <u>2017</u>	<u>Q1</u> <u>2016</u>
	<u>million EUR</u>	
Group profit / loss	(62.1)	(42.8)
Items which will not be reclassified to profit and loss:	4.6	(32.4)
Remeasurements from defined benefit plans after tax	4.6	(32.4)
Remeasurements from defined benefit plans before tax	4.6	(32.3)
Tax effect	0.0	(0.1)
Items which may be reclassified to profit and loss:	(59.5)	(201.5)
Cash flow hedges (no tax effect)	(5.6)	(0.3)
Effective share of the changes in fair value	(0.8)	(26.3)
Reclassification to profit or loss	(4.8)	26.0
Currency translation (no tax effect)	(53.9)	(201.2)
Other comprehensive income after tax	(54.9)	(233.9)
Total comprehensive income	(117.0)	(276.7)
thereof attributable to shareholders of Hapag-Lloyd AG	(117.7)	(277.7)
thereof attributable to non-controlling interests	0.7	1.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
as at 31 March 2017

	<u>31.3.2017</u>	<u>31.12.2016</u>
	million EUR	
Assets		
Goodwill	1,642.7	1,661.6
Other intangible assets	1,304.8	1,340.4
Property, plant and equipment	6,250.8	6,315.6
Investments in equity-accounted investees	333.2	325.7
Other assets	35.6	27.0
Derivative financial instruments	37.1	24.1
Income tax receivables	3.3	3.3
Deferred tax assets	25.7	25.2
Non-current assets	9,633.2	9,722.9
Inventories	141.7	124.5
Trade accounts receivable	690.2	677.6
Other assets	196.2	197.5
Derivative financial instruments	2.6	13.5
Income tax receivables	22.3	24.7
Cash and cash equivalents	519.8	570.2
Current assets	1,572.8	1,608.0
Total assets	11,206.0	11,330.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
as at 31 March 2017

	<u>31.3.2017</u>	<u>31.12.2016</u>
	million EUR	
Equity and liabilities		
Subscribed capital	118.1	118.1
Capital reserves	1,061.8	1,061.8
Retained earnings	3,089.6	3,152.9
Cumulative other equity	666.9	721.8
Equity attributable to shareholders of Hapag-Lloyd AG	4,936.4	5,054.6
Non-controlling interests	3.7	3.8
Equity	4,940.1	5,058.4
Provisions for pensions and similar obligations	240.0	238.0
Other provisions	107.3	114.0
Financial debt	3,519.7	3,265.5
Other liabilities	10.7	12.1
Derivative financial instruments	—	1.8
Deferred tax liabilities	2.2	1.8
Non-current liabilities	3,879.9	3,633.2
Provisions for pensions and similar obligations	5.0	6.6
Other provisions	224.4	211.2
Income tax liabilities	15.3	17.6
Financial debt	631.2	915.2
Trade accounts payable	1,280.0	1,281.6
Other liabilities	189.4	167.8
Derivative financial instruments	40.7	39.3
Current liabilities	2,386.0	2,639.3
Total equity and liabilities	11,206.0	11,330.9

CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG
for the period 1 January to 31 March 2017

	<u>Q1</u> <u>2017</u>	<u>Q1</u> <u>2016</u>
	<u>million EUR</u>	
Group profit / loss	(62.1)	(42.8)
Income tax expenses (+) / income (-)	3.8	4.5
Interest result	61.8	43.1
Depreciation, amortisation and impairment (+) / write-backs (-)	127.8	118.6
Other non-cash expenses (+) / income (-)	10.6	7.9
Profit (-) / loss (+) from disposals of non-current assets and assets held for sale	(0.6)	(0.4)
Income (-) / expenses (+) from equity accounted investees and dividends from other investments	(7.7)	(5.8)
Increase (-) / decrease (+) in inventories	(18.6)	6.8
Increase (-) / decrease (+) in receivables and other assets	(11.1)	(5.1)
Increase (+) / decrease (-) in provisions	13.0	(2.7)
Increase (+) / decrease (-) in liabilities (excl. financial debt)	32.8	21.9
Payments for income taxes	(2.3)	(5.0)
Payments received (+) for interest	0.7	0.2
Cash inflow (+) / outflow (-) from operating activities	<u>148.1</u>	<u>141.2</u>
Payments received from disposals of property, plant and equipment and intangible assets	1.6	2.6
Payments received from dividends	0.1	0.1
Payments made for investments in property, plant and equipment and intangible assets	(114.2)	(110.6)
Cash inflow (+) / outflow (-) from investing activities	<u>(112.5)</u>	<u>(107.9)</u>
Payments made for dividends	(0.8)	(2.1)
Payments received from raising financial debt	633.4	123.0
Payments made for the redemption of financial debt	(626.6)	(207.9)
Payments made for interest and fees	(61.7)	(42.6)
Change in restricted cash	(24.0)	—
Cash inflow (+) / outflow (-) from financing activities	<u>(79.7)</u>	<u>(129.6)</u>
Net change in cash and cash equivalents	<u>(44.1)</u>	<u>(96.3)</u>
Cash and cash equivalents at beginning of period	<u>570.2</u>	<u>573.7</u>
Change in cash and cash equivalents due to exchange rate fluctuations	(6.3)	(21.4)
Net change in cash and cash equivalents	(44.1)	(96.3)
Cash and cash equivalents at end of period	<u>519.8</u>	<u>456.0</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG
for the period 1 January to 31 March 2017

	Equity attributable to shareholders of Hapag-Lloyd AG							Non-controlling interests	Total equity	
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit plans	Reserve for cash flow hedges million EUR	Translation reserve	Cumulative of other equity			Total
As per 1.1.2016	118.1	1,263.2	3,052.3	(75.2)	1.2	678.8	604.8	5,038.4	7.8	5,046.2
Total comprehensive income	—	—	(44.0)	(32.4)	(0.3)	(201.0)	(233.7)	(277.7)	1.0	(276.7)
thereof										
Group profit/loss	—	—	(44.0)	—	—	—	—	(44.0)	1.2	(42.8)
Other comprehensive income	—	—	—	(32.4)	(0.3)	(201.0)	(233.7)	(233.7)	(0.2)	(233.9)
Transactions with shareholders	—	—	—	—	—	—	—	—	(2.1)	(2.1)
thereof										
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	(2.1)	(2.1)
As per 31.3.2016	118.1	1,263.2	3,008.3	(107.6)	0.9	477.8	371.1	4,760.7	6.7	4,767.4
As per 1.1.2017	118.1	1,061.8	3,152.9	(118.9)	5.4	835.3	721.8	5,054.6	3.8	5,058.4
Total comprehensive income	—	—	(62.8)	4.6	(5.6)	(53.9)	(54.9)	(117.7)	0.7	(117.0)
thereof										
Group profit/loss	—	—	(62.8)	—	—	—	—	(62.8)	0.7	(62.1)
Other comprehensive income	—	—	—	4.6	(5.6)	(53.9)	(54.9)	(54.9)	—	(54.9)
Transactions with shareholders	—	—	—	—	—	—	—	—	(0.8)	(0.8)
thereof										
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	(0.8)	(0.8)
Deconsolidation	—	—	(0.5)	—	—	—	—	(0.5)	—	(0.5)
As per 31.3.2017	118.1	1,061.8	3,089.6	(114.3)	(0.2)	781.4	666.9	4,936.4	3.7	4,940.1

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

Hapag-Lloyd AG, domiciled in Hamburg, Germany, is the parent company of the Hapag-Lloyd Group and a listed public limited company in accordance with German law. The Company's shares are traded on the Frankfurt and Hamburg Stock Exchanges. Hapag-Lloyd is an international container liner shipping group whose primary purpose is to provide ocean container liner shipping activities, logistical services and all other associated business operations and services.

The interim consolidated financial statements cover the period 1 January to 31 March 2017 and are reported and published in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

The Executive Board authorised the publication of the condensed interim consolidated financial statements on 12 May 2017.

Accounting principles

The interim consolidated financial statements of Hapag-Lloyd AG and its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), including the interpretations of the IFRS Interpretations Committee, as they are to be applied in the European Union (EU). This interim report as at 31 March 2017 was prepared in compliance with the provisions of IAS 34. It is presented in condensed form. These condensed interim consolidated financial statements and interim Group management report of Hapag-Lloyd AG have not been subject to an audit review nor have they been reviewed in accordance with Section 317 of the German Commercial Code (HGB). The standards and interpretations valid in the EU since 1 January 2017 were applied during the preparation of the interim financial statements. As regards the possible effects of standards and interpretations that have already been adopted, but that are not yet mandatory, we refer to the explanations in the Notes to the consolidated financial statements as at 31 December 2016, which remain valid and have not changed.

The interim financial statements as at 31 March 2017 are to be read in conjunction with the audited and published IFRS consolidated financial statements as at 31 December 2016 and were prepared in compliance with the same accounting and measurement principles which formed the basis for these. Estimates and discretionary decisions were made in the same manner as in the previous year. The actual values may differ from the estimated values.

The functional currency of Hapag-Lloyd AG and all of its main subsidiaries is the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. For reporting purposes, the assets and liabilities of the Hapag-Lloyd Group are translated into euros using the mean exchange rate on the balance sheet date (closing rate). 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 resulting differences are recognised in other comprehensive income.

As at 31 March 2017, the closing US dollar / euro exchange rate was quoted as USD 1.0681 / EUR (31 December 2016: USD 1.0560 / EUR). For the first quarter of 2017, the average US dollar / euro exchange rate was USD 1.0651 / EUR (prior year period: USD 1.1030 / EUR).

Group of consolidated companies

The consolidated financial statements include all significant subsidiaries and equity-accounted investments. In addition to Hapag-Lloyd AG, the group of consolidated companies comprised 74 fully consolidated companies and four equity-accounted investees as at 31 March 2017. Four companies have been deconsolidated since 31 December 2016 on the grounds of immateriality and are therefore no longer part of the group of consolidated companies. There were no material effects on the net result from the deconsolidation.

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 trade as well as EBIT and EBITDA at the Group level.

The allocation of resources (use of ships and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world throughout its entire liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities, EBIT and EBITDA as the key performance indicators can be allocated to different trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

*Transport volume per trade**

	Q1 2017	Q1 2016
	TTEU	
Atlantic	389	376
Transpacific	386	347
Far East	215	211
Middle East	123	109
Intra Asia	152	130
Latin America	552	536
EMAO (Europe, Mediterranean, Africa, Oceania)	117	102
Total	1,934	1,811

* In preparation for the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

*Freight rate per trade**

	Q1 2017	Q1 2016
	USD / TEU	
Atlantic	1,293	1,382
Transpacific	1,218	1,351
Far East	897	793
Middle East	791	701
Intra Asia	539	578
Latin America	1,017	961
EMAO (Europe, Mediterranean, Africa, Oceania)	1,009	1,079
Total (weighted average)	1,047	1,067

* In preparation for the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Revenue per trade**

	Q1 2017	Q1 2016
	million EUR	
Atlantic	472.6	472.2
Transpacific	441.7	424.4
Far East	180.9	151.6
Middle East	91.6	68.9
Intra Asia	77.1	68.4
Latin America	526.5	466.6
EMAO (Europe, Mediterranean, Africa, Oceania)	110.5	100.2
Others	231.2	173.4
Total	<u>2,132.1</u>	<u>1,925.7</u>

* In preparation for the integration of UASC, the trades have been restructured and the assignment of individual services amended. The prior period figures have been amended accordingly.

Operating earnings before interest, taxes, depreciation and amortisation (EBITDA) are calculated on the basis of the Group's earnings before interest and taxes (EBIT) as presented in the following table. Earnings before income taxes (EBT) and the share of profits of the segment's equity-accounted investees correspond to those of the Group.

EBITDA

	Q1 2017	Q1 2016
	million EUR	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	131.3	123.4
Depreciation, amortisation and impairment	127.8	118.6
Earnings before interest and taxes (EBIT)	3.5	4.8
Earnings before income taxes (EBT)	(58.3)	(38.3)
Share of profit of equity-accounted investees	<u>7.6</u>	<u>5.8</u>

SELECTED NOTES TO THE CONSOLIDATED INCOME STATEMENT

Detailed notes to the income statement are contained in the interim management report in chapter "Group earnings position".

Earnings per share

	Q1 2017	Q1 2016
Profit / loss attributable to shareholders of Hapag-Lloyd AG in million EUR	(62.8)	(44.0)
Weighted average number of shares in million	118.1	118.1
Basic earnings per share in EUR	(0.53)	(0.37)

There were no dilutive effects in the first quarter of 2017 nor in the corresponding prior year period.

SELECTED NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Goodwill and other intangible assets

Goodwill and other intangible assets were reduced compared with 31 December 2016 due to currency translation effects in the amount of EUR 34.0 million and the amortisation of other intangible assets in the amount of EUR 20.4 million.

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Property, plant and equipment

	<u>31.3.2017</u>	<u>31.12.2016</u>
	<u>million EUR</u>	
Vessels	5,106.5	5,024.5
Container	957.9	998.3
Other equipment	130.5	132.0
Prepayments on account and assets under construction	55.9	160.8
Total	<u>6,250.8</u>	<u>6,315.6</u>

The carrying amounts of property, plant and equipment were reduced primarily by depreciation in the amount of EUR 107.4 million and currency effects at the reporting date of EUR 70.6 million. Above all, investments in ocean-going vessels in the amount of EUR 109.9 million prompted an increase in fixed assets.

Fixed assets of EUR 174.3 million were recognised in conjunction with finance lease contracts (31 December 2016: EUR 181.6 million). Of this, EUR 97.1 million was attributable to ships (31 December 2016: EUR 100.4 million) and EUR 77.2 million to containers (31 December 2016: EUR 81.2 million).

Cash and cash equivalents

	<u>31.3.2017</u>	<u>31.12.2016</u>
	<u>million EUR</u>	
Cash at bank	515.3	565.9
Cash in hand and cheques	4.5	4.3
Total	<u>519.8</u>	<u>570.2</u>

The balances of a number of bank accounts belonging to the Hapag-Lloyd Group are only freely available once the redemption payments and interest obligation due have been settled. As at 31 March 2017, these accounts contained a total of EUR 8.4 million (31 December 2016: EUR 12.7 million), of which EUR 8.4 million (31 December 2016: EUR 12.7 million) is subject to a maturity of up to three months.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 3.7 million (31 December 2016: EUR 3.9 million) at individual subsidiaries.

Cumulative other equity

Cumulative other equity comprises the reserve for remeasurements relating to defined benefit pension plans, the reserve for cash flow hedges and the translation reserve.

In the reserve for remeasurements from defined benefit pension plans (31 March 2017: EUR –114.3 million; 31 December 2016: EUR –118.9 million) cumulated income and expenses from the remeasurement of pension obligations are recognised in other comprehensive income. The remeasurement effects from defined benefit obligations result from changes in estimates in relation to actuarial parameters used for the measurement of the gross pension obligations as well as the difference between the normalised (expected) and actual return on plan assets.

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR –0.2 million as at 31 March 2017 (31 December 2016: EUR 5.4 million).

The currency effects of EUR –53.9 million recognised as at 31 March 2017 (prior year period: EUR –201.0 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve amounted to EUR 781.4 million as at the end of the first quarter of 2017 (31 December 2016: EUR 835.3 million).

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financial instruments

The carrying amounts and fair values of the financial instruments as at 31 December 2016 are presented in the table below.

	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
	million EUR		
Assets			
Trade accounts receivable	677.6	677.6	677.6
Other assets	224.5	126.2	126.2
Derivative financial instruments (held for trading)	33.0	33.0	33.0
Commodity options	6.7	6.7	6.7
Embedded derivatives	26.3	26.3	26.3
Derivative financial instruments (hedge accounting)	4.6	4.6	4.6
Commodity options	4.6	4.6	4.6
Cash and cash equivalents	570.2	570.2	570.2
Liabilities			
Financial debt	4,043.5	4,043.5	4,082.2
Liabilities from finance leases*	137.2	137.2	143.6
Trade accounts payable	1,281.6	1,281.6	1,281.6
Derivative financial liabilities (hedge accounting)	41.1	41.1	41.1
Currency forward contracts	41.1	41.1	41.1
Other liabilities	179.9	50.7	50.7

* Part of financial debt

The carrying amounts and fair values of the financial instruments as at 31 March 2017 are presented in the table below.

	Carrying amount		Fair value
	Total	thereof financial instruments	Financial instruments
	million EUR		
Assets			
Trade accounts receivable	690.2	690.2	690.2
Other assets	231.8	135.5	135.5
Derivative financial instruments (held for trading)	39.7	39.7	39.7
Commodity options	2.6	2.6	2.6
Embedded derivatives	37.1	37.1	37.1
Derivative financial instruments (hedge accounting)	—	—	—
Commodity options	—	—	—
Cash and cash equivalents	519.8	519.8	519.8
Liabilities			
Financial debt	4,026.9	4,026.9	4,085.2
Liabilities from finance leases*	124.0	124.0	129.9
Trade accounts payable	1,280.0	1,280.0	1,280.0
Derivative financial liabilities (hedge accounting)	40.7	40.7	40.7
Currency forward contracts	40.7	40.7	40.7
Other liabilities	200.1	49.6	49.6

* Part of financial debt

Derivative financial instruments include positive and negative market values from commodity options and currency forward contracts. This item also contains embedded derivatives for early buy-back options for issued bonds. The derivative financial instruments were measured at fair value.

The liabilities from bonds included within financial debt, which due to the quotation on an active market are allocated to level 1 of the fair value hierarchy, have a fair value of EUR 941.9 million (31 December 2016: EUR 786.7 million). The fair values indicated for the remaining financial debt,

CONDENSED NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

derivative financial instruments and liabilities from finance leases are assigned to level 2 of the fair value hierarchy. This means that the instruments are measured using methods which are based on factors derived directly or indirectly from observable market data.

The carrying amounts of all other financial instruments are a suitable approximation of the fair values.

There have been no transfers between levels 1 and 2 in first three months of 2017.

Financial debt

The following tables contain the carrying amounts for the individual categories of financial debt.

Financial debt

	<u>31.3.2017</u>	<u>31.12.2016</u>
	million EUR	
Liabilities to banks	2,869.7	3,050.1
Bonds	921.0	785.2
Liabilities from finance lease contracts	124.0	137.2
Other financial debt	236.2	208.2
Total	<u>4,150.9</u>	<u>4,180.7</u>

Financial debt by currency

	<u>31.3.2017</u>	<u>31.12.2016</u>
	million EUR	
Financial debt denoted in USD (excl. transaction costs)	3,110.5	3,394.0
Financial debt denoted in EUR (excl. transaction costs)	1,068.1	819.0
Interest liabilities	35.4	37.4
Transaction costs	(63.1)	(69.7)
Total	<u>4,150.9</u>	<u>4,180.7</u>

Hapag-Lloyd has drawn down long-term loan agreements for a total of USD 149.0 million (EUR 139.5 million) in connection with two 10,500-TEU ships delivered in the first quarter of 2017.

In January 2017, a sale and leaseback transaction was entered into involving used containers already held by the Company. The lease agreement has a term of four years and comprises a volume of USD 44.1 million (EUR 41.3 million). The lease contract is essentially a form of borrowing, with the containers transferred by way of security.

On 1 February 2017, Hapag-Lloyd issued a new corporate bond with a coupon of 6.75% and a maturity of five years at an issue price of 100.00%. Due to the high level of demand, the originally planned issue volume of EUR 150.0 million was increased to EUR 250.0 million. Within the same month, some of the proceeds from the issue were used for the early repayment of the USD bond with an outstanding amount of USD 125.0 million.

On 15 February 2017, EUR 200.0 million was added to the corporate bond issued previously, taking the total amount to EUR 450.0 million. The issue generated additional proceeds of EUR 204.8 million (issue price: 102.375%), of which EUR 200.0 million were used for the partial redemption of an existing euro bond.

Developments in used-market prices for container ships resulted in deficits in the loan-to-value ratios in the fourth quarter of 2016. In the first quarter of 2017, Hapag-Lloyd made early repayments in the amount of USD 41.0 million (EUR 38.5 million) as requested by the financing banks.

The Hapag-Lloyd Group had total available credit facilities of EUR 327.7 million as at 31 March 2017 (31 December 2016: EUR 189.4 million).

OTHER NOTES

Legal disputes

Subpoenas were served to company representatives attending the twice-yearly conference of the International Council of Containership Operators (known as the “Box Club”) in San Francisco on 15 March 2017, ordering them to attend a hearing by the U.S. Department of Justice Antitrust Division (“DoJ”). Concrete allegations have not been made at present, however the subpoenas have been issued in connection with a DoJ investigation into the global container liner shipping industry. Hapag-Lloyd will cooperate with the authorities in full. A quantification of a possible risk that may result from the investigation cannot be made at the time of reporting.

Authorities in a number of jurisdictions launched investigations into possible breaches of competition law in the 2015/2016 financial year. All of these investigations have been largely concluded, and no significant financial effects are to be expected.

As at the reporting date, there were EUR 133.9 million in contingent liabilities from tax risks not classified as probable (31 December 2016: EUR 128.4 million).

Obligations from operating lease contracts

The Group’s obligations from operating lease contracts above all relate to charter and lease agreements for ships and containers, and rental agreements for business premises. Charter agreements for ships are always structured as time charter contracts, i. e. in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the first quarter of 2017, lease payments of EUR 258.6 million were posted to expenses (prior year period: EUR 261.5 million), of which EUR 72.0 million were charter expenses (prior year period: EUR 125.8 million).

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

	<u>31.3.2017</u>	<u>31.12.2016</u>
	<u>million EUR</u>	
Ships and containers	687.5	682.7
Administrative buildings	94.6	103.9
Other	212.9	239.2
Total	<u>995.0</u>	<u>1,025.8</u>

Other financial obligations

The Group’s other financial obligations as at 31 March 2017 pertained to a purchase obligation for investments in container ships amounting to EUR 50.0 million (31 December 2016: EUR 151.7 million), which are due within one year.

Related party disclosures

In carrying out its ordinary business activities, the Hapag-Lloyd Group maintained indirect or direct relationships with related companies and individuals and with its own subsidiaries included in the consolidated financial statements. These supply and service relationships are transacted at market prices. No significant changes of these supply and service relationships have arisen since 31 December 2016. The contractual relationships with related parties described in the remuneration report from page 80 onwards of the 2016 annual report also remain unchanged, but are not of material importance to the Group.

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On 27 April 2017, Hapag-Lloyd put into service the fifth newbuild ship with a transport capacity of 10,500 TEU. The last instalment of EUR 48.8 million (USD 52.2 million) for the construction work was paid to the shipyard upon delivery, while at the same time a credit facility amounting to EUR 69.7 million (USD 74.5 million) was also utilised.

After the balance sheet date, 31 March 2017, early repayments totalling USD 10.3 million (EUR 9.6 million) were made for ship financing in agreement with the financing banks due to shortfalls in the loan-to-value-ratios.

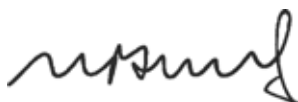
On 27 April 2017, S & P updated its rating report on Hapag-Lloyd. The current rating of “B+ / CreditWatch Negative” was confirmed.

Hamburg, 12 May 2017

Hapag-Lloyd Aktiengesellschaft
Executive Board



Rolf Habben Jansen



Nicolás Burr



Anthony J. Firmin



Thorsten Haeser

**Audited Consolidated Financial Statements
of Hapag-Lloyd AG
prepared in Accordance with IFRS
as of and for the year ended December 31, 2016**

CONSOLIDATED INCOME STATEMENT

Consolidated income statement of Hapag-Lloyd AG for the period 1 January to 31 December 2016

	Notes	1.1.– 31.12. 2016	1.1.– 31.12. 2015
		million EUR	
Revenue	(1)	7,734.2	8,841.8
Other operating income	(2)	97.1	193.7
Transport expenses	(3)	6,364.0	7,258.5
Personnel expenses	(4)	496.1	484.4
Depreciation, amortisation and impairment	(5)	481.0	464.6
Other operating expenses	(6)	386.2	517.7
Operating result		104.0	310.3
Share of profit of equity-accounted investees	(14)	27.1	28.5
Other financial result	(7)	(4.7)	27.6
Earnings before interest and taxes (EBIT)		126.4	366.4
Interest income	(8)	5.7	5.6
Interest expenses	(8)	205.5	232.9
Earnings before income taxes		(73.4)	139.1
Income taxes	(9)	19.7	25.2
Group profit / loss		(93.1)	113.9
thereof attributable to shareholders of Hapag-Lloyd AG		(96.6)	111.6
thereof attributable to non-controlling interests	(22)	3.5	2.3
Basic / diluted earnings per share (in EUR)	(10)	(0.82)	1.04

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income of Hapag-Lloyd AG for the period 1 January to 31 December 2016

	Notes	1.1.– 31.12. 2016	1.1.– 31.12. 2015
million EUR			
Group profit / loss		(93.1)	113.9
Items which will not be reclassified to profit and loss:		(43.7)	29.6
Remeasurements from defined benefit plans after tax	(21)	(43.7)	29.6
Remeasurements from defined benefit plans before tax		(45.3)	30.8
Tax effect		1.6	(1.2)
Items which may be reclassified to profit and loss:		160.7	454.3
Cash flow hedges (no tax effect)	(21)	4.2	1.2
Effective share of the changes in fair value		(17.7)	(21.8)
Reclassification to profit or loss		21.9	23.0
Currency translation (no tax effect)	(21)	156.5	453.1
Other comprehensive income after tax		117.0	483.9
Total comprehensive income		23.9	597.8
thereof attributable to shareholders of Hapag-Lloyd AG		20.4	595.0
thereof attributable to non-controlling interests	(22)	3.5	2.8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position of Hapag-Lloyd AG as at 31 December 2016

	Notes	31.12.2016	31.12.2015
		million EUR	
ASSETS			
Goodwill	(11)	1,661.6	1,610.8
Other intangible assets	(11)	1,340.4	1,376.3
Property, plant and equipment	(12)	6,315.6	6,143.6
Investments in equity-accounted investees	(14)	325.7	326.6
Other assets	(15)	27.0	22.5
Derivative financial instruments	(16)	24.1	10.7
Receivables from income taxes	(9)	3.3	—
Deferred tax assets	(9)	25.2	23.6
Non-current assets		9,722.9	9,514.1
Inventories	(17)	124.5	94.1
Trade accounts receivable	(15)	677.6	716.1
Other assets	(15)	197.5	148.5
Derivative financial instruments	(16)	13.5	0.7
Income tax receivables	(9)	24.7	31.9
Cash and cash equivalents	(18)	570.2	573.7
Current assets		1,608.0	1,565.0
Total assets		11,330.9	11,079.1
	Notes	31.12.2016	31.12.2015
		million EUR	
EQUITY AND LIABILITIES			
Subscribed capital	(19)	118.1	118.1
Capital reserves	(19)	1,061.8	1,263.2
Retained earnings	(20)	3,152.9	3,052.3
Cumulative other equity	(21)	721.8	604.8
Equity attributable to shareholders of Hapag-Lloyd AG		5,054.6	5,038.4
Non-controlling interests	(22)	3.8	7.8
Equity		5,058.4	5,046.2
Provisions for pensions and similar obligations	(23)	238.0	186.2
Other provisions	(24)	114.0	144.2
Financial debt	(25)	3,265.5	3,297.2
Other liabilities	(26)	12.1	4.7
Derivative financial instruments	(27)	1.8	—
Deferred tax liabilities	(9)	1.8	1.5
Non-current liabilities		3,633.2	3,633.8
Provisions for pensions and similar obligations	(23)	6.6	5.6
Other provisions	(24)	211.2	285.9
Income tax liabilities	(9)	17.6	22.9
Financial debt	(25)	915.2	610.1
Trade accounts payable	(26)	1,281.6	1,293.8
Other liabilities	(26)	167.8	158.5
Derivative financial instruments	(27)	39.3	22.3
Current liabilities		2,639.3	2,399.1
Total equity and liabilities		11,330.9	11,079.1

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows of Hapag-Lloyd AG for the period 1 January to 31 December 2016

	1.1.– 31.12. 2016	1.1.– 31.12.2015
	million EUR	
Group profit / loss	(93.1)	113.9
Income tax expenses (+) / income (-)	19.7	25.2
Interest result	199.8	227.3
Depreciation, amortisation and impairment (+) / write-backs (-)	481.0	464.6
Impairment (+) / write-backs (-) of financial assets	0.6	—
Other non-cash expenses (+) / income (-)	(7.6)	(87.8)
Profit (-) / loss (+) from hedges for financial debt	11.3	47.9
Profit (-) / loss (+) from disposals of non-current assets and assets held for sale	2.8	(11.0)
Income (-) expenses (+) from equity-accounted investees and dividends	(27.2)	(28.6)
Increase (-) / decrease (+) in inventories	(26.2)	74.2
Increase (-) / decrease (+) in receivables and other assets	20.1	69.0
Increase (+) / decrease (-) in provisions	(109.6)	(224.7)
Increase (+) / decrease (-) in liabilities (excl. financial debt)	(46.9)	(98.7)
Payments for income taxes	(9.1)	(0.8)
Payments received (+) for interest	1.6	1.6
Cash inflow (+) / outflow (-) from operating activities	417.2	572.1
Payments received from disposals of property, plant and equipment and intangible assets	6.5	4.0
Payments received from the disposal of other investments	—	0.3
Payments from dividends	28.8	38.9
Payments received from the disposal of assets held for sale	—	74.9
Payments made for investments in property, plant and equipment and intangible assets	(353.7)	(724.3)
Payments made for investments in other investments	—	(0.3)
Cash inflow (+) / outflow (-) from investing activities	(318.4)	(606.5)
	1.1. – 31.12. 2016	1.1. – 31.12. 2015
	million EUR	
Payments received from capital increases	—	264.5
Payments made for capital increases	—	(5.0)
Payments made from changes in ownership interests in subsidiaries	(0.3)	—
Payments made for dividends	(6.3)	(2.1)
Payments received from raising financial debt	966.0	575.3
Payments made for the redemption of financial debt	(859.8)	(748.6)
Payments made for interest	(189.9)	(213.3)
Payments received (+) and made (-) from hedges for financial debt	(11.2)	(47.9)
Change in restricted cash	(17.9)	—
Cash inflow (+) / outflow (-) from financing activities	(119.4)	(177.1)
Net change in cash and cash equivalents	(20.6)	(211.5)
Cash and cash equivalents at the beginning of period	573.7	711.4
Change in cash and cash equivalents due to exchange rate fluctuations	17.1	73.8
Net change in cash and cash equivalents	(20.6)	(211.5)
Cash and cash equivalents at the end of period	570.2	573.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity of Hapag-Lloyd AG for the period 1 January to 31 December 2016

	Equity attributable to shareholders of Hapag-Lloyd AG							Total equity		
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Cumulative of other equity		Total	Non-controlling interests
Notes	(19)	(19)	(20)		million EUR	EUR		(21)	(22)	
As per 1.1.2015	104.9	1,651.9	2,286.1	(104.8)	—	226.2	121.4	4,164.3	5.3	4,169.6
Total comprehensive income	—	—	111.6	29.6	1.2	452.6	483.4	595.0	2.8	597.8
thereof										
Group profit/loss	—	—	111.6	—	—	—	—	111.6	2.3	113.9
Other comprehensive income	—	—	—	29.6	1.2	452.6	483.4	483.4	0.5	483.9
Transactions with shareholders	13.2	(388.7)	654.8	—	—	—	—	279.3	(0.3)	279.0
thereof										
Capital increase initial public offering	13.2	251.3	—	—	—	—	—	264.5	—	264.5
Transaction cost initial public offering	—	(4.3)	—	—	—	—	—	(4.3)	—	(4.3)
Transfer from capital reserves	—	(635.7)	635.7	—	—	—	—	—	—	—
Business combination	—	—	19.1	—	—	—	—	19.1	3.6	22.7
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	(3.9)	(3.9)
Deconsolidation	—	—	(0.2)	—	—	—	—	(0.2)	—	(0.2)
As per 31.12.2015	118.1	1,263.2	3,052.3	(75.2)	1.2	678.8	604.8	5,038.4	7.8	5,046.2
Total comprehensive income	—	—	(96.6)	(43.7)	4.2	156.5	117.0	20.4	3.5	23.9
thereof										
Group profit/loss	—	—	(96.6)	—	—	—	—	(96.6)	3.5	(93.1)
Other comprehensive income	—	—	—	(43.7)	4.2	156.5	117.0	117.0	—	117.0
Transactions with shareholders	—	(201.4)	201.4	—	—	—	—	—	(6.6)	(6.6)
thereof										
Transfer from capital reserves	—	(201.4)	201.4	—	—	—	—	—	—	—
Acquisition of shares from non-controlling interests	—	—	—	—	—	—	—	—	(0.3)	(0.3)
Distribution to non-controlling interests	—	—	—	—	—	—	—	—	(6.3)	(6.3)
Deconsolidation	—	—	(4.2)	—	—	—	—	(4.2)	(0.9)	(5.1)
As per 31.12.2016	118.1	1,061.8	3,152.9	(118.9)	5.4	835.3	721.8	5,054.6	3.8	5,058.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

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

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

The consolidated financial statements are for the financial year from 1 January to 31 December 2016 and are due to be examined and approved by the Supervisory Board on 24 March 2017.

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). The German commercial law provisions pursuant to Section 315a (1) of the German Commercial Code (HGB) were also incorporated.

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 2016 financial year. Their first-time application did not have a significant effect on the net asset, financial and earnings position of the Hapag-Lloyd Group or on the disclosures made in the Notes to the financial statements.

- Amendment to IAS 1: *Disclosures in the Notes to the Financial Statements*
- Amendment to IAS 16 and IAS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendment to IAS 16 and IAS 41: *Bearer Plants*
- Amendment to IAS 27: *Equity Method in Separate Financial Statements*
- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*
- Amendment to IFRS 11: *Accounting for Acquisitions of Interests in Joint Operations*
- *Annual Improvements to IFRS (2012 – 2014)*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following standards and interpretations that were adopted and amended by the IASB at the time these consolidated financial statements were prepared were not yet mandatory in the 2016 financial year:

Standard / Interpretation		Mandatory application as per	Adopted by EU Commission
IFRS 9	Financial Instruments	1.1.2018	yes
IFRS 15	Revenue from Contracts with Customers	1.1.2018	yes
IAS 7	Amendments to IAS 7: Disclosure Initiative	1.1.2017	no
IAS 12	Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017	no
IAS 40	Amendments to IAS 40: Transfers of Investment Property	1.1.2018	no
IFRS 2	Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1.1.2018	no
IFRS 4	Amendments to IFRS 4: Applying IFRS 9 with IFRS 4	1.1.2018	no
IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	postponed	no
IFRS 15	Amendments to IFRS 15: Clarifications	1.1.2018	no
IFRS 16	Leases	1.1.2019	no
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1.1.2018	no
Various	Annual Improvements to IFRS (2014 – 2016)	1.1.2017 / 1.1.2018	no

These are regulations which will not be mandatory until the 2017 financial year or later. The Company does not plan to adopt any of them early. Unless stated otherwise, the effects are currently being reviewed.

EU endorsement has been given

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board published the final version of IFRS 9 Financial Instruments. IFRS 9 becomes mandatory in the first reporting period of a financial year beginning on or after 1 January 2018. The standard may be applied before then. The Group currently intends to apply IFRS 9 for the first time as at 1 January 2018.

The new standard requires the Group to adapt its financial reporting processes and internal controls in relation to the presentation of financial instruments. These adaptations have not yet been completed. However, the Group has conducted a preliminary assessment of the possible effects of applying IFRS 9, based on its accounting items as at 31 December 2016 and the hedging relationships determined in accordance with IAS 39 in 2016.

i. Classification—financial assets

IFRS 9 contains a new method for the classification and measurement of financial assets that reflects the business model within which the assets are held and the characteristics of their cash flows.

IFRS 9 contains three important measurement categories for financial assets: measured at amortised cost, measured at fair value with changes in value recognised through profit or loss (FVTPL) and measured at fair value with changes in value recognised through other comprehensive income (FVOCI).

Under IFRS 9, derivatives which are embedded in contracts, whereby the underlying is a financial asset within the scope of application of the standard, are never recognised separately. Instead, the hybrid financial asset is assessed as a whole with regard to categorisation.

Based on its preliminary assessment, the Hapag-Lloyd Group does not believe that the new categorisation requirements, insofar as they would have been applied as at 31 December 2016, would

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

have significant effects on the recognition of its trade accounts receivable, cash and cash equivalents, and other financial assets. As at 31 December 2016, Hapag-Lloyd had available-for-sale financial assets with a fair value of EUR 0.8 million. These include fixed-interest bonds in the amount of EUR 0.3 million, which will be categorised in future as FVTPL due to their cash flow characteristics. As a result of this, all changes in their fair value will be recognised through profit or loss, which will increase the volatility of the Group profit or loss. In addition, the available-for-sale financial assets include investments which are held for long-term strategic reasons. If these equity instruments continue to be held for the same reason when IFRS 9 is applied for the first time, Hapag-Lloyd can choose whether to classify them as FVOCI or FVTPL. So far, it has not made a decision in this regard. In the case of the former, all changes in fair value will be recognised through other comprehensive income, no impairment losses will be recognised through profit or loss and, when the instruments are disposed of, no gains or losses will be reclassified as profit or loss. In both cases, it is possible to recognise the instruments at their cost of acquisition as a best estimate of their fair value. As a result, there would be no changes in their recognised value as at 31 December 2016.

ii. Impairment

IFRS 9 replaces the “losses incurred” model of IAS 39 with a future-based “expected credit losses” model. The measurement of expected credit losses requires discretionary decisions.

The new impairment model should be applied to financial assets which are measured at amortised cost or at FVOCI—with the exception of equity securities held as financial investments—as well as to contractual assets in accordance with IFRS 15.

Under IFRS 9, loss allowances are measured based on one of the following methods:

- 12-month expected credit losses: these refer to expected credit losses as a result of possible default events within the twelve months following the reporting date.
- Lifetime expected credit losses: these refer to expected credit losses as a result of all possible default events during the expected lifetime of a financial instrument.

The measurement method of lifetime expected credit losses should be applied if the credit risk of a financial asset on the reporting date has increased significantly since initial recognition; otherwise, the measurement method of 12-month expected credit losses should be applied. A company can establish that the credit risk of a financial asset has not increased significantly if the asset exhibits a low credit risk on the reporting date. However, the measurement method of lifetime expected credit losses should always be applied to trade accounts receivable and to contractual assets which do not have a significant financing component.

The simplified impairment method for trade accounts receivable is primarily used by the Hapag-Lloyd Group. This is not expected to have any significant effects on the impairment losses of trade accounts receivable. With regard to other financial assets, for which the general impairment method will be applicable, the new impairment model will lead to an increase in loss allowances that is also not regarded as significant based on the provisional evaluation.

iii. Classification—financial liabilities

IFRS 9 largely retains the existing requirements of IAS 39 for the categorisation of financial liabilities.

Under IAS 39, however, all changes in the fair value of liabilities which have been specified as measured at fair value through profit or loss are recognised through profit or loss. By contrast, these changes in fair value will generally be presented as follows under IFRS 9:

- The change in fair value which is attributable to changes in the credit risk of the liability will be presented in other comprehensive income.
- The remaining change in fair value will be presented in profit or loss.

Hapag-Lloyd did not specify any financial liabilities as measured at fair value through profit or loss and does not intend to do so at this time. The preliminary assessment by the Group did not therefore identify any significant effects of applying the requirements of IFRS 9 with regard to the categorisation of financial liabilities as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

iv. Hedge accounting

When IFRS 9 is applied for the first time, the Group can choose to continue applying the requirements for hedge accounting of IAS 39 instead of the requirements of IFRS 9. At present, Hapag-Lloyd intends to apply the new requirements of IFRS 9.

Under IFRS 9, Hapag-Lloyd must ensure that its accounting for hedging relationships is in line with the objectives and strategy of the Group risk management system and that a more qualitative and future-based method is applied when assessing the effectiveness of hedging transactions. IFRS 9 also introduces new requirements with regard to the new weighting of hedging relationships and prohibits the voluntary termination of hedge accounting. Under the new model, it is possible that more risk management strategies—in particular those which include a risk hedging component (with the exception of foreign currency risk) of a non-financial item—will fulfil the requirements for hedge accounting. The Hapag-Lloyd Group does not currently hedge risk components of this type.

The preliminary assessment by the Group indicates that the types of accounting for hedging relationships which the Group currently has should fulfil the requirements of IFRS 9 if the Group makes certain intended changes to its internal documentation and monitoring procedures.

IFRS 9 also includes new requirements for the recognition of hedging costs if only the intrinsic value or cash component is designated. Under IAS 39, changes in the value of the non-designated time values, i.e. of the forward component, are recognised directly through profit or loss. When applying IFRS 9, the change in fair value must be recognised through other comprehensive income in this case, in a separate reserve for hedging costs. The change in the interest component and in the foreign currency basis spread can be recognised through other comprehensive income.

The Hapag-Lloyd Group uses bunker options to hedge against fuel price risks, whereby only the intrinsic value is included in the hedging relationship. The resulting changes in fair value of EUR 4.6 million were therefore recognised immediately through profit or loss in the current financial statements under IAS 39. Under IFRS 9, these measurement gains would be recognised through other comprehensive income, as a result of which there would be lower measurement fluctuations in the income statement for the same amount.

Hapag-Lloyd also uses currency forward contracts to hedge against fluctuations in cash flows in relation to changes in foreign exchange rates for certain financial debt. Here, all price components are currently designated as the hedging instrument of the cash flow hedging relationship (forward-to-forward method). In order to obtain a similar accounting result, Hapag-Lloyd will switch to the spot-to-spot method when it applies IFRS 9 for the first time. As a result, only the cash component will be designated as the hedging instrument in the future. There will be no significant accounting effects with hedging transactions of this type.

At present, the cumulative amounts in the cash flow hedge reserve for all cash flow hedges are reclassified as reclassification amounts in profit or loss, and this is done in the same period in which the respective underlying transactions affect profit or loss. Under IFRS 9, however, the option to reclassify is no longer available when hedging non-financial assets. This means that, when recognising inventories, the cumulative amounts in the cash flow hedge reserve and in the hedging cost reserve will in future have to be recognised as an adjustment to the cost of acquisition of the inventories (basis adjustment). However, the Hapag-Lloyd Group does not expect this to have any significant effects overall.

v. Transition

Changes to financial reporting methods resulting from the application of IFRS 9 will generally be applied retroactively with the exception of the following cases:

- Hapag-Lloyd intends to make use of the option not to restate comparative information for previous periods with regard to changes in categorisation and measurement (including impairment). Differences between the carrying amounts of financial assets and financial liabilities resulting from the application of IFRS 9 will generally be recognised in retained earnings and other reserves as at 1 January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- New requirements for hedge accounting should generally be applied prospectively. However, the recognition of time values of options must be restated retroactively. By contrast, when it comes to the expected change in financial reporting for the forward component and the foreign currency basis spread, the Group has the option of applying this retroactively. Hapag-Lloyd will not make use of this option.
- The following assessments should be made on the basis of the facts and circumstances that exist at the time of initial application:
 - Specification of the business model within which a financial asset is held.
 - Specification and revocation of earlier specifications with regard to certain financial assets and financial liabilities which are measured as FVTPL.
 - Specification of certain dividend securities which are held as financial investments and not held for trading purposes as FVOCI.

IFRS 15 Revenue from Contracts with Customers

The IASB published IFRS 15 *Revenue from Contracts with Customers* in May 2014 and *Clarifications to IFRS 15: Revenue from Contracts with Customers* in April 2016. However, the latter have not yet been adopted by the EU into European law. With IFRS 15, the rules on recognising revenue contained in various standards and interpretations were combined. At the same time, uniform basic principles were defined that are applicable to all sectors and to all types of revenue transaction. A five-step model will henceforth apply to assessing the amount of revenue to be recognised and at which time or over which period it is to be recognised. The standard also contains a range of additional rules regarding detailed issues such as presenting contract fees and contract amendments.

IFRS 15 becomes mandatory in financial years beginning on or after 1 January 2018. The standard may be applied before then, although the Hapag-Lloyd Group does not intend to do so. The Group will therefore apply IFRS 15 for the first time to its consolidated financial statements as at 31 December 2018.

As part of the IFRS 15 implementation project, the Hapag-Lloyd Group's main revenue streams have initially been analysed.

Within the revenue from contracts with customers, the most important sources of revenue for the Hapag-Lloyd Group are sea freight, inland container transport and terminal handling charges, which account for 92.7% at 31 December 2016 (previous year: 93.4%). As part of the analysis of this revenue stream, the Group identified one service commitment per shipment, which is rendered on a period-related basis, i.e. for the duration of transport. The analysis also showed that combining several shipments on a single ship journey produces essentially the same results with regard to the amount of revenue recognised and when it is recognised as are produced when the revenue is recognised on the basis of the single shipment. Since revenue from sea freight, inland container transport and terminal handling charges is already recognised and categorised on a period-related basis and in line with the end-of-journey principle, the initial application of IFRS 15 by the Hapag-Lloyd Group is not expected to have any significant effects with regard to the amount of revenue recognised and when it is recognised.

With regard to the other revenue streams, the analyses also found that the initial application of IFRS 15 is not expected to have any significant effects on the amount of revenue and when it is recognised.

EU endorsement still pending

IFRS 16 Leases

In January 2016, the IASB published extensive new regulations governing the recognition of leases in IFRS 16 Leases. The new standard aims to ensure that all leases and associated contractual rights and obligations are recognised in the lessee's statement of financial position. The previously required distinction between finance and operating leases will no longer apply to the lessee in future. Simplified reporting methods are in place for short-term leases and leased assets with a low value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

With regard to the recognition of leases by the lessor, IFRS 16 specifies regulations which are similar to the currently applicable IAS 17. This stipulates that lease contracts will continue to be classified as either finance leases or operating leases. For classification in accordance with IFRS 16, the criteria of IAS 17 have been adopted.

IFRS 16 replaces the existing guidelines on leases, including IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*.

Subject to its adoption into EU law, the standard becomes mandatory in the first reporting period of a financial year beginning on or after 1 January 2019. The standard may be applied before then if IFRS 15 *Revenue from Contracts with Customers* is also applied at the same time. However, the Hapag-Lloyd Group does not intend to do so at present.

The Hapag-Lloyd Group has begun an initial assessment of the possible effects of applying IFRS 16 to its consolidated financial statements. Without being able to provide specific quantitative details at present, the Hapag-Lloyd Group's assets and liabilities are expected to increase significantly when IFRS 16 is applied for the first time due to the recognition of existing operating leases for ships and containers, thereby reducing the equity ratio accordingly.

Amendments to other standards

The purpose of the amendments to IAS 7 is to require a company to provide disclosures that enable users of financial statements to assess changes in liabilities whose cash flow is shown in the statement of cash flows under cash flow from financing activities. This also includes the financial assets which exist in connection with this. In order to comply with the additional disclosure obligations, the Group intends to present a reconciliation statement between the opening and closing amounts for liabilities which exhibit any changes in connection with financing activities.

The amendments to IAS 12 serve in particular to clarify the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value. Hapag-Lloyd currently does not expect there to be any significant effects on the consolidated financial statements.

The amendments to IFRS 2 relate to the recognition of share-based payments settled in cash, which includes calculating the fair value of the obligations resulting from share-based payments. In addition, clarification is provided regarding the classification of share-based payments which envisage a net settlement for taxes that are being retained as well as regarding recognition in the event of a change in the classification of the payments from "settled in cash" to "settled with equity instruments". The Group is currently assessing what the potential effects of the amendment on its consolidated financial statements could be.

With the amendments to IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements*, the total gain or loss on a sale or contribution of assets between an investor and its associate or joint venture shall only be recognised if the assets sold or contributed represent a business within the meaning of IFRS 3, irrespective of whether the transaction is designed as a share deal or asset deal. However, if the assets do not constitute a business, the gain /loss should only be recognised pro rata. The first-time adoption date for the amended standard has been postponed indefinitely.

IFRIC 22 provides clarification on IAS 21 *Effects of Changes in Foreign Exchange Rates*. The interpretation aims to specify the date on which the foreign exchange rate should be calculated for translating transactions in foreign currencies including prepayments received and payments on account. The initial recognition of the asset or liability resulting from the advance payment determines the translation rate for the asset, income or expense in question. The Group is currently assessing what the potential effects of the amendment on its consolidated financial statements could be.

Consolidation principles and methods

All significant subsidiaries, joint ventures and associated companies are included in the consolidated financial statements of Hapag-Lloyd AG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Subsidiaries

Subsidiaries are all companies that are subject to direct or indirect control by Hapag-Lloyd AG. Control exists if Hapag-Lloyd AG has the power to make decisions due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can influence these returns through its power to make decisions. Subsidiaries are fully consolidated from the time at which control over the subsidiary is acquired. If control over the subsidiary is lost, the company is deconsolidated.

Capital consolidation is carried out using the acquisition method. When the acquisition method is applied, the acquisition costs of the acquired shares are compared with the proportionate fair value of the acquired assets, debts and contingent liabilities of the subsidiary as at the acquisition date. Any positive difference is recognised as goodwill and is recorded as an asset. Any negative difference is recognised through profit or loss once the carrying amounts of the assets and liabilities have been reviewed again. 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, which were prepared using the standard Group accounting and measurement principles, with the statements of the key companies being reviewed by external auditors, were included in the preparation of the consolidated financial statements.

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.

The share of Group profit and of subsidiaries' equity which is attributable to non-controlling interests is reported separately in the consolidated income statement, in the consolidated statement of comprehensive income and within Group equity. When non-controlling interests are acquired, the difference between the acquisition cost of these shares and the non-controlling interests previously reported in the Group's equity for these shares is recognised directly in equity. When shares are sold to other shareholders without any loss of control, any difference between the realisable value and the proportion of net assets attributable to other shareholders is recognised directly in equity under the item "Retained earnings".

If a subsidiary is sold, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in cumulative other equity, is recognised at the disposal date in the consolidated income statement.

Joint arrangements

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. This right is disclosed in the consolidated financial statements using the equity method.

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

Associated companies and joint ventures

Companies in which the Hapag-Lloyd Group is able to exert a significant influence over the business and financial policy (associated companies) or which are jointly controlled with other parties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(joint ventures) are included in the consolidated financial statements from their acquisition date using the equity method. The acquisition date constitutes the point in time from which it becomes possible to exert significant influence or exercise joint control.

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

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

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.

If it is no longer possible to exert significant influence or joint control due to the sale of shares, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in other comprehensive income, is recognised at the disposal date in the consolidated income statement.

Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 82 (previous year: 107) companies are included in the group of consolidated companies:

	Fully consolidated		Equity method		Total
	domestic	foreign	domestic	foreign	
31.12.2015	6	97	1	3	107
Disposals	1	24	0	0	25
31.12.2016	5	73	1	3	82

In the 2016 financial year, subsidiaries which had been added to the Company as part of the integration of CSAV's container shipping business were combined with each other at the level of the respective countries. This was achieved through business transfers and subsequent liquidation as well as through mergers between the subsidiaries. As a result, the group of consolidated companies decreased by six companies due to liquidations and by a further five companies due to mergers between subsidiaries in the 2016 financial year. In addition, 14 subsidiaries were removed from the group of consolidated companies as they were of minor overall importance to the Group's net asset, financial and earnings position.

Liquidations

CSAV Agency LLC i.L.	Wilmington
CSAV Agencies (Malaysia) Sdn Bhd. i.L.	Kuala Lumpur
Hapag-Lloyd (South East Asia) Sdn. Bhd i.L.	Kuala Lumpur
CSAV Holding Europe S.L. i.L.	Barcelona
CSAV Shipping LLC i.L.	Dubai
Bureo Shipping Co. S.A.	Majuro

Mergers

Merged company

CSAV Agency Ltd., Montreal
CSAV Group (India) Private Ltd., Gurgaon
CSAV Group Agencies (India) Private Ltd., Mumbai
Prestadora de servicios integrados de personal de S.A. de C.V., Mexico City

Receiving company

CSAV Agency Ltd., Montreal	Hapag-Lloyd (Canada) Inc., Montreal
CSAV Group (India) Private Ltd., Gurgaon	Hapag-Lloyd Global Services Pvt. Ltd., Thane
CSAV Group Agencies (India) Private Ltd., Mumbai	Hapag-Lloyd India Private Ltd., Mumbai
Prestadora de servicios integrados de personal de S.A. de C.V., Mexico City	Agencias Grupo CSAV (Mexico) S.A. de C.V., Mexico City / Hapag-Lloyd Schiffsvermietungs-
	gesellschaft mbH, Hamburg
Third CSAV Ships Germany GmbH, Hamburg	Hapag-Lloyd AG, Hamburg

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deconsolidation due to immateriality

CSAV Denizcilik Acentasi A.S.	Istanbul
CSAV Group Agencies South Africa (Pty) Ltd.	Durban
CSAV Group Agency Colombia Ltda i.L.	Bogota
Libra Agency (Argentina) S.A.	Buenos Aires
CSBC Hull 898 Ltd.	Douglas
Hull 1794 Co. Ltd.	Majuro
Hull 1800 Co. Ltd.	Majuro
Hull 2082 Co. Ltd.	Majuro
Hull 2083 Co. Ltd.	Majuro
Hull 2084 Co. Ltd.	Majuro
Hull 2085 Co. Ltd.	Majuro
Hull 2086 Co. Ltd.	Majuro
Hull 2087 Co. Ltd.	Majuro
Hull 2088 Co. Ltd.	Majuro

Hapag-Lloyd AG holds 49.9% of the shares in Hapag-Lloyd (Thailand) Ltd., Bangkok, and 49.0% of the shares in Hapag-Lloyd Middle East Shipping LLC (formerly Hapag-Lloyd Agency LLC), Dubai. As Hapag-Lloyd AG has majority voting rights in both of these companies, it exerts full control over them and they are therefore fully consolidated.

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

For details of non-controlling interests, please refer to Note (13).

In the reporting year, 22 fully consolidated companies and one equity-accounted investee had a financial year that differed from that of the Group. The values carried forward as at 31 December are used for purposes relating to inclusion in the consolidated financial statements. All other companies have financial years that correspond with Hapag-Lloyd AG.

Three domestic and 23 foreign subsidiaries of overall minor significance for the Group's net asset, financial and earnings position are not included in the consolidated financial statements. The shares are recognised as other assets.

A complete list of the subsidiaries and associated companies in the Hapag-Lloyd Group is provided in Note (40).

Currency translation

The annual financial statements of companies are prepared in the respective functional currency. 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. The reporting currency of Hapag-Lloyd AG is, however, the euro.

For purposes relating to their inclusion in the consolidated financial statements of Hapag-Lloyd AG, the assets and liabilities of the Hapag-Lloyd Group are translated into euros at the exchange rate applicable as at the balance sheet date (closing rate). 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 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 balance sheet 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 are changes of fair value of derivative financial instruments that are designated as qualified cash flow hedges. These must be recorded as part of other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Gains and losses due to exchange rates are shown in the position which caused the currency effects. For example, gains and losses due to exchange rates that are in connection with transport services are recorded in both revenue and transport expenses. Other gains and losses due to exchange rates are shown in other operating income or other operating expenses as well as in personnel expenses and income taxes.

Exchange rates of significant currencies

	Closing rate		Average rate	
	31.12.2016	31.12.2015	2016	2015
			per EUR	
US dollar	1.05600	1.08930	1.10490	1.11000
Canadian dollar	1.42280	1.51301	1.46831	1.41935
Brazilian real	3.44131	4.25325	3.86622	3.69701
Indian rupee	71.16050	72.54400	74.28232	71.20931
British pound sterling	0.85840	0.73510	0.81868	0.72647
Chinese renminbi	7.32547	7.07348	7.34561	6.97574
Australian dollar	1.46160	1.48970	1.48917	1.47811
Japanese yen	123.49400	131.12940	120.52139	134.34097
Mexican peso	21.82269	18.74548	20.65652	17.61828

Accounting and measurement

The annual financial statements of the subsidiaries included in the Group are prepared in accordance with consistent accounting and measurement principles. The amounts stated in the consolidated financial statements are determined by the commercial presentation of the earnings, financial and net assets position as set out in the rules of the IASB.

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

If intangible assets can be used for a limited period only, they are amortised regularly 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 section “Impairment testing”.

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

	Useful life in years
Customer base	22–30
“Hapag-Lloyd” brand	unlimited
“CSAV” brand	20
Charter and lease agreements	5–10
Transport and supply contracts	2–5
Computer software	5–8
Other	3

In the past, the global container liner service was exclusively 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, meaning that additional measures or investments for the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

conservation of the value of the brand are not necessary. With the incorporation of CSAV's global container shipping activities in the 2014 financial year, the right to also use the "CSAV" brand was acquired. This will continue to be used in particular for some South America services.

For intangible assets with finite useful lives, their useful life is examined at least at the end of every financial year. 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 anticipated useful life are treated prospectively as changes in estimates.

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 bring it to working condition. 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 assets in question are ready for their intended use.

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

	<u>Useful life in years</u>
Buildings	40
Vessels	25
Containers, chassis	13
Other equipment	3–10

Dry dock work carried out to obtain an operating licence (vessel classification costs) is depreciated as a separate component over a period of five 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 ships is based on their scrap value.

Useful economic lives and assumed residual values are both reviewed on an annual basis during the preparation of the financial statements. Impairment tests are conducted if there are any indications of a potential loss in value of the assets.

For detailed information about the impairment test, see the section "Impairment testing".

Leases

A lease is the term given to all arrangements that transfer the right of use of specified assets in return for payment. This includes rental agreements for buildings and containers as well as charter agreements for ships. On the basis of the commercial opportunities and risks inherent in a leased item, it is assessed whether beneficial ownership of the leased item is attributable to the lessee or the lessor.

Finance lease

Provided that the Hapag-Lloyd Group as lessee bears all the substantial risks and rewards associated with the lease, the leased assets are included in the statement of financial position upon commencement of the lease agreement at the assets' fair value or the net present value of the minimum lease payments, whichever is lower. They are subject to straight-line depreciation throughout the term of the lease or the useful life of the asset (whichever is longer), provided that it is sufficiently certain at the beginning of the lease that legal ownership of the asset will be transferred to the Company once the contractual term expires.

At the same time, a lease obligation is entered which is equivalent to the carrying amount of the leased asset upon recognition. Each leasing rate is divided into an interest portion and a repayment element. The interest portion is recognised as an expense in the consolidated income statement; the repayment element reduces the lease obligation recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Operating lease

Rental expenses from operating lease contracts are recorded through the consolidated income statement using the straight-line method over the term of the respective contracts.

If the Group acts as lessor in the context of operating leases, the respective leasing object is still recorded and depreciated in the consolidated financial statements. Lease income from operating leases is recorded in revenue or other operating income using the straight-line method over the term of the respective contracts.

Profits or losses from sale-and-leaseback transactions that result in operating lease contracts are recognised immediately if the transactions were effected at market values. If a loss is offset by future lease instalments being below the market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed sales price exceeds the fair value, the profit from the difference between these two values is also deferred and amortised.

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 loss in value. This test compares the recoverable amount of the asset in question with its carrying amount. If an asset's carrying amount exceeds its recoverable amount, an impairment is recognised.

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

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

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 applies to the Hapag-Lloyd brand, for which the recoverable amount at fair value was determined at the level of the container shipping CGU.

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

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

If, following an impairment recognised in previous years, the asset or cash-generating unit has a higher recoverable amount at some later date, a reversal of the impairment to no higher than the amortised cost is carried out. No reversals of impairment of goodwill are carried out as they are not permitted under IAS 36.

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

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

The recoverable amount for the impairment of goodwill is calculated on the basis of the value in use. This was calculated on the basis of a discounted cash flow method.

The future expected cash flows from Hapag-Lloyd's management planning, which has been approved by the Supervisory Board, are taken as the calculation basis. This planning includes various strategic synergy, cost-saving and efficiency-boosting measures and projects that aim to sustainably strengthen the Group's EBITDA margin.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The cash flow forecasts contain specific estimates for five years and a perpetual rate of growth thereafter. The central planning assumptions for container shipping are the future development of transport volumes and freight rates as well as bunker prices and exchange rates. These are dependent on a number of macroeconomic factors, in particular the trends in gross domestic product and global trade. For that reason, the assessments of external economic and market research institutes regarding the future development of global container shipping are obtained while the plans are being prepared and are adjusted and supplemented with experiences and assessments of the Group's own competitive position on its various trades.

The long-term growth rate was ascertained on the basis of the forecast for long-term annual average industry developments.

The budgeted after-tax cash flows are discounted using the weighted average cost of capital after income taxes. This is calculated on the basis of capital-market-oriented models as a weighted average of the costs of equity and borrowed capital. Due to tonnage tax regulations, the pre-tax weighted average cost of capital corresponds to the weighted average cost of capital after income taxes.

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.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities measured at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments and other liabilities. The valuation category of financial assets or liabilities measured at fair value through profit or loss is subdivided into the categories "held for trading" and "fair value option".

Derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39 (hedge accounting) are classified as "held for trading". The Group also holds financial assets in the "loans and receivables" and "available-for-sale financial assets" categories. By contrast, there are no held-to-maturity investments in these financial statements. Primary liabilities only exist in the category of financial liabilities measured at amortised cost.

Non-derivative host contracts are analysed to determine the existence of embedded derivatives. Embedded derivatives are to be recognised separately from the host contract as an independent financial instrument if the two components demonstrate different economic properties which are not closely linked to each other. Embedded derivatives are likewise classified as "held for trading".

Financial assets and financial liabilities that fall within the scope of IAS 39 can be irrecoverably assigned to the subcategory "fair value option" under certain circumstances. Neither for financial assets nor for financial liabilities was the fair value option used.

In the 2016 financial year, as in the previous financial year, there were no reclassifications within the individual classification categories.

Primary financial assets

Financial assets are recognised at their value as at the trading date, i.e. the date on which the Group commits to buying the asset. Primary financial assets are classified as loans and receivables or as available-for-sale financial assets when recognised for the first time. Loans and receivables as well as available-for-sale financial assets are initially recognised at fair value plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable contractual payments which are not listed on an active market. They are shown in the statement of financial position under trade accounts receivable and other assets, and are classified as current assets if they mature within twelve months of the balance sheet date.

As part of subsequent measurements, loans and receivables are measured at amortised cost using the effective interest method. Impairments are recognised for identifiable individual risks. Where

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

default of a certain proportion of the receivables portfolio is probable, impairments are recognised to the extent that the carrying amount of a financial asset exceeds its recoverable amount. Indications for identifiable individual risks include, for example, a material deterioration in creditworthiness, considerable default as well as a high probability of insolvency and the corresponding inability of the customer to repay debt. If the reasons for impairment cease to exist, write-backs are recorded, albeit not in excess of the amortised costs. Impairments and impairment reversals are recorded in other operating expenses and income.

Impairments of trade accounts receivable are, in part, recorded using an impairment account. The decision to record impairment either by using an impairment account or by directly reducing the trade receivable depends on the degree of reliability of the risk evaluation. Concrete losses lead to a write-off of the respective asset.

Available-for-sale financial assets are non-derivative financial assets which are either explicitly allocated to this category individually or are unable to be allocated to any other category of financial assets. In the Hapag-Lloyd Group, these consist of securities and shares in companies. They are allocated to non-current assets unless the management intends to sell them within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value after their initial measurement. Changes in fair values are recorded under other comprehensive income until the disposal of the assets. A long-term reduction in fair value gives rise to impairments recognised in profit or loss. In the event of a subsequent write-back of the impairment recorded in profit or loss, the impairment is not reversed but is posted against other comprehensive income. If no listed market price on an active market is available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

Assets are no longer recognised as at the date when all the risks and opportunities associated with their ownership are transferred or cease.

Cash and cash equivalents

Cash and cash equivalents encompass cash in hand, bank balances and other financial investments that can be converted into defined cash amounts at any time and are only subject to minor changes in value. Fully utilised overdraft facilities are not netted but shown as liabilities to banks under current financial debt.

Primary financial liabilities

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

Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired. If a review of changes in contractual conditions using quantitative and qualitative criteria leads to the assessment that both contracts are substantially the same, the old liability continues to exist with the new conditions.

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 balance sheet date. The method used to record gains and losses depends on whether the derivative financial instrument is classified as a hedge and on the type of hedging relationship.

Derivative financial instruments are classified either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions.

Upon conclusion of the transaction in accordance with IAS 39, the hedging relationships between the hedging instrument and the underlying transaction and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

beginning of the hedging relationship and on a continual basis as to whether the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the underlying transactions in a highly effective manner. Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

The effective proportion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in other comprehensive income. The ineffective proportion of such changes in fair value is recognised immediately in profit or loss. Hedge accounting by means of options records the changes in fair value directly in profit or loss because they are excluded from the hedging relationship. Amounts recorded in other comprehensive income are reclassified to the consolidated income statement and recognised as income or expenses in the period in which the hedged underlying transaction is recognised in profit or loss. In the case of hedging relationships based on currency forward contracts, the entire effective market value change in the hedging transaction is initially recorded under other comprehensive income. In the next step, the spot component is reclassified from other comprehensive income to the consolidated income statement and is recognised through profit or loss in line with the change in the value of the underlying transaction. The forward component is recognised through profit or loss on a pro rata basis over the term of the hedging relationship.

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 through profit or loss in the consolidated income statement until the underlying transaction occurs. If the future transaction is no longer expected to occur, the cumulative gains or losses recognised outside 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, are recognised directly through profit or loss in the consolidated income statement.

Inventories

Inventories are measured at the lower of cost of acquisition or net realisable value. The measurement method applied to similar inventory items is the weighted average cost formula. The net realisable value is the estimated selling price in the ordinary course of business.

Inventories mainly comprise fuel and lubricants.

Pensions and similar obligations

The valuation of defined benefit plans from pension obligations and other post-employment benefits (e.g. health care benefits) is carried out in accordance with IAS 19 *Employee Benefits* using the projected unit credit method. The 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 benefit 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 balance sheet date are recorded after deducting the fair value of the plan assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 factual 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.

Provision reversals are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant reversals, which are recorded as other operating income.

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.

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.

Share-based payment

The share-based payment plans used by the Group are payment plans which are settled in cash. The debt incurred by the Group as a result is recognised in expenses at fair value at the time when the service is rendered by the eligible party. Until the debt is settled, the fair value of the debt is remeasured at every balance sheet date. Any changes in the fair value are recognised in profit or loss.

Realisation of income and expenses

Revenue and other operating income are realised when the transport services have been rendered, i.e. the risks have been transferred to the customer. Revenue is therefore recognised using the percentage of completion method as per IAS 18.20. The percentage of completion / transport progress is determined on the basis of the ratio of expenses incurred to expected total expenses.

The revenue amount is measured by the fair value of the consideration received or to which there will be an entitlement. Revenue is recognised net of value added tax and reductions in earnings. Other operating income and other revenue are generally recorded upon delivery of the assets or upon transfer of their ownership or risk.

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) for the recording of gains and losses from derivative financial instruments used in hedges.

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. The diluted earnings per share were equal to the basic earnings per share in the 2016 financial year and in the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 ship fleet. 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 ascertained on the basis of the Company's tax rates as at the balance sheet date. Income tax provisions 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 2017 to 2021, 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 valuation parameters used.

Level 1:

Unchanged adoption of listed 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 measurement 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 the valuation parameter is essential. 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.

Additional explanations of fair values can be found in Note (28) "Financial instruments".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Discretionary decisions, estimates and assessments

Discretionary decisions when applying accounting and measurement principles

The preparation of consolidated financial statements in accordance with IFRS requires discretionary decisions. All discretionary decisions are continuously re-evaluated and are based on historic experiences and expectations regarding future events which seem reasonable under the existing conditions. This specifically applies to the following cases:

Classification of leases

During the classification of leases, discretionary decisions are made regarding the assignment of beneficial ownership to either the lessor or the lessee. Regarding the approach, we refer to the presentation concerning the recognition and measurement of leases; regarding the amounts, see Note (32) “Leases”.

Fair value hierarchy

In a number of cases, the valuation parameters used to determine the fair value of an asset or liability can be assigned to various levels of the fair value hierarchy. In such cases, fair value measurement as a whole is assigned to the same hierarchy level as the valuation parameter of the lowest level that is of significance to the measurement in its entirety. The evaluation of the significance of a specific valuation parameter for measurement as a whole requires a discretionary decision in which the characteristic factors relating to the asset or liability are to be taken into consideration. See the section “Impairment testing” and Note (28) “Financial instruments” on the approach taken.

Management estimates and assessments

In the consolidated financial statements, a certain number of estimates and assessments are made in order to determine the assets and liabilities shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the reporting date, and the recognised income and expenses for the reporting period.

Intangible assets and property, plant and equipment

Useful lives and residual values for intangible assets and property, plant and equipment are estimated on the basis of past experience. The management regularly reviews the estimates for individual assets or groups of assets with similar characteristics based on changes in the quality of maintenance programmes, amended environmental requirements and technical developments. In the case of significant changes it adjusts the useful lives and residual values.

The estimation of residual values of container ships is affected by uncertainties and fluctuations due to the long useful lives of ships, the uncertainties regarding future economic developments and the future price of steel, which is a significant parameter for determining the residual values of container ships. As a rule, the residual value of a container ship or a class of container ships 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. Adjustments are made to the residual value of a container ship based on its longevity if it is expected that (long-term) market fluctuations will exist until the end of the ship’s useful operating life.

Verification of the realisable values of intangible assets and property, plant and equipment also requires assumptions and estimates to be made regarding future cash flows, anticipated growth rates, exchange rates and discount rates. All material parameters are therefore at the discretion of the management regarding the future development, particularly in terms of the global economy. They involve the uncertainty of all forecasting activity. The assumptions made for this purpose can be subject to alterations which could lead to impairments in value in future periods. Regarding the approach, we refer to the presentation concerning impairment testing; regarding the amounts, see Notes (11) and (12).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Allowance for doubtful receivables

The allowance for doubtful receivables largely comprises estimates and valuations of both individual receivables and groups of receivables that are based on the respective creditworthiness of the customer, current economic trends and analysis of maturity structures and historical defaults. For further explanations, we refer to Note (15).

Deferred tax assets on loss carry-forwards

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (9).

Provisions

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated future increases in salaries and pensions, and mortality tables. These assumptions can diverge from the actual figures as a result of changes in the economic conditions or the market situation as well as mortality rates. For detailed explanations, see Note (23).

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must sometimes use empirical values as the basis for making assumptions regarding the likelihood of occurrence of the obligation or future developments, e. g. the costs to be estimated for the valuation of obligations. These can be subject to estimation uncertainties, particularly in the case of non-current provisions.

Provisions are made within the Group if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. Due to the uncertainties associated with this valuation, the actual losses can deviate from the original estimates and the respective provision amount. For provisions for guarantee, warranty and liability risks, there is particular uncertainty concerning the estimate of future damages.

For detailed explanations, see Note (24).

Discount rates

The valuation of non-current receivables and liabilities, either non-interest-bearing or with interest rates not in line with the market, and of non-current other provisions, depends primarily on the choice and development of discount rates.

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 ships and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world via its complete liner service network, the Executive

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Board has decided that there is no appropriate measure with which assets, liabilities, EBIT and EBITDA as the key performance indicators can be allocated to different trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

Transport volume per trade

	1.1.–31.12. 2016	1.1.–31.12. 2015
	TTEU	
Atlantic	1,534	1,541
Transpacific	1,493	1,390
Far East	1,245	1,283
Latin America	2,248	2,247
Intra-Asia	662	573
EMAO (Europe—Mediterranean—Africa—Oceania)	417	367
Total	7,599	7,401

Freight rates per trade

	1.1.–31.12. 2016	1.1.–31.12. 2015
	USD / TEU	
Atlantic	1,338	1,504
Transpacific	1,222	1,599
Far East	765	942
Latin America	1,001	1,111
Intra-Asia	538	655
EMAO (Europe—Mediterranean—Africa—Oceania)	1,052	1,210
Total (weighted average)	1,036	1,225

Revenue per trade

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Atlantic	1,857.2	2,088.0
Transpacific	1,651.7	2,002.2
Far East	861.9	1,088.0
Latin America	2,035.9	2,249.7
Intra-Asia	322.4	338.4
EMAO (Europe—Mediterranean—Africa—Oceania)	397.2	400.0
Revenue not assigned to trades	607.9	675.5
Total	7,734.2	8,841.8

Operating earnings before interest, taxes, depreciation and amortisation (EBITDA) were calculated on the basis of the Group's earnings before interest and taxes (EBIT) as presented in the following table. Earnings before taxes (EBT) and the profits of the segment's equity-accounted investees corresponded to those of the Group (see Note [14]).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

EBITDA

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	607.4	831.0
Depreciation and amortisation	(481.0)	(464.6)
EBIT	126.4	366.4
Earnings before income taxes (EBT)	(73.4)	139.1
Share of profit of equity-accounted investees	27.1	28.5

Non-current assets

	2016	2015
	million EUR	
Goodwill	1,661.6	1,610.8
Other intangible assets	1,340.4	1,376.3
Property, plant and equipment	6,315.6	6,143.6
Investments in equity-accounted investees	325.7	326.6
Total	9,643.3	9,457.3
thereof domestic	9,403.2	9,208.0
thereof foreign	240.1	249.3
Total	9,643.3	9,457.3

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.

There was no dependency on individual customers in the 2016 financial year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. Revenue

Revenue in the amount of EUR 7,734.2 million (previous year: EUR 8,841.8 million) was primarily generated from the rendering of transport services amounting to EUR 7,628.2 million (previous year: EUR 8,750.2 million).

2. Other operating income

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Exchange rate gains	21.8	94.7
Income from the reversal of provisions	20.4	27.6
Subsidies and grants	13.6	14.7
Income from write-backs	10.9	0.0
Income from the disposal of assets	1.9	13.5
Other income	28.5	43.2
Total	97.1	193.7

The exchange rate gains from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the measurement of financial assets and financial liabilities. In the previous year, there were also exchange rate gains from the measurement of currency forward contracts and the realisation of currency options and currency forward contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Income from the release of provisions mainly includes releases of provisions for guarantee, warranty and liability risks, insurance premiums and restructuring. In the previous year, the income from the release of provisions included the release of restructuring provisions in the amount of EUR 26.6 million.

Income from write-backs essentially consists of write-backs on receivables.

Miscellaneous operating income comprises items that cannot be allocated to any of the items mentioned above, including income from cost transfers and rental and lease income.

3. Transport expenses*

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Expenses for raw materials, supplies and purchased goods	687.9	1,067.9
Cost of purchased services	5,676.1	6,190.6
thereof		
Port, canal and terminal costs	2,651.7	2,717.2
Container transport costs	1,899.1	2,148.4
Chartering, leases and container rentals	934.9	1,168.6
Maintenance / repair / other	190.4	156.4
Total	6,364.0	7,258.5

* Within the cost of purchased services, there has been a reclassification between port, canal and terminal costs and chartering, leases and container rentals for the financial year 2016. The prior year periods were adjusted accordingly.

The cost of raw materials, supplies and purchased goods refers in particular to fuel expenses and effects from fuel hedging instruments.

4. Personnel expenses

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Wages and salaries	403.8	401.0
Social security costs, pension costs and other benefits	92.3	83.4
Total	496.1	484.4

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 (23).

In the previous year, personnel expenses included the release of restructuring provisions in the amount of EUR 22.8 million.

Employees

The average number of employees was as follows:

	1.1.–31.12. 2016	1.1.–31.12. 2015
Marine personnel	1,387	1,420
Shore-based personnel	7,789	8,307
Apprentices	208	218
Total	9,384	9,945

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

5. Depreciation and amortisation

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Scheduled amortisation / depreciation	481.0	464.6
Amortisation of intangible assets	78.5	79.8
Depreciation of property, plant and equipment	402.5	384.8
Total	481.0	464.6

The amortisation of intangible assets largely concerned amortisation of the customer base. The depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers. A breakdown of depreciation and amortisation can be found in the Notes to the respective balance sheet item.

6. Other operating expenses

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
EDP costs	92.5	95.3
Commissions	49.9	76.2
Exchange rate losses	42.8	122.0
Other taxes	38.8	38.1
Expenses for charges, fees, consultancy and other professional services	30.2	24.5
Rental and lease expenses	28.5	34.0
Other social security expenses	23.1	25.7
Car and travel expenses	14.7	15.3
Administrative expenses	13.5	18.6
Bank charges	8.4	8.8
Miscellaneous operating expenses	43.8	59.2
Total	386.2	517.7

The exchange rate losses from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the measurement of financial assets, liabilities and currency forward contracts as at the balance sheet date. In the previous year, there were also exchange rate losses from currency options.

Miscellaneous operating expenses comprise items that cannot be allocated to any of the items mentioned above, including expenses from insurance payments, maintenance and repair costs and audit fees.

7. Other financial result

The other financial result of EUR –4.7 million (previous year: EUR 27.6 million) primarily comprised losses from disposals of subsidiaries from the group of consolidated companies.

8. Interest result

The interest result was as follows:

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Interest income	5.7	5.6
Interest income from fund assets for the financing of pensions and similar obligations	4.0	3.9
Other interest and similar income	1.7	1.7
Interest expenses	220.1	227.6
Interest expenses from the valuation of pensions and similar obligations	9.0	8.5
Other interest and similar expenses	211.1	219.1
Interest expenses from the change in fair value of embedded derivatives	14.6	(5.3)
Total	(199.8)	(227.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As in the previous year, other interest and similar income mainly comprises income from interest-bearing bank accounts. Other interest and similar expenses mainly comprises interest for bonds and loans as well as interest from finance leases and other financial debt.

9. Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income taxes. For domestic companies subject to corporate income tax, as in the previous year, a corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on corporate income tax apply. Additionally, these companies are subject to trade earnings tax, which for the years 2016 and 2015 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. The tax rates within the Group lay between 12.5% and 40.0% in 2016 (previous year: between 12.5% and 39.0%).

In addition, deferred taxes are recognised in this item for temporary differences in carrying amounts between the statement of financial position prepared in accordance with IFRS and the tax balance sheet, as well as on consolidation measures and, where applicable, realisable loss carry-forwards in accordance with IAS 12 *Income taxes*.

Income taxes were as follows:

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Actual income taxes	18.7	20.6
thereof domestic	6.2	2.4
thereof foreign	12.5	18.2
Deferred tax income / expenses	1.0	4.6
thereof from temporary differences	1.1	(6.2)
thereof from loss carry-forwards	(0.1)	10.8
Total	19.7	25.2

Prior-period tax expenses in the amount of EUR 0.9 million are included in the actual income taxes (previous year: income of EUR 2.4 million).

Generally, no deferred taxes are calculated, because Hapag-Lloyd AG has opted to be taxed under the tonnage tax regime and therefore temporary differences have no influence on the taxes. For domestic income, which does not fall under the tonnage tax regime, the calculation of deferred taxes in 2016 and 2015 was performed on the basis of the combined income tax rate of 32.3%.

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates which were applied to foreign-based companies for the 2016 financial year ranged from 16.5% to 35.0% (previous year: 16.5% to 39.0%).

The following table shows a reconciliation statement from the expected to the reported income tax expense. In order to ascertain the expected tax expense, the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year is multiplied by the pre-tax profit, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Tax reconciliation

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Earnings before income taxes	(73.4)	139.1
Expected income tax expense (+) / income (–) (tax rate 32.3%)	(23.7)	44.9
Difference between the actual tax rates and the expected tax rates	(5.2)	1.2
Effects of income not subject to income tax	62.1	(42.5)
Non-deductible expenses and trade tax additions and reductions	0.4	28.7
Effects from changes in unrecognised deferred taxes	(9.2)	(1.9)
Effective tax expenses and income relating to other periods	0.9	(3.8)
Tax effect from equity-accounted investees	(8.8)	(7.9)
Exchange rate differences	2.3	5.2
Other differences	0.9	1.3
Reported income tax expense (+) / income (–)	19.7	25.2

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 effects from income not subject to income tax primarily comprise the effects from tonnage tax.

The position effects from changes in unrecognised deferred taxes primarily includes income in the amount of EUR 8.2 million allocable to adjustments to the recognition of corporate income tax loss carry-forwards both at home and abroad (previous year: EUR 2.8 million). Of this income, EUR 6.8 million (previous year: EUR 1.9 million) relates to the reduction of actual income taxes due to the utilisation of previously unrecognised tax losses. Furthermore, among other things, income in the amount of EUR 3.5 million is allocable to the non-recognition of deferred taxes on tax interest carried forward (previous year: EUR 0.4 million). Of this income, EUR 3.2 million (previous year: EUR 0.0 million) relates to the reduction of actual income taxes due to the utilisation of previously unrecognised tax interest carried forward.

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

	31.12.2016		31.12.2015	
	Asset	Liability	Asset	Liability
	million EUR			
Recognition and measurement differences for property, plant and equipment and non-current assets	2.0	1.2	2.8	2.7
Recognition differences for receivables and other assets	1.2	0.0	3.4	0.2
Measurement of pension provisions	6.3	0.1	4.7	0.1
Recognition and measurement differences for other provisions	3.8	0.0	4.2	0.4
Other transactions	4.0	0.9	3.6	1.1
Capitalised tax savings from recoverable loss carry-forwards	8.3	—	7.9	—
Netting of deferred tax assets and liabilities	(0.4)	(0.4)	(3.0)	(3.0)
Balance sheet recognition	25.2	1.8	23.6	1.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	As per 1.1.2015	Recognised as taxes in the income statement	Recognised in other comprehensive income million EUR	Recognised as an exchange rate difference	As per 31.12.2015
Recognition and measurement differences for property, plant and equipment and other non-current assets	(3.8)	4.7	—	(0.8)	0.1
Recognition differences for receivables and other assets	0.6	1.9	—	0.7	3.2
Measurement of pension provisions thereof recognised	5.9	—	(1.2)	(0.1)	4.6
directly in equity	5.5	—	(1.2)	—	4.3
Recognition and measurement differences for other provisions	1.9	1.9	—	—	3.8
Other transactions	4.7	(2.3)	—	0.1	2.5
Capitalised tax savings from recoverable loss carry- forwards	17.1	(10.8)	—	1.6	7.9
Balance sheet recognition	26.4	(4.6)	(1.2)	1.5	22.1
	As per 1.1.2016	Recognised as taxes in the income statement	Recognised in other comprehensive income million EUR	Recognised as an exchange rate difference	As per 31.12.2016
Recognition and measurement differences for property, plant and equipment and other non-current assets	0.1	0.7	—	—	0.8
Recognition differences for receivables and other assets	3.2	(2.0)	—	—	1.2
Measurement of pension provisions thereof recognised	4.6	(0.2)	1.6	0.2	6.2
directly in equity	4.3	—	1.6	—	5.9
Recognition and measurement differences for other provisions	3.8	(0.1)	—	0.1	3.8
Other transactions	2.5	0.5	—	0.1	3.1
Capitalised tax savings from recoverable loss carry- forwards	7.9	0.1	—	0.3	8.3
Balance sheet recognition	22.1	(1.0)	1.6	0.7	23.4

Deferred tax liabilities of EUR 0.3 million (previous year: EUR 0.3 million) were recognised for temporary differences between the net assets and the carrying amount of subsidiaries for tax purposes, whereby the reversal of the temporary differences is likely in the foreseeable future.

No deferred tax liabilities were recognised for the remaining taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 25.0 million (previous year: EUR 25.2 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred tax assets are recognised for temporary differences and tax loss carry-forwards if their realisation seems certain in the near future. The loss carry-forwards not recognised relate primarily to foreign subsidiaries that are not covered by tonnage taxation. The amounts of unutilised tax losses and the capacity to carry forward the tax losses for which no deferred tax assets were recognised are as follows:

	31.12.2016	31.12.2015
	million EUR	
Loss carry-forwards for which deferred tax assets were recognised	38.0	39.0
Loss carry-forwards for which no deferred tax assets were recognised	1,496.0	1,352.9
thereof loss carry-forwards forfeitable in more than 5 years	1.2	1.1
Non-forfeitable loss carry-forwards	1,494.8	1,351.8
thereof interest carry-forwards	17.5	33.9
Total of unutilised loss carry-forwards	1,534.0	1,391.9

10. Earnings per share

	1.1.–31.12. 2016	1.1.–31.12. 2015
Profit / loss attributable to shareholders in million EUR	(96.6)	111.6
Weighted average number of shares	118.1	106.9
Basic earnings per share in EUR	(0.82)	1.04

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.

The number of shares remained unchanged throughout the entire 2016 financial year. The average number of shares in the previous year was derived from the number of shares outstanding at the start of the year (104,882,240 shares) and the pro rata number of shares issued on 6 November 2015 as part of the IPO (13,228,677 shares). There were no dilutive effects in the 2016 financial year or in the previous year.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11. Intangible assets

	Goodwill	Customer base	Advantageous contracts	Brand	Software	Other	Total
	million EUR						
Historical cost							
As per 1.1.2015	1,372.7	1,065.8	157.9	240.8	103.3	4.4	2,944.9
Additions	79.0	—	—	—	2.4	—	81.4
Disposals	—	—	—	—	0.2	—	0.2
Transfers	—	—	(18.2)	—	—	—	(18.2)
Exchange rate differences	159.1	123.4	18.0	27.9	11.9	0.4	340.7
As per 31.12.2015	1,610.8	1,189.2	157.7	268.7	117.4	4.8	3,348.6
Accumulated amortisation							
As per 1.1.2015	—	88.9	103.0	0.1	70.2	0.3	262.5
Additions	—	43.0	19.2	1.8	15.8	—	79.8
Disposals	—	—	—	—	0.1	—	0.1
Transfers	—	—	(12.3)	—	—	—	(12.3)
Exchange rate differences	—	11.1	12.1	0.1	8.3	—	31.6
As per 31.12.2015	—	143.0	122.0	2.0	94.2	0.3	361.5
Carrying amounts 31.12.2015	1,610.8	1,046.2	35.7	266.7	23.2	4.5	2,987.1
Historical cost							
As per 1.1.2016	1,610.8	1,189.2	157.7	268.7	117.4	4.8	3,348.6
Additions	—	—	—	—	2.7	—	2.7
Disposals	—	—	—	—	—	—	—
Transfers	—	—	—	—	0.1	—	0.1
Exchange rate differences	50.8	37.5	5.0	8.5	3.8	0.1	105.7
As per 31.12.2016	1,661.6	1,226.7	162.7	277.2	124.0	4.9	3,457.1
Accumulated amortisation							
As per 1.1.2016	—	143.0	122.0	2.0	94.2	0.3	361.5
Additions	—	43.2	17.8	1.9	15.6	—	78.5
Disposals	—	—	—	—	—	—	—
Transfers	—	—	—	—	—	—	—
Exchange rate differences	—	6.5	4.7	0.2	3.7	—	15.1
As per 31.12.2016	—	192.7	144.5	4.1	113.5	0.3	455.1
Carrying amounts 31.12.2016	1,661.6	1,034.0	18.2	273.1	10.5	4.6	3,002.0

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,661.6 million (previous year: EUR 1,610.8 million) and the Hapag-Lloyd brand in the amount of EUR 238.5 million (previous year: EUR 231.3 million).

In order to assess the goodwill for impairment, an impairment test was carried out for the entire cash-generating unit “container shipping” at the end of the 2016 financial year, as was the case in the previous year.

Based on the assessment of IHS Global Insight and on the available capacities, Hapag-Lloyd is aiming to increase its transport volume equal to the market growth. At the time of planning, IHS Global Insight expected an increase in global container traffic of 3.8% in 2017 and of between 4.8% and 5.3% for the subsequent years. It is also predicted that freight rates will record a moderate rise within the scope of the typical seasonal fluctuations and offset an increase in transport expenses during the planning period. The USD / EUR exchange rate for all five budget years has been kept constant.

The weighted average cost of capital after income taxes as used for discounting purposes is 8.2% for the planning period (previous year: 8.2%). In order to extrapolate the plans beyond the planning period, a growth reduction of 1.0% was taken into consideration (previous year: 1.0%). As such, the weighted average cost of capital for the subsequent period is 7.2% (previous year: 7.2%).

As part of the impairment test performed, the respective results were verified using a sensitivity analysis. Various capitalisation rates were used for this. There was no need for impairment for capitalisation costs of up to 8.9%. In addition, to take account of the volatility of the value-driving

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

factors (transport volumes, freight rates, bunker prices and the USD / EUR exchange rate) a sensitivity analysis as to the anticipated surplus (free cash flow) in the period thereafter was performed in the context of a cash flow determination. A decrease in the free cash flow of up to 14.0% in the period thereafter and an unchanged cost of capital did not result in a need for impairment. After consideration of new findings up until the completion of the consolidated financial statements on 8 March 2017, no significant changes in the previous estimates regarding future development were necessary.

At the balance sheet date, the value in use exceeded the carrying amount on the basis of the plans and the sensitivity analyses, with the result that no impairment needed to be recognised at the level of the cash-generating unit.

For the Hapag-Lloyd brand, the recoverable amount at fair value was determined at the level of the container shipping CGU. As in the previous year, a need for impairment was not ascertained in the current financial year.

As part of the business combinations, existing contracts were identified as being advantageous if their contractual terms had a positive market value compared with the market conditions at the time of acquisition of the companies. This particularly included charter and lease contracts and transport and delivery contracts.

As in the previous year, no development costs were capitalised. The costs for the maintenance of software, which cannot be capitalised, amounted to EUR 6.8 million (previous year: EUR 5.4 million) and were recognised as expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

12. Property, plant and equipment

	Vessels	Containers, chassis	Other equipment million EUR	Payments on account and assets under construction	Total
Historical cost					
As per 1.1.2015	5,102.7	1,031.1	169.1	78.2	6,381.1
Additions	338.5	250.9	14.5	149.6	753.5
Disposals	54.4	2.3	3.1	—	59.8
Transfers	102.6	—	—	(84.4)	18.2
Exchange rate differences	597.7	123.9	8.6	10.3	740.5
As per 31.12.2015	6,087.1	1,403.6	189.1	153.7	7,833.5
Accumulated depreciation					
As per 1.1.2015	917.0	246.4	41.7	—	1,205.1
Additions	269.3	103.8	11.7	—	384.8
Disposals	54.4	—	2.2	—	56.6
Transfers	12.3	—	—	—	12.3
Exchange rate differences	110.4	30.2	3.7	—	144.3
As per 31.12.2015	1,254.6	380.4	54.9	—	1,689.9
Carrying amounts 31.12.2015	4,832.5	1,023.2	134.2	153.7	6,143.6
Historical cost					
As per 1.1.2016	6,087.1	1,403.6	189.1	153.7	7,833.5
Additions	255.9	58.8	9.9	65.0	389.6
Disposals	16.0	4.5	3.2	—	23.7
Transfers	62.9	—	0.1	(62.9)	0.1
Exchange rate differences	205.8	46.8	3.1	5.0	260.7
As per 31.12.2016	6,595.7	1,504.7	199.0	160.8	8,460.2
Accumulated depreciation					
As per 1.1.2016	1,254.6	380.4	54.9	—	1,689.9
Additions	279.7	109.9	12.9	—	402.5
Disposals	14.9	0.9	2.8	—	18.6
Transfers	—	—	0.1	—	0.1
Exchange rate differences	51.8	17.0	1.9	—	70.7
As per 31.12.2016	1,571.2	506.4	67.0	—	2,144.6
Carrying amounts 31.12.2016	5,024.5	998.3	132.0	160.8	6,315.6

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 5,675.1 million as at the balance sheet date (previous year: EUR 5,567.2 million). These restrictions of ownership mainly pertain to ship mortgages from existing financing contracts for ships as well as property. Additional collateral exists with containers transferred by way of security.

As in the previous year, there was no capitalisation of directly attributable borrowing costs in the 2016 financial year. The capitalisation of borrowing costs relating to general external financing came to EUR 13.2 million (previous year: EUR 4.9 million). The weighted average borrowing costs for the general raising of borrowed funds (cost of debt) amounted to 6.62% p. a. for the 2016 financial year (previous year: 6.83% p. a.).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

13. Subsidiaries with non-controlling interests

The following companies within the Hapag-Lloyd Group had non-controlling interests as at the balance sheet date:

Name of the company	Registered office	Proportion of ownership interest (in %)		Proportion of voting rights held (in %)	
		2016	2015	2016	2015
CSAV Austral SpA	Valparaíso	51.00	50.01	51.05	50.06
Florida Vessel Management LLC	Wilmington	25.00	25.00	25.00	25.00
Hapag-Lloyd Middle East Shipping LLC	Dubai	51.00	51.00	0.00	49.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	5.10	5.10	5.10	5.10
Hapag-Lloyd (Peru) S.A.C.	Lima	40.00	40.00	40.00	40.00
Hapag-Lloyd Spain S.L.	Barcelona	10.00	10.00	10.00	10.00
Hapag-Lloyd (Thailand) Ltd.	Bangkok	50.10	50.10	0.00	0.00

The non-controlling interests within the Hapag-Lloyd Group are not material from a quantitative and qualitative perspective.

14. Equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2016.

Name of the company	Registered office	Proportion of ownership in the Group (in %)	
		31.12.2016	31.12.2015
Joint venture			
Hapag-Lloyd Denizasiri Nakliyat A.S.*	Izmir	50.00	50.00
Consorcio Naviero Peruano S.A.*	San Isidro	47.93	47.93
Associated companies			
Hapag-Lloyd Lanka (Pvt) Ltd*	Colombo	40.00	40.00
HHLA Container Terminal Altenwerder GmbH**	Hamburg	25.10	25.10

* Ship agents and local shipping companies

** Container terminal

Proportionate losses for equity-accounted associated companies of EUR –1.0 million in the financial year were not taken into consideration (previous year: EUR 0.0 million). No impairment losses are included in the proportionate equity result.

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

	HHLA Container Terminal Altenwerder GmbH	
	2016	2015
	million EUR	
Balance sheet		
Current assets	131.8	120.9
Non-current assets	72.3	84.1
Current liabilities	84.7	83.1
Non-current liabilities	39.0	41.5
Statement of comprehensive income		
Revenues	239.1	227.9
Annual result	62.8	60.5
Dividend payments to Hapag-Lloyd Group	(21.6)	(30.3)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	HHLA Container Terminal Altenwerder GmbH		Non-material associated companies		Non-material joint ventures	
	2016	2015	2016	2015	2016	2015
	million EUR					
Participation 1.1.	318.6	327.3	0.4	0.3	7.6	59.4
Disposals	—	—	—	—	—	56.7
Pro-rata share at earnings after taxes	22.6	21.6	0.2	0.4	4.2	7.3
Dividend payments	(21.6)	(30.3)	(0.3)	(0.3)	(6.0)	(9.0)
Changes not effecting income	—	—	—	—	—	(0.1)
Exchange rate differences	—	—	0.0	0.0	0.0	6.7
Participation 31.12.	319.6	318.6	0.3	0.4	5.8	7.6

In the previous year, the Group acquired 100% of the agency business of the then equity-accounted investee Consorcio Naviero Peruano S.A., San Isidro (CNP). The agency business was initially hived off from CNP and was incorporated into Hapag-Lloyd (Peru) S.A.C., Lima, in return for new shares. As a result, the hived-off shares were presented as a partial disposal of the equity-accounted investee. Due to its low productive value, the remaining local liner business was recognised with an equity carrying amount of USD 1.

15. Trade accounts receivable and other assets

	31.12.2016		31.12.2015	
	Total	Remaining term more than a year	Total	Remaining term more than a year
	million EUR			
Financial assets				
Trade accounts receivable	677.6	—	716.1	—
from third parties	677.5	—	714.5	—
from affiliated non-consolidated companies	0.1	—	1.6	—
Other assets	126.2	14.2	77.8	3.1
Receivables relating to offset or advanced payments	68.1	—	47.2	0.0
Other assets	57.3	13.4	29.8	2.3
Available-for-sale financial assets	0.8	0.8	0.8	0.8
Total	803.8	14.2	793.9	3.1
Non-financial assets				
Other assets	98.3	12.8	93.2	19.4
Claims arising from the refund of other taxes	61.7	0.3	51.2	2.5
Other assets	9.1	1.1	10.8	0.9
Capitalised transaction costs	11.7	10.3	16.8	15.1
Prepaid expenses	15.8	1.1	14.4	0.9
Total	98.3	12.8	93.2	19.4

As at 31 December 2016, in relation to ship 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.

Other assets include restricted cash in the amount of EUR 18.7 million (previous year: EUR 0.0 million), which serves as security for existing financial debts.

If no prices listed on an active market are available and the fair value cannot be determined reliably, the available-for-sale financial assets are measured at cost. In the 2016 financial year, as in the previous year, no impairment was recognised in the “available-for-sale financial assets” category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Credit risks

The following table provides information about the credit risks contained in trade accounts receivable and other assets:

	Carrying amounts of financial instruments	Thereof neither overdue nor impaired	Thereof not impaired and overdue in the following periods				
			less than 30 days	between 31 and 60 days	between 61 and 90 days	between 91 and 180 days	more than 180 days
million EUR							
31.12.2015							
Trade accounts receivable	716.1	489.9	122.9	21.8	4.6	8.5	68.4
Other assets	77.8	77.8	—	—	—	—	—
Total	793.9	567.7	122.9	21.8	4.6	8.5	68.4
31.12.2016							
Trade accounts receivable	677.6	508.7	133.6	17.2	7.5	6.1	4.5
Other assets	126.2	126.2	—	—	—	—	—
Total	803.8	634.9	133.6	17.2	7.5	6.1	4.5

With regard to the portfolio of trade accounts receivable and other assets which are neither impaired nor defaulted, there are no indications as at the balance sheet date that the respective debtors will not honour their obligations to pay.

Impairment allowances

The impairment allowances on trade accounts receivable and other assets developed as follows:

	2016	2015
	million EUR	
Impairment allowances as of 1.1.	52.7	33.1
Additions	23.1	25.3
Utilisation	9.8	1.0
Release	17.6	7.3
Disposal from deconsolidation	0.6	—
Exchange rate differences	(1.4)	(2.6)
Impairment allowed as of 1.1.	49.2	52.7

In the financial year, there were minor cash inflows from trade accounts receivable that were already written off.

16. Derivative financial instruments

	31.12.2016		31.12.2015	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
million EUR				
Receivables from derivative financial instruments	37.6	24.1	11.4	10.7
thereof derivatives in hedge accounting	4.6	—	0.7	—
thereof derivatives not included in hedge accounting	33.0	24.1	10.7	10.7

Derivative financial instruments are shown at fair value (market value). They serve to hedge the future operating business. This item also contains embedded derivatives in the form of buy-back options for issued bonds. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note [28]).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

17. Inventories

The inventories were as follows:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>million EUR</u>	
Raw materials and supplies	122.0	92.2
Prepayments	2.5	1.9
Total	<u>124.5</u>	<u>94.1</u>

Raw materials, supplies and purchased goods primarily comprised fuel and lubricating oil. At EUR 118.3 million, they were up EUR 31.6 million on the previous year.

The carrying amount of inventories recognised at net realisable value comes to EUR 63.6 million (previous year: EUR 43.1 million).

Of the expenses for raw materials, supplies and purchased goods totalling EUR 687.9 million, EUR 632.7 million was recognised as fuel expenses in the reporting period (previous year: EUR 1,002.8 million).

Impairments of fuel inventories in the amount of EUR 0.2 million were recognised as expenses in the reporting period (previous year: EUR 15.5 million). No write-backs were recognised.

18. Cash and cash equivalents

	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>million EUR</u>	
Securities	0.0	0.0
Cash at bank	565.9	568.4
Cash in hand and cheques	4.3	5.3
Total	<u>570.2</u>	<u>573.7</u>

The balances of a number of bank accounts belonging to the Hapag-Lloyd Group are only freely available once the redemption payments and interest obligation due have been settled. As at 31 December 2016, these accounts contained a total of EUR 12.7 million (previous year: EUR 19.1 million), of which EUR 12.7 million (previous year: EUR 18.1 million) is subject to a maturity of up to three months.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 3.9 million (previous year: EUR 13.2 million) at individual subsidiaries.

19. Subscribed capital and capital reserves

As at 31 December 2016, Hapag-Lloyd AG's subscribed capital is divided into 118.1 million no-par registered shares with equal rights, as in the previous year.

2015 capital increase

The rise in subscribed capital in the previous year was due to 13.2 million new no-par registered shares being issued on the Frankfurt and Hamburg Stock Exchanges in return for a minimum price of EUR 1.00 per share, payable in cash. At the end of the subscription period, the issue price for the new shares was set at EUR 20.00 per share. The shares were issued to institutional and private investors from Germany and elsewhere in Europe. On 6 November 2015, the share became listed on the regulated market (Prime Standard) of the Frankfurt and Hamburg Stock Exchanges. The proceeds from the issue of the new shares totalled EUR 264.5 million gross. The new shareholders' contributions totalling EUR 251.3 million were allocated to the capital reserves. In connection with the IPO, transaction costs totalling EUR 4.3 million were deducted from the capital reserves.

Authorised share capital

Under a resolution approved at the Annual General Meeting on 26 August 2016, the information regarding authorised share capital in the articles of association was amended. Accordingly, the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's share capital by up to EUR 50.0 million in the period to 30 June 2018 by issuing up to 50 million new no-par registered shares in exchange for cash and / or contributions in kind (Authorised Share Capital 2016). The amendment to the articles of association was entered on 4 October 2016. The shareholders are generally granted a subscription right. However, the Executive Board is authorised to exclude the shareholders' subscription right with approval of the Supervisory Board for one or more capital increases within the authorised share capital.

The Executive Board's previous authorisation, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 15.0 million on one or more occasions up to 17 September 2020 by issuing new no-par registered shares in exchange for a minimum subscription fee of EUR 1.00 per share, payable in cash (Authorised Share Capital III) was cancelled with effect from the date on which the Authorised Share Capital 2016 was entered.

20. Retained earnings

Retained earnings essentially comprise earnings from the financial year and previous years as well as reclassifications from the capital reserves. In the previous financial years, a total of EUR 1,682.3 million was withdrawn from the capital reserves in the individual financial statements under German commercial law and reclassified accordingly in the consolidated financial statements as retained earnings.

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 on the basis of German commercial law. Taking into account a withdrawal of EUR 201.4 million (previous year: withdrawal of EUR 635.7 million) from the capital reserves and the retained earnings brought forward of EUR 108.4 million, the annual financial statements of Hapag-Lloyd AG reported retained earnings of EUR 108.4 million, which will be carried forward.

21. Cumulative other equity

Cumulative other equity comprises the reserve for remeasurements relating to defined benefit pension plans, the reserve for cash flow hedges and the translation reserve.

The item for remeasurements from defined benefit plans (2016: EUR –118.9 million; previous year: EUR –75.2 million) results from income and expenses from the remeasurement of pension obligations and plan assets recognised 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 reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR 5.4 million as at 31 December 2016 (previous year: EUR 1.2 million).

The differences from currency translation of EUR 156.5 million recognised in the year under review (previous year: EUR 452.6 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve as at 31 December 2016 amounted to EUR 835.3 million (previous year: EUR 678.8 million).

22. Non-controlling interests

In the 2016 financial year, the Hapag-Lloyd Group acquired a further 50% of the shares in Southern Shipmanagement Co. S.A., Panama City, which means that it now holds 100% of the shares in Southern Shipmanagement Co. S.A., Panama City, and 100% of its subsidiary Southern Shipmanagement (Chile) Ltda., Valparaíso.

As part of the liquidation of CSAV Shipping LLC i.L., Dubai, the non-controlling interests of EUR 0.9 million were disposed of.

Non-controlling interests changed in the previous year, primarily due to the sale of 40% of the interests in Hapag-Lloyd (Peru) S.A.C., Lima, to Inversiones Piuranas S.A., Lima.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

23. Provisions for pensions and similar obligations

Defined benefit pension plans

Hapag-Lloyd AG maintains domestic and foreign defined benefit pension plans.

Provisions for domestic benefit obligations and similar obligations are primarily made due to benefit commitments for pensions, survivorship annuities and disability benefits. The amount of the benefit depends on which benefit group the employees belong to based on years of service, and therefore on the total number of years of service. The monthly pension payable corresponds to the balance of the benefit account of the employee when pension payments begin. The balance of the benefit account is zero when employment begins. It increases by the increment set for the benefit group for every year of eligible service. After the 25th year of service, the annual amount increases by a fifth of the increment applicable to the benefit group. There is no obligation for employees to participate in the pension plan by way of paying contributions.

Furthermore, there are individually agreed pension commitments with entitlements to pension, survivorship annuity and disability benefits, the amount of which is specified in the corresponding agreements. A small number of people also have the option of forgoing their bonuses in favour of a company pension.

Pension commitments are provided to former Executive Board members based on a separate defined benefit plan. These also include entitlements to pension, survivorship annuity and disability benefits, the amount of which is based on an individually specified percentage of the pensionable emoluments. In some cases, they are also secured by plan assets in the form of reinsurance policies. Active Executive Board members do not receive any commitments for a company pension, with one exception. For one Executive Board member, there is a commitment for pension, survivorship annuity and disability benefits, the amount of which is determined by a fixed amount. Retirement benefits are paid out in the form of monthly pension payments.

Foreign defined benefit pension plans relate primarily to plans in the United Kingdom, the Netherlands, Canada 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 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

	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>million EUR</u>	
Domestic defined benefit obligations		
Net present value of defined benefit obligations	205.3	170.1
Less fair value of plan assets	<u>10.6</u>	<u>10.8</u>
Deficit (net liabilities)	<u>194.7</u>	<u>159.3</u>
Foreign defined benefit obligations		
Net present value of defined benefit obligations	158.1	141.6
Less fair value of plan assets	<u>108.2</u>	<u>109.1</u>
Deficit (net liabilities)	<u>49.9</u>	<u>32.5</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Composition and management of plan assets

The Group's plan assets are as follows:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	million EUR	
Equity instruments		
with quoted market price in an active market	24.1	25.3
without quoted market price in an active market	2.1	2.4
Government bonds		
with quoted market price in an active market	29.6	35.1
without quoted market price in an active market	—	—
Corporate bonds		
with quoted market price in an active market	26.0	26.2
without quoted market price in an active market	—	—
Other debt instruments		
Mortgage-backed securities		
with quoted market price in an active market	7.3	5.7
without quoted market price in an active market	—	—
(Other) asset-backed securities		
with quoted market price in an active market	2.6	3.5
without quoted market price in an active market	—	—
Derivatives		
with quoted market price in an active market	6.7	3.4
without quoted market price in an active market	—	—
Pension plan reinsurance	10.6	10.8
Real estate	1.7	1.2
Cash and cash equivalents	2.0	0.6
Other	6.1	5.7
Fair value of plan assets	<u>118.8</u>	<u>119.9</u>

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 balance sheet date.

Committees (trustees) exist in the United Kingdom, Canada and Mexico to manage the foreign plan assets; these consist of plan participants and representatives of Hapag-Lloyd management.

When plan assets are invested in these countries, legally independent financial service providers are called in to provide advice and support. They make a capital investment proposal to the respective committee, complete with risk and success scenarios. The committee is then responsible for taking the investment decision in close consultation with Hapag-Lloyd AG; their decisions tally with their respective investment strategy. The investment strategy first and foremost focuses on reducing the interest rate risk and on safeguarding liquidity and optimising returns. To this end, the anticipated pension payments, which will be incurred in a specific time frame, are aligned with the maturity of the capital investments. In the case of maturities from eight to twelve years, low-risk investment forms are chosen, e. g. fixed-interest or index-linked government and corporate bonds. For other obligations falling due beyond this, investments are made with a higher risk, but with 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Development of the present value of defined benefit obligations

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

	2016	2015
	million EUR	
Net present value of defined benefit obligations as at 1.1.	311.7	332.6
Current service cost	8.3	9.3
Interest expenses	9.0	8.5
Remeasurements:		
Gains (-) / losses (+) from changes in demographic assumptions	(0.7)	(0.4)
Gains (-) / losses (+) from changes in financial assumptions	53.9	(34.1)
Gains (-) / losses (+) from changes due to experience	(1.2)	(0.3)
Past service cost	0.3	1.0
Contributions by plan participants	0.6	0.5
Benefits paid	(8.5)	(8.1)
Exchange rate differences	(10.0)	2.7
Net present value of defined benefit obligations as at 31.12.	363.4	311.7

The weighted average maturity of defined benefit obligations was 20.4 years as at 31 December 2016 (previous year: 19.4 years).

Development of the fair value of the plan assets

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

	2016	2015
	million EUR	
Fair value of plan assets as at 1.1.	119.9	117.9
Interest income	4.0	3.9
Return and losses on plan assets (excluding interest income)	4.5	(3.2)
Employer contributions	2.7	3.1
Contributions by plan participants	0.4	0.4
Benefits paid	(4.5)	(4.5)
Exchange rate differences	(8.2)	2.3
Fair value of plan assets as at 31.12.	118.8	119.9

Net pension expenses

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

	31.12.2016	31.12.2015
	million EUR	
Current service cost	8.3	9.3
Interest expenses	9.0	8.5
Interest income	(4.0)	(3.9)
(Negative [-]) past service cost	0.3	1.0
Net pension expenses	13.6	14.9

The expenses incurred in connection with pensions and similar obligations are contained in the following items in the consolidated income statement:

	31.12.2016	31.12.2015
	million EUR	
Personnel expenses	8.6	10.3
Interest expenses (+) / interest income (-)	5.0	4.6
Total	13.6	14.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 income statement vary in accordance with the prevailing market conditions in the currency region in which the pension plan was set up.

The 2005 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:

<u>percentage points</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
Discount factors	1.80	2.60
Expected rate of pension increases	1.80	1.80

Demographic assumptions based on locally generally applicable guidance tables were used to measure the significant foreign pension provisions. The following financial and actuarial assumptions were also used:

<u>percentage points</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
Discount factors for pension obligations		
– United Kingdom	2.60	3.90
– Netherlands	1.80	2.60
– Canada	3.50	4.00
– Mexico	6.80	7.09
Expected rate of pension increases		
– United Kingdom	2.90	2.95
– Netherlands	2.00	2.00
– Canada	n/a	n/a
– Mexico	3.30	3.30

The discount factors for the pension plans are determined annually as at 31 December 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 discount rate is then determined in line with the duration of the obligation.

Remeasurements

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR-45.3 million before tax as at 31 December 2016 for the 2016 financial year (previous year: EUR 30.8 million) and can be broken down as follows:

	<u>31.12.2016</u>	<u>31.12.2015</u>
	<u>million EUR</u>	
Actuarial gains (+) / losses (–) from		
Changes in demographic assumptions	0.7	0.4
Changes in financial assumptions	(53.9)	34.1
Changes from experience	1.2	0.4
Return on plan assets (excluding interest income)	4.5	(3.2)
Exchange rate differences	2.2	(0.9)
Remeasurements	<u>(45.3)</u>	<u>30.8</u>

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR-118.9 million as at 31 December 2016 (previous year: EUR-75.2 million).

Future contribution and pension payments

For 2017, the Group is planning to make contributions to pension plan assets amounting to EUR 2.8 million (2016: EUR 4.1 million). Payments for unfunded pension plans are anticipated in the amount of EUR 3.6 million in 2017 (2016: EUR 3.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Sensitivity analysis

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 2016:

	Present value 31.12.2016	Present value 31.12.2015
	million EUR	
Discount factor 0.8% points higher	(51.4)	(41.5)
Discount factor 0.8% points lower	42.8	51.7
Expected rate of pension increase 0.2% higher	8.0	6.4
Expected rate of pension increase 0.2% lower	(7.7)	(6.1)
Life expectancy 1 year longer	12.6	9.7

The sensitivity calculations are based on the average maturity of pension provisions determined as at 31 December 2016. In order to present the effects on the present value of pension provisions as at 31 December 2016 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 2016, expenses incurred in connection with defined contribution pension plans totalled EUR 23.9 million (previous year: EUR 21.7 million). This amount includes an expense of EUR 1.0 million in connection with a joint plan in the USA operated by several employers (previous year: EUR 0.9 million).

In the 2008 financial year, pension and medical benefit provisions in the USA were transferred, together with the corresponding plan assets, from the Company's own benefit plan to the joint plan of several employers. This plan is a defined benefit pension plan. As the joint plan does not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, this plan has been recognised as a contribution plan since then.

Contributions are paid to finance the plan. These are determined on the basis of current service cost, the anticipated costs of the earned entitlement of active participants for the current year and the distribution of shortfalls. The total amount required is spread in an amount calculated per working hour which falls due per participant and paid working hour.

A total of 17 shipping companies participate in the plan. When joining the plan, the companies brought with them deficits of EUR 20.6 million (pensions) and EUR 57.7 million (medical care). Hapag-Lloyd's share amounted to a surplus of EUR 0.9 million (pensions) and a deficit of EUR 1.9 million (medical care). These initial surpluses and deficits are being equalised over a period of ten years by means of reduced contributions or additional contributions respectively. In this context, the Company reported a net liability of EUR 0.1 million as at 31 December 2016 (previous year: EUR 0.1 million).

Deficits which have arisen since the calculation of the initial deficits are spread over 15 years, which results in higher contributions. Deficits are calculated by deducting the market value of the plan assets from the cumulative obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

According to the most recent report (1 January 2016; previous year: 1 January 2015), the plan participants were as follows:

Plan participants (total)	Medical care	Pensions	Medical care	Pensions
	2016		2015	
Active vested participants	571	537	558	525
Inactive vested participants	—	47	—	46
Beneficiaries	188	192	173	173
Total	759	776	731	744

Plan participants (Hapag-Lloyd)	Medical care	Pensions	Medical care	Pensions
	2016		2015	
Active vested participants	41	41	43	41
Inactive vested participants	—	—	—	—
Beneficiaries	8	2	3	2
Total	49	43	46	43

In the event that a company wishes to leave the plan, they must pay a withdrawal liability. This withdrawal liability is calculated on the basis of the current proportionate deficit by taking into account only the non-forfeitable benefits less the market value of the plan assets. If a company leaves the plan without being able to pay the withdrawal liability, for instance in the event of insolvency, the deficit remains within the plan and must be covered by the other companies.

For 2017, payments to the plan are expected to amount to EUR 1.1 million (2016: EUR 1.0 million).

24. Other provisions

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

	As per 1.1.2015	Reclassi- fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12. 2015
	million EUR						
Risks from pending transactions and lawsuits	291.7	(6.1)	146.5	1.6	1.0	31.0	169.5
Guarantee, warranty and liability risks	89.8	19.6	15.6	11.4	6.4	10.5	99.3
Personnel costs	41.5	0.3	25.7	2.4	58.1	2.3	74.1
Restructuring	89.7	(0.1)	33.0	49.4	—	8.8	16.0
Insurance premiums	9.5	—	6.3	—	11.4	1.2	15.8
Provisions for other taxes	6.3	(4.4)	2.5	—	2.6	0.4	2.4
Other provisions	63.9	(27.3)	11.5	1.2	23.4	5.7	53.0
Other provisions	592.4	(18.0)	241.1	66.0	102.9	59.9	430.1

	As per 1.1.2016	Reclassi- fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12. 2016
	million EUR						
Risks from pending transactions and lawsuits	169.5	—	62.4	1.3	0.6	2.4	108.8
Guarantee, warranty and liability risks	99.3	—	21.3	10.0	10.7	2.2	80.9
Personnel costs	74.1	—	48.9	2.7	41.3	1.6	65.4
Insurance premiums	15.8	—	1.2	4.8	5.3	0.5	15.6
Provisions for other taxes	2.4	—	0.6	0.1	0.5	—	2.2
Restructuring	16.0	—	9.7	4.5	—	(0.1)	1.7
Other provisions	53.0	—	17.8	1.7	15.8	1.3	50.6
Other provisions	430.1	—	161.9	25.1	74.2	7.9	325.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The risks from pending transactions and lawsuits primarily relate to disadvantageous charter and lease agreements identified as part of purchase price allocations pursuant to IFRS 3. By comparison with the prevailing market conditions at the time of acquisition, these agreements have a negative market value and will be used up over the corresponding term of the underlying agreements. No new increases in the discounted amount were recorded here during the financial year due to the passage of time. The change in the remaining discounted non-current provisions is insignificant due to an adjusted discount rate.

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.

Provisions for personnel costs comprise provisions for leave not yet taken, bonuses not yet paid, 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 section (34). Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Group. The provision for restructuring relates solely to CSAV's container shipping activities which were integrated into the Hapag-Lloyd Group in 2014.

Other provisions comprise items that cannot be allocated to any of the items already mentioned and include, in particular, provisions for country-specific risks and archiving provisions.

The maturities of the other provisions are as follows:

	31.12.2016				31.12.2015			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1 – 5 years	more than 5 years	Total	up to 1 year	1 – 5 years	more than 5 years
	million EUR							
Risks from pending transactions and lawsuits	108.8	52.0	55.0	1.8	169.5	72.3	86.6	10.6
Guarantee, warranty and liability risks	80.9	54.9	21.1	4.9	99.3	74.9	20.0	4.4
Personnel costs	65.4	50.6	7.2	7.6	74.1	60.5	7.4	6.2
Insurance premiums	15.6	15.6	—	—	15.8	15.8	—	—
Provisions for other taxes	2.2	2.2	—	—	2.4	2.4	—	—
Restructuring	1.7	1.7	—	—	16.0	14.8	1.2	—
Other provisions	50.6	34.2	9.4	7.0	53.0	45.2	2.2	5.6
Other provisions	325.2	211.2	92.7	21.3	430.1	285.9	117.4	26.8

25. Financial debt

	31.12.2016				31.12.2015			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1 – 5 years	more than 5 years	Total	up to 1 year	1 – 5 years	more than 5 years
	million EUR							
Liabilities to banks	3,050.1	711.3	1,600.0	738.8	2,786.2	540.6	1,440.8	804.8
Bonds	785.2	137.1	648.1	—	779.9	19.0	760.9	—
Liabilities from finance lease contracts	137.2	35.2	77.1	24.9	149.5	24.7	92.1	32.7
Other financial liabilities	208.2	31.6	152.9	23.7	191.7	25.8	114.8	51.1
Total	4,180.7	915.2	2,478.1	787.4	3,907.3	610.1	2,408.6	888.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financial debt by currency exposure

	31.12.2016	31.12.2015
	million EUR	
Financial liabilities denoted in USD (excl. transaction costs)	3,394.0	3,167.0
Financial liabilities denoted in EUR (excl. transaction costs)	819.0	789.9
Interest payable	37.4	33.1
Accounting for transaction costs	(69.7)	(82.7)
Total	4,180.7	3,907.3

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

Liabilities to banks

Liabilities to banks mainly comprise loans to finance the existing fleet of ships and containers.

In order to secure the long-term financing of the two 3,500-TEU ships that were acquired from Dutch shipping company, NileDutch, in the financial year, Hapag-Lloyd signed a loan agreement for USD 57.4 million (EUR 54.4 million) with a seven-year maturity term.

In the 2016 financial year, loans were taken out in connection with the delivery of two ship newbuilds (totalling EUR 141.1 million or USD 149.0 million as at 31 December 2016). In the previous year, loans were paid out in connection with the delivery of five ship newbuilds (totalling EUR 218.5 million or USD 238.0 million as at 31 December 2015).

In addition to financing for ship investments, Hapag-Lloyd obtained new fleet financing of USD 396.0 million (EUR 375.0 million) on 20 December 2016 which was used to pay off and optimise existing loans for ships in the amount of USD 298.2 million (EUR 284.4 million).

In addition, Hapag-Lloyd signed an agreement with the existing financial backer to refinance and also increase a real estate loan from around EUR 54.4 million at present to EUR 85.0 million.

The current ABS programme was utilised by drawing down a further EUR 56.8 million (USD 60.0 million) in the 2016 financial year.

Significant elements of the liabilities to banks are collateralised with ship mortgages. Additional collateral exists in the form of land charges in connection with the Ballindamm property and securitised trade accounts receivable amounting to EUR 301.4 million (previous year: EUR 234.8 million).

Other financial debt

In the 2016 financial year and in previous financial years, various sale and leaseback transactions were effected and investments were made in new containers. The economic substance of these transactions is credit financing secured by the assignment of containers as collateral. These transactions expire between 2017 and 2024. The classification of the contracts is in accordance with SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease, because the contracts include advantageous purchase options, such that there is sufficient certainty that the options will be exercised resulting in the transfer of the legal ownership of the containers back to Hapag-Lloyd AG. Part of these transactions is included in liabilities to banks. Two such transactions were concluded in the 2016 financial year. Overall, transactions of this kind resulted in liabilities to banks totalling EUR 187.3 million as at the reporting date (previous year: EUR 232.5 million) and other financial debt totalling EUR 207.5 million (previous year: EUR 190.8 million). Interest totalling EUR 19.3 million was recognised in interest expenses in the 2016 financial year (previous year: EUR 19.8 million).

Credit facilities

An unsecured credit line amounting to USD 125.0 million (EUR 118.4 million) was guaranteed by the Joint Global Coordinators in connection with the IPO in 2015. This was fully utilised as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The credit facility to finance investments in containers of USD 135.0 million (EUR 127.8 million) was fully utilised at the balance sheet date.

Overall, Hapag-Lloyd had available credit facilities in the amount of EUR 189.4 million (previous year: EUR 388.7 million) at the balance sheet date. These free liquidity reserves have a maturity until October 2018.

26. Trade accounts payable and other liabilities

	31.12.2016				31.12.2015			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1 – 5 years	more than 5 years	Total	up to 1 year	1 – 5 years	more than 5 years
	million EUR							
Financial liabilities								
Trade accounts payable	1,281.6	1,281.6	—	—	1,293.8	1,293.8	—	—
thereof to third parties	1,281.6	1,281.6	—	—	1,292.5	1,292.5	—	—
thereof to investments	—	—	—	—	1.3	1.3	—	—
Other liabilities	50.8	42.2	8.4	0.2	42.9	41.6	1.1	0.2
Other liabilities	49.1	40.7	8.4	—	38.6	37.5	1.1	—
Other liabilities to employees	1.7	1.5	—	0.2	4.3	4.1	—	0.2
Total	1,332.4	1,323.8	8.4	0.2	1,336.7	1,335.4	1.1	0.2
Non-financial liabilities								
Other liabilities	129.1	125.6	3.4	0.1	120.3	116.9	3.2	0.2
Prepayments received	103.0	103.0	—	—	95.0	95.0	—	—
Other liabilities as part of social security	9.9	8.0	1.8	0.1	17.4	15.4	1.9	0.1
Other liabilities from other taxes	7.6	7.6	—	—	6.3	6.2	0.1	—
Other liabilities	8.6	7.0	1.6	0.0	1.6	0.3	1.2	0.1
Total	129.1	125.6	3.4	0.1	120.3	116.9	3.2	0.2

27. Derivative financial instruments

	31.12.2016		31.12.2015	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
	million EUR			
Liabilities from derivative financial instruments	(41.1)	(1.8)	(22.3)	—
thereof derivatives in hedge accounting	(41.1)	(1.8)	(22.3)	—
thereof derivatives not included in hedge accounting	—	—	—	—

Liabilities from derivative financial instruments are solely the result of currency forward contracts. A detailed presentation of the derivative financial instruments is contained in the explanatory note on 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition to market risks, the Hapag-Lloyd Group is subject to liquidity risks and default risks, which involve the risk that the Group itself or one of its contractual partners cannot 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.

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 balance sheet 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 if they influence the Hapag-Lloyd Group's cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates for preventing 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. In addition to the euro, the Canadian dollar, Brazilian real, Indian rupee, British pound sterling, Chinese renminbi, Australian dollar, Japanese yen and Mexican peso are significant currencies.

If necessary, currency hedging transactions are conducted while taking account of internal guidelines. The Group hedges a portion of its operating cost exposure denominated in euros by using options on a twelve-month basis with the aim of limiting currency risks. The repayment of euro-denominated financial debt is also 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).

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, CAD, GBP) at the reporting date. The analysis is depicted on the basis of a posted foreign currency exposure of USD -734.2 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Sensitivity analysis

	31.12.2016		31.12.2015	
	Effect on earnings	Reserve for cash flow hedges (equity)	Effect on earnings	Reserve for cash flow hedges (equity)
	million USD			
USD / EUR				
+10%	7.2	0.2	(0.2)	0.6
-10%	(7.2)	(0.2)	0.2	(0.6)
USD / CAD				
+10%	(6.7)	—	(3.3)	—
-10%	6.7	—	3.3	—
USD / GBP				
+10%	0.7	—	4.3	—
-10%	(0.7)	—	(4.3)	—

Risks at the level of Hapag-Lloyd AG's consolidated financial statements arise from the translation of the group financial statements in US dollars into the reporting currency, the euro (translation risk). This risk has no impact on the Group's cash flow; instead, it is reflected in equity and is not currently hedged.

Fuel price risk

As a result of its operating activities, the Hapag-Lloyd Group is exposed to a market price risk for the procurement of bunker fuel.

The risk management's basic objective is securing up to 80% of the forecast bunker requirements. Derivative financial instruments in the form of commodity options are used to hedge against price fluctuations.

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was performed, with an implied hypothetical market price change of + / -10%. The consequent effects on earnings and equity – resulting from the market price changes of the derivative financial instrument used – are shown in the following table.

	31.12.2016		31.12.2015	
	million EUR			
	10%	(10%)	10%	(10%)
Reserve for cash flow hedges	4.1	(3.9)	—	—
Earnings before income taxes	18.1	(5.2)	0.0	0.0

Interest rate risk

The Hapag-Lloyd Group is exposed to interest rate risks affecting cash flow, particularly from financial debt based on variable interest rates. In order to minimise the interest rate risk, the Group strives to achieve a balanced combination of assets and liabilities with variable and fixed interest rates. Interest rate hedging instruments were not used in 2016. 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 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 2016 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 nil. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 2,781.5 million that existed at the balance sheet date (previous year: EUR 2,553.8 million) and the market value of embedded derivatives totalling EUR 26.3 million (previous year: EUR 10.7 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	31.12.2016		31.12.2015	
	million EUR		million EUR	
Change in variable interest rate	+100 base points	–100 base points	+100 base points	–100 base points
Earnings before income taxes	(30.5)	28.7	(28.0)	16.2

Credit risk

In addition to the market risks described above, the Hapag-Lloyd Group is exposed to default risks. Default risk constitutes the risk that a contracting 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. To provide protection against default risks, a credit insurance policy or bank guarantees are also used to hedge just over three quarters of the trade accounts receivable as at the balance sheet date.

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.

If there are discernible risks in the area of trade accounts receivable and other assets, these are taken into account by means of appropriate impairment allowances. For information regarding the age structure analysis for the trade accounts receivable and other assets, please refer to Note (15).

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 balance sheet date, as this is the extent of the loss that would have to be borne.

Taking into account the positive and negative market values of the derivative financial instruments in the amount of EUR 11.3 million and EUR –41.1 million respectively, this results in the potential to offset financial assets and financial liabilities to the tune of EUR 2.8 million subject to the German Master Agreement for Financial Derivatives Transactions. The market values of embedded derivatives linked to the buy-back option of issued bonds totalling EUR 26.3 million were not taken into account here.

In addition to these, there are no further long-term financial obligations or loans with external contracting partners from which a potential default risk may arise.

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 Group management report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 (31.12.2015)

	Cash inflows and outflows				Total
	2016	2017	2018–2020	from 2021	
	million EUR				
Primary financial liabilities					
Liabilities to banks ¹	(629.1)	(410.9)	(1,272.6)	(867.4)	(3,180.0)
Bonds	(58.7)	(175.7)	(725.0)	—	(959.4)
Liabilities from finance leases	(33.4)	(39.8)	(73.0)	(36.9)	(183.1)
Other financial liabilities (excl. operating leases)	(33.7)	(34.9)	(106.3)	(53.0)	(227.9)
Trade accounts payable	(1,293.8)	—	—	—	(1,293.8)
Other liabilities	(41.6)	(1.1)	—	(0.2)	(42.9)
Total primary financial liabilities	(2,090.3)	(662.4)	(2,176.9)	(957.5)	(5,887.1)
Total derivative financial liabilities	(22.4)	—	—	—	(22.4)

1 In relation to a contractually fixed loan for the financing of new ships, there is a further nominal amount of USD 372.4 million to be paid upon delivery of the ships. The loans have a term of twelve years starting with the delivery of the financed ships and are subject to an interest rate of USD LIBOR +1.71%.

Cash flows of financial instruments (31.12.2016)

	Cash inflows and outflows				Total
	2017	2018	2019–2021	from 2022	
	million EUR				
Primary financial liabilities					
Liabilities to banks ¹	(774.0)	(813.7)	(1,073.8)	(838.9)	(3,500.4)
Bonds	(148.8)	(423.7)	(228.7)	(5.4)	(886.6)
Liabilities from finance leases	(43.2)	(30.1)	(63.7)	(27.1)	(164.1)
Other financial liabilities (excl. operating leases)	(41.9)	(41.9)	(135.7)	(25.4)	(244.9)
Trade accounts payable	(1,281.6)	—	—	—	(1,281.6)
Other liabilities	(42.1)	(8.4)	—	(0.2)	(50.7)
Total primary financial liabilities	(2,331.6)	(1,317.8)	(1,561.9)	(897.0)	(6,108.3)
Total derivative financial liabilities	(39.7)	(1.9)	—	—	(41.6)

1 In relation to a contractually fixed loan for the financing of new ships, there is a further nominal amount of USD 223.5 million to be paid upon delivery of the ships. The loans have a term of twelve years starting with the delivery of the financed ships and are subject to an interest rate of USD LIBOR +1.71%.

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 2016 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 balance sheet 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 hedges

Derivative financial instruments are generally used to hedge existing or planned underlying transactions and serve to reduce foreign currency risks and fuel price risks which occur in day-to-day business activities in the context of investment and financial transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Currency risks are currently hedged by means of currency forward contracts. Commodity options are used as hedges for fuel price risks.

Hedging relationships in accordance with IAS 39 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review. The hedged cash flows from the underlying transactions are expected to be recognised in profit or loss within a period of up to ten years, with early transactions sometimes possible for long-term underlying transactions. The corresponding hedging transactions have shorter maturities, up to 2018 at the latest. To ensure that the underlying transactions are fully hedged, subsequent hedging transactions are intended, insofar as the Company does not make use of the option to enter into an early transaction.

In the 2016 financial year, changes in the fair values of derivative financial instruments in hedging relationships resulted in gains and losses totalling EUR –17.7 million, which were recognised in other comprehensive income (previous year: EUR –21.8 million). These changes in value represent the effective share of the hedging relationship.

In the reporting period, gains and losses of EUR –21.9 million from other comprehensive income were reclassified and recognised through profit or loss (previous year: EUR –23.1 million). EUR –20.5 million (previous year: EUR –21.0 million) of this related to exchange rate hedging, which was recognised in other operating loss along with the exchange rate gains from the hedged underlying transactions. The respective interest portion from currency forward contracts in the amount of EUR –7.7 million (previous year: EUR –2.1 million) was recognised as interest expense. In addition, gains of EUR 6.3 million (previous year: EUR 0.0 million) relating to commodity hedges, the earnings contribution of which is shown in transport expenses, were reclassified and recognised through profit or loss in the past financial year.

All of the optional hedges to hedge currency risks from recognised foreign currency liabilities which were in an economic hedging relationship with the respective underlying transaction, but were not designated as a hedging relationship according to IAS 39, expired in the 2016 financial year. Derivative financial instruments were at no time used for speculative purposes.

The following table shows the nominal values of the derivative financial instruments:

	31.12.2016			31.12.2015		
	Remaining terms			Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
	million EUR					
Currency options						
Asset	—	—	—	100.0	—	100.0
Currency forward contracts						
Liability	634.6	30.6	665.2	664.6	—	664.6
Commodity options						
Asset	204.5	—	204.5	211.6	—	211.6

The fair value determined for the derivative financial instruments is the price at which a contracting party would assume the rights and / or obligations of the other contracting party.

The market values of currency and commodity options are calculated using the Black & Scholes model or the modified Turnbull & Wakeman model and are based on the current exchange rates, commodity prices, currency and commodity price volatility, yield curves and forward prices. Currency forward contracts are measured on the basis of their market-traded forward price as at the reporting date.

An analysis of the underlying 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 and are classified as held for trading. The market value of the embedded derivatives is calculated using the Hull-White model together with a trinomial decision tree based on current market values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The positive and / or negative fair values of derivative financial instruments are shown as follows:

	31.12.2016		31.12.2015	
	Positive market values	Negative market values	Positive market values	Negative market values
	million EUR			
Hedging instruments acc. to IAS 39 (Hedge accounting)				
Currency options	—	—	—	—
Commodity options	4.6	—	0.7	—
Currency forward contracts	—	(41.1)	—	(22.3)
Hedges	4.6	(41.1)	0.7	(22.3)
Hedging instruments (Held for trading)				
Currency options	—	—	0.0	—
Commodity options	6.7	—	—	—
Currency forward contracts	—	—	—	—
Embedded derivatives	26.3	—	10.7	—
Other derivative financial instruments	33.0	—	10.7	—
Total	37.6	(41.1)	11.4	(22.3)

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 price on the balance sheet date.

The carrying amounts of cash and cash equivalents, trade accounts receivable and significant portions of other assets, and trade accounts payable and other liabilities, are a suitable approximation of the fair values. The decision was taken not to report the fair value in these cases. The available-for-sale financial assets included in other assets are generally measured at fair value. If no reliable fair value is available, the assets are measured at cost.

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 balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2015

	Classification category according to IAS 39	Carrying amount	Amount recognised in the balance sheet under IAS 39					Fair value of financial instruments
		31.12.2015	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss	Amount recognised in the balance sheet under IAS 17	
million EUR								
Assets								
Other assets	LaR	77.0	77.0	—	—	—	—	77.0
	n. a.	93.2	—	—	—	—	—	—
	AfS	0.8	—	0.8	—	—	—	0.8
Derivative financial instruments								
Derivatives (Held for trading)	FAHfT	10.7	—	—	—	10.7	—	10.7
Hedges (Hedge accounting)	n. a.	0.7	—	—	0.7	—	—	0.7
Trade accounts receivable	LaR	716.1	716.1	—	—	—	—	716.1
Cash and cash equivalents	LaR	573.7	573.7	—	—	—	—	573.7
Liabilities								
Financial debt	FLAC	3,757.8	3,757.8	—	—	—	—	3,820.5
Liabilities from finance leases ¹	n. a.	149.5	—	—	—	—	149.5	158.0
Other liabilities	FLAC	42.9	42.9	—	—	—	—	42.9
	n. a.	120.3	—	—	—	—	—	—
Derivative financial liabilities								
Derivatives (Held for trading)	FLHfT	0.0	—	—	—	0.0	—	—
Hedges (Hedge accounting)	n. a.	22.3	—	—	22.3	—	—	22.3
Trade accounts payable	FLAC	1,293.8	1,293.8	—	—	—	—	1,293.8
Thereof aggregated according to IAS 39 classification category								
Loans and receivables (LaR)		1,366.8	1,366.8	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.8	—	0.8	—	—	—	—
Financial assets held for trading (FAHfT)		10.7	—	—	—	10.7	—	—
Financial liabilities measured at amortised cost (FLAC)		5,094.5	5,094.5	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		—	—	—	—	—	—	—

1 Part of financial debt

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2016

	Classification category according to IAS 39	Carrying amount	Amount recognised in the balance sheet under IAS 39				Amount recognised in the balance sheet under IAS 17	Fair value of financial instruments
		31.12.2015	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss		
		Total	million EUR					
Assets								
Other assets	LaR	125.4	125.4	—	—	—	—	125.4
	n. a.	98.3	—	—	—	—	—	—
	AfS	0.8	—	0.8	—	—	—	0.8
Derivative financial instruments								
Derivatives (Held for trading)	FAHfT	33.0	—	—	—	33.0	—	33.0
Hedges (Hedge accounting)	n. a.	4.6	—	—	4.6	—	—	4.6
Trade accounts receivable	LaR	677.6	677.6	—	—	—	—	677.6
Cash and cash equivalents	LaR	570.2	570.2	—	—	—	—	570.2
Liabilities								
Financial debt	FLAC	4,043.5	4,043.5	—	—	—	—	4,082.2
Liabilities from finance								
leases ¹	n. a.	137.2	—	—	—	—	137.2	143.6
Other liabilities	FLAC	50.7	50.7	—	—	—	—	50.7
	n. a.	129.2	—	—	—	—	—	—
Derivative financial liabilities								
Derivatives (Held for trading)	FLHfT	—	—	—	—	—	—	—
Hedges (Hedge accounting)	n. a.	41.1	—	—	41.1	—	—	41.1
Trade accounts payable	FLAC	1,281.6	1,281.6	—	—	—	—	1,281.6
Thereof aggregated according to IAS 39 classification category								
Loans and receivables (LaR)		1,373.2	1,373.2	—	—	—	—	—
Held-to-maturity investments (HtM)								
Available-for-sale financial assets (AfS)		0.8	—	0.8	—	—	—	—
Financial assets held for trading (FAHfT)		33.0	—	—	—	33.0	—	—
Financial liabilities measured at amortised cost (FLAC)		5,375.8	5,375.8	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		—	—	—	—	—	—	—

1 Part of financial debt

The financial instruments in the available-for-sale category which are included in other assets contain investments not listed on a stock exchange for which there are no market prices listed on an active market. The market values were not determined as these do not provide any additional information of value. The disposal of the investments is not planned at present.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 IAS 39, the table also includes financial instruments that are recognised at amortised cost and whose fair value differs from this.

	Classification category according to IAS 39	31.12.2015			
		Level 1	Level 2	Level 3	Total
		million EUR			
Assets					
Derivative financial instruments (Hedge accounting)	n. a.	—	0.7	—	0.7
Derivative financial instruments (Trading)	FLHFT	—	10.7	—	10.7
Liabilities					
Derivative financial instruments (Hedge accounting)	n. a.	—	22.3	—	22.3
Derivative financial instruments (Trading)	FLHFT	—	—	—	—
Financial debt	FLAC	853.5	2,967.0	—	3,820.5
Liabilities from financial leases ¹	n. a.	—	158.0	—	158.0

1 Part of financial debt

	Classification category according to IAS 39	31.12.2016			
		Level 1	Level 2	Level 3	Total
		million EUR			
Assets					
Derivative financial instruments (Hedge accounting)	n. a.	—	4.6	—	4.6
Derivative financial instruments (Trading)	FLHFT	—	33.0	—	33.0
Liabilities					
Derivative financial instruments (Hedge accounting)	n. a.	—	41.1	—	41.1
Derivative financial instruments (Trading)	FLHFT	—	—	—	—
Financial debt	FLAC	830.8	3,251.4	—	4,082.2
Liabilities from financial leases ¹	n. a.	—	143.6	—	143.6

1 Part of financial debt

Net earnings

The net earnings of the financial instruments by classification category pursuant to IAS 39 are as follows:

	31.12.2016			31.12.2015		
	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
million EUR						
Loans and receivables	(2.3)	(40.2)	(42.5)	(1.4)	(74.7)	(76.1)
Available-for-sale financial assets	0.0	—	0.0	0.0	—	0.0
Financial assets and liabilities held for trading	14.6	(4.5)	10.1	(5.3)	(25.4)	(30.7)
Financial liabilities measured at amortised cost	(181.7)	23.9	(157.8)	(195.1)	103.5	(91.6)
Total	(169.4)	(20.7)	(190.2)	(201.8)	3.4	(198.4)

In addition to interest income and expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of the EUR bonds issued by Hapag-Lloyd AG as well as the realised and unrealised result from derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Capital management

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.

In the course of the successful IPO, the return on invested capital (ROIC) was defined at Group level at the end of 2015 as an indicator of the performance within a period and will be calculated and managed as a performance indicator in the future. This performance indicator will be used at Group level as of the 2016 financial year with a view to earning the weighted average cost of capital starting in 2017. To facilitate comparison with other international shipping companies, the return on invested capital will be calculated and presented exclusively on the basis of the functional currency, the US dollar.

Covenant clauses that are customary in the market have been arranged for existing financing. They relate, in particular, to certain equity and liquidity key figures of the Group. As at 31 December 2016, these were adhered to for the valid covenant clauses within existing financing. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period. Beside these, there are defined loan-to-value ratios for debts, which are secured with fixed assets, which relate to the market value of the asset serving as security. The shortfall of the loan-to-value ratios in the amount of USD 62.2 million (EUR 58.9 million) due to the current development of the market prices for used container ships, which could be requested by the financing bank with four weeks' notice, was reclassified to short-term financial debts as at the balance sheet date.

OTHER NOTES

29. Government assistance

The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 8.2 million in 2016 (previous year: EUR 9.1 million) according to the guideline for lowering indirect labour costs in the German marine industry; this amount is recorded as other operating income. Overall, the Group received assistance and subsidies of EUR 13.6 million in the reporting year (previous year: EUR 14.7 million).

30. 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 balance sheet date.

As at 31 December 2016, there were no guarantees or sureties which have to be disclosed.

31. 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. It is regarded as unlikely that these proceedings will result in any noteworthy payment obligations. Consequently, no provisions for litigation risks are formed and no contingent liabilities are reported in the Notes in this context.

The EU Antitrust Policy, which was initiated in 2011, has been finalised following the ruling of the EU Commission on 7 July 2016 without the imposition of any penalties. With this ruling, the Commission has accepted the voluntary commitments put forward by the liner shipping companies, which provide for a new kind of announcement of rate increases. These came into force on 7 December 2016.

Authorities in two jurisdictions have launched official investigations into possible breaches of competition law. One investigation has already been suspended without financial penalty. A further investigation is expected to be suspended without the payment of an official penalty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hapag-Lloyd is subject to regular tax audits and these may lead to the payment of tax arrears. Investigations by local tax authorities concerning individual circumstances are currently taking place in a number of jurisdictions, such as in Mexico, India and Brazil. 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 were also EUR 128.4 million in contingent liabilities from tax risks not classified as probable (previous year: EUR 124.0 million).

Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2016. Such payment obligations will not have any significant influence on the Group's net asset, financial and earnings position.

32. Leases

Lessee – finance leases

The items leased on the basis of finance lease contracts are primarily ships and containers. The contracts have terms of up to nine years. The containers can continue to be used in line with the contracts once the term of a contract has expired. As at 31 December 2016, the ships recognised in connection with the finance lease contracts had a net carrying amount of EUR 100.4 million (previous year: EUR 106.4 million); the containers were recognised at EUR 81.2 million as at 31 December 2016 (previous year: EUR 82.0 million).

The future minimum lease payments and their present values are as follows:

	31.12.2016				31.12.2015			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1 – 5 years	more than 5 years	Total	up to 1 year	1 – 5 years	more than 5 years
	million EUR							
Future minimum lease payments	164.1	43.2	93.8	27.1	182.9	33.4	112.6	36.9
Interest portion	(26.9)	(8.0)	(16.7)	(2.2)	(33.4)	(8.7)	(20.5)	(4.2)
Present value	137.2	35.2	77.1	24.9	149.5	24.7	92.1	32.7

At the balance sheet date, there were no expectations of future income from non-cancellable subletting arrangements, nor were there any contingent rental payments.

Lessee – operating leases

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for ships and containers, and rental agreements for business premises. The agreements have terms of between one year and 14 years, with the majority maturing after a term of up to five years. A number of the agreements include prolongation and purchase options. There is no obligation to repurchase them. Some of the rental agreements for business premises include contingent rental payments based on the consumer price index for Germany.

Charter agreements for ships are always structured as time charter contracts, i.e. in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the 2016 financial year, lease payments of EUR 997.1 million were posted to expenses (previous year: EUR 1,180.8 million), of which EUR 410.1 million were charter expenses (previous year: EUR 585.1 million). No contingent rental payments were posted to expenses in 2016 (previous year: EUR 0.3 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

	31.12.2016				31.12.2015			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1 –5 years	more than 5 years	Total	up to 1 year	1 –5 years	more than 5 years
	million EUR							
Vessels and containers	682.7	303.5	362.6	16.6	1,035.7	521.1	470.9	43.7
Business premises	103.9	21.9	48.9	33.1	110.1	25.4	49.0	35.7
Other	239.2	58.3	180.9	—	155.0	56.0	99.0	—
Total	1,025.8	383.7	592.4	49.7	1,300.8	602.5	618.9	79.4

As at 31 December 2016, future minimum lease income from subletting arrangements relating to non-cancellable subletting arrangements totalled EUR 4.5 million (previous year: EUR 3.4 million).

Lessor – operating leases

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. The assets let within the scope of the operating lease contracts are essentially fully owned ships as well as slots on ships.

The following future minimum lease payments relate to non-cancellable operating lease contracts:

	31.12.2016				31.12.2015			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1 –5 years	more than 5 years	Total	up to 1 year	1 –5 years	more than 5 years
	million EUR							
Vessels	11.7	11.7	—	—	58.7	45.9	12.8	—
Business premises	0.7	0.2	0.5	—	1.1	0.3	0.8	0.0
Total	12.4	11.9	0.5	0.0	59.8	46.2	13.6	0.0

At the reporting date, the gross carrying amounts of the chartered ships totalled EUR 135.2 million (previous year: EUR 230.2 million). The accumulated depreciation amounted to EUR 12.0 million (previous year: EUR 35.9 million) and depreciation for the period amounted to EUR 5.3 million (previous year: EUR 8.5 million). No contingent rental payments were recorded through profit or loss in the 2016 financial year.

33. Other financial obligations

The Group's other financial obligations as at 31 December 2016 include a purchase obligation for investments in container ships amounting to EUR 151.7 million (previous year: EUR 350.1 million), which is due within one year.

34. Share-based payment

As part of the Company's IPO, long-term variable remuneration was introduced for Executive Board members in the form of virtual shares. Under the long-term incentive plan (LTIP), a specified euro amount (allocation amount) contractually agreed on an individual basis is allocated to each Executive Board member at the start of every calendar year, reflecting performance in the current and following three financial years (performance period).

This allocation amount is 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. For the first tranche after the IPO in November 2015 ("IPO tranche"), the share price is calculated differently and is based on the average of the 20 trading days that follow the 30th trading day after the IPO. For the second tranche, which was granted on 4 January 2016, there was also a different calculation for the share price conversion. This share price was based on the average of 60 trading days, from the 30th trading day after the IPO.

The virtual shares are divided equally into performance share units and retention share units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 zero, as measured by a performance factor, when the performance period ends. If the performance factor is zero, all of the performance share units are forfeited.

When the performance period ends and the performance share units have been calculated, payments under the LTIP 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 this case, all entitlements under the long-term incentive plan are forfeited.

The maturities of the other provisions are as follows:

	<u>Virtual shares</u>	<u>Fair value</u>
	million EUR	million EUR
As per 1.1.2015	—	—
Virtual shares granted	112,586	2.2
Virtual shares exercised	—	—
Virtual shares forfeited	—	—
Measurement result	—	—
As per 31.12.2015	112,586	2.2
Virtual shares granted	125,216	2.2
Virtual shares exercised	—	—
Virtual shares forfeited	—	—
Measurement result	(29,723)	(0.5)
As per 31.12.2016	208,079	3.9

The measurement of the virtual shares at the time they are granted is based on the allocation amount.

In the reporting period, EUR 1.4 million was recognised for share-based payments through profit or loss. The provision for share-based payments amounted to EUR 2.0 million as at 31 December 2016 (previous year: EUR 0.6 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
- Hamburg-Amerika Linie GmbH, Hamburg

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- First CSAV Ships Germany GmbH, Hamburg
- Second CSAV Ships Germany GmbH, Hamburg

36. Services provided by the auditors of the consolidated financial statements

In the 2016 financial year, the following fees were paid to the external auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network:

	1.1.–31.12. 2016 Total	1.1.–31.12. 2016 Domestic	1.1.–31.12. 2015 Total	1.1.–31.12. 2015 Domestic
	million EUR			
Audit fees for annual audit	3.4	1.7	1.9	0.7
Audit fees for other assurance services	0.2	0.2	1.4	1.2
Audit fees for tax consultancy	0.7	0.4	0.3	0.1
Audit fees for other services	1.2	1.2	1.1	0.7
Total	5.5	3.5	4.7	2.7

37. 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 following disclosures on transactions with shareholders, the relationships with Kühne Holding AG as well as Kühne Maritime GmbH (Kühne) and CSAV Germany Container Holding GmbH (CSAV) and their respective related parties are outlined. 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.

Shares

in %	2016	2015
CSAV Germany Container Holding GmbH	31.4	31.4
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	20.6	20.6
Kühne Holding AG / Kühne Maritime GmbH	20.2	20.2
TUI AG / TUI-Hapag Beteiligungs GmbH	12.3	12.3
Free float	15.5	15.5
Total	100.0	100.0

Transactions with related parties (excluding management in key positions):

	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
	1.1.–31.12.2016	1.1.–31.12.2015	1.1.–31.12.2016	1.1.–31.12.2015
	million EUR			
Shareholders	321.6	362.2	106.1	82.8
Associated companies	18.8	0.6	116.8	68.8
Other investments	—	8.8	—	2.3
Total	340.4	371.6	222.9	153.9
	Receivables		Liabilities	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	million EUR			
Shareholders	43.5	122.9	10.2	286.1
Affiliated non-consolidated companies	—	—	0.2	0.2
Associated companies	14.6	3.7	13.9	5.2
Other investments	0.0	1.7	0.0	0.4
Total	58.1	128.3	24.3	291.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 340.2 million; previous year: EUR 369.9 million) and other services (EUR 0.2 million; previous year: EUR 1.6 million). Interest income of EUR 0.1 million is still recognised for 2015.

Of the expenses shown above, EUR 221.5 million result from operating services (previous year: EUR 127.5 million) and EUR 1.4 million are from other services (previous year: EUR 13.1 million). In the previous year, interest expenses of EUR 13.3 million were also incurred.

Business combination agreement

On 15 July 2016, Hapag-Lloyd AG entered into a business combination agreement (BCA) with United Arab Shipping Company S.A.G. (“UASC”) and agreed that the Company would acquire UASC’s shares, whereby all of UASC’s shareholders would submit their shares in UASC to the Company by means of a contribution in kind.

Along with the BCA, Hapag-Lloyd and UASC also entered into a shareholders’ support agreement (SSA) with the anchor shareholders of Hapag-Lloyd, i. e. CSAV Germany Container Holding GmbH (CSAV), Kühne Maritime GmbH (Kühne) and HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement GmbH (HGV) (CSAV, Kühne and HGV together form the controlling HL shareholders), and the anchor shareholders of UASC, i. e. Qatar Holding LLC on behalf of the State of Qatar (QH) and the Public Investment Fund on behalf of the Kingdom of Saudi Arabia (PIF) (QH and PIF together form the controlling UASC shareholders). Together with the BCA, the SSA forms a unitary legal transaction which requires the controlling shareholders to fulfil their obligations to the merger parties in accordance with the BCA.

Implementation of the obligations of the controlling HL shareholders took place in part during the reporting period. Under a resolution approved at the Annual General Meeting on 26 August 2016, the articles of association were amended to increase the size of the Supervisory Board from twelve members at present to 16 and to adjust the authorised share capital. Accordingly, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the Company’s share capital by up to EUR 50.0 million in the period to 30 June 2018 by issuing up to 50 million new no-par registered shares in exchange for cash and / or contributions in kind (Authorised Share Capital 2016). The amendment to the articles of association was entered on 4 October 2016.

Alongside the transfer of UASC’s shares to Hapag-Lloyd AG by means of a contribution in kind in return for the issuing of new Hapag-Lloyd shares from Authorised Share Capital, the controlling HL shareholders have also committed to carrying out a cash capital increase within six months of the completion of the merger for a euro amount equivalent to USD 400 million. In relation to this, the shareholders Kühne and CSAV have agreed to assume a backstop obligation.

In addition, the aforementioned shareholders have committed, under certain preconditions, to ensuring that the Company will be provided with a compensation amount in case that the minimum threshold for equity or minimum cash and cash equivalents are not reached and / or the maximum level for financial debt is exceeded.

Remuneration of key management personnel

The remuneration of key management personnel in the Group to be disclosed under IAS 24 encompasses the remuneration paid to the current members of the Executive Board and Supervisory Board of Hapag-Lloyd AG. The basic features of the remuneration system and the amount of remuneration for the Executive Board and Supervisory Board are presented and explained in more detail in the remuneration report. The remuneration report is part of the Group management report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The active members of the Executive Board and the Supervisory Board were remunerated as follows:

	Executive Board		Supervisory Board	
	2016	2015	2016	2015
	million EUR			
Short-term benefits	3.5	4.3	1.4	1.2
Termination benefits	—	0.3	—	—
Post-employment benefits	0.2	0.4	—	—
Share-based benefits	1.4	0.6	—	—
Total	5.1	5.6	1.4	1.2

In the 2016 financial year, the employee representatives on the Supervisory Board received EUR 0.5 million (previous year: EUR 0.3 million) in emoluments 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 315a of the German Commercial Code (HGB):

	Executive Board		Supervisory Board	
	2016	2015	2016	2015
	million EUR			
Active board members	5.6	6.5	0.9	0.9
Former board members	0.9	1.0	—	—
Total	6.5	7.5	0.9	0.9

The active Executive Board members were granted 125,216 virtual shares in total in the financial year, with a fair value of EUR 2.2 million at the time they were granted.

A total of EUR 24.9 million was allocated to pension provisions for former Executive Board members as at 31 December 2016 (previous year: EUR 22.2 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.

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

The declaration required under Section 161 AktG was issued by the Executive Board and Supervisory Board in December 2016 and has been made permanently available to shareholders in the “Corporate Governance” section under “IR” of the Company’s website, www.hapag-lloyd.com.

39. Significant transactions after the balance sheet date

With the delivery of the “Cartagena Express” on 19 January 2017 and the “Guayaquil Express” on 2 February 2017, Hapag-Lloyd has put another two ships in the Valparaíso class into operation, each with a transport capacity of 10,500 TEU. In relation to this, the last instalments for the construction work of EUR 96.0 million in total were paid to the shipyard. At the same time, a credit facility amounting to EUR 138.8 million was utilised. The last ship under construction in the Valparaíso class is scheduled to enter operation in April 2017.

In January 2017, a sale and leaseback transaction was entered into for used containers held by the Company. The lease contract has a term of four years, beginning on 20 January 2017, and comprises a volume of EUR 41.5 million. The containers remain in the ownership of the Company and there are no effects on the result from the disposal of the containers.

On 1 February 2017, Hapag-Lloyd issued a new corporate bond with a coupon of 6.75% and a maturity of five years at an issue price of 100.00%. Due to the high level of demand, the originally planned issue volume of EUR 150.0 million was increased to EUR 250.0 million. Some of the proceeds from the issue will be used for the early repayment of the USD bond, which has an outstanding balance of USD 125.0 million. The original repayment date of the USD bond was 15 October 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On 15 February 2017, a further EUR 200.0 million was added to the corporate bond issued in January, taking the total amount to EUR 450.0 million. The additional proceeds from the issue of EUR 204.8 million (issue price: 102.375%) will be used for the partial early repayment of the EUR bond due on 1 October 2018.

In the fourth quarter of 2016, shortfalls in the loan-to-value ratios in the amount of USD 62.2 million (EUR 58.9 million) were created, due to the current development of the market prices for used container ships. In the first quarter of 2017, Hapag-Lloyd was requested by the financing bank to pay a respective unplanned redemption payment. Current negotiations have led to a reduction of the unplanned redemption payments down to USD 41.0 million (EUR 38.8 million). Additional requests to pay unplanned redemption payments in the amount of USD 10.3 million (EUR 9.8 million) were received in the first quarter of 2017.

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

Name of the company	Registered office	Shareholding in %
Affiliated consolidated companies		
Head Office		
Hamburg-Amerika Linie GmbH	Hamburg	100.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	94.90
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	100.00
First CSAV Ships Germany GmbH	Hamburg	100.00
Second CSAV Ships Germany GmbH	Hamburg	100.00
Europe		
Hapag-Lloyd Africa PTY Ltd.	Durban	100.00
Hapag-Lloyd (Austria) GmbH	Vienna	100.00
Oy Hapag-Lloyd Finland AB	Helsinki	100.00
Hapag-Lloyd (France) S.A.S.	Asnieres sur Seine	100.00
Hapag-Lloyd (Ireland) Ltd.	Dublin	100.00
Hapag-Lloyd (Italy) S.R.L.	Milan	100.00
Hapag-Lloyd Polska Sp.z.o.o.	Gdynia	100.00
Hapag-Lloyd Portugal LDA	Lisbon	100.00
Hapag-Lloyd (Schweiz) AG	Basel	100.00
Hapag-Lloyd Special Finance DAC	Dublin	100.00
Hapag-Lloyd (Sweden) AB	Gothenburg	100.00
Hapag-Lloyd Spain S.L.	Barcelona	90.00
Hapag-Lloyd (UK) Ltd.	Barking	100.00
Norasia Container Lines Ltd.	Valetta	100.00
CSAV UK & Ireland Limited i.L.	Liverpool	100.00
Asia		
Hapag-Lloyd Middle East Shipping LLC	Dubai	49.00 ¹
Hapag-Lloyd (Australia) Pty.Ltd.	Pyrmont	100.00
Hapag-Lloyd (China) Ltd.	Hong Kong	100.00
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	100.00
Hapag-Lloyd Global Services Pvt.Ltd.	Thane	100.00
Hapag-Lloyd India Private Ltd.	Mumbai	100.00
Hapag-Lloyd (Japan) K.K.	Tokyo	100.00
Hapag-Lloyd (Korea) Ltd.	Seoul	100.00
Hapag-Lloyd (Malaysia) Sdn.Bhd.	Kuala Lumpur	100.00
Hapag-Lloyd (New Zealand) Ltd.	Auckland	100.00
Hapag-Lloyd Pte.Ltd.	Singapore	100.00
Hapag-Lloyd (Taiwan) Ltd.	Taipei	100.00
Hapag-Lloyd (Thailand) Ltd.	Bangkok	49.90
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	100.00
CSAV Group (China) Shipping Co. Ltd.	Shanghai	100.00
CSAV Group (Hong Kong) Ltd. i.L.	Hong Kong	100.00
CSAV Group Agencies (Hong Kong) Ltd. i.L.	Hong Kong	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<u>Name of the company</u>	<u>Registered office</u>	<u>Shareholding in %</u>
North America		
Hapag-Lloyd (America) LLC	Wilmington	100.00
Hapag-Lloyd (Canada) Inc.	Montreal	100.00
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	100.00
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	100.00
Hapag-Lloyd USA LLC	Wilmington	100.00
Florida Vessel Management LLC	Wilmington	75.00
Agencias Grupo CSAV (Mexico) S.A. de C.V.	Mexico City	100.00
South America		
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	100.00
Hapag-Lloyd Colombia LTDA	Bogota	100.00
Hapag-Lloyd Costa Rica S.A.	San Jose	100.00
Hapag-Lloyd Guatemala S.A.	Guatemala City	100.00
Hapag-Lloyd (Peru) S.A.C.	Lima	60.00
Hapag-Lloyd Venezuela C.A.	Caracas	100.00
CSAV Austral SpA	Valparaíso	49.00
Hapag-Lloyd Chile SpA	Valparaíso	100.00
CSAV Group Agencias Uruguay S.A.	Montevideo	100.00
Servicios de Procesamiento Naviero S.R.L. i.L.	Montevideo	100.00
Invermar Management S.A	Panama City	100.00
Companhia Libra de Navegacao S.A.	São Paulo	100.00
Andes Operador Multimodal Ltda.	São Paulo	100.00
Corvina Maritime Holding S.A.	Panama City	100.00
Sea Lion Shipping Co. S.A.	Panama City	100.00
Southern Shipmanagement Co. S.A.	Panama City	100.00
Southern Shipmanagement (Chile) Ltda.	Valparaíso	100.00
Wellington Holding Group S.A.	Road Town	100.00
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	100.00
Inversiones CNP S.A.	Lima	100.00
Torksey S.A.	Montevideo	100.00
Lanco Investments Internacional Co. S.A.	Panama City	100.00
Rahue Investment Co. S.A.	Panama City	100.00
CNP Holding S.A.	Panama City	100.00
Norasias Alya S.A.	Panama City	100.00
Other		
CSAV Ships S.A.	Panama City	100.00
CSBC Hull 900 Ltd.	Douglas	100.00
Hull 1796 Co. Ltd.	Majuro	100.00
Hull 1798 Co. Ltd.	Majuro	100.00
Hull 1906 Co. Ltd.	Majuro	100.00
Hull 1975 Co. Ltd.	Majuro	100.00
Hull 1976 Co. Ltd.	Majuro	100.00
Malleco Shipping Co. S.A.	Panama City	100.00
Maule Shipping Co. S.A.	Panama City	100.00
Join venture		
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	50.00
Associated companies		
Hapag-Lloyd Lanka (Pvt) Ltd.	Colombo	40.00
HHLA Container Terminal Altenwerder GmbH	Hamburg	25.10
Affiliated non-consolidated companies		
Hapag-Lloyd Container Ltd.	Barking	100.00
Hapag-Lloyd Container (No. 2) Ltd.	Barking	100.00
Hapag-Lloyd Container (No. 3) Ltd.	Barking	100.00
Hapag-Lloyd Ships Ltd.	Barking	100.00
Hapag-Lloyd Ships (No. 2) Ltd.	Barking	100.00
Brunswick Investment Co. Inc.	Nassau	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<u>Name of the company</u>	<u>Registered office</u>	<u>Shareholding in %</u>
CSAV Denizcilik Acentasi A.S.	Istanbul	100.00
CSAV Group Agencies South Africa (Pty) Ltd.	Durban	100.00
CSAV Group Agency Colombia Ltda. i.L.	Bogota	100.00
CSBC Hull 896 Ltd.	Douglas	100.00
CSBC Hull 898 Ltd.	Douglas	100.00
Hull 1794 Co. Ltd.	Majuro	100.00
Hull 1800 Co. Ltd.	Majuro	100.00
Hull 2082 Co. Ltd.	Majuro	100.00
Hull 2083 Co. Ltd.	Majuro	100.00
Hull 2084 Co. Ltd.	Majuro	100.00
Hull 2085 Co. Ltd.	Majuro	100.00
Hull 2086 Co. Ltd.	Majuro	100.00
Hull 2087 Co. Ltd.	Majuro	100.00
Hull 2088 Co. Ltd.	Majuro	100.00
Chacabuco Shipping Ltd.	Majuro	100.00
Palena Shipping Ltd.	Majuro	100.00
Libra Agency (Argentina) S.A.	Buenos Aires	100.00
Hamburg-Amerikanische Packetfahrt-Gesellschaft mbH	Hamburg	100.00
Norddeutscher Lloyd GmbH	Bremen	100.00
Zweite Hapag-Lloyd Schiffvermietungsgesellschaft mbH	Hamburg	100.00

¹ An additional 51.00% are held by a trustee on behalf of the Hapag-Lloyd Group.


NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hamburg, 8 March 2017

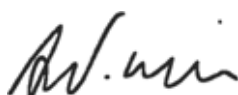
Hapag-Lloyd AG
Executive Board



Rolf Habben Jansen



Nicolás Burr



Anthony J. Firmin



Thorsten Haeser

The following auditor's report, prepared in accordance with Section 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete consolidated financial statements, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow, notes to the consolidated financial statements, together with the group management report of Hapag-Lloyd Aktiengesellschaft for the financial year from 1 January to 31 December 2016. The group management report is not included in this prospectus. The above-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Hapag-Lloyd Aktiengesellschaft, Hamburg, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the financial year from 1 January to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the financial position, financial performance and cash flows in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the financial position, financial performance and cash flows of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 8 March 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Heckert
Wirtschaftsprüfer (German Public Auditor)

Lippmann
Wirtschaftsprüfer (German Public Auditor)

**Audited Consolidated Financial Statements
of Hapag-Lloyd AG
prepared in Accordance with IFRS
as of and for the year ended December 31, 2015**

CONSOLIDATED INCOME STATEMENT

Consolidated income statement of Hapag-Lloyd AG for the period 1 January to 31 December 2015

	Notes	1.1.– 31.12.2015	1.1.– 31.12.2014
Million EUR			
Revenue	(1)	8,841.8	6,807.5
Other operating income	(2)	193.7	116.8
Transport expenses	(3)	7,258.5	6,060.1
Personnel expenses	(4)	484.4	403.3
Depreciation, amortisation and impairment	(5)	464.6	481.7
Other operating expenses	(6)	517.7	393.3
Operating result		310.3	(414.1)
Share of profit of equity-accounted investees	(14)	28.5	34.2
Other financial result	(7)	27.6	(2.9)
Earnings before interest and taxes (EBIT)		366.4	(382.8)
Interest income	(8)	5.6	7.0
Interest expenses	(8)	232.9	216.7
Earnings before income taxes		139.1	(592.5)
Income taxes	(9)	25.2	11.2
Group profit/loss		113.9	(603.7)
thereof attributable to shareholders of Hapag-Lloyd AG		111.6	(605.0)
thereof attributable to non-controlling interests	(22)	2.3	1.3
Basic/Diluted earnings per share (in EUR)	(10)	1.04	(8.81)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Consolidated statement of comprehensive income of Hapag-Lloyd AG for the period 1 January to 31 December 2015

	<u>Notes</u>	<u>1.1.– 31.12.2015</u>	<u>1.1.– 31.12.2014</u>
		<u>Million EUR</u>	
Group profit/loss		113.9	(603.7)
Items which will not be reclassified to profit and loss:		29.6	(58.2)
Remeasurements from defined benefit plans after tax	(21)	29.6	(58.2)
Remeasurements from defined benefit plans before tax		30.8	(60.1)
Tax effect		(1.2)	1.9
Items which may be reclassified to profit and loss:		454.3	314.6
Cash flow hedges (no tax effect)	(21)	1.2	(6.4)
Additions to cumulative other equity		(21.8)	8.7
Release from cumulative other equity		23.0	(15.1)
Currency translation (no tax effect)	(21)	453.1	321.0
Other comprehensive income after tax		483.9	256.4
Total comprehensive income		597.8	(347.3)
thereof attributable to shareholders of Hapag-Lloyd AG		595.0	(348.8)
thereof attributable to non-controlling interests	(22)	2.8	1.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position of Hapag-Lloyd AG as of 31 December 2015

	Notes	31.12.2015	31.12.2014*
Million EUR			
Assets			
Goodwill	(11)	1,610.8	1,372.7
Other intangible assets	(11)	1,376.3	1,309.7
Property, plant and equipment	(12)	6,143.6	5,176.0
Investments in equity-accounted investees	(14)	326.6	387.0
Other assets	(15)	22.5	13.1
Derivative financial instruments	(15)	10.7	15.8
Deferred tax assets	(9)	23.6	27.9
Non-current assets		9,514.1	8,302.2
Inventories	(17)	94.1	152.1
Trade accounts receivable	(15)	716.1	703.8
Other assets	(15)	148.5	134.3
Derivative financial instruments	(16)	0.7	3.8
Income tax receivables	(9)	31.9	28.6
Cash and cash equivalents	(18)	573.7	711.4
Non-current assets held for sale	(19)	—	59.2
Current assets		1,565.0	1,793.2
Total assets		11,079.1	10,095.4

* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

	Notes	31.12.2015	31.12. 2014*
Million EUR			
Equity and liabilities			
Subscribed capital	(20)	118.1	104.9
Capital reserves	(20)	1,263.2	1,651.9
Retained earnings	(20)	3,052.3	2,286.1
Cumulative other equity	(21)	604.8	121.4
Equity attributable to the shareholders of Hapag-Lloyd AG		5,038.4	4,164.3
Non-controlling interests	(22)	7.8	5.3
Equity		5,046.2	4,169.6
Provisions for pensions and similar obligations	(23)	186.2	208.4
Other provisions	(24)	144.2	207.0
Financial debt	(25)	3,297.2	3,309.1
Other liabilities	(26)	4.7	7.2
Deferred tax liabilities	(9)	1.5	1.5
Non-current liabilities		3,633.8	3,733.2
Provisions for pensions and similar obligations	(23)	5.6	6.5
Other provisions	(24)	285.9	385.4
Income tax liabilities	(9)	22.9	18.3
Financial debt	(25)	610.1	408.0
Trade accounts payable	(26)	1,293.8	1,225.4
Other liabilities	(26)	158.5	125.2
Derivative financial instruments	(27)	22.3	23.8
Current liabilities		2,399.1	2,192.6
Total equity and liabilities		11,079.1	10,095.4

* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity of Hapag-Lloyd AG for the period 1 January to 31 December 2015

	Equity attributable to shareholders of Hapag-Lloyd AG							Non-controlling interests	Total equity
	Subscribed capital	Capital Reserve	Retained earnings	Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Cumulative other equity		
Notes	(20)	(20)	(20)	Million EUR	Million EUR	(21)	(22)		
As per 1.1.2014	66.1	935.3	2,045.8	(46.6)	6.4	(94.6)	2,912.4	2.7	2,915.1
Total comprehensive income	—	—	(605.0)	(58.2)	(6.4)	320.8	256.2	1.5	(347.3)
thereof									
Group profit/loss	—	—	(605.0)	—	—	—	(605.0)	1.3	(603.7)
Other comprehensive income	—	—	—	(58.2)	(6.4)	320.8	256.2	0.2	256.4
Transactions with shareholders	38.8	716.6	845.3	—	—	—	1,600.7	1.1	1,601.8
thereof									
Business combination	28.3	1,202.3	0.1	—	—	—	1,230.7	2.0	1,232.7
Capital increase	10.5	359.5	—	—	—	—	370.0	—	370.0
Transfer from capital reserves	—	(845.2)	845.2	—	—	—	—	—	—
Distribution to non-controlling interests	—	—	—	—	—	—	—	(0.9)	(0.9)
As per 31.12.2014	104.9	1,651.9	2,286.1	(104.8)	—	226.2	4,164.3	5.3	4,169.6
Total comprehensive income	—	—	111.6	29.6	1.2	452.6	595.0	2.8	597.8
thereof									
Group profit/loss	—	—	111.6	—	—	—	111.6	2.3	113.9
Other comprehensive income	—	—	—	29.6	1.2	452.6	483.4	0.5	483.9
Transactions with shareholders	13.2	(388.7)	654.8	—	—	—	279.3	(0.3)	279.0
thereof									
Capital increase initial public offering	13.2	251.3	—	—	—	—	264.5	—	264.5
Transaction cost initial public offering	—	(4.3)	—	—	—	—	(4.3)	—	(4.3)
Transfer from capital reserves	—	(635.7)	635.7	—	—	—	—	—	—
Business combination	—	—	19.1	—	—	—	19.1	3.6	22.7
Distribution to non-controlling interests	—	—	—	—	—	—	—	(3.9)	(3.9)
Deconsolidation	—	—	(0.2)	—	—	—	—	—	(0.2)
As per 31.12.2015	118.1	1,263.2	3,052.3	(75.2)	1.2	678.8	5,038.4	7.8	5,046.2

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows of Hapag-Lloyd AG for the period 1 January to 31 December 2015

	Notes	1.1.– 31.12.2015	1.1.– 31.12.2014*
Million EUR			
Group profit/loss		113.9	(603.7)
Income tax expenses(+) / income (–)		25.2	11.2
Interest result		227.3	209.7
Depreciation, amortisation and impairment(+) / write-backs (–)		464.6	481.7
Other non-cash expenses(+) / income (–)		(87.8)	16.9
Profit (–) / loss (+) from hedges for financial debt		47.9	—
Profit (–) / loss (+) from disposals of non-current assets and assets held for sale		(11.0)	0.0
Income (–) / Expenses(+) from equity-accounted investees and dividends		(28.6)	(34.3)
Increase(–) / decrease(+) in inventories		74.2	70.9
Increase(–) / decrease(+) in receivables and other assets		69.0	58.5
Increase (+) / decrease(–) in provisions		(224.7)	91.0
Increase (+) / decrease(–) in liabilities (excl. financial debt)		(98.7)	77.6
Payments for income taxes		(0.8)	(4.6)
Payments received (+) for interest		1.6	2.3
Cash inflow (+) / outflow (–) from operating activities		572.1	377.2
Payments received from disposals of property, plant and equipment and intangible assets		4.0	4.8
Payments received from the disposal of other investments		0.3	—
Payments from dividends		38.9	34.2
Payments received from the disposal of assets held for sale		74.9	—
Payments made for investment in property, plant and equipment and intangible assets		(724.3)	(340.5)
Payments received from acquisitions		—	44.0
Payments made for investment in other investments		(0.3)	(0.1)
Cash inflow (+) / outflow (–) from investing activities		(606.5)	(257.6)
	Notes	1.1.– 31.12.2015	1.1.– 31.12.2014*
Million EUR			
Payments received from capital increases		264.5	306.9
Payments made for capital increases		(5.0)	—
Payments made for dividends		(2.1)	(0.9)
Payments received from raising financial debt		575.3	748.2
Payments made for the redemption of financial debt		(748.6)	(790.6)
Payments made for interest		(213.3)	(182.0)
Payments received (+) and made (–) from hedges for financial debt		(47.9)	—
Cash inflow (+) / outflow (–) from financing activities		(177.1)	81.6
Net change in cash and cash equivalents		(211.5)	201.2
Cash and cash equivalents at the beginning of period		711.4	464.8
Change in cash and cash equivalents due to exchange rate fluctuations		73.8	45.4
Net change in cash and cash equivalents		(211.5)	201.2
Cash and cash equivalents at the end of the period		573.7	711.4

* Payments for interest and income taxes are shown separately in the consolidated statement of cash flows. The prior period was amended accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

General notes

The consolidated financial statements of Hapag-Lloyd AG (hereinafter “the Company”), domiciled in Hamburg, were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and adopted as European law by the European Union (EU), and the German commercial law provisions that must be observed pursuant to Section 315a (1) of the German Commercial Code (HGB).

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

The consolidated financial statements are for the financial year from 1 January to 31 December 2015 and are due to be examined and approved by the Supervisory Board on 23 March 2015.

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

On 2 December 2014, the Chilean shipping company Compañía Sud Americana de Vapores (“CSAV”) and Tollo Shipping Co. S.A. (“Tollo”), a wholly owned subsidiary of CSAV, incorporated their global container shipping activities (CSAV container shipping activities [“CCS”]) into CSAV Germany Container GmbH, Hamburg (“CC Co”). This company was incorporated into Hapag-Lloyd AG on 2 December 2014 as a contribution in kind. CC Co was merged with Hapag-Lloyd AG with effect from 1 January 2015 by way of an upstream merger.

In the fourth quarter of 2015, Hapag-Lloyd AG carried out the initial public offering (IPO) which it had announced on 28 September 2015. 13.2 million new registered shares were issued at a price of EUR 20 by an international bank consortium to institutional and private investors as part of a book-building process. The shares have been traded on the Frankfurt and Hamburg stock exchanges since 6 November 2015.

As at 31 December 2015, Hapag-Lloyd’s biggest shareholders were CSAV Germany Container Holding GmbH (“CG HoldCo”) with 31.4%, HGV Hamburger Gesellschaft für Vermögensund Beteiligungsmanagement mbH (“HGV”) as a company of the Free and Hanseatic City of Hamburg with 20.6%, Kühne Holding AG together with Kühne Maritime GmbH (“Kühne”) with 20.2% and TUI-Hapag Beteiligungs GmbH with 12.3%. CG HoldCo, HGV and Kühne have agreed to pool voting rights as part of a shareholders’ agreement.

The consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are only comparable with the corresponding prior year period to a limited degree, as CSAV’s container shipping activities were included in the consolidated financial statements for the first time from 2 December 2014.

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 EBITDA and EBIT at the Group level.

The allocation of resources (use of vessels and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world via a complete liner service network, the Executive Board has decided that there is no appropriate measure for internal reporting with which assets, liabilities, EBIT and EBITDA as the key performance indicators can be allocated to multiple geographic regions. All of the Group’s assets, liabilities, earnings, income and expenses are thus only allocable to the one segment, container shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Transport volume per trade**

	1.1.–31.12. 2015	1.1.–31.12. 2014**
	TTEU	
Atlantic	1,541	1,446
Transpacific	1,390	1,319
Far East	1,283	1,135
Latin America	2,247	1,158
Intra Asia	573	491
EMAO (Europe—Mediterranean—Africa—Oceania)	367	358
Total	7,401	5,907

* The trades have been restructured and the assignment of individual services amended as part of the CSAV integration. The prior period figures have been amended accordingly.

** The figures for 2014 include the container shipping activities acquired from CSAV from the date of first-time consolidation 2 December 2014.

*Freight rate per trade**

	1.1.–31.12. 2015	1.1.–31.12. 2014**
	US\$/TEU	
Atlantic	1,504	1,585
Transpacific	1,599	1,768
Far East	942	1,179
Latin America	1,111	1,357
Intra Asia	655	796
EMAO (Europe—Mediterranean—Africa—Oceania)	1,210	1,407
Total (weighted average)	1,225	1,427

* The trades have been restructured and the assignment of individual services amended as part of the CSAV integration. The prior period figures have been amended accordingly.

** The figures for 2014 include the container shipping activities acquired from CSAV from the date of first-time consolidation 2 December 2014.

*Revenue per trade**

	1.1.–31.12. 2015	1.1.–31.12. 2014**
	Million EUR	
Atlantic	2.088,0	1.724,4
Transpacific	2.002,2	1.754,8
Far East	1.088,0	1.006,8
Latin America	2.249,7	1.182,9
Intra Asia	338,4	294,5
EMAO (Europe—Mediterranean—Africa—Oceania)	400,0	379,0
Other	675,5	465,1
Total	8.841,8	6.807,5

* The trades have been restructured and the assignment of individual services amended as part of the CSAV integration. The prior period figures have been amended accordingly.

** The figures for 2014 include the container shipping activities acquired from CSAV from the date of first-time consolidation 2 December 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Operating earnings before interest, taxes, depreciation and amortisation (EBITDA) are calculated on the basis of the Group's earnings before interest and taxes as follows:

	1.1.–31.12. 2015	1.1.–31.12. 2014*
	Million EUR	
EBIT	366.4	(382.8)
Depreciation, amortisation and impairment	464.6	481.7
EBITDA	831.0	98.9
Share of profit of equity-accounted investees	28.5	34.2
Earnings before income taxes (EBT)	139.1	(592.5)

* The figures for 2014 include the container shipping activities acquired from CSAV from the date of first-time consolidation 2 December 2014.

The profits of the segment's equity-accounted investees correspond to those of the Group (see Note [14]).

Non-current assets

	2015	2014
	Million EUR	
Goodwill	1,610.8	1,372.7
Other intangible assets	1,376.3	1,309.7
Property, plant and equipment	6,143.6	5,176.0
Investments in equity-accounted investees	326.6	387.0
Total	9,457.3	8,245.4
thereof domestic	9,208.0	7,589.4
thereof foreign	249.3	656.0
Total	9,457.3	8,245.4

When assessing the cash-generating unit (CGU), non-current assets that were acquired as part of business combinations cannot be broken down by region due to their shared use. As a result, these have been assigned to the parent company in Germany.

The Company is not dependent on individual customers.

New accounting standards

The following amendments to existing standards published by the IASB, which have already been endorsed, had to be adopted for the first time in the 2015 financial year. Unless stated otherwise, their first-time adoption did not have a significant effect on the net asset, financial and earnings position of the Hapag-Lloyd Group:

- Amendment to IAS 19: *Employee Contributions*
- IFRIC 21: *Levies*
- Various: Annual Improvements to IFRS (2010–2012)
- Various: Annual Improvements to IFRS (2011–2013)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following standards and interpretations, that were adopted and amended by the IASB at the time these consolidated financial statements were prepared, were not yet mandatory in the 2015 financial year:

	Standard/Interpretation	Mandatory application as per	Adopted by EU Commission
IAS 1	Amendments to IAS 1: Presentation of Financial Statements	1.1.2016	yes
IAS 16 IAS 38	Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1.1.2016	yes
IAS 16 IAS 41	Amendments to IAS 16 and IAS 41: Agriculture: Bearer Plants	1.1.2016	yes
IAS 27	Amendments to IAS 27: Equity Method in Separate Financial Statements	1.1.2016	yes
IFRS 11	Amendment to IFRS 11: Acquisition of an Interest in a Joint Operation	1.1.2016	yes
Diverse	Annual Improvements to IFRS (2012-2014)	1.1.2016	yes
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1.1.2017	no
IFRS 9	Financial Instruments	1.1.2018	no
IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	open	no
IFRS 10 IFRS 12 IAS 28	Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception	1.1.2016	no
IFRS 14	Regulatory Deferral Accounts	1.1.2016	will not be transferred into EU Law
IFRS 15	Revenue from Contracts with Customers	1.1.2018	no
IFRS 16	Leases	1.1.2019	no

The mentioned regulations will not be mandatory until the 2016 financial year or later. The Company does not plan to early adopt any of them. Unless stated otherwise, the effects are currently being reviewed. Changes that have no material effect on the net asset, financial and earnings position of the Hapag-Lloyd Group have not been included in the Notes.

EU endorsement has been given

The amendments to IAS 1 primarily include the clarification that disclosures made in the Notes are only necessary if their content is not immaterial (even if an IFRS stipulates a list of minimum disclosures), explanations regarding the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income, clarification of how shares in the other comprehensive income of equity-accounted investments are to be presented in the statement of comprehensive income, and the removal of a model for the Notes in favor of considering the relevance to individual companies. The disclosures made by the Hapag-Lloyd Group in the Notes will be adjusted as and from the 2016 financial year with regard to the new requirements of IAS 1 insofar as this is necessary.

A further four standards were amended as part of the *Annual Improvements* to IFRS (2012-2014) process to clarify the existing rules. The standards in question are IFRS 5, IFRS 7, IAS 19 and IAS 34. These amendments currently have no impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

EU endorsement still pending

In July 2014, the IASB published IFRS 9 *Financial Instruments*. IFRS 9 creates a standardised method for the classification and measurement of financial assets and contains revised guidelines for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the classification and measurement of financial instruments. It also provides for a new impairment model which is based on expected credit defaults. IFRS 9 additionally contains new regulations on the application of hedge accounting, in particular with regard to the management of non-financial risks. It also adopts the IAS 39 regulations on the recognition and derecognition of financial instruments.

With the amendments to IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements*, the total gain or loss on a sale or contribution of assets between an investor and its associate or joint venture shall only be recognised if the assets sold or contributed represent a business within the meaning of IFRS 3, irrespective of whether the transaction is designed as a share deal or asset deal. However, if the assets do not constitute a business, the gain/loss should only be recognised pro rata. The first-time adoption date for the amended standard has been postponed indefinitely.

In May 2014, the IASB published IFRS 15. With the introduction of IFRS 15, the rules on recognising revenue contained in various standards and interpretations were combined. At the same time, uniform basic principles were defined that are applicable to all sectors and to all types of revenue transaction. A five-step model will henceforth apply to assessing the amount of revenue to be recognised and at which time or over which period it is to be recognised. The standard also contains a range of additional rules regarding detailed issues such as presenting contract fees and contract amendments.

Changes may arise for the Hapag-Lloyd Group in particular due to the following new provisions of IFRS 15:

- Recognition of revenue as control is passed: the key factor determining the point in time or period of time of revenue recognition is the passing of the control of goods or services to the customer (control approach).
- New criteria for the recognition of revenue over the period of performance: insofar as it would no longer be possible to recognise revenue based on the percentage of completion and/or transport progress, this would result in changes with regard to the time at which the revenue is recognised
- Clear rules on multi-component transactions
- Expansion of the disclosures required in the Notes

In July 2015, the IASB decided to postpone the first-time application date of the standard to financial years which begin on or after 1 January 2018; the standard may be applied before then. Hapag-Lloyd is currently examining what effects the application of IFRS 15 would have on the Company's consolidated financial statements and will specify the date of first-time application as well as the method of transition.

In January 2016, the IASB published extensive new regulations governing the recognition of leases in IFRS 16 *Leases*. The new standard aims to ensure that all leases and associated contractual rights and obligations are recognised in the lessee's statement of financial position. The previously required distinction between finance and operating lease contracts will no longer apply to the lessee in future. Simplified reporting methods are in place for short-term leases and leased assets with a low value.

With regard to the recognition of leases by the lessor, IFRS 16 specifies regulations which are similar to the currently applicable IAS 17. This stipulates that lease contracts will continue to be classified as either finance leases or operating leases. For classification in accordance with IFRS 16, the criteria of IAS 17 have been adopted. IFRS 16 also includes a range of other regulations governing the presentation and the disclosures made in the Notes to the financial statements, as well as concerning sale-and-leaseback transactions.

Consolidation principles and methods

All significant subsidiaries, joint ventures and associated companies are included in the consolidated financial statements of Hapag-Lloyd AG.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Subsidiaries

Subsidiaries are all companies that are subject to direct or indirect control by Hapag-Lloyd AG. Control exists if Hapag-Lloyd AG has the power to make decisions due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can influence these returns through its power to make decisions. Subsidiaries are fully consolidated from the time at which control over the subsidiary is acquired. If control over the subsidiary is lost, the company is deconsolidated.

Capital consolidation is carried out using the acquisition method. When the acquisition method is applied, the acquisition costs of the acquired shares are compared with the proportionate fair value of the acquired assets, debts and contingent liabilities of the subsidiary as at the acquisition date. Any positive difference is recognised as goodwill and is recorded as an asset. Any negative difference is recognised in the income statement once the carrying amounts of the assets and liabilities have been reviewed again. 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, which were prepared using the standard Group accounting and measurement principles, with the statements of the key companies being reviewed by auditors, were included in the preparation of the consolidated financial statements.

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.

The share of Group net result and of subsidiaries' equity which is attributable to non-controlling interests is reported separately in the consolidated income statement, in the consolidated statement of comprehensive income and within Group equity. When non-controlling interests are acquired, the difference between the acquisition cost of these shares and the non-controlling interests previously reported in the Group's equity for these shares is recognised directly in equity. When shares are sold to other shareholders without any loss of control, any difference between the realisable value and the proportion of net assets attributable to other shareholders is recognised directly in equity under the item "Retained earnings".

If a subsidiary is sold, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in cumulative other equity, is recognised at the disposal date in the consolidated income statement.

Joint arrangements

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. This right is disclosed in the consolidated financial statements using the equity method.

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

Associated companies and joint ventures

Companies in which the Hapag-Lloyd Group is able to exert a significant influence over the business and financial policy (associated companies) or which are jointly controlled with other parties

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(joint ventures) are included in the consolidated financial statements from their acquisition date using the equity method. The acquisition date constitutes the point in time from which it becomes possible to exert significant influence or exercise joint control.

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

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

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.

If it is no longer possible to exert significant influence or joint control due to the sale of shares, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in other comprehensive income, is recognised at the disposal date in the consolidated income statement.

Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 107 companies are included in the group of consolidated companies:

	Fully consolidated		Equity method		Total
	domestic	foreign	domestic	foreign	
31.12.2014	9	111	1	3	124
Disposals	3	14	0	0	17
31.12.2015	6	97	1	3	107

With the incorporation of CSAV's container shipping activities into the Hapag-Lloyd Group, 74 fully consolidated companies and one equity-accounted investee were included in the group of consolidated companies in the previous year.

In the 2015 financial year, some subsidiaries were combined with each other as part of the successful integration of the operating activities and the subsequent restructuring at the level of the respective countries. This was achieved through business transfers and subsequent liquidation as well as through mergers between the subsidiaries. As a result of this, four companies left the group of consolidated companies in the 2015 financial year through liquidation, and a further 13 companies did so through mergers with other subsidiaries.

Liquidations

Hapag-Lloyd (Eastwind) Pte. Ltd.	Singapore
CSAV Group Agencies Puerto Rico Inc.	Guaynabo
CSAV North & Central Europe B.V.	Rotterdam
CSAV North & Central Europe N.V.	Antwerp

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Merger merged company	receiving company
CSAV Germany Container GmbH	Hapag-Lloyd AG
Compañía Sudamericana de Vapores GmbH	Hapag-Lloyd AG
CSAV North & Central Europe GmbH	Hapag-Lloyd AG
CSAV Agency Italy, S.p.A.	Hapag-Lloyd (Italy) S.R.L.
CSAV Agency France, S.A.S.	Hapag-Lloyd (France) S.A.S.
CSAV Argentina S.A.	Hapag-Lloyd Argentina S.R.L.
CSAV Agency (Costa Rica) S.A.	Hapag-Lloyd Costa Rica S.A.
CSAV Group Agencies Korea Co. Ltd	Hapag-Lloyd (Korea) Ltd.
Hapag-Lloyd Brasil Agenciamento Maritimo Ltda.	Companhia Libra de Navegacao S.A.
Hapag-Lloyd Chile Agencia Maritima Ltda.	Hapag-Lloyd Chile SpA (ex. CSAV Portacontenedores SpA)
CSAV Agenciamiento Maritimo SpA	Hapag-Lloyd Chile SpA (ex. CSAV Portacontenedores SpA)
CSAV Group Agencies (Taiwan) Ltd.	Hapag-Lloyd (Taiwan) Ltd.
Compañía Sud Americana de Vapores Agencia Maritima S.L.	Hapag-Lloyd Spain S.L.

Hapag-Lloyd AG holds 49.9% of the shares in Hapag-Lloyd (Thailand) Ltd., Bangkok, 49.0% of the shares in Hapag-Lloyd Agency LLC, Dubai, and 49.0% of the shares in CSAV Shipping LLC, Dubai. As Hapag-Lloyd AG has majority voting rights in all of these companies, it exerts full control over them and they are therefore fully consolidated.

Hapag-Lloyd AG holds 49.94% of the voting shares in the fully consolidated CSAV Austral SpA, Valparaíso. Hapag-Lloyd AG also holds almost 100% of the shares entitled to dividend payments. As such, beneficial ownership is exclusively within the Hapag-Lloyd Group. The investment share therefore totals 49.99%. Hapag-Lloyd accounts for the majority of the members of the decision-making body.

For details of non-controlling interests, please refer to Note (13).

The financial year for a number of CCS companies had to be changed in the 2014 financial year due to the carve-out activities required in order to incorporate CSAV's container shipping business. 41 fully consolidated companies and one equity-accounted investee had a financial year that differed from that of the Group in the reporting year. The values carried forward as at 31 December are used for purposes relating to inclusion in the consolidated financial statements. All other companies have financial years that correspond with Hapag-Lloyd AG.

Three domestic and nine foreign subsidiaries of overall minor significance for the Group's net asset, financial and earnings position are not included in the consolidated financial statements. The shares are recognised as other assets.

A complete list of the subsidiaries and associated companies in the Hapag-Lloyd Group is provided in Note (40).

Business combinations

As part of the successful integration and restructuring of the operating activities of the acquired container shipping companies in the Group, operating activities in some countries were combined into one legal unit in the respective country. These legal measures were taken so that targeted synergies could be harnessed in the individual national companies.

In this context, the agency business of the then equity-accounted investee Consorcio Naviero Peruano S.A., San Isidro ("CNP Peru") was acquired on 1 December 2015. The agency business was initially hived off from CNP Peru into a newly established company. The newly established company was incorporated into Hapag-Lloyd (Peru) S.A.C., Lima ("HL Peru") on 1 December 2015 in return for new shares. Prior to the transaction, Hapag-Lloyd held all of the shares and voting rights in HL Peru, which had already been fully incorporated into the consolidated financial statements. In return for providing the agency business, the previous joint venture partner was granted 40% of the shares and voting rights in HL Peru. This means that, since the transaction, Hapag-Lloyd has held 60% of the shares and the non-controlling interest has held 40% of the shares in HL Peru.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Transferred contribution

The contribution transferred for the acquisition corresponds to the fair value of the 40% of shares transferred at the time of acquisition, with corresponding voting rights in HL Peru. In addition, the fair value of the shares previously held by Hapag-Lloyd in the agency business of CNP Peru was taken into account.

Given that the value of the respective shares cannot be observed on the market, their fair value was calculated on the basis of a discounted cash flow method using level 3 inputs (non-observable parameters) in accordance with IFRS 13. This valuation method is based on a cash flow forecast derived from the available budgets of the companies valued, which a hypothetical market participant would assume if they held equity instruments in HL Peru and/or CNP Peru on the date of acquisition.

The non-controlling interests were measured based on their share of CNP Peru's reported assets and liabilities.

There is no conditional contribution.

The significant assumptions used to derive the fair value are based on internal and external sources and comprise, in particular, the sustainable development of the agency business on the basis of the business brokered for Hapag-Lloyd AG.

No significant costs were incurred as part of the transaction.

Fair values at time of acquisition

The contribution transferred for the acquisition, comprising the fair value of the transferred 40% of the shares in HL Peru in the amount of EUR 23.3 million, the discontinuing fair value of CNP Peru's agency business in the amount of EUR 55.9 million and the non-controlling interests based on the percentage held in the recognised assets and liabilities of CNP Peru's agency business in the amount of EUR 0.1 million, is partly offset by the fair value of the identifiable net assets of EUR 0.3 million, as the company primarily has property, plant and equipment (EUR 0.2 million), receivables (EUR 1.9 million) and liabilities (EUR 1.8 million). The Group's goodwill increased by EUR 79.0 million as a result of the acquisition. With regard to the assets and liabilities acquired, it was not possible to identify any difference in fair value due to the monetary character. The purchase price allocation is complete.

The resulting goodwill comprises synergies that the merger of the agency business in Peru is expected to deliver, in particular in the form of increased purchasing advantages and reduced costs. The goodwill of EUR 79.0 million is not tax-deductible.

The carrying amount of the equity-accounted investment in CNP Peru's agency business immediately before the acquisition was EUR 56.7 million. The remeasurement of this investment as a result of the gradual acquisition led to a loss of EUR 0.8 million, which was recognised in the profits of equity-accounted investees in the 2015 financial year.

Pro forma disclosures

Since the date of acquisition, revenue of EUR 1.4 million and earnings (EBIT) of EUR 1.1 million have been attributed to the transferred agency business of CNP Peru. Had the acquisition taken place on 1 January 2015 (*pro forma* consideration), Group revenue would have come to EUR 16.6 million and earnings (EBIT) would have totalled EUR 12.9 million.

Currency translation

The annual financial statements of companies are prepared in the respective functional currency. 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. The reporting currency of Hapag-Lloyd AG is, however, the euro.

For purposes relating to their inclusion in the consolidated financial statements of Hapag-Lloyd AG, the assets and liabilities of the Hapag-Lloyd Group are translated into euros at the exchange rate

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

applicable as at the balance sheet date (closing rate). 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 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 balance sheet 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 are gains and losses that must be recorded as qualified cash flow hedges as part of other comprehensive income.

Gains and losses due to exchange rates are shown in the items of the consolidated income statement which result in the currency effects. For example, gains and losses due to exchange rates that are in connection with transport services are recorded in both revenue and transport expenses. Other gains and losses due to exchange rates are shown in other operating income or other operating expenses as well as in personnel expenses and income taxes.

Exchange rates of significant currencies:

	Closing rate		Average rate	
	31.12.2015	31.12.2014	2015	2014
	per EUR			
US dollar	1.08930	1.21550	1.11000	1.32880
British pound sterling	0.73510	0.77880	0.72647	0.80715
Indian rupee	72.54400	77.01500	71.20931	81.100615
Brazilian real	4.25325	3.22825	3.69701	3.12760
Chinese renminbi	7.07348	7.43764	6.97574	8.18740
Australian dollar	1.48970	1.48090	1.47811	1.47452
Japanese yen	131.12940	145.04000	134.34097	140.68782
Hong Kong dollar	8.44280	9.42640	8.60544	10.30447
Swiss franc	1.08210	1.20230	1.06870	1.21619
Chilean peso	773.57729	738.27039	726.28749	758.45444
Singapore dollar	1.53980	1.60589	1.52603	1.68379
Canadian dollar	1.51301	1.40750	1.41935	1.46783
Mexican peso	18.74548	17.89079	17.61828	17.68353

Accounting and measurement

The annual financial statements of the subsidiaries included in the Group are prepared in accordance with consistent accounting and measurement principles. The amounts stated in the consolidated financial statements are determined by the commercial presentation of the earnings, financial and net assets position as set out in the rules of the IASB.

Realisation of income and expenses

Revenue and other operating income are realised when the transport service has been rendered, *i.e.* the hazards have been transferred to the customer. Revenue is therefore recognised using the percentage-of-completion method as per IAS 18.20. The percentage of completion/transport progress is determined on the basis of the ratio of expenses incurred to expected total expenses.

The revenue amount is measured by the fair value of the consideration received or to which there will be an entitlement. Revenue is recognised net of value added tax and reductions in earnings. Other operating income and other revenue are generally recorded upon delivery of the assets or upon transfer of their ownership or risk.

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) for the recording of gains and losses from derivative financial instruments used in hedges.

Dividends from non-equity-accounted investees are recorded when the legal claim to them has arisen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

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

If intangible assets can be used for a limited period only, they are amortised regularly 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 section “Impairment testing”.

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

	<u>Useful life in years</u>
Customer base	22–30
“Hapag-Lloyd” brand	unlimited
“CSAV” brand	20
Charter and lease agreements	5–10
Transport and supply contracts	2–5
Computer software	5–8
Other	3

Until now, the global container liner service has been exclusively 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. With the incorporation of CCS’s global business activities, the right to also use the “CSAV” brand was acquired, which will initially continue to be used in particular for some South America services.

For intangible assets with finite useful lives, their useful life is examined at least at the end of every financial year. 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 anticipated useful life are treated prospectively as changes in estimates.

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 bring it to working condition. 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 assets in question are ready for their intended use. The weighted average borrowing costs for the general raising of borrowed funds (cost of debt) amounted to 6.83% p.a. for the 2015 financial year (2014: 8.29% p.a.).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	<u>Useful life in years</u>
Buildings	40
Vessels	25
Containers, chassis	13
Other equipment	3–10

Dry dock work carried out to obtain an operating licence (vessel classification costs) is depreciated as a separate component over a period of five 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 ships is based on their scrap value.

Useful economic lives and assumed residual values are both reviewed on an annual basis during the preparation of the financial statements.

Impairment tests are conducted if there are any indications of a potential loss in value of the assets.

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

Leases

A lease is the term given to all arrangements that transfer the right of use of specified assets in return for payment. This includes rental agreements for buildings and containers as well as charter agreements for vessels. On the basis of the commercial opportunities and risks inherent in a leased item, it is assessed whether beneficial ownership of the leased item is attributable to the lessee or the lessor.

Finance lease

Provided that the Hapag-Lloyd Group as lessee bears all the substantial risks and rewards associated with the lease, the leased assets are included in the statement of financial position upon commencement of the lease agreement at the assets' fair value or the net present value of the minimum lease payments, whichever is lower. They are subject to straight-line depreciation throughout the term of the lease or the useful life of the asset (whichever is longer), provided that it is sufficiently certain at the beginning of the lease that legal ownership of the asset will be transferred to the Company once the contractual term expires.

At the same time, a lease obligation is entered which is equivalent to the carrying amount of the leased asset upon recognition. Each leasing rate is divided into an interest portion and a repayment element. The interest portion is recognised as an expense in the consolidated income statement; the repayment element reduces the lease obligation recognised.

Operating lease

Rental expenses from operating lease contracts are recorded through the consolidated income statement using the straight-line method over the terms of the respective contracts.

If the Group acts as lessor in the context of operating leases, the respective leasing object is still recorded and depreciated as planned in the consolidated financial statements. Lease income from operating leases is recorded in revenue or other operating income using the straight-line method over the term of the respective contracts.

Profits or losses from sale-and-leaseback transactions that result in operating lease contracts are recognised immediately if the transactions were effected at market values. If a loss is offset by future lease instalments being below the market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed sales price exceeds the fair value, the profit from the difference between these two values is also deferred and amortised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 loss in value. This test compares the recoverable amount of the asset in question with its carrying amount. If an asset's carrying amount exceeds its recoverable amount, an impairment is recognised.

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

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

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 applies in particular to the Hapag-Lloyd brand, for which the recoverable amount at fair value was determined at the level of the container shipping CGU. A need for impairment was not ascertained. For further information on determining value in use, we refer to the following explanations concerning the impairment testing of goodwill.

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

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

If, following an impairment recognised in previous years, the asset or cash-generating unit has a higher recoverable amount at some later date, a reversal of the impairment to no higher than the amortised cost is carried out. No reversals of impairment of goodwill are carried out as they are not permitted under IAS 36.

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

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

The recoverable amount for the impairment of goodwill is calculated on the basis of the value in use. This was calculated on the basis of a discounted cash flow method. The future expected cash flows from Hapag-Lloyd's management planning, which has been approved by the Supervisory Board, are taken as calculation basis. This planning includes various strategic synergy, cost-saving and efficiency-boosting measures and projects that aim to sustainably strengthen the Group's EBITDA margin.

The cash flow forecasts contain specific estimates for five years and a perpetual rate of growth thereafter. The central planning assumptions for container shipping are the future development of transport volumes and freight rates as well as bunker prices and exchange rates. These are dependent on a number of macroeconomic factors, in particular the trends in gross domestic product and global trade. For that reason, the assessments of external economic and market research institutes regarding the future development of global container shipping are obtained while the plans are being prepared and are adjusted and supplemented with experiences and assessments of the Group's own competitive position on its various trades. At the time of planning, IHS Global Insight expected an increase in global container traffic of 4.6% in 2016 and of between 5.0% and 5.6% for the subsequent years. On this basis, Hapag-Lloyd intends to increase the transport volume in line with market growth. Additionally, it is expected that freight rates will increase slightly only in the context of typical seasonal fluctuations, alongside an increase in transport expenses. The exchange rates were kept constant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The long-term growth rate was ascertained on the basis of the forecast for long-term annual average industry developments.

The budgeted after-tax cash flows are discounted using the weighted average cost of capital after income taxes. This is calculated on the basis of capital market-oriented models as a weighted average of the costs of equity and borrowed capital. Due to tonnage tax regulations, the pre-tax weighted average cost of capital corresponds to the weighted average cost of capital after income taxes.

The weighted average cost of capital after income taxes as used for discounting purposes is 8.2% for the planning period (2014: 8.5%). In order to extrapolate the plans beyond the planning period, a growth reduction of 1.0% was taken into consideration (2014: 1.0%). As such, the weighted average cost of capital for the subsequent period is 7.2% (2014: 7.5%).

As part of the impairment test performed, the respective results were verified using a sensitivity analysis.

Various capitalisation rates were used for this. There was no need for impairment for capitalisation costs of up to approximately 9.5%. In addition, to take account of the volatility of the value-driving factors (transport volumes, freight rates, bunker prices and the US\$/EUR exchange rate) a sensitivity analysis as to the anticipated surplus (free cash flow) in the period thereafter was performed in the context of a cash flow determination. A decrease in the free cash flow of up to 20% in the period thereafter and an unchanged cost of capital did not result in a need for impairment. After consideration of new findings up until the completion of the consolidated financial statement on 2 March 2016 no significant changes in the previous estimates regarding future development were necessary.

At the balance sheet date, the value in use exceeded the carrying amount on the basis of the plans and the sensitivity analyses, with the result that no impairment needed to be recognised at the level of the cash-generating unit.

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.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities measured at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity investments and other liabilities. The valuation category of financial assets or liabilities measured at fair value through profit or loss is subdivided into the categories “held for trading” and “fair value option”.

Derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39 (hedge accounting) are classified as “held for trading”. The Group also holds financial assets in the “loans and receivables” and “available-for-sale financial assets” categories. By contrast, there are no held-to-maturity investments in these financial statements. Primary liabilities only exist in the category of financial liabilities measured at amortised cost.

Non-derivative host contracts are analysed to determine the existence of embedded derivatives. Embedded derivatives are to be recognised separately from the host contract as an independent financial instrument if the two components demonstrate different economic properties which are not closely linked to each other. Embedded derivatives are likewise classified as “held for trading”.

Financial assets and financial liabilities that fall within the scope of IAS 39 can be irrecoverably assigned to the subcategory “fair value option” under certain circumstances. Neither for financial assets nor for financial liabilities was the fair value option used.

In the 2015 financial year, as in the previous financial year, there were no reclassifications within the individual classification categories.

Primary financial assets

Financial assets are recognised at their value as at the trading date, *i.e.* the date on which the Group commits to buying the asset. Primary financial assets are classified as loans and receivables or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

as available-for-sale financial assets when recognised for the first time. Loans and receivables as well as available-for-sale financial assets are initially recognised at fair value plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable contractual payments which are not listed on an active market. They are shown in the statement of financial position under trade accounts receivable and other assets, and are classified as current assets if they mature within twelve months of the balance sheet date.

As part of subsequent measurements, loans and receivables are measured at amortised cost using the effective interest method. Impairments are recognised for identifiable individual risks. Where default of a certain proportion of the receivables portfolio is probable, impairments are recognised to the extent that the carrying amount of a financial asset exceeds its recoverable amount. Indications for identifiable individual risks include, for example, a material deterioration in creditworthiness, considerable default as well as a high probability of insolvency and the corresponding inability of the customer to repay debt. If the reasons for impairment cease to exist, write-backs are recorded, albeit not in excess of the amortised costs. Impairments and impairment reversals are recorded in other operating expenses and income.

Impairments of trade accounts receivables are, in part, recorded using an impairment account. The decision to record impairment either by using an impairment account or by directly reducing the trade receivable depends on the degree of reliability of the risk evaluation. Concrete losses lead to a write-off of the respective asset.

Available-for-sale financial assets are non-derivative financial assets which are either explicitly allocated to this category individually or are unable to be allocated to any other category of financial assets. In the Hapag-Lloyd Group, these consist of securities and shares in companies. They are allocated to non-current assets unless the management intends to sell them within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value after their initial measurement. Changes in fair values are recorded under other comprehensive income until the disposal of the assets. A long-term reduction in fair value gives rise to impairments recognised in the income statement. In the event of a subsequent write-back of the impairment recorded in the income statement, the impairment is not reversed, but is posted against other comprehensive income. If no listed market price on an active market is available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

Assets are no longer recognised as at the date when all the risks and opportunities associated with their ownership are transferred or cease.

Cash and cash equivalents

Cash and cash equivalents encompass cash in hand, bank balances and other financial investments that can be converted into defined cash amounts at any time and are only subject to minor changes in value. Fully utilised overdraft facilities are shown as liabilities to banks under current financial debt.

Primary financial liabilities

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

Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired. If a review of changes in contractual conditions using quantitative and qualitative criteria leads to the assessment that both contracts are substantially the same, the old liability continues to exist with the new conditions.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at their fair values on the day when the agreement was concluded. Subsequent measurement is also carried out at the fair value applicable on

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the respective balance sheet date. The method used to record gains and losses depends on whether the derivative financial instrument is classified as a hedge and on the type of hedging relationship.

Derivative financial instruments are classified either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions.

Upon conclusion of the transaction in accordance with IAS 39, the hedging relationships between the hedging instrument and the underlying transaction and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the beginning of the hedging relationship and on a continual basis as to whether the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the underlying transactions in a highly effective manner. Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

The effective proportion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in other comprehensive income. The ineffective proportion of such changes in fair value is recognised immediately in the other financial result. Hedge accounting by means of options records the changes in fair value affecting net income because they are excluded from the hedging relationship. Amounts recorded in other comprehensive income are reclassified to the consolidated income statement and recognised as income or expenses in the period in which the hedged underlying transaction impacts the consolidated income statement. In the case of hedging relationships based on currency forward contracts, the entire effective market value change in the hedging transaction is initially recorded under other comprehensive income. In the next step, the spot component is reclassified from other comprehensive income to the consolidated income statement and is recognised through profit or loss in line with the change in the value of the underlying transaction. The forward component is recognised through profit or loss on a pro rata basis over the term of the hedging relationship.

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 underlying transaction occurs. If the future transaction is no longer expected to occur, the cumulative gains or losses recognised outside the consolidated income statement must immediately be recognised through the consolidated income statement.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting, including embedded derivatives, are recognised directly in the consolidated income statement with effect on net income.

Hedging measures that do not comply with the strict requirements of hedge accounting according to IAS 39 are used to hedge currency risks of monetary liabilities in the statement of financial position. This is done based on risk management principles and effectively contributes to the hedging of a financial risk. The use of hedge accounting according to IAS 39 is foregone since gains and losses from conversions of the underlying transactions to be measured through profit or loss are realised at the same time as gains and losses from the respective hedging instrument.

Inventories

Inventories are measured at the lower of cost of acquisition or net realisable value. The measurement method applied to similar inventory items is the weighted average cost formula. The net realisable value is the estimated selling price in the ordinary course of business.

Inventories mainly comprise fuel and lubricants.

Pensions and similar obligations

The valuation of defined benefit plans from pension obligations and other post-employment benefits (e.g. health care benefits) is carried out in accordance with IAS 19 *Employee Benefits* using the projected unit credit method. The 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 recognised immediately with effect on net income. 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 benefit 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 balance sheet 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 factual obligations resulting from a past event insofar as their utilisation is probable and their amount can be reliably determined. Provisions are recorded at the best estimate of their repayable amount and take account of cost increases. The present value is assessed for provisions with terms exceeding twelve months. Over the course of time, the provisions are adjusted on the basis of new knowledge gained. Provision reversals are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant reversals, which are recorded as other operating income.

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.

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.

Share-based payment

The share-based payment plans used by the Group are payment plans which are settled in cash. The debt incurred by the Group as a result is recognised in expenses at fair value at the time when the service is rendered by the eligible party. Until the debt is settled, the fair value of the debt is remeasured at every balance sheet date. Any changes in the fair value are recognised in profit or loss.

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 ship fleet. 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 ascertained on the basis of the Company's tax rates as at the balance sheet date. Income tax provisions are netted against the corresponding tax rebate claims if they apply in the same fiscal territory and are of the same type and maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 2016 to 2020, 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 valuation parameters used.

Level 1:

Unchanged adoption of prices from 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 measurement 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 the valuation parameter is essential. 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.

Additional explanations of fair values can be found in Note (28) “Financial instruments”.

Discretionary decisions, estimates and assessments

Discretionary decisions when applying accounting and measurement principles

The preparation of consolidated financial statements in accordance with IFRS requires discretionary decisions. All discretionary decisions are continuously re-evaluated and are based on historic experiences and expectations regarding future events which seem reasonable under the existing conditions. This specifically applies to the following cases:

Classification of leasing relationships

During the classification of leasing relationships, discretionary decisions are made regarding the assignment of beneficial ownership to either the lessor or the lessee. Regarding the approach, we refer to the presentation concerning the recognition and measurement of leasing relationships; regarding the amounts, see Note (32).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Fair value hierarchy

In a number of cases, the valuation parameters used to determine the fair value of an asset or liability can be assigned to various levels of the fair value hierarchy. In such cases, fair value measurement as a whole is assigned to the same hierarchy level as the valuation parameter of the lowest level that is of significance to the measurement in its entirety. The evaluation of the significance of a specific valuation parameter for measurement as a whole requires a discretionary decision in which the characteristic factors relating to the asset or liability are to be taken into consideration. See the section “Impairment testing” and Note (28) “Financial instruments” on the approach taken.

Management estimates and assessments

In the consolidated financial statements, a certain number of estimates and assessments are made in order to determine the assets and liabilities shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the reporting date, and the recognised income and expenses for the reporting period.

Intangible assets and property, plant and equipment

Verification of the realisable values of intangible assets and property, plant and equipment also requires assumptions and estimates to be made regarding future cash flows, anticipated growth rates, exchange rates and discount rates. All material parameters are therefore at the discretion of the management regarding the future development, particularly in terms of the global economy. They involve the uncertainty of all forecasting activity. The assumptions made for this purpose can be subject to alterations which could lead to impairments in value in future periods. Regarding the approach, we refer to the presentation concerning impairment testing; regarding the amounts, see Notes (11) and (12).

Allowance for doubtful receivables

The allowance for doubtful receivables largely comprises estimates and valuations of both individual receivables and groups of receivables that are based on the respective credit-worthiness of the customer, current economic trends and analysis of maturity structures and historical defaults. For further explanations, we refer to Note (15).

Deferred tax assets on loss carry-forwards

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (9).

Provisions

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated future increases in salaries and pensions, and mortality tables. These assumptions can diverge from the actual figures as a result of changes in the economic conditions or the market situation as well as mortality rates. For detailed explanations, see Note (23).

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must some-times use empirical values as the basis for making assumptions regarding the likelihood of occurrence of the obligation or future developments, e.g. the costs to be estimated for the valuation of obligations. These can be subject to estimation uncertainties, particularly in the case of non-current provisions.

Provisions are made within the Group if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. Due to the uncertainties associated with this valuation, the actual losses can deviate from the original estimates and the respective provision amount. For provisions for guarantee, warranty and liability risks, there is particular uncertainty concerning the estimate of future damages.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

To integrate CCS's business activities, the Executive Board decided on and communicated a comprehensive restructuring programme in December 2014. This included merging the two head offices in Hamburg and reducing the number of regional headquarters to lower both personnel and overhead costs. In connection with this, operational efficiency was improved by merging the companies' IT platforms and by further reducing overheads, e.g. costs relating to rent, suppliers and insurance. A provision was therefore created in the previous year which was based on estimates and expectations with regard to the forecast amount required to fulfil the restructuring obligations. For example, the amount relating to employee termination costs took into account the target number of employees determined in the reorganisation plan and country-specific expectations regarding the severance payments necessary. A definitive, legally binding agreement was not reached at the time with the majority of the employees concerned.

For detailed explanations, see Note (24).

Discount rates

The valuation of non-current receivables and liabilities, either non-interest bearing or with interest rates not in line with the market, and of non-current other provisions, depends primarily on the choice and development of discount rates.

Changes in assumptions and estimates

The purchase price allocation in the previous year for the acquisition of CCS was provisional, as the date of acquisition was shortly before the balance sheet date. Recognition of the company acquisition was adjusted in the 2015 financial year, as new facts and circumstances that already existed on the acquisition date of 2 December 2015 became known after the acquisition date.

As a result of new information about the fair value of trade accounts receivable and payable taken over as part of the acquisition, the corresponding values have been retroactively adjusted. This reduced trade accounts receivable by EUR 12.2 million (US\$14.8 million) and trade accounts payable by EUR 6.9 million (US\$8.4 million).

Furthermore, other liabilities of EUR 6.1 million (US\$7.4 million) had to be derecognised as they were realised before the date of the initial consolidation.

In addition, an equity-accounted investment was subsequently increased as a result of new information about the circumstances of the investment. As well as the adjustment to goodwill, this led to a subsequent increase of EUR 2.1 million (US\$2.5 million) in the carrying amount of the investment. Overall, goodwill fell by EUR 2.9 million as a result of the aforementioned adjustments to the estimated value.

The previous year's figures were adjusted accordingly.

The purchase price allocation is therefore no longer provisional.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The figures in the consolidated income statement for 2015 are only comparable with the corresponding prior year period to a limited degree, as CSAV's container shipping activities were included in the consolidated financial statements for the first time from 2 December 2014.

(1) Revenue

Revenue in the amount of EUR 8,841.8 million (2014: EUR 6,807.5 million) was primarily generated from the rendering of transport services amounting to EUR 8,750.2 million (2014: EUR 6,694.0 million).

(2) Other operating income

	<u>1.1.–31.12.</u> <u>2015</u>	<u>1.1.–31.12.</u> <u>2014</u>
	<u>Million EUR</u>	
Exchange rate gains	94.7	70.6
Income from the reversal of provisions	27.6	4.9
Income from the disposal of assets	13.5	0.3
Government assistance	14.7	11.0
Other income	43.2	30.0
Total	<u>193.7</u>	<u>116.8</u>

The exchange rate gains from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, the measurement of financial assets and financial liabilities, the measurement of currency forward contracts and the realisation of currency options and currency forward contracts.

The income from the release of provisions includes the release of restructuring provisions in the amount of EUR 26.6 million.

The income from the disposal of assets is due to the sale of ships that were recognised as non-current assets held for sale in the previous year.

(3) Transport expenses

	<u>1.1.–31.12.</u> <u>2015</u>	<u>1.1.–31.12.</u> <u>2014</u>
	<u>Million EUR</u>	
Expenses for raw materials, supplies and purchased goods	1,067.9	1,362.3
Cost of purchased services	6,190.6	4,697.8
thereof		
Port, canal and terminal costs	2,766.2	2,030.4
Container transport costs	2,148.4	1,841.4
Chartering, leases and container rentals	1,119.6	693.5
Maintenance/repair/other	156.4	132.5
Total	<u>7,258.5</u>	<u>6,060.1</u>

The cost of raw materials and supplies refers in particular to fuel expenses and effects from fuel hedging instruments.

(4) Personnel expenses

	<u>1.1.–31.12.</u> <u>2015</u>	<u>1.1.–31.12.</u> <u>2014</u>
	<u>Million EUR</u>	
Wages and salaries	401.0	343.7
Social security costs, pension costs and other benefits	83.4	59.6
Total	<u>484.4</u>	<u>403.3</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Pension costs include, among other things, expenses for defined benefit and defined contribution pension obligations. The interest portion of the measurement of pension provisions and the interest income from the associated fund assets are recorded within the interest result. A detailed presentation of pension commitments is provided in Note (23).

Personnel expenses include the release of restructuring provisions in the amount of EUR 22.8 million.

Employees

The average number of employees was as follows:

	1.1.–31.12. 2015	1.1.–31.12. 2014
Marine personnel	1,420	1,318
Shore-based personnel	8,307	5,835
Apprentices	218	188
Total	9,945	7,341

(5) Depreciation, amortisation and impairment

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Amortisation/depreciation	464.6	354.3
Amortisation of intangible assets	79.8	51.1
Depreciation of property, plant and equipment	384.8	303.2
Impairment of intangible assets and property, plant and equipment	—	127.4
Total	464.6	481.7

The amortisation of intangible assets largely concerned amortisation of the customer base. The depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers.

Impairment in the previous year related to a portfolio of ships whose cash flows were largely determined by the budgeted sales proceeds in the planned sale process and which were then reclassified as assets held for sale.

(6) Other operating expenses

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Exchange rate losses	122.0	66.7
EDP costs	95.3	67.1
Commissions	76.2	56.2
Other taxes	38.1	29.2
Rental and lease expenses	34.0	22.0
Other social security expenses	25.7	14.7
Expenses for charges, fees, consultancy and other professional services	24.5	33.5
Administrative expenses	18.6	11.2
Other operating expenses	83.3	92.7
Total	517.7	393.3

The exchange rate losses from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the measurement of financial assets, liabilities, currency options and currency forward contracts as at the balance sheet date.

Other operating expenses include travel costs, insurance payments, audit fees, and maintenance and repair costs. The previous year's figure also included restructuring costs of EUR 39.5 million relating to the integration of CSAV's container shipping business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(7) Other financial result

The other financial result essentially contains income due to changes in the fair value of derivative financial instruments amounting to EUR 27.5 million (2014: expenses of EUR 3.0 million).

(8) Interest result

The interest result was as follows:

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Interest income	5.6	7.0
Interest income from fund assets for the financing of pensions and similar obligations	3.9	4.5
Other interest and similar income	1.7	2.5
Interest expenses	232.9	216.7
Interest expenses from the valuation of pensions and similar obligations	8.5	9.6
Interest expenses from the change in fair value of embedded derivatives	5.3	17.0
Other interest and similar expenses	219.1	190.1
Total	(227.3)	(209.7)

As in the previous year, other interest and similar income mainly comprises income from interest-bearing bank accounts. Other interest and similar expenses mainly comprises interest for bonds and loans as well as interest from finance leases and other financial debt.

(9) Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income tax. For domestic companies subject to corporate income tax, as in the previous year, a corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on corporate income tax apply. Additionally, these companies are subject to trade earnings tax, which for the years 2015 and 2014 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. Furthermore, comparable actual income taxes are disclosed for foreign subsidiaries; in the Group for the years 2015 and 2014 these range from 12.5% 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:

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Actual income taxes	20.6	11.1
thereof domestic	2.4	4.1
thereof foreign	18.2	7.0
Deferred tax income/expenses	4.6	0.1
thereof from temporary differences	(6.2)	(0.5)
thereof from loss carry-forwards	10.8	0.6
Total	25.2	11.2

Prior-period tax income in the amount of EUR 2.4 million is included in the actual income taxes (2014: expenses of EUR 1.9 million).

For domestic companies subject to corporate income tax, a combined income tax rate of 32.3% and 19.1% was used in 2015 and 2014 respectively to calculate the deferred taxes. The combined income tax rate in 2015 and 2014 takes into account corporate income tax of 15.0%, a solidarity surcharge of 5.5% of the corporate income tax and trade earnings tax of 16.5% or 3.3%, insofar as it relates to income from vessel operations in international transport.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates which were applied for foreign-based companies in 2015 and 2014 ranged from 16.5% to 39.0%.

The following table shows a reconciliation statement from the expected to the reported income tax expense. In order to ascertain the expected tax expense, the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year is multiplied by the pre-tax profit, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Earnings before income taxes	139.1	(592.5)
Expected income tax expenses (+) / income (–) (tax rate 32.3%)	44.9	(191.2)
Difference between the actual tax rates and the expected tax rates	1.2	0.3
Effects of income not subject to income tax	(42.5)	182.2
Non-deductible expenses and trade tax additions and reductions	28.7	8.3
Changes in unrecognised deferred taxes	(1.9)	20.1
Effective tax expenses and income relating to other periods	(3.8)	1.9
Tax effect from equity-accounted investees	(7.9)	(10.9)
Exchange rate differences	5.2	0.7
Other differences	1.3	(0.2)
Reported income tax expenses (+) / income (–)	25.2	11.2

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 effects from income not subject to income tax primarily comprise the effects from tonnage tax.

The adjustments to the recognition of deferred taxes include income amounting to EUR 0.4 million related to the non-recognition of deferred taxes on tax interest carried forward (2014: expenses of EUR 6.1 million) and income amounting to EUR 2.8 million related to adjustments to the recognition of corporate income tax loss carry-forwards both domestic and foreign (2014: expenses of EUR 16.0 million).

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

	31.12.2015		31.12.2014	
	Asset	Liability	Asset	Liability
	Million EUR			
Recognition and valuation differences for property, plant and equipment and other non-current assets	2.8	2.7	2.2	6.0
Recognition differences for receivables and other assets	3.4	0.2	0.9	0.3
Valuation of pension provisions	4.7	0.1	6.0	0.1
Recognition and valuation differences for other provisions	4.2	0.4	1.9	—
Other transactions	3.6	1.1	5.0	0.3
Capitalised tax savings from recoverable loss carry-forwards	7.9	—	17.1	—
Netting of deferred tax assets and liabilities	(3.0)	(3.0)	(5.2)	(5.2)
Balance sheet recognition	23.6	1.5	27.9	1.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	As per 1.1.2014	Change in the group of consolidated companies	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2014
Million EUR						
Recognition and valuation differences for property, plant, and equipment and other non-current assets	(3.6)	0.1	(0.4)	—	0.1	(3.8)
Recognition differences for receivables and other assets	0.2	0.3	0.2	—	(0.1)	0.6
Valuation of pension provisions	4.0	—	(0.1)	1.9	0.1	5.9
thereof recognized directly in equity	3.5	—	—	1.9	0.1	5.5
Recognition and valuation differences for other provisions	1.5	1.1	(0.5)	—	(0.2)	1.9
Other transactions	3.6	—	1.3	—	(0.2)	4.7
Capitalised tax savings from recoverable loss carry-forwards	5.9	12.1	(0.6)	—	(0.3)	17.1
Balance sheet recognition	11.6	13.6	(0.1)	1.9	(0.6)	26.4
	As per 1.1.2015	Change in the group of consolidated companies	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2015
Million EUR						
Recognition and valuation differences for property, plant and equipment and other non-current assets	(3.8)		4.7		(0.8)	0.1
Recognition differences for receivables and other assets	0.6		1.9		0.7	3.2
Valuation of pension provisions	5.9			(1.2)	(0.1)	4.6
thereof recognised directly in equity	5.5			(1.2)		4.3
Recognition and valuation differences for other provisions	1.9		1.9			3.8
Other transactions	4.7	—	(2.3)	—	0.1	2.5
Capitalised tax savings from recoverable loss carry-forwards	17.1		(10.8)		1.6	7.9
Balance sheet recognition	26.4	0.0	(4.6)	(1.2)	1.5	22.1

Deferred tax liabilities of EUR 0.3 million (2014: none) were recognised for temporary differences between the net assets and the carrying amount of subsidiaries for tax purposes, whereby the reversal of the temporary differences is likely in the foreseeable future.

No deferred tax liabilities were recognised for the remaining taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 25.2 million (2014: EUR 16.8 million), as Hapag-Lloyd is able to steer how the temporary differences are reversed over time and no reversal of the temporary differences is likely in the near future.

Deferred tax assets and liabilities are classified as non-current in the statement of financial position in accordance with IAS 1, irrespective of their expected realisation date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Deferred tax assets are recognised for temporary differences and tax loss carry-forwards if their realisation seems certain in the near future. The loss carry-forwards not recognised relate primarily to foreign subsidiaries that are not covered by tonnage taxation. The amounts of unutilised tax losses and the capacity to carry forward the tax losses for which no deferred tax assets were recognised are as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
	<u>Million EUR</u>	
Loss carry-forwards for which deferred tax assets were recognized	39.0	69.7
Loss carry-forwards for which no deferred tax assets were recognized	1,352.9	1,314.6
thereof loss carry-forwards forfeitable in more than 5 years	1.1	2.0
Non-forfeitable loss carry-forwards	1,351.8	1,312.6
thereof interest carry-forwards	33.9	33.0
Total of unutilised loss carry-forwards	<u>1,391.9</u>	<u>1,384.3</u>

(10) Earnings per share

	<u>1.1.–31.12.</u>	<u>1.1.–31.12.</u>
	<u>2015</u>	<u>2014</u>
Basic earnings per share in EUR	1.04	(8.81)
Profit/loss attributable to shareholders in million EUR	111.6	(605.0)
Weighted average number of shares	106.9	68.7

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. The average number of shares is derived from the number of shares outstanding at the start of the year (104,882,240 shares) and the pro rata number of shares issued on 6 November 2015 as part of the IPO (13,228,677 shares). There were no dilutive effects in the 2015 financial year or in the previous year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(11) Intangible assets

	Goodwill	Customer base	Advantageous contracts	Brand	Software	Other	Total
	Million EUR						
Historical cost							
As per 1.1.2014	664.6	300.0	250.1	182.9	81.5	3.8	1,482.9
Additions from business combination	604.0	707.4		32.7	8.6	0.1	1,352.8
Additions	—	—	—	—	3.6	—	3.6
Disposals	—	—	109.1	—	—	—	109.1
Transfers	—	—	(5.4)	—	(1.8)	(0.1)	(7.3)
Exchange rate differences	104.1	58.4	22.3	25.2	11.4	0.6	222.0
As per 31.12.2014*	1,372.7	1,065.8	157.9	240.8	103.3	4.4	2,944.9
Accumulated amortization							
As per 1.1.2014	—	63.3	176.0	—	49.0	0.3	288.6
Additions from business combination	—	—	—	—	3.8	0.1	3.9
Additions	—	15.8	23.7	0.1	11.5	—	51.1
Disposals	—	—	109.1	—	—	—	109.1
Transfers	—	—	(2.6)	—	(1.8)	(0.1)	(4.5)
Exchange rate difference	—	9.8	15.0	—	7.7	—	32.5
As per 31.12.2014*	—	88.9	103.0	0.1	70.2	0.3	262.5
Carrying amounts 31.12.2014*	1,372.7	976.9	54.9	240.7	33.1	4.1	2,682.4
Historical cost							
As per 1.1.2015	1,372.7	1,065.8	157.9	240.8	103.3	4.4	2,944.9
Additions	79.0	—	—	—	2.4	—	81.4
Disposals	—	—	—	—	0.2	—	0.2
Transfers	—	—	(18.2)	—	0.0	—	(18.2)
Exchange rate difference	159.1	123.4	18.0	27.9	11.9	0.4	340.7
As per 31.12.2015	1,610.8	1,189.2	157.7	268.7	117.4	4.8	3,348.6
Accumulated amortization							
As per 1.1.2015	—	88.9	103.0	0.1	70.2	0.3	262.5
Additions	—	43.0	19.2	1.8	15.8	—	79.8
Disposals	—	—	—	—	0.1	—	0.1
Transfers	—	—	(12.3)	—	—	—	(12.3)
Exchange rate difference	—	11.1	12.1	0.1	8.3	—	31.6
As per 31.12.2015	—	143.0	122.0	2.0	94.2	0.3	361.5
Carrying amounts 31.12.2015	1,610.8	1,046.2	35.7	266.7	23.2	4.5	2,987.1

* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

In order to assess the goodwill for impairment, an impairment test was carried out for the entire cash-generating unit container shipping at the end of the 2015 financial year, as was the case in the previous year. Please refer to the section “Impairment testing” within the accounting and measurement principles in the Notes to the consolidated financial statements. A need for impairment was not ascertained.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,610.8 million (2014: EUR 1,372.7 million) and the Hapag-Lloyd brand in the amount of EUR 231.3 million (2014: EUR 207.2 million).

As part of the business combinations, existing contracts were identified as being advantageous if their contractual terms had a positive market value compared with the market conditions at the time of acquisition of the companies. This particularly included charter and lease contracts and transport and delivery contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As in the previous year, no development costs were capitalised. The costs for the maintenance of software, which cannot be capitalised, amounted to EUR 5.4 million (2014: EUR 7.1 million) and were recognised as expenses.

(12) Property, plant and equipment

	Vessels	Containers, chassis	Other equipment Million EUR	Payments on account and assets under construction	Total
Historical cost					
As per 1.1.2014	3,938.7	753.6	128.1	222.8	5,043.2
Additions from business combination	627.1	32.7	24.4	82.5	766.7
Additions	128.1	136.1	9.0	61.1	334.3
Disposals	14.8	4.1	0.5	—	19.4
Reclassifications to held for sale	411.6	—	—	—	411.6
Transfers	302.4	—	1.9	(298.8)	5.5
Exchange rate differences	532.8	112.8	6.2	10.6	662.4
As per 31.12.2014	5,102.7	1,031.1	169.1	78.2	6,381.1
Accumulated depreciation					
As per 1.1.2014	812.5	151.0	12.1	—	975.6
Additions from business combination	12.7	0.7	20.5	—	33.9
Additions	224.3	71.2	7.7	—	303.2
Impairments	127.4	—	—	—	127.4
Disposals	11.5	2.6	0.5	—	14.6
Reclassifications to held for sale	357.5	—	—	—	357.5
Transfers	2.7	—	—	—	2.7
Exchange rate differences	106.4	26.1	1.9	—	134.4
As per 31.12.2014	917.0	246.4	41.7	—	1,205.1
Carrying amounts 31.12.2014	4,185.7	784.7	127.4	78.2	5,176.0
Historical cost					
As per 1.1.2015	5,102.7	1,031.1	169.1	78.2	6,381.1
Additions	338.5	250.9	14.5	149.6	753.5
Disposals	54.4	2.3	3.1	—	59.8
Transfers	102.6	—	—	(84.4)	18.2
Exchange rate differences	597.7	123.9	8.6	10.3	740.5
As per 31.12.2015	6,087.1	1,403.6	189.1	153.7	7,833.5
Accumulated depreciation					
As per 1.1.2015	917.0	246.4	41.7	—	1,205.1
Additions	269.3	103.8	11.7	—	384.8
Disposals	54.4	—	2.2	—	56.6
Transfers	12.3	—	—	—	12.3
Exchange rate differences	110.4	30.2	3.7	—	144.3
As per 31.12.2015	1,254.6	380.4	54.9	—	1,689.9
Carrying amounts 31.12.2015	4,832.5	1,023.2	134.2	153.7	6,143.6

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 4,931.8 million as at the balance sheet date (2014: EUR 4,481.1 million). These restrictions of ownership mainly pertain to ship mortgages from existing financing contracts for ships. Additional collateral exists with containers transferred by way of security.

Land charges of EUR 43.4 million and EUR 18.6 million were registered in the land register as collateral for the loan from Deutsche Genossenschafts-Hypothekenbank for the purchase of the Ballindamm property.

In the 2015 financial year, there was no capitalisation of directly attributable borrowing costs (2014: EUR 2.0 million). The capitalisation of borrowing costs relating to general external financing came to EUR 4.9 million (2014: EUR 2.8 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(13) Subsidiaries with non-controlling interests

The following companies within the Hapag-Lloyd Group had non-controlling interests as at the balance sheet date:

Name of the company	Registered office	Proportion of ownership interest (in %)		Proportion of voting rights held (in %)	
		2015	2014	2015	2014
CSAV Austral SpA	Valparaiso	50.01	50.01	50.06	50.06
CSAV Group Agencies South Africa (Pty) Ltd.	Durban	0.00	40.00	0.00	40.00
CSAV Shipping LLC	Dubai	51.00	51.00	0.00	0.00
Florida Vessel Management LLC	Wilmington	25.00	25.00	25.00	25.00
Hapag-Lloyd Agency LLC	Dubai	51.00	51.00	49.00	49.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	5.10	5.10	5.10	5.10
Hapag-Lloyd (Peru) S.A.C.	Lima	40.00	0.00	40.00	0.00
Hapag-Lloyd Spain S.L.	Barcelona	10.00	10.00	10.00	10.00
Hapag-Lloyd (Thailand) Ltd.	Bangkok	50.10	50.10	0.00	0.00
Southern Shipmanagement Co. S.A.	Panama City	50.00	50.00	50.00	50.00
Southern Shipmanagement (Chile) Ltda.	Valparaiso	49.50	49.50	49.50	49.50

The non-controlling interests within the Hapag-Lloyd Group are not material from a quantitative and qualitative perspective.

(14) Equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2015.

Name of the company	Registered office	Proportion of ownership in the group (in %)	
		2015	2014
Joint venture			
Hapag-Lloyd Denizasiri Nakliyat A.S.*	Izmir	50.00	50.00
Consorcio Naviero Peruano S.A.*	San Isidro	47.93	47.97
Associated companies			
Hapag-Lloyd Lanka (Pvt) Ltd*	Colombo	40.00	40.00
HHLA Container Terminal Altenwerder GmbH**	Hamburg	25.10	25.10

* Ship agents and local shipping companies

** Container terminal

As in the previous year, there were no unrecognised proportionate losses for equity-accounted investees in the reporting period. No impairment losses are included in the proportionate equity result.

HHLA Container Terminal Altenwerder GmbH provides terminal services for the Hapag-Lloyd Group.

Summarised financial information for the main equity-accounted investee reported in the statement of financial position (on a 100% basis and therefore not adjusted to the percentage holding) is contained in the following table:

	HHLA Container Terminal Altenwerder GmbH	
	2015	2014
	Million EUR	
Balance sheet		
Current assets	120.9	168.8
Non-current assets	84.1	93.2
Current liabilities	83.1	134.0
Non-current liabilities	41.5	47.6
Statement of comprehensive income		
Revenues	227.9	261.5
Annual result	60.5	84.4
Dividend payments to Hapag-Lloyd Group	(30.3)	(30.6)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	HHLA Container Terminal Altenwerder GmbH		Non-material associated companies		Non-material joint ventures	
	2015	2014	2015	2014	2015	2014*
	Million EUR					
Participation as at 1.1.	327.3	327.6	0.3	0.3	59.4	4.9
Addition from business combination						52.2
Disposals	—	—	—	—	(56.7)	—
Pro-rata share at earnings after taxes	21.6	30.3	0.4	0.2	7.3	3.7
Dividend payments	(30.3)	(30.6)	(0.3)	(0.2)	(9.0)	(3.2)
Earnings neutral changes	—	—	—	—	(0.1)	—
Exchange rate differences	—	—	—	—	6.7	1.8
Participation as at 31.12.	318.6	327.3	0.4	0.3	7.6	59.4

* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

On 1 December 2015, the Group acquired 100% of the agency business of the then equity-accounted investee Consorcio Naviero Peruano S.A., San Isidro (“CNP Peru”). The agency business was initially hived off from CNP into a newly established company. The newly established company was incorporated into Hapag-Lloyd (Peru) S.A.C., Lima, on 1 December 2015 in return for new shares. As a result, the hived-off shares were presented as a disposal of a part of the equity-accounted investee. Due to its low productive value, the remaining local liner business was recognised with an equity carrying amount of US\$1.

(15) Trade accounts receivable and other assets

	31.12.2015		31.12.2014*	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
	Million EUR			
Financial assets				
Trade accounts receivable	716.1	—	703.8	—
thereof from third parties	714.5	—	700.8	—
thereof from affiliated non-consolidated companies	1.6	—	3.0	—
Other assets	77.8	3.1	59.1	4.1
Receivables relating to offset or advanced payments	47.2	0.0	37.3	0.0
Other assets	29.8	2.3	21.6	3.9
Available-for-sale financial assets	0.8	0.8	0.2	0.2
Total	793.9	3.1	762.9	4.1
Non-financial assets				
Other assets	93.2	19.4	88.3	9.0
Claim arising from the refund of other taxes	51.2	2.5	54.8	3.6
Other assets	10.8	0.9	18.4	3.2
Capitalised transaction costs	16.8	15.1	1.5	0.8
Prepaid expenses	14.4	0.9	13.6	1.4
Total	93.2	19.4	88.3	9.0

* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

As at 31 December 2015, in relation to ship 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.

If no prices listed on an active market are available and the fair value cannot be determined reliably, the available-for-sale financial assets are measured at cost. In the 2015 financial year, as in the previous year, no impairment was recognised in the “available-for-sale financial assets” category.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Credit risks

The following table provides information about the credit risks involved in trade accounts receivable and other assets:

	Carrying amounts of financial instruments	Thereof neither overdue nor impaired	Thereof not impaired and overdue in the following periods				
			less than 60 days	between 31 and 90 days	between 61 and 180 days	between 91 and 180 days	more than 30 days
Million EUR							
31.12.2014*							
Trade accounts receivable	703.8	556.0	131.0	14.4	2.4	—	—
Other assets	59.1	59.1	—	—	—	—	—
Total	762.9	615.1	131.0	14.4	2.4	—	—
31.12.2015							
Trade accounts receivable	716.1	489.9	122.9	21.8	4.6	8.5	68.4
Other assets	77.8	77.8	—	—	—	—	—
Total	793.9	567.7	122.9	21.8	4.6	8.5	68.4

* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

With regard to the portfolio of trade accounts receivable and other assets which are neither impaired nor defaulted, there are no indications as at the balance sheet date that the respective debtors will not honour their obligations to pay.

Impairment allowances

The impairment allowances on trade accounts receivable developed as follows:

	2015	2014*
Million EUR		
Impairment allowances as at 1.1.	33.1	12.5
Addition from business combination	—	21.3
Additions	25.3	9.1
Utilisation	1.0	3.7
Release	7.3	7.9
Exchange rate differences	(2.6)	(1.7)
Impairment allowances as at 31.12.	52.7	33.1

* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

In the financial year, there were minor cash inflows from trade accounts receivable that were already written off.

(16) Derivative financial instruments

	31.12.2015		31.12.2014	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Million EUR				
Receivables from derivative financial instruments	11.4	10.7	19.6	15.8
thereof derivatives in hedge accounting	0.7	—	0.2	—
thereof derivatives not included in hedge accounting	10.7	10.7	19.4	15.8

Derivative financial instruments are shown at fair value (market value). They serve to hedge both the future operating business and the currency risks in the area of financing. This item also contains embedded derivatives in the form of buy-back options for issued bonds. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note [28]).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(17) Inventories

The inventories were as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
	<u>Million EUR</u>	
Raw materials and supplies	92.2	149.0
Prepayments	<u>1.9</u>	<u>3.1</u>
Total	<u>94.1</u>	<u>152.1</u>

The raw materials and supplies were primarily fuel and lubricating oil (2015: EUR 86.8 million; 2014: EUR 146.7 million).

The carrying amount of inventories recognised at fair value comes to EUR 43.1 million (2014: EUR 52.3 million).

Of the expenses for raw materials, supplies and purchased goods totalling EUR 1,067.9 million, EUR 1,002.8 million was recognised as fuel expenses in the reporting period (2014: EUR 1,296.9 million).

Impairments of fuel inventories in the amount of EUR 15.5 million were recognised as expenses in the reporting period (2014: EUR 19.0 million). No write-backs were recognised.

(18) Cash and cash equivalents

	<u>31.12.2015</u>	<u>31.12.2014</u>
	<u>Million EUR</u>	
Securities	0.0	0.3
Cash at bank	568.4	707.7
Cash in hand and cheques	<u>5.3</u>	<u>3.4</u>
Total	<u>573.7</u>	<u>711.4</u>

The balances of a number of bank accounts belonging to the Hapag-Lloyd Group are only freely available once the redemption payments and interest obligations due have been settled. These account balances came to EUR 19.1 million as at 31 December 2015 (2014: EUR 7.8 million).

Due to local restrictions, the Hapag-Lloyd Group can only hold limited cash and cash equivalents of EUR 13.2 million (2014: EUR 11.3 million) at individual subsidiaries.

(19) Non-current assets held for sale

In the 2015 financial year, a total of 16 vessels to be decommissioned (“Old Ladies”) were sold or given to a certified ship breaking yard. In view of the intention to sell them, they were reported as non-current assets held for sale in accordance with IFRS 5 as at 31 December 2014. The disposals resulted in gains totalling EUR 10.1 million.

(20) Subscribed capital, capital reserves and retained earnings

Subscribed capital and capital reserves

As at 31 December 2015, Hapag-Lloyd AG’s subscribed capital is divided into 118.1 million (2014: 104.9 million) no-par registered shares with equal rights.

The Company’s subscribed capital increased by EUR 28.3 million and the capital reserves by EUR 1,202.3 million with effect from 2 December 2014 as a result of the incorporation of CSAV’s container shipping business in Hapag-Lloyd AG in exchange for new shares. In a second capital increase on 19 December 2014, the subscribed capital was increased by a further EUR 10.5 million and capital reserves by EUR 359.5 million.

The rise in subscribed capital in the 2015 financial year was due to 13.2 million new no-par registered shares being issued on the Frankfurt and Hamburg stock exchanges in return for a minimum price of EUR 1.00 per share, payable in cash. At the end of the subscription period, the issue price for the new shares was set at EUR 20.00 per share. The shares were issued to institutional and private

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

investors from Germany and elsewhere in Europe. On 6 November 2015, the share became listed on the regulated market (Prime Standard) of the Frankfurt and Hamburg Stock Exchanges. The proceeds from the issue of the new shares totalled EUR 264.5 million gross. The new shareholders' contributions totalling EUR 251.3 million were allocated to the capital reserves. In connection with the IPO, transaction costs totalling EUR 4.3 million were deducted from the capital reserves.

Authorised share capital

Under a resolution approved at the Annual General Meeting (AGM) on 25 June 2014, the Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's subscribed capital by up to EUR 33.0 million up to 31 March 2015 by issuing new no-par registered shares in exchange for cash and/or contributions in kind on one or more occasions. This authorised share capital was utilised to effect the capital increase of EUR 28.3 million on 2 December 2014.

In addition, under a resolution approved at the AGM on 2 December 2014, the Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's subscribed capital by up to EUR 12.5 million up to 31 December 2017 by issuing up to 12.5 million new no-par registered shares in exchange for a minimum subscription fee of EUR 1.00 per share, payable in cash (Authorised Share Capital II).

Under a resolution approved at the AGM on 23 September 2015, the Executive Board is, subject to the approval of the Supervisory Board, also authorised to increase the Company's subscribed capital by up to EUR 15.0 million up to 17 September 2020 by issuing new no-par registered shares in exchange for a minimum subscription fee of EUR 1.00 per share, payable in cash, on one or more occasions (Authorised Share Capital III).

Under a resolution adopted by the Executive Board and approved by the Supervisory Board on 3 November 2015, the subscribed capital was increased to EUR 118.1 million in exchange for cash contributions by fully utilising Authorised Share Capital II in the amount of EUR 12.5 million and partially utilising Authorised Share Capital III in the amount of EUR 0.7 million.

EUR 14.3 million of authorised share capital therefore now remains.

Retained earnings

Retained earnings essentially comprise earnings from the financial year and previous years as well as reclassifications from the capital reserves. In the previous financial years, a total of EUR 1,480.9 million was withdrawn from the capital reserves in the individual financial statements under German commercial law and reclassified accordingly in the consolidated financial statements as retained earnings.

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 on the basis of German commercial law. Taking into account a withdrawal of EUR 635.7 million (2014: withdrawal of EUR 845.2 million) from the capital reserves and retained earnings brought forward in the amount of EUR 108.4 million, the annual financial statements of Hapag-Lloyd AG recognised retained earnings of EUR 108.4 million, which will be carried forward.

(21) Cumulative other equity

Cumulative other equity comprises the reserve for remeasurements relating to defined benefit pension plans, the reserve for cash flow hedges and the translation reserve.

The item for remeasurements from defined benefit plans (2015: EUR-75.2 million; 2014: EUR-104.8 million) results from income and expenses from the remeasurement of pension obligations and plan assets recognised 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR 1.2 million as at 31 December 2015 (2014: EUR 0.0 million).

The differences from currency translation of EUR 452.6 million recognised in the year under review (previous year: EUR 320.8 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. The translation reserve as at 31 December 2015 amounted to EUR 678.8 million (2014: EUR 226.2 million).

(22) Non-controlling interests

Non-controlling interests changed in the year under review, primarily due to the sale of 40% of the interests in Hapag-Lloyd (Peru) S.A.C., Lima, to Inversiones Piuranas S.A., Lima.

(23) 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, based on years of service, the employees belong to 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 favor of a company pension.

Pension commitments are provided to former Executive Board members based on a separate defined benefit plan. These also include entitlements to pension, survivorship annuity and disability benefits, the amount of which is based on an individually specified percentage of the pensionable emoluments. In some cases, they are also secured by plan assets in the form of reinsurance policies. Active Executive Board members do not receive any commitments for a company pension, with one exception. For one Executive Board member, there is a commitment for pension, survivorship annuity and disability benefits, the amount of which is determined by a fixed amount. Retirement benefits are paid out in the form of monthly pension payments.

Foreign defined benefit pension plans relate primarily to plans in the United Kingdom, the Netherlands, Canada 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Financing status of the pension plans

	<u>31.12.2015</u>	<u>31.12.2014</u>
	Million EUR	
Domestic defined benefit obligations		
Net present value of defined benefit obligations	170.1	182.1
Less fair value of plan assets	<u>10.8</u>	<u>10.8</u>
Deficit (net liabilities)	<u>159.3</u>	<u>171.3</u>
Foreign defined benefit obligations		
Net present value of defined benefit obligations	141.6	150.6
Less fair value of plan assets	<u>109.1</u>	<u>107.1</u>
Deficit (net liabilities)	<u>32.5</u>	<u>43.5</u>

Composition and management of plan assets

The Group's plan assets are as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
	Million EUR	
Equity instruments		
with quoted market price in an active market	25.3	20.6
without quoted market price in an active market	2.4	2.3
Government bonds		
with quoted market price in an active market	35.1	34.6
without quoted market price in an active market	—	—
Corporate bonds		
with quoted market price in an active market	26.2	22.9
without quoted market price in an active market	—	—
Other debt instruments		
mortgage-backed securities		
with quoted market price in an active market	5.7	6.2
without quoted market price in an active market	—	—
(other) asset-backed securities		
with quoted market price in an active market	3.5	3.5
without quoted market price in an active market	—	—
Derivatives		
with quoted market price in an active market	3.4	2.1
without quoted market price in an active market	—	—
Pension plan reinsurance	10.8	10.8
Real estate	1.2	1.0
Cash and cash equivalents	0.6	8.5
Other	<u>5.7</u>	<u>5.4</u>
Fair value of plan assets	<u>119.9</u>	<u>117.9</u>

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 balance sheet date.

Committees (trustees) exist in the United Kingdom, Canada 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

pension payments, which will be incurred in a specific time frame, are aligned with the maturity of the capital investments. In the case of maturities from eight to twelve years, low-risk investment forms are chosen, e.g. fixed-interest or index-linked government and corporate bonds. For other obligations falling due beyond this, investments are made with a higher risk, but with 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.

In addition, it must be taken into account that 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:

	2015	2014
	Million EUR	
Net present value of defined benefit obligations as at 1.1.	332.6	248.7
Current service cost	9.3	6.7
Interest expenses	8.5	9.7
Remeasurements:		
Gains (-) / losses (+) from changes in demographic assumptions	(0.4)	—
Gains (-) / losses (+) from changes in financial assumptions	(34.1)	68.2
Gains (-) / losses (+) from changes due to experience	(0.3)	(0.5)
Past service cost	1.0	1.3
Plan settlements	—	(0.1)
Contributions by plan participants	0.5	0.5
Benefits paid	(8.1)	(7.1)
Exchange rate differences	2.7	4.5
Additions from change in the group of consolidated companies	—	0.7
Net present value of defined benefit obligations as at 31.12.	311.7	332.6

The weighted average maturity of defined benefit obligations was 19.4 years as at 31 December 2015 (2014: 20.4 years).

Development of the fair value of the plan assets

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

	2015	2014
	Million EUR	
Fair value of plan assets as at 1.1.	117.9	101.9
Interest income	3.9	4.5
Return and losses on plan assets (excluding interest income)	(3.2)	8.9
Employer contributions	3.1	2.8
Contributions by plan participants	0.4	0.4
Plan settlements	—	(0.1)
Benefits paid	(4.5)	(3.8)
Exchange rate differences	2.3	3.3
Fair value of plan assets as at 31.12.	119.9	117.9

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Net pension expenses

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

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Current service cost	9.3	6.7
Interest expenses	8.5	9.6
Interest income	(3.9)	(4.5)
(Negative (-)) Past service cost	1.0	1.3
Plan settlements	—	(0.1)
Net pension expenses	14.9	13.0

The expenses incurred in connection with pensions and similar obligations are contained in the following items in the consolidated income statement:

	1.1.–31.12. 2015	1.1.–31.12. 2014
	Million EUR	
Personnel expenses	10.3	7.9
Interest expenses (+) / interest income (-)	4.6	5.1
Total	14.9	13.0

Actuarial assumptions

The valuation date for pension provisions and plan assets is generally 31 December. The valuation date for current net pension expenses is generally 1 January. The parameters established for the calculation of the pension provisions and the interest rate to determine interest income on plan assets to be reported in the income statement vary in accordance with the prevailing market conditions in the currency region in which the pension plan was set up.

The 2005 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:

<u>Percentage points</u>	<u>2015</u>	<u>2014</u>
Discount factors	2.60	2.00
Expected rate of pension increases	1.80	1.80

Demographic assumptions based on locally generally applicable guidance tables were used to measure the significant foreign pension provisions. The following financial and actuarial assumptions were also used:

<u>Percentage points</u>	<u>2015</u>	<u>2014</u>
Discount factors for pension obligations		
—United Kingdom	3.90	3.60
—Netherlands	2.60	2.00
—Canada	4.00	3.75
—Mexico	7.09	7.20
Expected rate of pension increases		
—United Kingdom	2.95	2.90
—Netherlands	2.00	2.00
—Canada	n. a.	n. a.
—Mexico	3.30	3.30

The discount factors for the pension plans are determined annually as at 31 December 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 discount rate is then determined in line with the duration of the obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Remeasurements

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR 30.8 million before tax as at 31 December 2015 for the 2015 financial year (2014: EUR-60.1 million) and can be broken down as follows:

	<u>31.12.2015</u>	<u>31.12.2014</u>
	Million EUR	
Actuarial gains (+) / losses (–) from		
Changes in demographic assumptions	0.4	0.0
Changes in financial assumptions	34.1	(68.2)
Changes from experience	0.4	0.4
Return on plan assets (excluding interest income)	(3.2)	8.9
Exchange rate differences	(0.9)	(1.2)
Remeasurements	<u>30.8</u>	<u>(60.1)</u>

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR-75.2 million as at 31 December 2015 (2014: EUR-104.8 million).

Future contribution and pension payments

For 2016, the Group is planning to make contributions to pension plan assets amounting to EUR 4.1 million (2015: EUR 4.4 million). Payments for unfunded pension plans are anticipated in the amount of EUR 3.5 million in 2016 (2015: EUR 3.2 million).

Sensitivity analyses

An increase or decrease in the significant actuarial assumptions would have the following effects on the present value of pension provisions as at 31 December 2015:

	<u>Present value</u>	<u>Present value</u>
	<u>31.12.2015</u>	<u>31.12.2014</u>
	Million EUR	
Discount factor 0.8% points higher	(41.5)	(55.1)
Discount factor 0.8% points lower	51.7	70.4
Expected rate of pension increase 0.2% higher	6.4	18.3
Expected rate of pension increase 0.2% lower	(6.1)	(17.6)
Life expectancy 1 year longer	9.7	22.2

The sensitivity calculations are based on the average maturity of pension provisions determined as at 31 December 2015. In order to present the effects on the present value of pension provisions as at 31 December 2015 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 2015, expenses incurred in connection with defined contribution pension plans totalled EUR 21.7 million (2014: EUR 18.2 million). This amount includes an expense of EUR 0.9 million in connection with a joint plan operated by several employers (2014: EUR 0.7 million).

In the 2008 financial year, pension and medical benefit provisions in the USA were transferred, together with the corresponding plan assets, from the Company's own benefit plan to the joint plan of several employers. This plan is a defined benefit pension plan. As the joint plan does not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, this plan has been recognised as a contribution plan since then.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Contributions are paid to finance the plan. These are determined on the basis of current service cost, the anticipated costs of the earned entitlement of active participants for the current year and the distribution of shortfalls. The total amount required is spread in an amount calculated per working hour which falls due per participant and paid working hour.

A total of 17 shipping companies participate in the plan. When joining the plan, the companies brought with them deficits of EUR 20.6 million (pensions) and EUR 57.7 million (medical care). Hapag-Lloyd's share amounted to a surplus of EUR 0.9 million (pensions) and a deficit of EUR 1.9 million (medical care). These initial surpluses and deficits are being equalised over a period of ten years by means of reduced contributions or additional contributions respectively. In this context, the Company reported a net liability of EUR 0.1 million as at 31 December 2015 (2014: EUR 1.0 million).

Deficits which have arisen since the calculation of the initial deficits are spread over 15 years, which results in higher contributions. Deficits are calculated by deducting the market value of the plan assets from the cumulative obligations.

According to the most recent report (1 January 2015; previous year: 1 January 2014), the plan participants were as follows:

<u>Plan participants (total)</u>	<u>Medical care</u>		<u>Pensions</u>	
	2015	2014	2015	2014
Active vested participants	558	525	559	523
Inactive vested participants	—	46	—	47
Beneficiaries	173	173	144	144
Total	731	744	703	714

<u>Plan participants (Hapag-Lloyd)</u>	<u>Medical care</u>		<u>Pensions</u>	
	2015	2014	2015	2014
Active vested participants	43	41	39	39
Inactive vested participants	—	—	2	2
Beneficiaries	3	2	2	1
Total	46	43	43	42

In the event that a company wishes to leave the plan, they must pay a so-called withdrawal liability. This withdrawal liability is calculated on the basis of the current proportionate deficit by taking into account only the non-forfeitable benefits less the market value of the plan assets. If a company leaves the plan without being able to pay the withdrawal liability, for instance in the event of insolvency, the deficit remains within the plan and must be covered by the other companies.

For 2016, payments to the plan are expected to amount to EUR 1.0 million (2015: EUR 0.8 million). Financial debt includes liabilities to banks, bonds, liabilities from finance lease contracts and other financial debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(24) Other provisions

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

	As per 1.1.2014	Addition from business combination	Reclassi- fication	Utilisation	Release	Addition	Exchange rate difference	As per 31.12.2014
Million EUR								
Risks from pending transactions and lawsuits	33.6	265.6	—	24.0	10.8	17.4	9.9	291.7
Guarantee, warranty and liability risks	36.1	43.7	—	8.3	0.8	12.7	6.4	89.8
Restructuring	0.1	—	—	0.1	—	82.0	7.7	89.7
Personnel costs	38.1	5.2	0.1	27.8	2.2	25.4	2.7	41.5
Insurance premiums	5.7	—	—	4.9	0.3	8.0	1.0	9.5
Provisions for other taxes	1.9	3.9	—	2.0	—	2.2	0.3	6.3
Other provisions	17.5	17.5	—	8.2	3.0	35.5	4.6	63.9
Other provisions	133.0	335.9	0.1	75.3	17.1	183.2	32.6	592.4

	As per 1.1.2015	Addition from business combination	Reclassi- fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12.2015
Million EUR								
Risks from pending transactions and lawsuits	291.7	—	(6.1)	146.5	1.6	1.0	31.0	169.5
Guarantee, warranty and liability risks	89.8	—	19.6	15.6	11.4	6.4	10.5	99.3
Personnel costs	41.5	—	0.3	25.7	2.4	58.1	2.3	74.1
Restructuring	89.7	—	(0.1)	33.0	49.4	—	8.8	16.0
Insurance premiums	9.5	—	—	6.3	—	11.4	1.2	15.8
Provisions for other taxes	6.3	—	(4.4)	2.5	—	2.6	0.4	2.4
Other provisions	63.9	—	(27.3)	11.5	1.2	23.4	5.7	53.0
Other provisions	592.4	—	(18.0)	241.1	66.0	102.9	59.9	430.1

In relation to the incorporation of CSAV's container shipping business into the Hapag-Lloyd Group with effect from 2 December 2014, the Hapag-Lloyd Group's Executive Board approved a comprehensive restructuring plan at the end of 2014 to implement the Group's new organisational structure directly caused by this integration. Following the announcement of the plan, the Group recognised provisions for the expected restructuring costs, including estimated costs incurred for closing and merging offices, IT modifications, discontinuing and restructuring services, agent terminations, consultancy costs and employee termination costs, amounting to EUR 16.0 million as at 31 December 2015 (31 December 2014: EUR 89.7 million). EUR 49.4 million of the restructuring provision had to be released in the 2015 financial year, as implementation of some of the measures cost less than originally planned.

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.

Provisions for risks from pending transactions relate to contracts identified with regard to purchase price allocations pursuant to IFRS 3 that have a negative market value compared to the market conditions at the time of the purchase. In the previous year, disadvantageous charter and lease agreements amounting to EUR 256.6 million were reported in connection with the acquisition of CSAV's container shipping activities. Provisions for risks from pending transactions are utilised over the respective average contractual terms of the underlying contracts. For this purpose, no new increases in the discounted amount were recorded during the financial year due to the passage of time. The change in other discounted provisions caused by the change in the discount rate is immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Provisions for personnel costs comprise provisions for leave not yet taken, bonuses not yet paid, 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 section (34). Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Group.

Other provisions in particular include provisions for country-specific risks (EUR 42.2 million; 2014:EUR 19.0 million) and archiving provisions (EUR 4.9 million; 2014:EUR 3.9 million).

The maturities of the other provisions are as follows:

	31.12.2015 Remaining terms				31.12.2014 Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
Million EUR								
Risks for pending transactions and lawsuits	169.5	72.3	86.6	10.6	291.7	150.7	122.3	18.7
Restructuring	16.0	14.8	1.2	—	89.7	88.3	1.4	—
Guarantee, warranty and liability risks	99.3	74.9	20.0	4.4	89.8	44.3	43.2	2.3
Personnel costs	74.1	60.5	7.4	6.2	41.5	27.4	6.4	7.7
Insurance premiums	15.8	15.8	—	—	9.5	9.5	—	—
Provisions for other taxes	2.4	2.4	—	—	6.3	6.3	—	—
Other provisions	53.0	45.2	2.2	5.6	63.9	58.9	0.9	4.1
Other provisions	430.1	285.9	117.4	26.8	592.4	385.4	174.2	32.8

(25) Financial debt

	31.12.2015 Remaining terms				31.12.2014 Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
Million EUR								
Liabilities to banks	2,786.2	540.6	1,440.8	804.8	2,489.1	337.2	1,396.7	755.2
Bonds	779.9	19.0	760.9	—	869.3	18.7	850.6	—
Liabilities from finance lease contracts	149.5	24.7	92.1	32.7	206.3	34.3	122.1	49.9
Other financial liabilities	191.7	25.8	114.8	51.1	152.4	17.8	78.6	56.0
Total	3,907.3	610.1	2,408.6	888.6	3,717.1	408.0	2,448.0	861.1

Financial debt by currency exposure:

	31.12.2015	31.12.2014
million EUR		
Financial liabilities denoted in US\$ (excl. transaction costs)	3,167.0	2,970.1
Financial liabilities denoted in EUR (excl. transaction costs)	789.9	786.5
Financial liabilities denoted in CLP (excl. transaction costs)	—	12.2
Interest payable	33.1	29.8
Accounting for transaction costs	(82.7)	(81.5)
Total	3,907.3	3,717.1

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

Liabilities to banks

Liabilities to banks comprise loans to finance the existing fleet of vessels and to finance containers.

In the 2015 financial year, loans were received in connection with the delivery of five ship newbuilds (totalling EUR 218.5 million or US\$238.0 million as at 31 December 2015). In the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

previous year, a total of US\$276.7 million (EUR 227.6 million) was received in connection with the delivery of three “Hamburg Express” class newbuilds alongside loans arising from the acquired CSAV companies. The existing bridging loans for these vessels in the amount of US\$143.2 million (EUR 117.8 million) were repaid in full in the previous year.

As part of the receivables securitisation programme, liabilities to banks increased again in the previous year by EUR 90.3 million.

For the finance lease contracts of two ships, the purchase options were exercised in the 2015 financial year and ownership of the vessels was transferred to the Company. In relation to this, two new ship financing agreements were paid out.

Significant elements of the liabilities to banks are collateralised with ship mortgages. Additional collateral exists in the form of land charges in connection with the Ballindamm property and securitised trade accounts receivable amounting to EUR 234.8 million (2014:EUR 236.9 million).

Bonds

On 20 November 2014, Hapag-Lloyd issued another corporate bond on the capital market with a maturity of five years. The bond has a volume of EUR 250.0 million and a coupon of 7.5% p.a. The proceeds from the bond’s issuance and an additional EUR 30.0 million of existing cash balances were used for the early repayment of the EUR bond due in 2015.

The US\$ bond due in 2017 with an original nominal volume of US\$250.0 million was repaid on 30 December 2015 by exercising the buy-back option in the amount of US\$125.0 million. The partial repayment was financed exclusively with available cash funds and was linked to the refinancing of the fleet financing in place since 2011 by means of new ship financing (EUR 105.6 million or US\$115.0 million as at 31 December 2015).

Liabilities from finance lease contracts

In the 2015 financial year, Hapag-Lloyd committed to purchasing the containers leased on the basis of existing operating lease contracts for containers by March and June 2017. The agreements are therefore now classified as finance lease contracts. Legal title will be transferred to Hapag-Lloyd upon acquisition of the containers. The liabilities from finance lease contracts resulting from the transaction amounted to EUR 16.2 million as at 31 December 2015.

Other financial debt

In addition, various sale and leaseback transactions were effected and investments were made in new containers. The economic substance of these transactions is credit financing secured by the assignment of containers as collateral. These transactions expire between 2016 and 2023. Classification is in accordance with SIC 27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. Four such transactions were concluded in the 2015 financial year. Part of these transactions is included in liabilities to banks. Overall, transactions of this kind resulted in liabilities to banks totalling EUR 232.5 million as at the reporting date (2014:EUR 199.6 million) and other financial debt totalling EUR 190.8 million (2014:EUR 151.5 million). Interest totalling EUR 19.8 million was recognised in interest expenses in the 2015 financial year (2014:EUR 14.2 million).

Credit facilities

An unsecured credit line amounting to US\$125.0 million (EUR 114.8 million) was guaranteed by the Joint Global Coordinators in connection with the IPO.

To boost the liquidity reserve, the existing revolving credit facility (RCF) of US\$95.0 million was increased to US\$200.0 million.

Additionally, a loan agreement in the form of a credit line to finance investments in containers of US\$135.0 million (EUR 123.9 million) was concluded in August 2015, of which US\$41.0 million (EUR 37.6 million) had not been utilised as at 31 December 2015.

Overall, Hapag-Lloyd had available credit facilities in the amount of EUR 388.7 million (2014:EUR 210.5 million) at the balance sheet date. These free liquidity reserves have maturities ranging between one and three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In the 2015 financial year, Hapag-Lloyd signed a loan agreement with a bank consortium for EUR 341.9 million (US\$372.4 million) with a twelve-year term for the long-term financing of further ship investments.

(26) Trade accounts payable and other liabilities

	31.12.2015 Remaining terms				31.12.2014 Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
Million EUR								
Financial liabilities								
Trade accounts payable	1,293.8	1,293.8	—	—	1,225.4	1,225.4	—	—
thereof to third parties	1,292.5	1,292.5	—	—	1,221.5	1,221.5	—	—
thereof to investments	1.3	1.3	—	—	3.9	3.9	—	—
Other liabilities	42.9	41.6	1.1	0.2	38.2	32.7	5.3	0.2
Other liabilities	38.6	37.5	1.1	—	36.3	31.0	5.3	—
Other liabilities to employees	4.3	4.1	—	0.2	1.9	1.7	—	0.2
Total	1,336.7	1,335.4	1.1	0.2	1,263.6	1,258.1	5.3	0.2
Non financial liabilities								
Other liabilities	120.3	116.9	3.2	0.2	94.2	92.5	1.3	0.4
Prepayments received	95.0	95.0	—	—	78.3	78.3	—	—
Other liabilities as part of social security	17.4	15.4	1.9	0.1	9.2	8.1	1.0	0.1
Other liabilities from other taxes	6.3	6.2	0.1	—	5.3	5.3	—	—
Other liabilities	1.6	0.3	1.2	0.1	1.4	0.8	0.3	0.3
Total	120.3	116.9	3.2	0.2	94.2	92.5	1.3	0.4

* 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

(27) Derivative financial instruments

	31.12.2015		31.12.2014	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
million EUR				
Liabilities from derivative financial instruments	(22.3)	—	(23.8)	—
thereof derivatives in hedge accounting	(22.3)	—	(0.2)	—
thereof derivatives not included in hedge accounting	—	—	(23.6)	—

Liabilities from derivative financial instruments are solely the result of currency forward contracts. A detailed presentation of the derivative financial instruments is contained in the explanatory note on 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 a hedging instrument 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 involve the risk that the Group itself or one of its contractual partners cannot meet its contractually agreed payment obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

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 balance sheet 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 if they influence the Hapag-Lloyd Group's cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates for preventing 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. In addition to the euro, the Canadian dollar, British pound, Swiss franc, Hong Kong dollar, Singapore dollar, Japanese yen, Chilean peso, Brazilian real, Chinese renminbi, Mexican peso, Indian rupee and Australian dollar are significant currencies.

If necessary, currency hedging transactions are conducted, while taking account of internal guidelines. The Group hedges a portion of its operating cost exposure denominated in euros by using options on a twelve-month basis with the aim of limiting currency risks.

The repayment of euro-denominated financial debt is also hedged up to as much as 100%. The risks are hedged by making customised use of derivative financial instruments in the form of currency options and currency forward contracts, as well as instruments that have a natural hedging effect (e.g. euro money market investments).

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, CAD, GBP). The analysis is accordingly depicted in US dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	31.12.2015		31.12.2014	
	Effect on earnings	Reserve for cash flow hedges (equity)	Effect on earnings	Reserve for cash flow hedges (equity)
	million US\$			
US\$/EUR				
+10%	(0.2)	0.6	(20.1)	—
-10%	0.2	(0.6)	44.6	—
US\$/CAD				
+10%	(3.3)	—	(4.9)	—
-10%	3.3	—	4.9	—
US\$/GBP				
+10%	4.3	—	0.9	—
-10%	(4.3)	—	(0.9)	—

Risks at the level of Hapag-Lloyd AG's consolidated financial statements arise from the translation of the financial statements of consolidated companies in US dollars into the reporting currency, the euro (translation risk). This risk has no impact on the Group's cash flow; instead, it is reflected in equity and is not currently hedged.

Fuel price risk

As a result of its operating activities, the Hapag-Lloyd Group is exposed to a market price risk for the procurement of bunker fuel.

The risk management's basic objective is securing up to 80% of the forecasted bunker requirements. Derivative financial instruments in the form of commodity options are used to hedge against price fluctuations.

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was performed, with an implied hypothetical market price change of +/-10%. Based on the current hedging instruments and the underlying market prices, a hypothetical market price change of +/-10% would have virtually no effect on the reserve for cash flow hedges or the Group net result. The decision was therefore made not to present this information in a table.

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 hedging instruments were not used in 2015. 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 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 2015 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 nil. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 2,553.8 million that existed at the balance sheet date (2014:EUR 2,197.1 million) and the market value of embedded derivatives totalling EUR 10.7 million (2014:EUR 14.5 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

	31.12.2015		31.12.2014	
	+100 base points	-100 base points	+100 base points	-100 base points
	million EUR			
Change in variable interest rate				
Earnings before income taxes	(28.0)	16.2	(17.8)	2.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Credit risk

In addition to the market risks described above, the Hapag-Lloyd Group is exposed to default risks. Default risk constitutes the risk that a contracting 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. To provide protection against default risks, a credit insurance policy or bank guarantees are also used to hedge around three quarters of the trade accounts receivable as at the balance sheet date.

The Hapag-Lloyd Group is not exposed to a major default risk from an individual counterparty. The concentration of the default risk is limited due to the broad and heterogeneous customer base.

If there are discernible risks in the area of trade accounts receivable and other assets, these are taken into account by means of appropriate impairment allowances. With regard to the age structure analysis for the trade accounts receivable and other assets, please refer to Note (15).

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 balance sheet date, as this is the extent of the loss that would have to be borne.

Taking into account the positive and negative market values of the derivative financial instruments in the amount of EUR 0.7 million and EUR-22.3 million respectively, this results in the potential to offset financial assets and financial liabilities to the tune of EUR 0.1 million subject to the German Master Agreement for Financial Derivatives Transactions. The market values of embedded derivatives linked to the buy-back option of issued bonds totalling EUR 10.7 million were not taken into account.

In addition to these, there are no further long-term financial obligations or loans with external contracting partners from which a potential default risk may arise.

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 Group management report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 (31.12.2014)¹⁾

	2015	Cash inflows and outflows			Total
		2016	2017–2019	from 2020	
Million EUR					
Primary financial liabilities					
Liabilities to banks ²⁾	(423.9)	(721.1)	(871.0)	(874.4)	(2,890.4)
Bonds	(67.3)	(69.8)	(1,000.4)	—	(1,137.5)
Liabilities from finance leases	(49.9)	(41.2)	(111.3)	(59.3)	(261.7)
Other financial liabilities (excl. operating leases)	(25.3)	(24.8)	(76.7)	(71.8)	(198.6)
Trade accounts payable	(1,225.4)	—	—	—	(1,225.4)
Other liabilities	(32.7)	(5.5)	—	—	(38.2)
Total primary financial liabilities	(1,824.5)	(862.3)	(2,059.4)	(1,005.5)	(5,751.8)
Total derivative financial liabilities	(22.8)	—	—	—	(22.8)

- 1) 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section judgements, estimations and assessments)
- 2) In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of US\$247.9 million to be paid upon delivery of the vessels. The loans have a term of ten years starting with the delivery of the financed vessels and are subject to an interest rate of US\$ LIBOR +2.81%.

Cash flows of financial instruments (31.12.2015)

	2016	Cash inflows and outflows			Total
		2017	2018–2020	from 2021	
Million EUR					
Primary financial liabilities					
Liabilities to banks ¹⁾	(629.1)	(410.9)	(1,272.6)	(867.4)	(3,180.0)
Bonds	(58.7)	(175.7)	(725.0)	—	(959.4)
Liabilities from finance leases	(33.4)	(39.8)	(73.0)	(36.9)	(183.1)
Other financial liabilities (excl. operating leases)	(33.7)	(34.9)	(106.3)	(53.0)	(227.9)
Trade accounts payable	(1,293.8)	—	—	—	(1,293.8)
Other liabilities	(41.6)	(1.1)	—	(0.2)	(42.9)
Total primary financial liabilities	(2,090.3)	(662.4)	(2,176.9)	(957.5)	(5,887.1)
Total derivative financial liabilities	(24.4)	—	—	—	(24.4)

- 1) In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of US\$372.4 million to be paid upon delivery of the vessels. The loans have a term of twelve years starting with the delivery of the financed vessels and are subject to an interest rate of US\$ LIBOR +1.71%.

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 2015 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 balance sheet 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 hedges

Derivative financial instruments are generally used to hedge existing or planned underlying transactions and serve to reduce foreign currency risks and fuel price risks, which occur in day-to-day business activities in the context of investment and financial transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Currency risks are currently hedged by means of currency forward contracts and currency options. Commodity options are used as hedges for fuel price risks.

Hedging relationships in accordance with IAS 39 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review. The hedged cash flows from the underlying transactions are expected to be recognised in profit or loss within a period of one to four years, with early transactions possible for long-term underlying transactions. The corresponding hedging transactions have maturities of less than one year. To ensure that the underlying transactions are fully hedged, subsequent hedging transactions are intended, insofar as the Company does not make use of the option to enter into an early transaction.

In the 2015 financial year, changes in the fair values of derivative financial instruments in hedging relationships resulted in losses totalling EUR 21.8 million, which were recognised in other comprehensive income (2014: EUR 8.9 million). These changes in value represent the effective share of the hedging relationship.

In the reporting period, losses of EUR 23.1 million from other comprehensive income were reclassified and recognised through profit or loss (2014: EUR 15.3 million). EUR 21.0 million (2014: EUR 12.5 million) of this related to exchange rate hedging, which was recognised in other operating income along with the exchange rate gains from the hedged underlying transactions. The respective interest portion from currency forward contracts in the amount of EUR 2.1 million (2014: EUR 1.6 million) was recognised as interest expense.

In addition, the Hapag-Lloyd Group uses optional hedges to hedge currency risks from existing foreign currency liabilities which are in an economic relationship with the respective underlying transaction, but were not designated as a hedging relationship according to IAS 39. Derivative financial instruments were at no time used for speculative purposes.

The following table shows the nominal values of the derivative financial instruments:

	31.12.2015 Remaining terms			31.12.2014 Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
	Million EUR					
Currency options						
Asset	100.0	—	100.0	320.0	100.0	420.0
Liability	—	—	—	80.0	—	80.0
Currency forward contracts						
Liability	664.6	—	664.6	319.6	—	319.6
Cross-currency swaps	—	—	—	12.7	—	12.7
Commodity options	211.6	—	211.6	279.4	—	279.4

The fair value determined for the derivative financial instruments is the price at which a contracting party would assume the rights and/or obligations of the other contracting party.

The fair values of currency and commodity options are calculated using the Black & Scholes model or the modified Turnbull & Wakeman model and are based on the current exchange rates, commodity prices, currency and commodity price volatility, yield curves and forward prices. Currency forward contracts are measured on the basis of their market-traded forward price as at the reporting date.

An analysis of the underlying 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 and are classified as held for trading. The market value of the embedded derivatives is calculated using the Hull-White model together with a trinomial decision tree based on current market values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The positive and/or negative fair values of derivative financial instruments are shown as follows:

	31.12.2015		31.12.2014	
	Positive market values	Negative market values	Positive market values	Negative market values
	Million EUR			
Hedging instruments acc. to IAS 39 (Hedge accounting)				
Currency options	—	—	—	—
Commodity options	0.7	—	0.2	—
Currency forwards contracts	—	(22.3)	—	—
Cross-currency swaps	—	—	—	(0.2)
Hedges	0.7	(22.3)	0.2	(0.2)
Hedging instruments (Held for trading)				
Currency options	0.0	—	4.9	(0.9)
Currency forwards contracts	—	—	—	(22.7)
Embedded derivatives	10.7	—	14.5	—
Cross-currency swaps	—	—	—	—
Other derivative financial instruments	10.7	—	19.4	(23.6)
Total	11.4	(22.3)	19.6	(23.8)

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 price on the balance sheet date.

The carrying amounts of cash and cash equivalents, trade accounts receivable and significant portions of other assets, and trade accounts payable and other liabilities are a suitable approximation of the fair values. The decision was taken not to report the fair value in these cases. The available-for-sale financial assets included in other assets are generally measured at fair value. If no reliable fair value is available, the assets are measured at cost.

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 balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2014¹⁾

	Classification category according to IAS 39	Carrying amount	Amount recognised in the balance sheet under IAS 39					Fair value of financial instruments
		31.12.2014	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss	Amount recognised in the balance sheet under IAS 17	
Million EUR								
Assets								
Other assets	LaR	58.9	58.9	—	—	—	—	58.9
	n. a.	88.5	—	—	—	—	—	—
		0.2	—	0.2	—	—	—	0.2
Derivative financial instruments								
Derivatives (Held for trading)	FAHfT	19.4	—	—	—	19.4	—	19.4
Hedges (Hedge accounting)	n. a.	0.2	—	—	0.2	—	—	0.2
Trade accounts receivable	LaR	703.8	703.8	—	—	—	—	703.8
Cash and cash equivalents	LaR	711.4	711.4	—	—	—	—	711.4
Liabilities								
Financial debt	FLAC	3,510.8	3,510.8	—	—	—	—	3,796.4
Liabilities from finance leases ²⁾	n. a.	206.3	—	—	—	—	206.3	216.2
Other liabilities	FLAC	38.0	38.0	—	—	—	—	38.0
	n. a.	94.4	—	—	—	—	—	—
Derivative financial liabilities								
Derivatives (Held for trading)	FLHfT	23.6	—	—	—	23.6	—	23.6
Hedges (Hedge accounting)	n. a.	0.2	—	—	0.2	—	—	0.2
Trade accounts payable	FLAC	1,225.4	1,225.4	—	—	—	—	1,225.4
Thereof aggregated according to IAS 39 classification category								
Loans and receivables (LaR)		1,474.1	1,474.1	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.2	—	0.2	—	—	—	—
Financial assets held for trading (FAHfT)		19.4	—	—	—	19.4	—	—
Financial liabilities measured at amortised cost (FLAC)		4,774.2	4,774.2	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		23.6	—	—	—	23.6	—	—

1) 31.12.2014: Adjusted amounts as a result of the purchase price allocation (see the section “Judgements, estimations and assessments”)

2) Part of financial debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2015

	Classification category according to IAS 39	Carrying amount 31.12.2015	Amount recognised in the balance sheet under IAS 39				Amount recognised in the balance sheet under IAS 17	Fair value of financial instruments
		Total	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss		
Assets								
Other assets	LaR	77.0	77.0	—	—	—	—	77.0
	n. a.	93.2	—	—	—	—	—	—
	AfS	0.8	—	0.8	—	—	—	0.8
Derivative financial instruments								
Derivatives (Held for trading)	FAHfT	10.7	—	—	—	10.7	—	10.7
Hedges (Hedge accounting)	n. a.	0.7	—	—	0.7	—	—	0.7
Trade accounts receivable	LaR	716.1	716.1	—	—	—	—	716.1
Cash and cash equivalents	LaR	573.7	573.7	—	—	—	—	573.7
Liabilities								
Financial debt	FLAC	3,757.8	3,757.8	—	—	—	—	3,820.5
Liabilities from finance leases ¹⁾	n. a.	149.5	—	—	—	—	149.5	158.0
Other liabilities	FLAC	42.9	42.9	—	—	—	—	42.9
	n. a.	120.3	—	—	—	—	—	—
Derivative financial liabilities								
Derivatives (Held for trading)	FLHfT	—	—	—	—	—	—	—
Hedges (Hedge accounting)	n. a.	22.3	—	—	22.3	—	—	22.3
Trade accounts payable	FLAC	1,293.8	1,293.8	—	—	—	—	1,293.8
Thereof aggregated according to IAS 39 classification category								
Loans and receivables (LaR)		1,366.8	1,366.8	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.8	—	0.8	—	—	—	—
Financial assets held for trading (FAHfT)		10.7	—	—	—	10.7	—	—
Financial liabilities measured at amortised cost (FLAC)		5,094.5	5,094.5	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		—	—	—	—	—	—	—

1) Part of financial debt.

The financial instruments in the available-for-sale category which are included in other assets contain investments not listed on a stock exchange for which there are no market prices listed on an active market. The market values were not determined as these do not provide any additional information of value. The disposal of the investments is not planned at present.

The fair values are allocated to different levels of the fair value hierarchy based on the input factors used in the valuation methods. An explanation of the individual levels from 1 to 3 of the fair value hierarchy can be found in the chapter “Accounting and measurement principles” in the Notes to the consolidation 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 IAS 39, the table also includes financial instruments that are recognised at amortised cost and whose fair value differs from this.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Classification category according to IAS 39	31.12.2014			
		Level 1	Level 2	Level 3	Total
		Million EUR			
Assets					
Derivative financial instruments (Hedge accounting)	n. a.	—	0.2	—	0.2
Derivative financial instruments (Trading)	FLHfT	—	19.4	—	19.4
Liabilities					
Derivative financial instruments (Hedge accounting)	n. a.	—	0.2	—	0.2
Derivative financial instruments (Trading)	FLHfT	—	23.6	—	23.6
Financial debt	FLAC	—	3,796.4	—	3,796.4
Liabilities from finance leases ¹⁾	n. a.	—	216.2	—	216.2

1) Part of financial debt.

	Classification category according to IAS 39	31.12. 2015			
		Level 1	Level 2	Level 3	Total
		Million EUR			
Assets					
Derivative financial instruments (Hedge accounting)	n. a.	—	0.7	—	0.7
Derivative financial instruments (Trading)	FLHfT	—	10.7	—	10.7
Liabilities					
Derivative financial instruments (Hedge accounting)	n. a.	—	22.3	—	22.3
Derivative financial instruments (Trading)	FLHfT	—	—	—	—
Financial debt	FLAC	—	3,820.5	—	3,820.5
Liabilities from finance leases ¹⁾	n. a.	—	158.0	—	158.0

Net earnings

The net earnings of the financial instruments by classification category pursuant to IAS 39 are as follows:

	31.12.2015			31.12.2014		
	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
Million EUR						
Loans and receivables	(1.4)	(74.7)	(76.1)	(0.2)	(63.3)	(63.5)
Available-for-sale financial assets	0.0	—	0.0	0.0	—	0.0
Financial assets and liabilities held for trading	(5.3)	(25.4)	(30.7)	(18.1)	(28.7)	(46.8)
Financial liabilities measured at amortised cost	(195.1)	103.5	(91.6)	(154.5)	60.8	(93.7)
Total	(201.8)	3.4	(198.4)	(172.8)	(31.2)	(204.0)

In addition to interest income and expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of the EUR bonds issued by Hapag-Lloyd AG as well as the valuation result from derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39.

Capital management

The Hapag-Lloyd Group aims 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.

In the course of the successful IPO, the return on invested capital (ROIC) was defined at Group level at the end of 2015 as an indicator of the performance within a period and will be calculated and managed as a performance indicator in the future. This performance indicator will be used at Group level as of the 2016 financial year with a view to earning the weighted average cost of capital starting

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

in 2017. To facilitate comparison with other international shipping companies, the return on invested capital will be calculated and presented exclusively on the basis of the functional currency, the US dollar.

Covenant clauses that are customary in the market have been arranged for existing financing from bonds or loans (financial covenants regarding equity, liquidity and loan-to-value ratio), and are used as an additional control tool. In the reporting period, as in the previous year, the financial covenants were adhered to for all the reporting dates. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

OTHER NOTES

(29) Government assistance

The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 9.1 million in 2015 (2014: EUR 7.4 million) according to the guideline for lowering indirect labour costs in the German marine industry; this amount is recorded as other operating income. Overall, the Group received government assistance of EUR 14.7 million in the reporting year (2014: EUR 11.0 million).

(30) Contingencies

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

As at 31 December 2015, there were merely guarantees and sureties for liabilities of affiliated consolidated companies.

(31) 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. It is regarded as unlikely that these proceedings will result in any noteworthy payment obligations. Consequently, no provisions for litigation risks are formed and no contingent liabilities are reported in the Notes in this context.

Since May 2011, the European Commission has been examining whether EU competition law has been violated since the exemption regulation for liner conferences was abolished in October 2008. The Company believes that shipping services are provided in line with EU competition regulations.

Hapag-Lloyd is subject to regular tax audits which may lead to the payment of tax arrears. Investigations by local tax authorities concerning individual circumstances are currently taking place in a number of jurisdictions, such as in India and Brazil. In addition, the Mexican tax authorities published a letter of application designed to limit non-refundable value added tax in Mexico retroactively from 2014. To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions. Furthermore, as at the reporting date, contingent liabilities in the amount of EUR 124.0 million existed related to tax risks not classified as probable (previous year: EUR 91.5 million).

Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2015. Such payment obligations will not have any significant influence on the Group's net asset, financial and earnings position.

(32) Leases

Lessee—finance leases

The items leased on the basis of finance lease contracts are primarily vessels and containers. In the previous year, existing short-term operating lease contracts for containers were turned into long-term

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

lease contracts, resulting in the classification of the amended container rental agreements as finance lease contracts. The contracts have terms of up to twelve years. The containers can continue to be used in line with the contracts once the term of a contract has expired. As at 31 December 2015, the vessels recognised in connection with the finance lease contracts had a net carrying amount of EUR 106.4 million (2014: EUR 179.5 million); the containers were recognised at EUR 82.0 million as at 31 December 2015 (2014: EUR 66.5 million).

The future minimum lease payments and their present values are as follows:

	31.12.2015 Remaining terms				31.12.2014 Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	Million EUR							
Future minimum lease payments	182.9	33.4	112.6	36.9	253.7	46.4	150.7	56.6
Interest portion	(33.4)	(8.7)	(20.5)	(4.2)	(47.4)	(12.1)	(28.6)	(6.7)
Present value	149.5	24.7	92.1	32.7	206.3	34.3	122.1	49.9

At the balance sheet date, there were no expectations of future income from non-cancellable subletting arrangements, nor were there any contingent rental payments.

Lessee—operating leases

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for vessels and containers, and rental agreements for business premises. The agreements have terms of between one year and 16 years, with the majority of them maturing after a term of up to five years. A number of the agreements include prolongation and purchase options. The containers are used in the short term at standard market leasing rates until they are ultimately transferred to the purchaser. There is no obligation to repurchase them. Some of the rental agreements for business premises include contingent rental payments based on the consumer price index for Germany.

Charter agreements for ships are always structured as time charter contracts, *i. e.* in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the 2015 financial year, lease payments of EUR 1,180.8 million were posted to expenses (2014: EUR 651.7 million), of which EUR 585.1 million were charter expenses (2014: EUR 334.5 million), of which EUR 0.3 million related to contingent rental payments (2014: EUR 0.0 million).

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

	31.12.2015				31.12.2014			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	Million EUR							
Vessels and containers	1,035.7	521.1	470.9	43.7	1,082.1	389.3	561.9	130.9
Business premises	110.1	25.4	49.0	35.7	104.9	20.5	43.5	40.9
Other	155.0	56.0	99.0	—	177.9	50.3	127.6	—
Total	1,300.8	602.5	618.9	79.4	1,364.9	460.1	733.0	171.8
Fair value	1,278.2	600.1	603.8	74.3	1,340.1	458.5	718.7	162.9

The fair value was ascertained by discounting the future minimum lease payments using an interest rate suitable for the average term of 0.83% p.a. (31 December 2014: 0.67% p.a.). Due to the change in the discount rate, other financial obligations increased by EUR 4.2 million.

As at 31 December 2015, future minimum lease income from subletting arrangements relating to non-cancellable subletting arrangements totalled EUR 3.4 million (2014: EUR 15.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Lessor—operating leases

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. The assets let within the scope of the operating lease contracts are essentially fully owned vessels and slot charters.

The following future minimum lease payments relate to non-cancellable operating lease contracts:

	31.12.2015				31.12.2014			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	Million EUR							
Vessels	58.7	45.9	12.8	—	26.0	26.0	—	—
Business premises	1.1	0.3	0.8	0.0	0.6	0.4	0.2	0.0
Total	59.8	46.2	13.6	0.0	26.6	26.4	0.2	0.0

At the reporting date, the gross carrying amounts of the chartered ships totalled EUR 230.2 million (2014: EUR 95.9 million). The accumulated depreciation amounted to EUR 35.9 million (2014: EUR 28.1 million) and depreciation for the period amounted to EUR 8.5 million (2014: EUR 4.3 million). No contingent rental payments were recorded through profit or loss in the 2015 financial year.

(33) Other financial obligations

The Group’s other financial obligations as at 31 December 2015 include a purchase obligation for investments in container ships amounting to EUR 350.1 million (2014: EUR 276.1 million), of which EUR 208.3 million is for a term of up to one year (2014: EUR 276.1 million). Neither in the 2015 financial year nor in the previous year was the remaining term of the purchase obligation greater than five years.

(34) Share-based payment

As part of the Company’s IPO, long-term variable remuneration was introduced for Executive Board members in the form of virtual shares. Under the long-term incentive plan (LTIP), a specified euro amount (allocation amount) contractually agreed on an individual basis is allocated to each Executive Board member at the start of every calendar year, reflecting performance in the current and following three financial years (performance period).

This allocation amount is converted into virtual shares in the Company based on the average price of the Hapag-Lloyd share over the 60 trading days preceding the day on which the shares are granted. For the first tranche after the IPO in November 2015 (“IPO tranche”), the share price is calculated differently and is based on the average of the 20 trading days that follow the 30th trading day after the IPO.

The virtual shares are divided equally into performance share units and retention share units.

Entitlements under the long-term incentive plan take effect on a pro rata basis when the performance period ends. The retention share units automatically become non-forfeitable when the performance period expires. They then 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 zero, as measured by a performance factor, when the performance period ends. If the performance factor is zero, all of the performance share units are forfeited.

When the performance period ends and the performance share units have been calculated, payments under the LTIP are automatically made. The number of non-forfeitable virtual shares is

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 this case, all entitlements under the long-term incentive plan are forfeited.

The maturities of the other provisions are as follows:

	<u>Virtual shares</u>	<u>Fair value million EUR</u>
As per 1.1.2014	—	—
Virtual shares granted	—	—
Virtual shares exercised	—	—
Virtual shares forfeited	—	—
Measurement result	—	—
As per 31.12.2014	—	—
Virtual shares granted	112,586	2.2
Virtual shares exercised	—	—
Virtual shares forfeited	—	—
Measurement result	—	—
As per 31.12.2015	112,586	2.2

The measurement of the virtual shares at the time they are granted is based on the allocation amount and takes account of the performance factor for the performance share units.

In the reporting period, EUR 0.6 million was recognised for share-based payments through profit or loss. The provision for share-based payments amounted to EUR 0.6 million as at 31 December 2015 (2014: EUR 0.0 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
- Hamburg-Amerika Linie GmbH, Hamburg
- First CSAV Ships Germany GmbH, Hamburg
- Second CSAV Ships Germany GmbH, Hamburg
- Third CSAV Ships Germany GmbH, Hamburg

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

In the 2015 financial year, the following fees were paid to the auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network:

	<u>1.1.–31.12. 2015 Total</u>	<u>1.1.–31.12. 2015 Domestic</u>	<u>1.1.–31.12. 2014 Total</u>	<u>1.1.–31.12. 2014 Domestic</u>
	Million EUR			
Audit fees for annual audit	1.9	0.7	1.7	0.5
Audit fees for other assurance services	1.4	1.2	0.7	0.6
Audit fees for tax consultancy	0.3	0.1	0.7	0.6
Audit fees for other services	1.1	0.7	0.5	0.4
Total	<u>4.7</u>	<u>2.7</u>	<u>3.6</u>	<u>2.1</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

With regard to the services provided by the auditors of the consolidated financial statements in Germany, EUR 0.1 million of the annual auditing services, EUR 0.3 million of the other assurance services and EUR 0.2 million of the other services related to the previous year.

(37) Related party disclosures

In carrying out its ordinary business activities, Hapag-Lloyd AG maintains indirect or direct relationships with related parties as well as with its own subsidiaries included in the consolidated financial statements.

With the incorporation of CSAV's container shipping business into the Hapag-Lloyd Group in the previous year in exchange for shares, Quinenco S.A. through CSAV and its CSAV Germany Container Holding GmbH subsidiary, became Hapag-Lloyd's largest indirect shareholder. CG HoldCo, HGV and Kühne have agreed to pool voting rights as part of a shareholders' agreement. In the following disclosures on transactions with shareholders, the relationships with Kühne, CSAV and their respective Group companies are outlined. 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. Essentially, there are loan relationships collateralised at standard market conditions with HSH Nordbank AG, a subsidiary of the Free and Hanseatic City of Hamburg, which are outlined in the following disclosures on transactions with shareholders.

<u>Voting rights</u>	<u>2015</u>	<u>2014</u>
CSAV Germany Container Holding GmbH	31.4%	34.0%
HGV Hamburger Gesellschaft für VermögensundBeteiligungsmanagement mbH	20.6%	23.2%
Kühne Holding AG / Kühne Maritime GmbH	20.2%	20.8%
TUI AG / TUI-Hapag Beteiligungs GmbH	12.3%	13.9%
Free Float	15.5%	8.1%
Total	100.0%	100.0%

Transactions with related parties (excluding management in key positions):

	<u>Delivered goods and services and other income recognised</u>		<u>Goods and services received and other expenses recognised</u>	
	<u>1.1.–31.12.2015</u>	<u>1.1.–31.12.2014</u>	<u>1.1.–31.12.2015</u>	<u>1.1.–31.12.2014</u>
	Million EUR			
Shareholders	362.2	279.1	82.8	40.7
Associated companies	0.6	0.2	68.8	57.7
Other investments	8.8	5.5	2.3	2.2
Total	371.6	284.8	153.9	100.6
	<u>Receivables</u>		<u>Liabilities</u>	
	<u>31.12.2015</u>	<u>31.12.2014</u>	<u>31.12.2015</u>	<u>31.12.2014</u>
	Million EUR			
Shareholders	122.9	179.8	286.1	241.9
Affiliated non-consolidated Companies	—	—	0.2	0.2
Associated companies	3.7	1.5	5.2	5.1
Other investments	1.7	1.1	0.4	0.3
Total	128.3	182.4	291.9	247.5

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 369.9 million; 2014: EUR 284.0 million), interest income (EUR 0.1 million; 2014: EUR 0.4 million) and other services (EUR 1.6 million; 2014: EUR 0.4 million).

Of the expenses shown above, EUR 127.5 million result from operating services (2014: EUR 80.6 million), EUR 13.3 million relate to interest expenses (2014: EUR 16.8 million), and EUR 13.1 million are from other services (2014: EUR 3.2 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Board of Hapag-Lloyd AG. The basic features of the remuneration system and the amount of remuneration for the Executive Board and Supervisory Board are presented and explained in more detail in the remuneration report. The remuneration report is part of the Group management report.

The active members of the Executive Board and the Supervisory Board were remunerated as follows:

	<u>Executive Board</u>		<u>Supervisory Board</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	Million EUR			
Short-term benefits	4.3	3.2	1.2	1.2
Termination benefits	0.3	0.9	—	—
Post-employment benefits	0.4	0.8	—	—
Share-based benefits	0.6	—	—	—
Total	<u>5.6</u>	<u>4.9</u>	<u>1.2</u>	<u>1.2</u>

In the 2015 financial year, the employee representatives on the Supervisory Board received EUR 0.3 million (2014: EUR 0.3 million) in emoluments for employee representatives paid 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 315a HGB

	<u>Executive Board</u>		<u>Supervisory Board</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	Million EUR			
Active board members	6.5	3.2	0.9	0.9
Former board members	1.0	1.4	—	—
Total	<u>7.5</u>	<u>4.6</u>	<u>0.9</u>	<u>0.9</u>

* The emoluments paid to the employee representatives within the Supervisory Board as part of their employment contracts are not included. The previous year's figures were adjusted accordingly.

** The emoluments of former members of the Executive Board were previously presented less income from reinsurance. This is no longer the case as of the 2015 financial year. The previous year's figures were adjusted accordingly.

The active Executive Board members were granted 112,586 virtual shares in total in the financial year, with a fair value of EUR 2.2 million at the time they were granted.

A total of EUR 22.2 million was allocated to pension provisions for former Executive Board members as at 31 December 2015 (2014: EUR 21.9 million). In the previous year, the pension provisions were disclosed netted with the plan assets from reinsurance policies.

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.

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

The declaration required under Section 161 AktG was issued by the Executive Board and Supervisory Board in November 2015 and has been made permanently available to shareholders in the "Corporate Governance" section under "IR" of the Company's website, www.hapag-lloyd.com.

(39) Significant transactions after the balance sheet date

In the first quarter of 2016, Hapag-Lloyd will take delivery of two, modern 3,500-TEU ships with a special wide-beam design from the Dutch shipping company Nile Dutch. The wide-beam design of the hull allows the ships, which were built in 2015, to maintain a comparatively high cargo capacity despite having a lower draught.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Name of the company	Registered office	Shareholding in %
Affiliated consolidated companies		
Head Office		
Hamburg-Amerika Linie GmbH	Hamburg	100.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	94.90
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	100.00
First CSAV Ships Germany GmbH	Hamburg	100.00
Second CSAV Ships Germany GmbH	Hamburg	100.00
Third CSAV Ships Germany GmbH	Hamburg	100.00
Europe		
Hapag-Lloyd Africa PTY Ltd.	Durban	100.00
Hapag-Lloyd (Austria) GmbH	Vienna	100.00
Oy Hapag-Lloyd Finland AB	Helsinki	100.00
Hapag-Lloyd (France) S.A.S.	Asnières-sur-Seine	100.00
Hapag-Lloyd (Ireland) Ltd.	Dublin	100.00
Hapag-Lloyd (Italy) S.R.L.	Milan	100.00
Hapag-Lloyd Polska Sp.z.o.o.	Gdynia	100.00
Hapag-Lloyd Portugal LDA	Lisbon	100.00
Hapag-Lloyd (Schweiz) AG	Basel	100.00
Hapag-Lloyd Special Finance Limited	Dublin	100.00
Hapag-Lloyd (Sweden) AB	Gothenburg	100.00
Hapag-Lloyd Spain S.L.	Barcelona	90.00
Hapag-Lloyd (UK) Ltd.	Barking	100.00
CSAV Group Agencies South Africa (Pty) Ltd.	Durban	100.00
CSAV Denizcilik Acentasi A.S.	Istanbul	100.00
CSAV Holding Europe S.L.	Barcelona	100.00
Norasia Container Lines Ltd.	Valetta	100.00
CSAV UK & Ireland Limited	Liverpool	100.00
Asia		
Hapag-Lloyd Agency LLC.	Dubai	49.00 ¹⁾
Hapag-Lloyd (Australia) Pty. Ltd.	Pyrmont	100.00
Hapag-Lloyd (China) Ltd.	Hong Kong	100.00
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	100.00
Hapag-Lloyd Global Services Pvt. Ltd.	Thane	100.00
Hapag-Lloyd India Private Ltd.	Mumbai	100.00
Hapag-Lloyd (Japan) K.K.	Tokyo	100.00
Hapag-Lloyd (Korea) Ltd.	Seoul	100.00
Hapag-Lloyd (Malaysia) Sdn. Bhd.	Kuala Lumpur	100.00
Hapag-Lloyd (New Zealand) Ltd.	Auckland	100.00
Hapag-Lloyd Pte. Ltd.	Singapore	100.00
Hapag-Lloyd (South East Asia) Sdn. Bhd i.L.	Kuala Lumpur	100.00
Hapag-Lloyd (Taiwan) Ltd.	Taipei	100.00
Hapag-Lloyd (Thailand) Ltd	Bangkok	49.90
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	100.00
CSAV Shipping LLC	Dubai	49.00 ²⁾
CSAV Agencies (Malaysia) Sdn Bhd. i.L.	Kuala Lumpur	100.00
CSAV Group (China) Shipping Co. Ltd.	Shanghai	100.00
CSAV Group (Hong Kong) Ltd.	Hong Kong	100.00
CSAV Group Agencies (Hong Kong) Ltd.	Hong Kong	100.00
CSAV Group (India) Private Ltd.	Gurgaon	100.00
CSAV Group Agencies (India) Private Ltd.	Mumbai	100.00
North America		
Hapag-Lloyd (America) LLC	Wilmington	100.00
Hapag-Lloyd (Canada) Inc.	Montreal	100.00
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<u>Name of the company</u>	<u>Registered office</u>	<u>Shareholding in %</u>
Hapag-Lloyd USA LLC	Wilmington	100.00
Florida Vessel Management LLC	Wilmington	75.00
North America		
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	100.00
CSAV Agency LLC	Wilmington	100.00
AgenciAS Grupo CSAV (Mexico) S.A. de C.V.	Mexico City	100.00
Prestadora de servicios integrados de personal de SA de C.V.	Mexico City	100.00
CSAV Agency Ltd.	Montreal	100.00
South America		
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	100.00
Hapag-Lloyd Colombia LTDA	Bogota	100.00
Hapag-Lloyd Costa Rica S.A.	San Jose	100.00
Hapag-Lloyd Guatemala S.A.	Guatemala	100.00
Hapag-Lloyd (Peru) S.A.C.	Lima	60.00
Hapag-Lloyd Venezuela C.A.	Caracas	100.00
CSAV Austral SpA	Valparaiso	49.99
Hapag-Lloyd Chile SpA (ex. CSAV Portacontenedores SpA)	Valparaiso	100.00
CSAV Group Agencies Uruguay S.A.	Montevideo	100.00
CSAV Group Agency Colombia Ltda.	Bogota	100.00
Servicios de Procesamiento Naviero S.R.L.	Montevideo	100.00
Libra Agency (Argentina) S.A.	Buenos Aires	100.00
Invermar Management S.A.	Panama City	100.00
Companhia Libra de Navegacao S.A.	Sao Paulo	100.00
Andes Operador Multimodal Ltda.	Sao Paulo	100.00
Corvina Maritime Holding S.A.	Panama City	100.00
Sea Lion Shipping Co. S.A.	Panama City	100.00
Southern Shipmanagement Co. S.A.	Panama City	50.00
Southern Shipmanagement (Chile) Ltda.	Valparaiso	50.50
Wellington Holding Group S.A.	Road Town	100.00
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	100.00
Inversiones CNP S.A.	Lima	100.00
Torksey S.A.	Montevideo	100.00
Lanco Investments Internacional Co. S.A.	Panama City	100.00
Rahue Investment Co. S.A.	Panama City	100.00
CNP Holding S.A.	Panama City	100.00
Other		
CSAV Ships S.A.	Panama City	100.00
CSBC Hull 9QQ Ltd.	Douglas	100.00
CSBC Hull 898 Ltd.	Douglas	100.00
Hull 1794 Co. Ltd.	Majuro	100.00
Hull 1796 Co. Ltd.	Majuro	100.00
Hull 1798 Co. Ltd.	Majuro	100.00
Hull 1800 Co. Ltd.	Majuro	100.00
Hull 19Q6 Co. Ltd.	Majuro	100.00
Hull 1975 Co. Ltd.	Majuro	100.00
Hull 1976 Co. Ltd.	Majuro	100.00
Hull 2082 Co. Ltd.	Majuro	100.00
Hull 2083 Co. Ltd.	Majuro	100.00
Hull 2084 Co. Ltd.	Majuro	100.00
Hull 2085 Co. Ltd.	Majuro	100.00
Hull 2086 Co. Ltd.	Majuro	100.00
Hull 2087 Co. Ltd.	Majuro	100.00
Hull 2088 Co. Ltd.	Majuro	100.00
Bureo Shipping Co. S.A.	Majuro	100.00
Norasia Alya S.A.	Panama City	100.00
Malleco Shipping Co. S.A.	Panama City	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

<u>Name of the company</u>	<u>Registered office</u>	<u>Shareholding in %</u>
Maule Shipping Co. S.A.	Panama City	100.00
Joint Venture		
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	50.00
Associated companies		
Hapag-Lloyd Lanka (Pvt) Ltd	Colombo	40.00
HHLA Container Terminal Altenwerder GmbH	Hamburg	25.10
Affiliated non-consolidated companies		
Hapag-Lloyd Container Ltd	Barking	100.00
Hapag-Lloyd Container (No. 2) Ltd.	Barking	100.00
Hapag-Lloyd Container (No. 3) Ltd.	Barking	100.00
Hapag-Lloyd Ships Ltd.	Barking	100.00
Hapag-Lloyd Ships (No. 2) Ltd.	Barking	100.00
Chacabuco Shipping Ltd.	Majuro	100.00
Limarí Shipping Ltd.	Majuro	100.00
Longavi Shipping Ltd.	Majuro	100.00
Palena Shipping Ltd.	Majuro	100.00
Hamburg-Amerikanische Packetfahrt-Gesellschaft mbH	Hamburg	100.00
Norddeutscher Lloyd GmbH	Bremen	100.00
Zweite Hapag-Lloyd Schiffvermietungsgesellschaft mbH	Hamburg	100.00

- 1) Additional 2.00% are hold by a trustee on behalf of the Hapag-Lloyd group.
- 2) Additional 51.00% are hold by a trustee on behalf of the Hapag-Lloyd group.

SHAREHOLDINGS OF MORE THAN 10% OF THE VOTING RIGHTS OF THE SHARE CAPITAL

Between the start of the financial year and the time at which the financial statements were completed, we received the following notifications regarding Hapag-Lloyd AG holdings pursuant to Section 21 (1) or (1a) WpHG (Stock Exchange Trading Law):

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.

TUI-Hapag Beteiligungs GmbH, Hannover, Germany, 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 12.33% (corresponding to 14,561,811 voting rights). 12.33% (corresponding to 14,561,811 voting rights) are held directly by the Company.

TUI AG in Hanover/Berlin, Germany, 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 12.33% (corresponding to 14,561,811 voting rights). 12.33% of the voting rights (corresponding to 14,561,811 voting rights) are attributable to the Company through TUI-Hapag Beteiligungs GmbH pursuant to Section 22 (1) (1) (1) WpHG, of which 3% or more are assigned.

The Luksburg Foundation in Vaduz, Lichtenstein, 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 Orenge S.A., of which 3% or more are assigned in each case.

Inversiones Orenge S.A. in 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 in Santiago, Chile, notified us on 05/11/2015 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 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.

Quinenco S.A. in 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Compania Sud Americana de Vapores S.A. in 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) 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.

CSAV Germany Container Holding GmbH, Hamburg, Germany, 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). 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.

Andsberg Inversiones Limitada in 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) 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.

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 the 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) WpHG through Kühne Holding AG and Kühne Maritime GmbH, of which 3% or more are assigned in each case.

Kühne Holding AG in 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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hamburg, 2 March 2016

Hapag-Lloyd AG
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

The following auditor's report, prepared in accordance with Section 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete consolidated financial statements, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow, notes to the consolidated financial statements, together with the group management report of Hapag-Lloyd Aktiengesellschaft for the financial year from 1 January to 31 December 2015. The group management report is not included in this prospectus. The abovementioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

AUDITOR'S REPORT

Auditor's report

We have audited the consolidated financial statements of Hapag-Lloyd Aktiengesellschaft, Hamburg, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, notes to the consolidated financial statements and the group management report for the financial year from 1 January to 31 December 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315 a (1) of the German Commercial Code [HGB] are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code [HGB] and the German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 2 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Heckert
Wirtschaftsprüfer (German Public Auditor)

Lippmann
Wirtschaftsprüfer (German Public Auditor)

**Audited Consolidated Financial Statements
of Hapag-Lloyd AG
prepared in Accordance with IFRS
as of and for the year ended December 31, 2014**

CONSOLIDATED INCOME STATEMENT

Consolidated income statement of Hapag-Lloyd AG for the period 1 January to 31 December 2014

	Notes	1.1.– 31.12.2014	1.1.– 31.12.2013
Million EUR			
Revenue	(1)	6,807.5	6,567.4
Other operating income	(2)	116.8	156.3
Transport expenses	(3)	6,060.1	5,773.1
Personnel expenses	(4)	403.3	365.2
Depreciation, amortisation and impairment	(5)	481.7	325.4
Other operating expenses	(6)	393.3	251.7
Operating result		(414.1)	8.3
Share of profit of equity-accounted investees	(13)	34.2	36.8
Other financial result	(7)	(2.9)	18.6
Earnings before interest and tax (EBIT)		(382.8)	63.7
Interest income	(8)	7.0	5.6
Interest expenses	(8)	216.7	159.2
Earnings before income taxes		(592.5)	(89.9)
Income taxes	(9)	11.2	7.5
Group profit/loss		(603.7)	(97.4)
thereof attributable to shareholders of Hapag-Lloyd AG		(605.0)	(98.3)
thereof attributable to non-controlling interests	(21)	1.3	0.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**Consolidated statement of comprehensive income of Hapag-Lloyd AG
for the period 1 January to 31 December 2014**

	Notes	1.1.– 31.12.2014	1.1.– 31.12.2013
Million EUR			
Group profit/loss		(603.7)	(97.4)
Items which will not be reclassified to profit and loss:		(58.2)	16.1
Remeasurements from defined benefit plans after tax	(20)	(58.2)	16.1
Remeasurements from defined benefit plans before tax		(60.1)	16.9
Tax effect		1.9	(0.8)
Items which may be reclassified to profit and loss:		314.6	(118.6)
Cash flow hedges (no tax effect)	(20)	(6.4)	(2.7)
Additions to cumulative other equity		8.7	38.7
Release from cumulative other equity	(20)	(15.1)	(41.4)
Currency translation (no tax effect)		321.0	(115.9)
Other comprehensive income after tax		256.4	(102.5)
Total comprehensive income		(347.3)	(199.9)
thereof attributable to shareholders of Hapag-Lloyd AG		(348.8)	(200.8)
thereof attributable to non-controlling interests	(21)	1.5	0.9

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated statement of financial position of Hapag-Lloyd AG as of 31 December 2014

	Notes	31.12.2014	31.12.2013
Million EUR			
Assets			
Goodwill	(10)	1,375.6	664.6
Other intangible assets	(10)	1,309.7	529.7
Property, plant and equipment	(11)	5,176.0	4,067.6
Investments in equity-accounted investees	(13)	384.9	332.8
Other assets	(14)	13.1	7.9
Derivative financial instruments	(15)	15.8	74.5
Deferred tax assets	(9)	27.9	12.6
Non-current assets		8,303.0	5,689.7
Inventories	(16)	152.1	168.9
Trade accounts receivable	(14)	716.0	473.3
Other assets	(14)	134.3	106.8
Derivative financial instruments	(15)	3.8	25.1
Income tax receivables	(9)	28.6	21.2
Cash and cash equivalents	(17)	711.4	464.8
Non-current assets held for sale	(18)	59.2	—
Current assets		1,805.4	1,260.1
Total assets		10,108.4	6,949.8
Equity and liabilities			
Subscribed capital	(19)	104.9	66.1
Capital reserves	(19)	1,651.9	935.3
Retained earnings	(19)	2,286.1	2,045.8
Cumulative other equity	(20)	121.4	(134.8)
Equity attributable to the shareholders of Hapag-Lloyd AG		4,164.3	2,912.4
Non-controlling interests	(21)	5.3	2.7
Equity		4,169.6	2,915.1
Provisions for pensions and similar obligations	(22)	208.4	142.4
Other provisions	(23)	207.0	41.7
Financial debt	(24)	3,309.1	2,460.1
Trade accounts payable	(25)	0.5	—
Other liabilities	(25)	6.7	5.2
Derivative financial instruments	(26)	—	6.7
Deferred tax liabilities	(9)	1.5	1.0
Non-current liabilities		3,733.2	2,657.1
Provisions for pensions and similar obligations	(22)	6.5	4.4
Other provisions	(23)	385.4	91.3
Income tax liabilities	(9)	18.3	7.4
Financial debt	(24)	408.0	474.9
Trade accounts payable	(25)	1,232.3	700.3
Other liabilities	(25)	131.3	99.3
Derivative financial instruments	(26)	23.8	—
Current liabilities		2,205.6	1,377.6
Total equity and liabilities		10,108.4	6,949.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Consolidated statement of changes in equity of Hapag-Lloyd AG for the period 1 January to 31 December 2014

	Equity attributable to shareholders of Hapag-Lloyd AG							Total equity	
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit plans	Reserve for cash flow hedges	Translation reserve	Cumulative other equity		Non-controlling interests
Notes	(19)	(19)	(19)				(20)	(21)	
As per 1.1.2013	66.1	3,269.8	(190.4)	(62.7)	9.1	21.3	(32.3)	0.8	3,114.0
Total comprehensive income	—	—	(98.3)	16.1	(2.7)	(115.9)	(102.5)	0.9	(199.9)
thereof									
Group profit/loss	—	—	(98.3)	—	—	—	—	0.9	(97.4)
Other comprehensive income	—	—	—	16.1	(2.7)	(115.9)	(102.5)	—	(102.5)
Transactions with shareholders	—	(2,334.5)	2,334.5	—	—	—	—	1.0	1.0
thereof									
Merger	—	(2,334.5)	2,334.5	—	—	—	—	—	—
Sale of shares	—	—	—	—	—	—	—	1.6	1.6
Distribution to non-controlling interest	—	—	—	—	—	—	—	(0.6)	(0.6)
As per 31.12.2013	66.1	935.3	2,045.8	(46.6)	6.4	(94.6)	(134.8)	2.7	2,915.1
Total comprehensive income	—	—	(605.0)	(58.2)	(6.4)	320.8	256.2	1.5	(347.3)
thereof									
Group profit/loss	—	—	(605.0)	—	—	—	—	1.3	(603.7)
Other comprehensive income	—	—	—	(58.2)	(6.4)	320.8	256.2	0.2	256.4
Transactions with shareholders	38.8	716.6	845.3	—	—	—	—	1.1	1,601.8
thereof									
First-time consolidation of CC Co	28.3	1,202.3	0.1	—	—	—	—	2.0	1,232.7
Capital increase	10.5	359.5	—	—	—	—	—	—	370.0
Transfer from capital reserves	—	(845.2)	845.2	—	—	—	—	—	—
Distribution to non-controlling interests	—	—	—	—	—	—	—	(0.9)	(0.9)
As per 31.12.2014	104.9	1,651.9	2,286.1	(104.8)	—	226.2	121.4	5.3	4,169.6

CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated statement of cash flows of Hapag-Lloyd AG for the period 1 January to 31 December 2014

	Notes	1.1.– 31.12.2014	1.1.– 31.12.2013
Million EUR			
Group profit/loss		(603.7)	(97.4)
Depreciation, amortisation and impairment (+) / write-backs (–)		481.7	324.8
Other non-cash expenses (+) / income (–)		16.9	58.5
Interest expenses (excl. interest expenses relating to pension obligations)		207.1	150.2
Profit (–) / loss (+) from disposals of non-current assets		—	(54.8)
Income (–) / expenses (+) from equity-accounted investees and dividends		(34.3)	(36.9)
Increase (–) / decrease (+) in inventories		70.9	2.9
Increase (–) / decrease (+) in receivables and other assets		58.2	(89.9)
Increase (+) / decrease (–) in provisions		96.2	(43.0)
Increase (+) / decrease (–) in debt (excl. financial debt)		84.2	(147.9)
Cash inflow (+) / outflow (–) from operating activities	(28)	377.2	66.5
Payments received from disposals of property, plant and equipment and intangible assets		4.8	66.0
Payments received from the disposal of companies		—	20.6
Payments from dividends		34.2	33.2
Payments made for investment in property, plant and equipment and intangible assets		(340.5)	(664.5)
Payments made for investment in financial assets		(0.1)	—
Payments received from acquisitions		44.0	—
Cash inflow (+) / outflow (–) from investing activities	(29)	(257.6)	(544.7)
Payments made for capital increases		306.9	—
Payments made for dividends		(0.9)	(0.6)
Payments received from the issuance of financial debt		748.2	1,118.8
Payments made for the redemption of financial debt		(790.6)	(531.8)
Payments made for interest		(182.0)	(176.1)
Payments received (+) and made (–) from hedges for financial debt		—	(7.1)
Cash inflow (+) / outflow (–) from financing activities	(30)	81.6	403.2
Net change in cash and cash equivalents		201.2	(75.0)
Cash and cash equivalents at beginning of period		464.8	560.8
Change in cash and cash equivalents due to exchange rate fluctuations		45.4	(21.0)
Net change in cash and cash equivalents		201.2	(75.0)
Cash and cash equivalents at the end of the period	(31)	711.4	464.8

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

NOTES ON THE PRINCIPLES AND METHODS UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

General notes

Hapag-Lloyd AG (hereinafter “the Company” or “Hapag-Lloyd”) domiciled in Hamburg, Ballindamm 25, is a German corporation registered in the commercial register of Hamburg district court under HRB 97937. The purpose of the Company is primarily ocean liner shipping, providing logistical, shipping company, ship brokerage, freight forwarding, agency and warehousing services, and all other associated business operations and services.

Hapag-Lloyd AG and the Chilean shipping company Compañía Sud Americana de Vapores (“CSAV”) signed a business combination agreement on 16 April 2014. As a result, CSAV and Tollo Shipping Co. S.A. (“Tollo”), a wholly owned subsidiary of CSAV, incorporated their global container shipping activities (CSAV container shipping activities (“CCS”)) into CSAV Germany Container GmbH, Hamburg, (“CC Co”) on 2 December 2014. The GmbH shares in CC Co were transferred to Hapag-Lloyd AG as a contribution in kind (“first capital increase”) in the amount of EUR 1,230.6 million. Subsequent to closing, a further capital increase (“second capital increase”) with a mixed contribution (cash capital increase and contribution in kind) totalling EUR 370 million was effected. Hapag-Lloyd AG held all the shares in CC Co on 31 December 2014. CC Co is to be merged into Hapag-Lloyd AG in the 2015 financial year by way of an upstream merger with economic effect from 1 January 2015.

As at 31 December 2014, Hapag-Lloyd’s biggest shareholders were CSAV Germany Container Holding GmbH (“CG Hold Co”) with 34.0%, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (“HGV”) as a company of the Free and Hanseatic City of Hamburg with 23.2%, Kühne Maritime GmbH (“Kühne”) with 20.7% and TUI-Hapag Beteiligungs GmbH with 13.9%. CG Hold Co, HGV and Kühne have agreed to pool their voting rights as part of a shareholder agreement.

Hapag-Lloyd AG prepares the consolidated financial statements for the largest circle of group companies.

These consolidated financial statements were prepared in compliance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and adopted as European law by the European Union (EU), and the German commercial law provisions that must be observed pursuant to Section 315a (1) of the German Commercial Code (HGB).

These consolidated financial statements encompass the financial year from 1 January to 31 December 2014. The consolidated financial statements were prepared in euros (EUR). All amounts recognised for the financial year are reported in million euros (EUR million) unless otherwise stated.

The consolidated financial statements for the 2014 financial year are due to be examined and approved by the Supervisory Board on 26 March 2015.

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 (= revenue) by geographic region and adjusted EBIT at the overall Group level. Decisions regarding the allocation of resources (use of vessels and containers) are made on the basis of the entire liner service network and deployment of the entire fleet. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world via a complete liner service network, the Executive Board has decided that there is no appropriate measure for internal reporting with which assets, liabilities and adjusted EBIT as the key performance indicators can be allocated to multiple geographic regions. All of the Group’s assets, liabilities, income and expenses are thus only allocable to the one segment, container shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Transport volume per trade

	1.1.–31.12. 2014	1.1.–31.12. 2013
	TTEU	
Atlantic	1,272	1,204
Far East	1,354	1,246
Latin America	1,226	1,172
Transpacific	1,249	1,245
Australasia	656	629
Total Hapag-Lloyd excluding CSAV's container shipping activities	5,757	5,496
CSAV's container shipping activities December 2014	150	n a
Total	5,907	5,496

Freight rate per trade

	1.1.–31.12. 2014	1.1.–31.12. 2013
	US\$/TEU	
Atlantic	1,634	1,679
Far East	1,162	1,237
Latin America	1,365	1,390
Transpacific	1,740	1,747
Australasia	1,153	1,236
Total Hapag-Lloyd excluding CSAV's container shipping activities (weighted average)	1,434	1,482
CSAV's container shipping activities December 2014	1,154	n a

Revenue per trade

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Atlantic	1,563.8	1,522.6
Far East	1,184.0	1,160.7
Latin America	1,259.7	1,226.0
Transpacific	1,635.5	1,636.8
Australasia	569.1	584.7
Other	394.7	436.6
Total Hapag-Lloyd excluding CSAV's container shipping activities	6,606.8	6,567.4
CSAV's container shipping activities December 2014	200.7	n a
Total	6,807.5	6,567.4

Adjusted EBIT is calculated on the basis of the operating earnings before interest and taxes as follows:

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
EBIT	(382.8)	63.7
Purchase price allocation	12.8	22.6
Transaction and restructuring costs	107.3	0.0
Impairments	127.4	0.0
One-off effects	23.2	0.0
Sale of Montreal Gateway Terminals Ltd. Partnership, Montreal	0.0	(19.1)
Total	(112.1)	67.2

The adjusted items include impairments of EUR 127.4 million for a portfolio of older vessels held for sale. In addition, adjustments were made for transaction and restructuring costs totalling

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

EUR 107.3 million in the financial year. These were incurred in the course of the acquisition of CSAV's container shipping activities and relate in particular to the creation of a restructuring provision in the amount of EUR 82.0 million. Adjustments were also made for other unusual one-off effects totalling EUR 23.2 million.

New accounting standards

The following new standards and amendments of already endorsed existing standards issued by the IASB had to be adopted for the first time for these financial statements. The first-time adoption did not have a significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group, unless otherwise stated:

- Amendment to IAS 27: *Separate Financial Statements*
- Amendment to IAS 28: *Investments in Associates and Joint Ventures*
- Amendment to IAS 32: *Offsetting Financial Assets and Financial Liabilities*
- Amendment to IAS 39: *Novation of Derivatives and Continuation of Hedge Accounting*
- IFRS 10: *Consolidated Financial Statements*
- IFRS 11: *Joint Arrangements*
- IFRS 12: *Disclosure of Interests in Other Entities*
- Amendments to IFRS 10, IFRS 11 and IFRS 12: *Transition Guidance*
- Amendments to IFRS 10, IFRS 12 and IAS 27: *Investment Entities*

The amendment to IAS 27 *Separate Financial Statements* is a consequence of the combination of provisions stated in the new IFRS 10 *Consolidated Financial Statements*, the previous IAS 27 *Consolidated and Separate Financial Statements* as well as SIC 12 *Consolidation—Special Purpose Entities*. Consequently, IAS 27 henceforth only comprises rulings for the accounting treatment of subsidiaries, joint ventures and associated companies in separate IFRS financial statements.

With the adoption of IFRS 11 *Joint Arrangements*, an amendment was made to IAS 28 as a result of the now expanded scope of application of IAS 28, as investments both in associated companies and in joint ventures must henceforth be measured using the equity method. The proportionate consolidation of joint ventures therefore no longer applies. Potential voting rights and other derivative financial instruments are henceforth to be taken into consideration when assessing whether a company has a significant influence or when assessing the investor's share of the assets of the company. Another amendment relates to accounting in accordance with IFRS 5 if only a portion of the share in an associated company or a joint venture is to be sold. IFRS 5 is partially applicable if only a share or a portion of a share in an associated company (or joint venture) is deemed to be "held for sale".

Prerequisites contained in IAS 32 regarding netting were made more concrete through additional application guidelines. On the one hand, it is specified that there must be an unconditional, legally enforceable claim for compensation, even if one of the parties has filed for bankruptcy, and on the other hand, exemplary criteria are provided under which the offsetting of financial assets and financial liabilities is done.

With the amendment to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*, under certain conditions, the novation of a hedging instrument to a central counterparty as required by legislation does not lead to the dissolution of an existing hedging relationship. This means that a hedging relationship does not need to be dissolved if novation becomes necessary as a result of new legislation or the introduction of legislation, if the central counterparty becomes the contractual partner of all parties to the derivative contract as a result of the novation and if there are no changes to the terms and conditions of the contract relating to the original derivative, aside from changes that are a necessary result of the novation.

The new IFRS 10 *Consolidated Financial Statements* replaces parts of the regulations of the previous IAS 27 *Consolidated and Separate Financial Statements* and SIC 12 *Consolidation—Special Purpose Entities*. This standard comprehensively redefines the term "control". If one company controls

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

another, it is the responsibility of the parent company to consolidate the subsidiary. Based on the new concept, there is an instance of control if the parent company has the power to make decisions for the subsidiary due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can influence these returns through its power to make decisions.

IFRS 11 *Joint Arrangements* replaces IAS 31 *Interests in Joint Ventures*. According to the new concept, it must be determined whether a joint operation or a joint venture exists. A joint operation exists if the jointly controlling parties have direct rights to assets and direct obligations for liabilities. The individual rights and obligations are proportionally accounted for in the consolidated financial statements. In a joint venture, the jointly controlling parties only have rights to the equity. These rights are disclosed in the consolidated financial statements using the equity method; the option of a proportional value for the consolidated financial statements thus no longer applies. For further explanations regarding joint ventures, please refer to Note (13).

With the new IFRS 12 *Disclosure of Interests in Other Entities*, all disclosure requirements for subsidiaries, joint ventures and associated companies as well as non-consolidated special purpose entities are combined in one standard. Thus, companies must disclose both quantitative and qualitative information concerning type, risks and financial effects in connection with the engagement of the company with these affiliated companies. The disclosures in the Notes to the consolidated financial statements relating to the new IFRS 12 standard were adjusted in line with the new regulations (see in particular Notes (12) and (13)).

The amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* clarify that the time of first-time adoption of IFRS 10 is the start of the reporting period in which the standard was first applied. Decisions as to whether investments should be consolidated in accordance with IFRS 10 or not are thus to be made at the beginning of this period. The amendments also stipulate that, in the case of the first-time application of the new consolidation rules, only comparative figures for the previous comparative period are mandatory for subsidiaries, associated companies and joint arrangements. Disclosures relating to unconsolidated structured companies are wholly exempt from the obligation to provide comparative figures.

With the amendments to IFRS 10, IFRS 12 and IAS 27 entitled *Investment Entities*, a definition of investment entities is given and these are excluded from the obligation to consolidate subsidiaries in accordance with IFRS 10. Instead, subsidiaries must be recognised at fair value through profit or loss in accordance with IFRS 9 *Financial Instruments* in an investment company's consolidated financial statements. Insofar as the investment company is itself the subsidiary of a non-investment company, the exclusion does not apply to the parent company's consolidated financial statements and, as the parent company, the non-investment company must consolidate its controlled investment company and its subsidiaries in accordance with IFRS 10.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following standards that were adopted, amended or newly issued by the IASB at the time these consolidated financial statements were prepared were not yet mandatory in the 2014 financial year:

Standard/Interpretation	Mandatory application as per	Adopted by EU Commission
IFRIC 21 Levies	1.1.2014*	yes
IAS 19 Amendment to IAS 19 Employee Contributions	1.7.2014***	yes
Various Annual Improvements to IFRS (2010–2012)	1.7.2014***	yes
Various Annual Improvements to IFRS (2011–2013)	1.7.2014**	yes
IAS 1 Amendments to IAS 1: Presentation of Financial Statements	1.1.2016	no
IAS 16 Amendments to IAS 16 and IAS 38:	1.1.2016	no
IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation		
IAS 16 Amendments to IAS 16 and IAS 41:	1.1.2016	no
IAS 41 Agriculture: Bearer Plants		
IAS 27 Amendments to IAS 27: Equity Method in Separate Financial Statements	1.1.2016	no
IFRS 9 Financial Instruments	1.1.2018	no
IFRS 10 Amendments to IFRS 10 and IAS 28: Sale or	1.1.2016	no
IAS 28 Contribution of Assets between an Investor and its Associate or Joint Venture		
IFRS 10 Amendments to IFRS 10, IFRS 12 and IAS 28:	1.1.2016	no
IFRS 12 Investment Entities: Applying the Consolidation		
IAS 28 Exception		
IFRS 11 Amendment to IFRS 11: Acquisition of an Interest in a Joint Operation	1.1.2016	no
IFRS 14 Regulatory Deferral Accounts	1.1.2016	no
IFRS 15 Revenue from Contracts with Customers	1.1.2017	no
Various Annual Improvements to IFRS (2012–2014)	1.1.2016	no

* For the EU 17.6.2014.

** For the EU 1.1.2015.

*** For the EU 1.2.2015.

These are regulations which will not be mandatory until the 2015 financial year or later. The Company does not plan to early adopt any of them. Unless stated otherwise, the effects are currently being reviewed.

EU endorsement has been given

Interpretation IFRIC 21 *Levies* clarifies how and when levies charged by a level of government and not covered by another IFRS standard are to be recognised as liabilities pursuant to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. According to the current interpretation, an obligation is to be recognised in the financial statements as soon as the obligating event which triggers the obligation to pay pursuant to the legislation underpinning the levy occurs. This interpretation has no impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

The amendment to IAS 19 *Employee Contributions* clarifies that contributions paid by employees themselves (or by third parties) can be recognised simply by an approving company in such a way that the principal amount of the employee contributions is deducted from the service costs for the period in which the corresponding term of service is provided. This is subject to the contributions being

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

independent of the number of service years, e.g. contributions which are set as a fixed percentage of the annual salary. This amendment has no impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

Amendments were made to seven standards as part of the *Annual Improvements to IFRS (2010–2012)* process. The aim of making amendments to the wording of particular IFRS standards is to clarify the existing set of regulations. In addition, there are amendments that have an effect on the disclosures made in the Notes. The standards in question are IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

Amendments were made to four standards as part of the *Annual Improvements to IFRS (2011–2013)* process. Here, too, the aim of making amendments to the wording of particular IFRS standards is to clarify the existing set of regulations. The standards in question are IFRS 1, IFRS 3, IFRS 13 and IAS 40.

EU endorsement still pending

The amendments to IAS 1 primarily include the clarification that disclosures made in the Notes are only necessary if their content is not immaterial (even if an IFRS stipulates a list of minimum disclosures), explanations regarding the aggregation and disaggregation of items in the statement of financial position and the statement of comprehensive income, clarification of how shares in the other comprehensive income of equity-accounted investments are to be presented in the statement of comprehensive income, and the removal of a model for the Notes in favor of considering the relevance to individual companies.

The amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* clarify that, in the case of property, plant and equipment, it is not permissible to effect depreciation based on the revenue of the goods it produces as revenue not only depends on the use of an asset, but also on other factors such as price or inflation. This also applies in principle to intangible assets with a finite useful life, although exceptions apply here for special situations to be determined individually. These amendments have no impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

IFRS 9, which was published in July 2014, supersedes the existing guidelines set out in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 contains revised guidelines for the classification and measurement of financial instruments, including a new model for the impairment of expected losses on financial assets, and new general requirements for hedge accounting. It also adopts the IAS 39 guidelines on the recognition and derecognition of financial instruments.

With the amendments to IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements*, the total gain or loss on a sale or contribution of assets between an investor and its associate or joint venture shall only be recognised if the assets sold or contributed represent a business within the meaning of IFRS 3, irrespective of whether the transaction is designed as a share or asset deal. However, if the assets do not constitute a business, the gain/loss should only be recognised pro rata. This amendment will only affect the net asset, financial and earnings position of the Hapag-Lloyd Group if such transactions are made after 1 January 2016.

The amendments to IFRS 10, IFRS 12 and IAS 28 are designed to clarify three questions regarding application of the exemption from the obligation of investment entities to prepare consolidated financial statements in accordance with IFRS 10. On the one hand, an investment entity is exempted from the obligation to prepare consolidated financial statements if it recognises its subsidiaries at fair value in accordance with IFRS 10. In addition, a subsidiary is not to be consolidated if it meets the criteria of an investment entity itself and provides services that relate to the investment operations of the parent entity. Thirdly, if an investor that does not meet the criteria of an investment entity uses the equity method for an associate or a joint venture, it may continue to measure these at fair value as applied by the associated company to its investments in subsidiaries.

The amendment to IFRS 11 clarifies that acquisitions and additional acquisitions of interests in joint operations that constitute a business pursuant to IFRS 3 *Business Combinations* are to be recognised in accordance with the provisions of IFRS 3 and other applicable IFRS insofar as they do not contradict the provisions of IFRS 11. This will only affect the net asset, financial and earnings position of the Hapag-Lloyd Group if such an acquisition takes place after 1 January 2016.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

With the introduction of IFRS 14 *Regulatory Deferral Accounts*, an entity which is a first-time adopter of IFRS is permitted to continue to account for rate-regulated sales transactions in accordance with its previously applicable accounting standards. However, in this case, any effects of the capitalisation or deferral of economic benefits are to be presented separately. In addition, specific disclosures are required regarding the type of the underlying rate regulation and the associated risks. Given that entities already using IFRS are specifically excluded from the application of these rules, there is no effect on the net asset, financial and earnings position of the Hapag-Lloyd Group.

With the introduction of IFRS 15, the rules on recognising revenue contained in various standards and interpretations were combined. At the same time, uniform basic principles were defined that are applicable to all sectors and to all types of revenue transaction. A five-step model will henceforth apply to assessing the amount of revenue to be recognised and at which time or over which period it is to be recognised. The standard also contains a range of additional rules regarding detailed issues such as presenting contract fees and contract amendments.

Changes may arise in particular due to the following new provisions of IFRS 15:

- Recognition of revenue as control is passed: the key factor determining the point in time or period of time of revenue recognition is the passing of the control of goods or services to the customer (control approach). The transfer of risks and rewards (risk and reward approach) now only constitutes an indicator for the passing of control.
- Clear rules on multi-component transactions.
- New criteria for the recognition of revenue over the period of performance.
- Expansion of the disclosures required in the Notes.

A further four standards were amended as part of the *Annual Improvements to IFRS (2012–2014)* process to clarify the existing rules. The standards in question are IFRS 5, IFRS 7, IAS 19 and IAS 34.

Consolidation principles and methods

Subsidiaries

Subsidiaries are all companies that are subject to direct or indirect control by Hapag-Lloyd AG. Control exists if Hapag-Lloyd AG has the power to make decisions due to voting rights or other rights and is exposed to positive or negative variable returns from the subsidiary and can influence these returns through its power to make decisions. Subsidiaries are fully consolidated from the time at which control over the subsidiary is acquired. If control over the subsidiary is lost, the company is deconsolidated.

Capital consolidation is carried out using the acquisition method. When the acquisition method is applied, the acquisition costs of the acquired shares are compared with the proportionate fair value of the acquired assets, debts and contingent liabilities of the subsidiary as at the acquisition date. Any positive difference is recognised as goodwill and is recorded as an asset. Any negative difference is recognised in the income statement once the carrying amounts of the assets and liabilities have been reviewed again. 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, which were prepared using the standard Group accounting and measurement principles, with the financial statements of the key companies being reviewed by auditors, were included in the preparation of the consolidated financial statements.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

minor significance for the Group. Deferred taxes are reported for consolidation measures with an impact on income taxes.

The share of Group profit and of subsidiaries' equity which is attributable to non-controlling interests is reported separately in the consolidated income statement, in the consolidated statement of comprehensive income and within Group equity. When non-controlling interests are acquired, the difference between the acquisition cost of these shares and the non-controlling interests previously reported in the Group's equity for these shares is recognised directly in equity. When shares are sold to other shareholders without any loss of control, any difference between the realisable value and the proportion of net assets attributable to other shareholders is recognised directly in equity under the items "Retained earnings" and "Non-controlling interests".

If a subsidiary is sold, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in cumulative other equity, is recognised at the disposal date in the consolidated income statement. The carrying amounts of the capitalised goodwill attributable to the outgoing legal entity are taken into account in the calculation of the gain or loss on disposal.

Joint arrangements

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. This right is disclosed in the consolidated financial statements using the equity method.

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

Joint operations

Hapag-Lloyd is a party to joint arrangements. Of particular importance here are the G6 Alliance and the Grand Alliance (GA). The aim of both arrangements is to offer a network of (liner) services in certain trade lanes together with the liner shipping companies involved in the respective arrangement. To this end, the shipping companies involved have joint operations. Since May 2014, the majority of GA services have been transferred to the G6 Alliance. As such, the GA has been less important to Hapag-Lloyd since then.

As no independent companies, *i.e.* no legally separate entities, exist in relation to these cooperation agreements and as there are also no joint assets, the alliances are not to be classified as joint operations within the meaning of IFRS 11.

Associated companies and joint ventures

Companies in which the Hapag-Lloyd Group is able to exert a significant influence over the business and financial policy (associated companies) or which are jointly controlled with other parties (joint ventures) are included in the consolidated financial statements from their acquisition date using the equity method. The acquisition date constitutes the point in time from which it becomes possible to exert significant influence or exercise joint control.

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

The Hapag-Lloyd Group's share of the result for the period or other comprehensive 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 are not recognised.

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 profit of equity-accounted investees in the consolidated income statement.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

If it is no longer possible to exert significant influence or joint control due to the sale of shares, the difference between the proceeds from the sale and the net assets recorded in the balance sheet, including currency translation differences which had previously been recorded in other comprehensive income, is recognised at the disposal date in the consolidated income statement.

Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 124 companies are included in the group of consolidated companies:

	Fully consolidated		Equity method		Total
	domestic	foreign	domestic	Foreign	
31.12.2013	3	45	2	2	52
Additions	6	68	0	1	75
Disposals	0	2	1	0	3
31.12.2014	9	111	1	3	124

Hapag-Lloyd Holding AG was merged with Hapag-Lloyd AG with effect from 1 January 2013 in the form of a downstream merger. Hapag-Lloyd AG is consequently the new parent company of the Hapag-Lloyd Group.

With the incorporation of CSAV's container shipping activities into the Hapag-Lloyd Group, 74 fully consolidated companies and one equity-accounted investee were included in the group of consolidated companies as at 2 December 2014.

Hapag-Lloyd Crew Management Pte. Ltd., Singapore, and Hapag-Lloyd Belgium N.V., Antwerp, were liquidated and subsequently deconsolidated in the reporting year. HHLA CTA Besitzgesellschaft mbH, which is consolidated using the equity method, was merged with HHLA Container Terminal Altenwerder GmbH, another equity-accounted investee. In the previous year, all of the Company's shares in the associated company Montreal Gateway Terminals Ltd. Partnership, Montreal, Canada, were sold to the majority shareholder.

Hapag-Lloyd AG holds 49.9% of the shares in Hapag-Lloyd (Thailand) Ltd., Bangkok, 49.0% of the shares in Hapag-Lloyd Agency LLC, Dubai, and 49.0% of the shares in CSAV Shipping LLC, Dubai. As Hapag-Lloyd AG has majority voting rights in all of these companies, it exerts full control over them and they are therefore fully consolidated.

Hapag-Lloyd AG holds 49.94% of the voting shares in CSAV Austral SpA, Valparaíso. Hapag-Lloyd AG also holds 100% of the shares entitled to dividend payments. As such, beneficial ownership is exclusively within the Hapag-Lloyd Group. The investment share therefore totals 49.99%. Despite holding less than 50% of the voting rights, Hapag-Lloyd AG has control over this company because it provides the majority of the members of the decision-making body.

For details of non-controlling interests, please refer to Note (12).

The financial year for a number of CCS companies had to be changed in the 2014 financial year due to the carve-out activities required in order to incorporate CSAV's container shipping business. 46 fully consolidated companies and one equity-accounted investee (2013: one equity-accounted investee) had a financial year that differed from that of the Group in the reporting year. The values carried forward as at 31 December are used for purposes relating to inclusion in the consolidated financial statements. All other companies have financial years that correspond with Hapag-Lloyd AG.

Three domestic and seven foreign subsidiaries of overall minor significance for the Group's net asset, financial and earnings position are not included in the consolidated financial statements. The shares are recognised as other assets.

A complete list of the subsidiaries and associated companies in the Hapag-Lloyd Group is provided in Note (41).

Addition of CSAV's container shipping activities

On 2 December 2014, Hapag-Lloyd acquired 100% of the shares and voting rights in CSAV Germany Container GmbH, which comprises the global container shipping business of Compañía Sud Americana de Vapores.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

With the integration of this leading South American container shipping company, Hapag-Lloyd has become the fourth-largest liner shipping company in the world, with 191 ships, an annual transport volume of 8.0 million TEU and revenue of around EUR 8.5 billion. The merger is expected to result in annual synergies of US\$300 million starting in 2019.

The consideration transferred totalled US\$1,531.0 million (EUR 1,227.4 million) and was made by issuing 28,313,862 new ordinary shares. In return for this transfer, the seller CSAV initially received 30% of the shares in Hapag-Lloyd AG, the parent company of the Hapag-Lloyd Group.

The consideration transferred for the acquisition corresponds to the fair value of the equity instruments issued at the time of acquisition. Given that the shares issued are not listed on a stock exchange, the fair value was calculated on the basis of a discounted cash flow method using level 3 input factors (non-observable parameters) in accordance with IFRS 13. This measurement technique is based on a cash flow forecast that a hypothetical market participant would assume if they held equity instruments in the Hapag-Lloyd Group on the date of acquisition.

The key assumptions used to derive the fair value are based on internal and external sources, in particular the future development of the transport volume, freight and charter rates, fuel prices and exchange rate fluctuations.

An average EBITDA margin of comparable companies within the industry and a growth rate of 1% were assumed for the period of sustainably achievable cash flows (perpetual annuity). The weighted average cost of capital comes to 8.5% or 7.5% for the period of perpetual annuity.

The fair value of the issued equity instruments takes appropriate account of the synergies (network optimisations, productivity improvements and cost reductions) expected as a result of the merger.

Costs amounting to EUR 25.5 million were incurred in the course of the transaction; these were recognised as other operating expenses.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The fair values recognised for the acquired assets and liabilities at the time of acquisition are summarised below. The amounts are preliminary measurements:

Provisional fair values as at the date of acquisition

	<u>Million EUR</u>
Assets	
Other intangible assets	744.9
Property, plant and equipment	733.1
Investments in equity-accounted investees	50.0
Other assets	4.3
Derivative financial instruments	0.0
Deferred tax assets	13.5
Non-current assets	<u>1,545.8</u>
Inventories	37.1
Trade account receivables	218.3
Other assets	23.8
Income tax receivables	9.2
Cash and cash equivalents	69.5
Current assets	<u>357.9</u>
Total assets	<u>1,903.7</u>
Equity and liabilities	
Provisions for pensions and similar obligations	0.5
Other provisions	178.3
Financial debt	412.7
Other liabilities	2.3
Deferred tax liabilities	0.0
Non-current liabilities	<u>593.8</u>
Provisions for pensions and similar obligations	0.2
Other provisions	157.7
Income tax liabilities	7.6
Financial debt	123.2
Trade account payables	381.4
Other liabilities / non-controlling interests	19.3
Current liabilities	<u>689.4</u>
Total equity and liabilities	<u>1,283.2</u>
Acquired net assets	<u>620.5</u>
Acquisition costs	1,227.4
Goodwill	<u>606.9</u>

Pursuant to the requirements of IFRS 3, all acquired assets, liabilities and contingent liabilities are to be measured at fair value. The valuation methods used to determine the fair values of the main assets are as follows:

Relief from royalty method: The relief from royalty method considers the discounted estimated payments of royalties that may be saved by owning the brand. This method was used for brand valuation.

Residual value method: The residual value method considers the present value of expected net cash flows generated by the customer relationships, with the exception of all cash flows that are linked to supporting assets. This method was used for customer relationship valuation.

Incremental cash flow method: In the incremental cash flow method, expected cash flows are compared to alternative values (market value conditions). This method was used for the measurement of advantageous and disadvantageous contracts.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Market comparison method: This valuation method considers the listed market prices of similar objects if these are available and, if applicable, depreciated replacement costs. Depreciated replacement costs reflect changes relating to physical deterioration as well as functional overhauling and economic obsolescence. This method was used for the valuation of the Group's vessels, software and inventories.

This resulted in acquired net assets with a fair value of EUR 620.5 million, in particular due to the discovery of hidden reserves and liabilities.

Provisional nature of the purchase price allocation

The purchase price allocation for the acquisition of CCS is provisional, as the date of acquisition was shortly before the balance sheet date. In particular, there may be changes in the valuation of the customer relationship in the extent to which charter and lease contracts are advantageous or disadvantageous as well as in the area of contingent liabilities. If facts and circumstances become known within a year of the date of acquisition that existed on the date of acquisition and that would have resulted in changes to the amounts indicated above, recognition of the company acquisition will be amended accordingly.

The provisional purchase price allocation results in goodwill of EUR 606.9 million. This goodwill in particular comprises the synergies expected as a result of the merger, including network optimisations, productivity improvements and cost reductions.

Goodwill of EUR 217.8 million is expected to be deducted for tax purposes.

The following table presents the net cash inflow resulting from the company acquisition:

	<u>Million EUR</u>
Acquired net assets	620.5
Goodwill	606.9
Acquisition costs	1,227.4
./. Acquisition through issuance of shares	1,227.4
Cash-effective incidental acquisition costs	25.5
+ Acquired cash	69.5
Net payments received from acquisitions	<u>44.0</u>

In the course of the acquisition, receivables with a fair value of EUR 218.3 million were recognised. The gross amount comes to EUR 222.3 million. Of this amount, EUR 4.0 million is likely to be irrecoverable.

At the time of acquisition, contingent liabilities in the amount of EUR 7.1 million were recognised that were primarily attributable to tax and legal risks. The settlement amount was determined on the basis of internal estimates. It is currently not possible to determine a fixed utilisation date. The assumptions underlying the measurements relating to the potential scenarios to be assessed had not changed as at the balance sheet date.

Since the date of acquisition and taking into account the purchase price allocation, revenue of EUR 205.7 million (before the elimination of revenue from Hapag-Lloyd companies) and earnings (EBIT) of EUR -2.2 million have been attributed to CCS.

Had the acquisition taken place on 1 January 2014 (*pro forma* consideration), Group—revenue would have come to EUR 8,420.3 million and earnings (EBIT) would have totalled EUR -477.6 million, taking into account the effects of the purchase price allocation.

The earnings parameter EBIT served as the starting point for the preparation of the *pro forma* consolidated net income of CCS in accordance with IFRS for the period from 1 January to 31 December 2014. The required *pro forma* adjustments are based on the available information and on assumptions.

Based on the outlined assumptions, the presented *pro forma* result does not necessarily equate to the net result that the Group would have generated had the acquisition of CCS in fact been completed on 1 January 2014. Additionally, commenting on the future development of the Group net result is only possible to a very limited extent due to the one-time factors.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Currency translation

The annual financial statements of companies are prepared in the respective functional currency. 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. The reporting currency of Hapag-Lloyd AG is, however, the euro.

For purposes relating to their inclusion in the consolidated financial statements of Hapag-Lloyd AG, the assets and liabilities of the Hapag-Lloyd Group are translated into euros at the exchange rate applicable as at the balance sheet date (closing rate). 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 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 balance sheet 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 are gains and losses that must be recorded as qualified cash flow hedges as part of other comprehensive income.

Gains and losses due to exchange rates that are in connection with transport services are recorded in both sales and transport expenses. Other gains and losses due to exchange rates are shown in other operating income or other operating expenses as well as in personnel expenses.

	Closing rate		Average rate	
	31.12.2014	31.12.2013	2014	2013
	per EUR			
US dollar	1.21550	1.37670	1.32880	1.32840
British pound sterling	0.77880	0.83310	0.80715	0.84974
Canadian dollar	1.40750	1.46360	1.46783	1.36841
Swiss franc	1.20230	1.22680	1.21619	1.23108
Chilean peso	738.27039	722.23059	758.45444	658.16246
Brazilian real	3.22825	3.22464	3.12760	2.86685
Hong Kong dollar	9.42640	10.67470	10.30447	10.30394
Singapore dollar	1.60589	1.73910	1.68379	1.66213
Japanese yen	145.04000	144.51000	140.68782	129.63705
Chinese renminbi	7.43764	8.39349	8.18740	8.16775

ACCOUNTING AND MEASUREMENT

The annual financial statements of the subsidiaries included in the Group are prepared in accordance with consistent accounting and measurement principles. The amounts stated in the consolidated financial statements are not determined by tax regulations, but solely by the commercial presentation of the net asset, financial and earnings position as set out in the rules of the IASB.

Recognition of income

Revenue is primarily generated from the rendering of transport services. Revenue is therefore recognised using the percentage-of-completion method as per IAS 18.20. This percentage of completion/transport progress is determined on the basis of the ratio of expenses incurred to expected total expenses.

The revenue amount is measured by the fair value of the consideration received or to which there will be an entitlement. Revenue is recognised net of value added tax and reductions in earnings. Other operating income and other revenue are generally recorded upon delivery of the assets or upon transfer of their ownership or risk.

Please refer to Note (25) for the recording of gains and losses from derivative financial instruments used in hedges.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Dividends are recorded when the legal claim to them has arisen.

Interest income and expenses are recognised pro rata using the effective interest method.

Other intangible assets

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

If intangible assets can be used for a limited period only, they are amortised regularly 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 section “Impairment testing”.

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

	Useful life in years
Customer base	22–30
“Hapag-Lloyd” brand	unlimited
“CSAV” brand	20
Charter and lease agreements	5–10
Transport and supply contracts	2–5
Computer software	5–8
Other	3

Until now, the global container liner service has been exclusively 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. With the incorporation of CCS’s global business activities, the right to also use the “CSAV” brand was acquired, which will initially continue to be used in particular for the South America services.

For intangible assets with finite useful lives, their useful life is examined at least at the end of every financial year. 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 anticipated useful life are treated prospectively as changes in estimates.

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 bring it to working condition. 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 assets in question are ready for their intended use. The weighted average borrowing costs for the general raising of borrowed funds (cost of debt) amounted to 8.29% p.a. for the 2014 financial year (2013: 8.96% p.a.).

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

	Useful life in years
Building	40
Vessels	25
Containers, chassis	13
Other equipment	3–10

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Vessel classification costs are depreciated as a separate component over a period of five years. Furthermore, the level of depreciation is determined by the residual values recoverable at the end of the useful economic life of an asset. The residual value of container ships is based on their scrap value.

Useful economic lives and assumed residual values are both reviewed on an annual basis during the preparation of the financial statements.

Impairment tests are conducted if there are any indications of a potential loss in value of the assets.

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

Leases

A lease is the term given to all arrangements that transfer the right of use of specified assets in return for payment. This includes rental agreements for buildings and containers as well as charter agreements for vessels. On the basis of the commercial opportunities and risks inherent in a leased item, it is assessed whether beneficial ownership of the leased item is attributable to the lessee or the lessor.

Finance lease

Provided that the Hapag-Lloyd Group as lessee bears all the substantial risks and rewards associated with the lease, the leased assets are included in the statement of financial position upon commencement of the lease agreement at the assets' fair value or the net present value of the minimum lease payments, whichever is lower. They are subject to straight-line depreciation throughout the term of the lease or the useful life of the asset (whichever is longer), provided that it is sufficiently certain at the beginning of the lease that legal ownership of the asset will be transferred to the Company once the contractual term expires.

At the same time, a lease obligation is entered which is equivalent to the carrying amount of the leased asset upon recognition. Each leasing rate is divided into an interest portion and a repayment element. The interest portion is recognised as an expense in the consolidated income statement; the repayment element reduces the lease obligation recognised.

Operating lease

Rental expenses from operating lease contracts are recorded through the consolidated income statement using the straight-line method over the terms of the respective contracts.

If the Group acts as lessor in the context of operating leases, the respective leasing object is still recorded and depreciated as planned in the consolidated financial statements. Lease income from operating leases is recorded in revenue or other operating income using the straight-line method over the term of the respective contracts.

Profits or losses from sale-and-leaseback transactions that result in operating lease—contracts are recognised immediately if the transactions were effected at market values. If a loss is offset by future lease instalments being below the market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed sales price exceeds the fair value, the profit from the difference between these two values is also deferred and amortised.

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 loss in value. This test compares the recoverable amount of the asset in question with its carrying amount. If an asset's carrying amount exceeds its recoverable amount, an impairment is recognised.

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

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 applies in particular to the Hapag-Lloyd

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

brand, for which the recoverable amount at fair value was determined at the level of the container shipping CGU. A need for impairment was not ascertained. For further information on determining fair value less costs of disposal, we refer to the following explanations concerning the impairment testing of goodwill.

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

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

An impairment loss is recognised if the recoverable amount is lower than the cash-generating unit’s carrying amount. If a need for impairment has been ascertained in connection with a cash-generating unit containing goodwill, 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 some later date, a reversal of the impairment to no higher than the amortised cost is carried out. No reversals of impairment of goodwill are carried out as they are not permitted under IAS 36.

The recoverable amount is the higher of the fair value less costs of disposal and the value in use of the cash-generating unit. If one of these amounts is greater than the carrying amount, it is not always necessary to calculate both values. These values are essentially based on discounted cash flows.

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

The recoverable amount for the impairment of goodwill is calculated on the basis of fair value less costs of disposal. This was calculated on the basis of a discounted cash flow method using level 3 input factors (non-observable parameters) in accordance with IFRS 13.

The future expected cash flows from Hapag-Lloyd’s current management planning together with the CCS forecast and additional assumptions arising from the combination of the two companies are taken as the calculation basis.

The cash flow forecasts contain specific estimates for five years and a perpetual rate of growth thereafter. The central planning assumptions for container shipping are the future development of transport volumes and freight rates as well as bunker prices and exchange rates. These are dependent on a number of macroeconomic factors, in particular the trends in gross domestic product and global trade. For that reason, the assessments of external economic and market research institutes regarding the future development of global container shipping are obtained while the plans are being prepared and are adjusted and supplemented with experiences and assessments of the Group’s own competitive position on its various trades. At the time of planning, IHS Global Insight expected an increase in global container traffic of 5.3% in 2015 and of between 5.2% and 5.6% for the following years. Additionally, it is expected that freight rates will increase slightly only in the context of typical seasonal fluctuations, alongside an increase in transport expenses.

The long-term growth rate was ascertained on the basis of the forecast for long-term annual average industry developments.

The budgeted after-tax cash flows are discounted using the weighted average cost of capital after income taxes. This is calculated on the basis of capital market-oriented models as a weighted average of the costs of equity and borrowed capital. Due to tonnage tax regulations, the pre-tax weighted average cost of capital corresponds to the weighted average cost of capital after income taxes.

The weighted average cost of capital after income taxes as used for discounting purposes is 8.5% for the planning period (2013: 9.26%). In order to extrapolate the plans beyond the planning period, a growth reduction of 1.0% was taken into consideration (2013: 1.0%). As such, the weighted average cost of capital for the subsequent period is 7.5% (2013: 8.26%).

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As part of the impairment test performed, the respective results were verified using a sensitivity analysis.

Various capitalisation rates were used for the sensitivity analysis. There was no need for impairment for capitalisation costs of up to approximately 9%. In addition, to take account of the volatility of the value-driving factors (transport volumes, freight rates, bunker prices and the US\$/EUR exchange rate), a sensitivity analysis as to the anticipated surplus (free cash flow) in the period thereafter was performed in the context of a cash flow determination. A decrease in the free cash flow of approximately 9% in the period thereafter did not result in a need for impairment. Even taking more recent findings into account before the preparation of the consolidated financial statements on 27 February 2015 did not lead to any significant changes in previous estimates regarding future development.

At the balance sheet date, the fair values less cost of disposal exceeded the carrying amounts on the basis of both the plans and the sensitivity analyses, with the result that no impairment needed to be recognised at the level of the cash-generating unit.

Ship portfolio impairment testing

Against the backdrop of a comprehensive project to boost operational efficiency, the decision was made to sell a portfolio of 16 ships in the course of 2015. Due to their limited remaining useful lives, the recoverable amount of these ships was estimated on the basis of fair value less costs of disposal. This value was calculated using level 2 input factors (indirect inference of observable market prices) in accordance with IFRS 13. The recoverable amount is essentially determined on the basis of the budgeted disposal proceeds, with current sales transactions also being taken into account. The market prices are currently based on the proceeds generated from the scrapping of comparable ship classes.

This resulted in an impairment of EUR 127.4 million being recognised for the portfolio of ships at the balance sheet date. In the previous year, reversals of impairment losses amounting to EUR 0.6 million were recorded in relation to two ships held for sale.

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.

In accordance with IAS 39, financial instruments are broken down into financial assets or liabilities measured at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity financial assets and other liabilities. The valuation category of financial assets or liabilities measured at fair value through profit or loss is subdivided into the categories “held for trading” and “fair value option”.

Derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39 (hedge accounting) are classified as “held for trading”. The Group also holds financial assets in the “loans and receivables” and “available-for-sale financial assets” categories. By contrast, there are no held-to-maturity financial assets in these financial statements. Primary liabilities only exist in the category of financial liabilities measured at amortised cost.

Non-derivative host contracts are analysed to determine the existence of embedded derivatives. Embedded derivatives are to be recognised separately from the host contract as an independent financial instrument if the two components demonstrate different economic properties which are not closely linked to each other. Embedded derivatives are likewise classified as “held for trading”.

Financial assets and financial liabilities that fall within the scope of IAS 39 can be irrecoverably assigned to the subcategory “fair value option” under certain circumstances. Neither for financial assets nor for financial liabilities was the fair value option used.

In the 2014 financial year, as in the previous financial year, there were no reclassifications within the individual classification categories.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Primary financial assets

Financial assets are recognised at their value as at the trading date, *i.e.* the date on which the Group commits to buying the asset. Primary financial assets are classified as loans and receivables or as available-for-sale financial assets when recognised for the first time. Loans and receivables as well as available-for-sale financial assets are initially recognised at fair value plus directly attributable transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable contractual payments which are not listed on an active market. They are shown in the statement of financial position under trade accounts receivables and other assets, and are classified as current assets if they mature within twelve months of the balance sheet date.

As part of subsequent measurements, loans and receivables are measured at amortised cost using the effective interest method. Impairments are recognised for identifiable individual risks. Where default of a certain proportion of the receivables portfolio is probable, impairments are recognised to the extent that the carrying amount of a financial asset exceeds its recoverable amount. Indications for identifiable individual risks include, for example, a material deterioration in creditworthiness, considerable default as well as a high probability of insolvency and the corresponding inability of the customer to repay debt. If the reasons for impairment cease to exist, write-backs are recorded, however, not in excess of the amortised costs. Impairments and impairment reversals are recorded in other operating expenses and income.

Impairments of trade receivables are, in part, recorded using an impairment account. The decision to record impairment either by using an impairment account or by directly reducing the trade receivable depends on the degree of reliability of the risk evaluation. Concrete losses lead to a write-off of the respective asset. No direct impairments on trade receivables were recorded in the financial year.

Available-for-sale financial assets are non-derivative financial assets which are either explicitly allocated to this category individually or are unable to be allocated to any other category of financial assets. In the Hapag-Lloyd Group, these consist solely of shares in companies. They are allocated to non-current assets unless the management intends to sell them within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value after their initial measurement. Changes in fair values are recorded under other comprehensive income until the disposal of the assets. A long-term reduction in fair value gives rise to impairments recognised in the income statement. In the event of a subsequent write-back of the impairment recorded in the income statement, the impairment is not reversed, but is posted against other comprehensive income. If no listed market price on an active market is available for shares held and other methods to determine an objective market value are not applicable, the shares are measured at cost.

Assets are no longer recognised as at the date when all the risks and opportunities associated with their ownership are transferred or cease.

Cash and cash equivalents

Cash and cash equivalents encompass cash in hand, bank balances and other financial investments that can be converted into defined cash amounts at any time and are only subject to minor changes in value. Fully utilised overdraft facilities are shown as liabilities to banks under current financial debt.

Primary financial liabilities

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

Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired. If a review of changes in contractual conditions using quantitative and qualitative criteria leads to the assessment that both contracts are substantially the same, the old liability continues to exist with the new conditions.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at their fair values on the day when the agreement was concluded. Subsequent measurement is also carried out at the fair value applicable on the respective balance sheet date. The method used to record gains and losses depends on whether the derivative financial instrument is classified as a hedge and on the type of hedging relationship.

Derivative financial instruments are classified either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions.

Upon conclusion of the transaction in accordance with IAS 39, the hedging relationships between the hedging instrument and the underlying transaction and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the beginning of the hedging relationship and on a continual basis as to whether the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the underlying transactions in a highly effective manner. Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

The effective proportion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in other comprehensive income. The ineffective proportion of such changes in fair value is recognised immediately in the other financial result. Hedge accounting by means of options records the changes in time value affecting net income because they are excluded from the hedging relationship. Amounts recorded in other comprehensive income are reclassified to the consolidated income statement and recognised as income or expenses in the period in which the hedged underlying transaction impacts the consolidated income statement. In the case of hedging relationships based on currency forward contracts, the entire effective market value change in the hedging transaction is initially recorded under other comprehensive income. In the next step, the spot component is reclassified from other comprehensive income to the consolidated income statement and is recognised through profit or loss in line with the change in the value of the underlying transaction. The forward component is recognised through profit or loss on a pro rata basis over the term of the hedging relationship.

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 underlying transaction occurs. If the future transaction is no longer expected to occur, the cumulative gains or losses recognised outside the consolidated income statement must immediately be recognised through the consolidated income statement.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting, including embedded derivatives, are recognised directly in the consolidated income statement with effect on net income.

Hedging measures that do not comply with the strict requirements of hedge accounting according to IAS 39 are used to hedge currency risks of monetary liabilities in the statement of financial position. This is done based on risk management principles and effectively contributes to the hedging of a financial risk. The use of hedge accounting according to IAS 39 is foregone since gains and losses from conversions of the underlying transactions and gains and losses from the respective hedging instrument affect net income simultaneously.

Inventories

Inventories are measured at the lower of cost of acquisition or net realisable value. The measurement method applied to similar inventory items is the weighted average cost formula. The net realisable value is the estimated selling price in the ordinary course of business.

Inventories mainly comprise fuel and lubricants.

Pensions and similar obligations

The valuation of defined benefit plans from pension obligations and other post-employment benefits (*e.g.* healthcare benefits) is carried out in accordance with IAS 19 Employee Benefits using

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

the projected unit credit method. The 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 recognised immediately with effect on net income. 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 benefit 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 balance sheet 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 factual obligations resulting from a past event insofar as their utilisation is probable and their amount can be reliably determined. Provisions are recorded at the best estimate of their repayable amount and take account of cost increases. The present value is assessed for provisions with terms exceeding twelve months. Over the course of time, the provisions are adjusted on the basis of new knowledge gained. Provision reversals are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant reversals, which are recorded as other operating income.

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.

Provisions for guarantee, warranty and liability risks are created based on 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.

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 ship fleet. 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 ascertained on the basis of the Company's tax rates as at the balance sheet date. Income tax provisions 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.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Expected tax savings 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 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 2015 to 2019.

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 assets are recorded to the extent that it is probable that future taxable income will be available at the level of the relevant tax authority for utilisation of the deductible temporary differences.

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 at the balance sheet date 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 valuation parameters used.

Level 1:

Unchanged adoption of prices from 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 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 measurement 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 the valuation parameter is essential. 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.

Additional explanations of fair values can be found in Note (27) "Financial instruments".

Discretionary decisions, estimates and assessments

Discretionary decisions when applying accounting and measurement principles

The preparation of consolidated financial statements in accordance with IFRS requires discretionary decisions. All discretionary decisions are continuously re-evaluated and are based on historic experiences and expectations regarding future events which seem reasonable under the existing conditions. This specifically applies to the following cases:

Classification of joint arrangements

Hapag-Lloyd AG holds 50.0% of the shares in Hapag-Lloyd Denizasiri Nakliyat A.S., Izmir. Given that Hapag-Lloyd and the other parties to the shareholder agreement only have rights to the company's equity, the company was classified as a joint venture.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Furthermore Hapag-Lloyd holds 47.97% of the shares in Consorcio Naviero Peruano S.A., Lima. Given that Hapag-Lloyd and the other parties to the shareholder agreement only have rights to the company's equity, the company was classified as a joint venture.

For further explanations regarding joint ventures, please refer to Note (13).

Classification of leasing relationships

During the classification of leasing relationships, discretionary decisions are made regarding the assignment of beneficial ownership to either the lessor or the lessee. Regarding the approach, we refer to the presentation concerning the recognition and measurement of leasing relationships; regarding the amounts, see Note (35).

Fair value hierarchy

In a number of cases, the valuation parameters used to determine the fair value of an asset or liability can be assigned to various levels of the fair value hierarchy. In such cases, fair value measurement as a whole is assigned to the same hierarchy level as the valuation parameter of the lowest level that is of significance to the measurement in its entirety. The evaluation of the significance of a specific valuation parameter for measurement as a whole requires a discretionary decision in which the characteristic factors relating to the asset or liability are to be taken into consideration. See the section "Impairment testing" and Note (27) "Financial instruments" on the approach taken.

Management estimates and assessments

In the consolidated financial statements, a certain number of estimates and assessments are made in order to determine the assets and liabilities shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the reporting date, and the recognised income and expenses for the reporting period.

Intangible assets and property, plant and equipment

Verification of the realisable values of intangible assets and property, plant and equipment also requires assumptions and estimates to be made regarding future cash flows, anticipated growth rates, exchange rates and discount rates. All material parameters are therefore at the discretion of the management regarding the future development, particularly in terms of the global economy. They involve the uncertainty of all forecasting activity. The assumptions made for this purpose can be subject to alterations which could lead to impairments in value in future periods. Regarding the approach, we refer to the presentation concerning impairment testing; regarding the amounts, see Notes (10) and (11).

A review of the vessels' scrap values in the 2013 financial year resulted in an adjustment in these values with effect from 1 January 2013, lowering depreciation for the 2013 financial year by EUR 21.4 million.

Against the backdrop of a comprehensive project to boost operational efficiency, the decision was made to sell a portfolio of 16 ships in the course of 2015. Due to their limited remaining useful lives, the fair values of these ships were estimated on the basis of the expected realisable income as at the balance sheet date. Following an impairment charge of EUR 127.4 million, the portfolio of ships had a total carrying amount of EUR 59.2 million as at 31 December 2014.

Allowance for doubtful receivables

The allowance for doubtful receivables largely comprises estimates and valuations of both individual receivables and groups of receivables that are based on the respective creditworthiness of the customer, current economic trends and analysis of maturity structures and historical defaults. For further explanations, we refer to Note (14).

Deferred tax assets on loss carry-forwards

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (9).

Provisions

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated future increases in salaries and pensions, and mortality tables. These assumptions can diverge from the actual figures as a result of changes in the economic conditions or the market situation as well as mortality rates. For detailed explanations, see Note (22).

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must sometimes use empirical values as the basis for making assumptions regarding the likelihood of occurrence of the obligation or future developments, *e.g.* such as the costs to be estimated for the valuation of obligations. These can be subject to estimation uncertainties, particularly in the case of non-current provisions.

Provisions are made within the Group if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. Due to the uncertainties associated with this valuation, the actual losses can deviate from the original estimates and the respective provision amount. For provisions for guarantee, warranty and liability risks, there is particular uncertainty concerning the estimate of future damages.

To integrate CCS's business activities, the Executive Board decided on and communicated a comprehensive restructuring programme in December 2014. This includes merging the two head offices in Hamburg and reducing the number of regional headquarters to lower both personnel and overhead costs. In addition, the aim is to improve operational efficiency by merging the companies' IT platforms and by further reducing overheads, *e.g.* costs relating to rent, suppliers and insurance. A provision was created for the resulting restructuring obligations that is based on estimates and expectations with regard to the forecast amount required to fulfil the restructuring obligations as at the balance sheet date. For example, the amount relating to employee termination benefits takes into account the target number of employees determined in the reorganisation plan and country-specific expectations regarding the severance payments necessary. A definitive, legally binding agreement has yet to be reached with the majority of the employees or suppliers concerned.

For detailed explanations, see Note (23).

Discount rates

The valuation of non-current receivables and liabilities, either non-interest bearing or with interest rates not in line with the market, and of non-current other provisions, depends primarily on the choice and development of discount rates.

Acquisition of CCS

Presentation of the assets, liabilities and contingent liabilities acquired as part of the acquisition of CCS and reported in the consolidated financial statements depends on estimates and assumptions. Existing uncertainties were suitably applied to measurement during the purchase price allocation. All the estimates and assumptions are based on relationships and assessments as at the date of acquisition. There were no changes to these estimates and assumptions as at the balance sheet date.

The assumptions and estimates that could have a material impact on the carrying amounts of assets and liabilities relate mainly to the following cases:

- Setting the parameters for determining the fair value of the transferred contribution and the acquired assets, liabilities and contingent liabilities (*e.g.* assumptions regarding business development, operating margins and market conditions (charter rates, lease rates) and assumptions used to determine capital costs)

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

- Determining the useful life of intangible assets (e.g. brand, customer relationship and software)
- Measurement of tax and legal risks

Changes in assumptions and estimates

The purchase price allocation for the acquisition of CCS is provisional, as the date of acquisition was shortly before the balance sheet date. There may be changes, in particular, in the valuation of the customer relationship, in the extent to which charter and lease contracts are advantageous or disadvantageous, and in the area of contingent liabilities. If facts and circumstances become known within a year of the date of acquisition that existed on the date of acquisition and that would have resulted in changes to the amounts indicated above, recognition of the company acquisition will be amended accordingly.

At the time of preparation of the consolidated financial statements, no further material changes in the underlying assumptions and estimates are expected. As such, no material adjustment of the recognised assets and liabilities is expected in the 2014 financial year at this time.

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.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

The container shipping activities acquired by the Hapag-Lloyd Group in the course of incorporating CSAV's container shipping business are included for the month of December as of the consolidation date of 2 December 2014. As such, the figures in the consolidated income statement for 2014 can only be compared with those of previous years to a limited extent.

(1) Revenue

Revenue in the amount of EUR 6,807.5 million (2013: EUR 6,567.4 million) was primarily generated from the rendering of transport services amounting to EUR 6,694.0 million (2013: EUR 6,480.2 million).

(2) Other operating income

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Exchange rate gains	70.6	20.4
Income from the reversal of provisions	4.9	36.0
Income from the disposal of assets	0.3	36.1
Income from write-backs	0.0	0.6
Government assistance	11.0	10.3
Other income	30.0	52.9
Total	116.8	156.3

The exchange rate gains from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the measurement of financial assets, financial liabilities and currency options as at the balance sheet date.

(3) Transport expenses

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Expenses for raw materials, supplies and purchased goods	1,362.3	1,436.6
Cost of purchased services	4,697.8	4,336.5
thereof		
Port, canal and terminal costs	2,030.4	1,831.1
Container transport costs	1,841.4	1,691.4
Chartering, leases and container rentals	693.5	653.3
Maintenance/repair/other	132.5	160.7
Total	6,060.1	5,773.1

The cost of raw materials and supplies refers in particular to fuel expenses and effects from fuel hedging instruments.

(4) Personnel expenses

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Wages and salaries	343.7	292.7
Social security costs, pension costs and other benefits	59.6	72.5
Total	403.3	365.2

Pension costs include, among other things, expenses for defined benefit pension obligations. The interest portion of the measurement of pension obligations and the interest income from the associated fund assets are recorded within the interest result. A detailed presentation of pension commitments is provided in Note (22).

Personnel expenses include allocations to restructuring provisions in the amount of EUR 41.2 million. The reduction in expenses for social security and pensions is largely the result of exchange rate differences.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Employees

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Marine personnel	1,318	1,250
Shore-based personnel	5,835	5,547
Apprentices	188	185
Total	7,341	6,982

The average number of employees was as follows:

(5) Depreciation, amortisation and impairment

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Scheduled amortisation/depreciation	354.3	325.4
Amortisation of intangible assets	51.1	64.0
Depreciation of property, plant and equipment	303.2	261.4
Impairment of intangible assets and property, plant and equipment	127.4	—
Total	481.7	325.4

The scheduled amortisation of intangible assets largely concerned advantageous contracts.

The scheduled depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers.

Impairment in the financial year related to a portfolio of ships whose cash flows were largely determined by the budgeted sales proceeds in the planned sale process.

(6) Other operating expenses

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
EDP costs	67.1	60.9
Exchange rate losses	66.7	32.0
Commissions	56.2	36.4
Expenses for charges, fees, consultancy and other professional services	33.5	9.9
Other taxes	29.2	19.4
Rental and lease expenses	22.0	21.7
Other social security expenses	14.7	15.1
Administrative expenses	11.2	12.3
Other operating expenses	92.7	44.0
Total	393.3	251.7

The exchange rate losses from currency items were mainly attributable to exchange rate fluctuations between the origination date and the payment date of assets and liabilities, and to the measurement of financial liabilities, currency options and currency forward contracts as at the balance sheet date.

Other operating expenses include restructuring costs of EUR 39.5 million relating to the planned integration of CSAV's container shipping business. This item also comprises travel costs, insurance payments, audit fees, and maintenance and repair costs.

(7) Other financial result

The other financial result essentially contains expenses due to changes in the fair value of derivative financial instruments amounting to EUR 3.0 million (2013: EUR 0.6 million). In the previous year, it also included income from the sale of the Company's shares in Montreal Gateway Terminals Ltd. Partnership, Montreal, totalling EUR 19.1 million.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(8) Interest result

The interest result was as follows:

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Interest income	7.0	5.6
Interest income from fund assets for the financing of pensions and similar obligations	4.5	3.8
Other interest and similar income	2.5	1.8
Interest expenses	216.7	159.2
Interest expenses from the valuation of pensions and similar obligations	9.6	8.9
Interest expenses from the change in fair value of embedded derivatives	17.0	1.5
Other interest and similar expenses	190.1	148.8
Total	(209.7)	(153.6)

As in the previous year, other interest and similar income mainly comprises income from interest-bearing bank accounts. In the financial year, interest amounting to EUR 2.3 million was received (2013: EUR 1.6 million).

Other interest and similar expenses mainly comprises interest for bonds and loans as well as interest from finance leases and other financial debt.

Interest expense also includes costs relating to the early repayment of a bond due in October 2015. The cost of early repayment came to EUR 6.3 million.

(9) Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income tax. As in the previous year, for domestic companies subject to corporate income tax, a corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on corporate income tax apply. Additionally, these companies are subject to trade earnings tax, which for the years 2014 and 2013 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. Comparable actual income taxes are disclosed for foreign subsidiaries within the Group; in 2014, these ranged from 12.5% to 39.0% (2013: between 12.5% and 39.0%).

In addition, deferred taxes are recognised in this item for temporary differences in carrying amounts between the statement of financial position prepared in accordance with IFRS and the tax balance sheet as well as on consolidation measures and, where applicable, realisable loss carry-forwards in accordance with IAS 12 Income Taxes.

Income taxes were as follows:

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Actual income taxes	11.1	7.1
thereof domestic	4.1	2.8
thereof foreign	7.0	4.3
Deferred tax income/expenses	0.1	0.4
thereof from temporary differences	(0.5)	(2.6)
thereof from loss carry-forwards	0.6	3.0
Total	11.2	7.5

Prior-period tax expenses in the amount of EUR 1.9 million are included in the actual income taxes (2013: income of EUR 0.2 million).

For domestic companies subject to corporate income tax, a combined income tax rate of 32.3% or 19.1% was used to calculate deferred taxes (2013: 32.3% or 19.1%). The combined income tax rate takes into account corporate income tax of 15.0% (2013: 15.0%), a solidarity surcharge of 5.5% of the corporate income tax (2013: 5.5%) and trade earnings tax of 16.5% (2013: 16.5%) or 3.3% (2013: 3.3%) insofar as it relates to income from vessel operations in international transport.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates which were applied for foreign-based companies for the 2014 financial year ranged from 16.5% to 39.0% (2013: 16.5% to 39.0%).

The following table shows a reconciliation statement from the expected to the reported income tax expense. In order to ascertain the expected tax expense, the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year is multiplied by the pre-tax profit, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Earnings before income taxes	(592.5)	(89.9)
Expected income tax expense (+) / income (–) (tax rate 32.3%)	(191.2)	(29.0)
Difference between the actual tax rates and the expected tax rates	0.3	0.8
Changes in tax rate and tax law	0.0	0.3
Effects of income not subject to income tax	182.2	44.3
Non-deductible expenses and trade tax additions and reductions	8.3	5.3
Changes in unrecognised deferred taxes	20.1	3.1
Effective tax expenses and income relating to other periods	1.9	(0.2)
Tax effect from equity-accounted investees	(10.9)	(17.8)
Exchange rate differences	0.7	0.7
Other differences	(0.2)	—
Reported income tax expense (+) / income (–)	11.2	7.5

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 effects from income not subject to income tax primarily comprise the effects from tonnage tax.

The adjustments to the recognition of deferred taxes include expenses amounting to EUR 6.1 million allocable to the non-recognition of deferred taxes on tax interest carried forward (2013: EUR 1.6 million) and EUR 16.0 million allocable to adjustments to the recognition of corporate income tax loss carry-forwards both at home and abroad (2013: EUR 1.7 million).

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

	31.12.2014		31.12.2013	
	Asset	Liability	Asset	Liability
	Million EUR			
Recognition and valuation differences for property, plant, and equipment and other non-current assets	2.2	6.0	2.1	5.7
Recognition differences for receivables and other assets	0.9	0.3	0.5	0.3
Valuation of pension provisions	6.0	0.1	4.0	—
Recognition and valuation differences for other provisions	1.9	0.0	1.5	—
Other transactions	5.0	0.3	3.7	0.1
Capitalised tax savings from recoverable loss carry-forwards	17.1	0.0	5.9	—
Netting of deferred tax assets and liabilities	(5.2)	(5.2)	(5.1)	(5.1)
Balance sheet recognition	27.9	1.5	12.6	1.0

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

	As per 1.1.2013	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2013
	Million EUR				
Recognition and valuation differences for property, plant and equipment and other non-current assets	(6.6)	3.1	—	(0.1)	(3.6)
Recognition differences for receivables and other assets	(0.9)	1.4	—	(0.3)	0.2
Valuation of pension provisions	5.6	(0.7)	(0.8)	(0.1)	4.0
thereof recognised directly in equity	4.5	—	(0.8)	(0.2)	3.5
Recognition and valuation differences for other provisions	1.5	(0.2)	—	0.2	1.5
Other transactions	4.7	(1.0)	—	(0.1)	3.6
Capitalised tax savings from recoverable loss carry-forwards	9.2	(3.0)	—	(0.3)	5.9
Balance sheet recognition	13.5	(0.4)	(0.8)	(0.7)	11.6

	As per 1.1.2014	Change in the group of consolidated companies	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2014
	Million EUR					
Recognition and valuation differences for property, plant and equipment and other non-current assets	(3.6)	0.1	(0.4)	—	0.1	(3.8)
Recognition differences for receivables and other assets	0.2	0.3	0.2	—	(0.1)	0.6
Valuation of pension provisions	4.0	—	(0.1)	1.9	0.1	5.9
thereof recognised directly in equity	3.5	—	—	1.9	0.1	5.5
Recognition and valuation differences for other provisions	1.5	1.1	(0.5)	—	(0.2)	1.9
Other transactions	3.6	—	1.3	—	(0.2)	4.7
Capitalised tax savings from recoverable loss carry-forwards	5.9	12.1	(0.6)	—	(0.3)	17.1
Balance sheet recognition	11.6	13.6	(0.1)	1.9	(0.6)	26.4

No deferred tax liabilities were recognised for taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 16.8 million (2013: EUR 9.8 million), as Hapag-Lloyd is able to steer how the temporary differences are reversed over time and no reversal of the temporary differences is likely in the near future.

Deferred tax assets and liabilities are classified as non-current in the statement of financial position in accordance with IAS 1, irrespective of their expected realisation date.

Deferred tax assets are recognised for temporary differences and tax loss carry-forwards if their realisation seems certain in the near future. The amounts of unutilised tax losses and the capacity to carry forward the tax losses for which no deferred tax assets were recognised are as follows:

	31.12.2014	31.12.2013
	Million EUR	
Loss carry-forwards for which deferred tax assets were recognized	69.7	36.1
Loss carry-forwards for which no deferred tax assets were recognized	1,314.6	58.5
thereof loss carry-forwards forfeitable in more than 5 years	2.0	1.8
Non-forfeitable loss carry-forwards	1,312.6	56.7
thereof interest carry-forwards	33.0	15.5
Total of unutilised loss carry-forwards	1,384.3	94.6

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The container shipping activities acquired by the Hapag-Lloyd Group in the course of incorporating CSAV's container shipping business are included as of 2 December 2014, when they were consolidated. As such, the figures in the consolidated statement of financial position for 2014 can only be compared with those of previous years to a limited extent.

(10) Intangible assets

	Goodwill	Customer base	Advantageous contracts	Brand	Software	Other	Total
	Million EUR						
Historical cost							
As per 1.1.2013	693.9	313.2	290.7	191.0	83.3	3.9	1,576.0
Additions	—	—	—	—	1.9	0.1	2.0
Disposals	—	—	13.5	—	—	—	13.5
Transfers	—	—	(15.9)	—	(0.1)	—	(16.0)
Exchange rate differences	(29.3)	(13.2)	(11.2)	(8.1)	(3.6)	(0.2)	(65.6)
As per 31.12.2013	664.6	300.0	250.1	182.9	81.5	3.8	1,482.9
Accumulated amortisation							
As per 1.1.2013	—	52.2	169.7	—	40.4	0.3	262.6
Additions	—	13.8	39.4	—	10.8	—	64.0
Disposals	—	—	13.5	—	—	—	13.5
Transfers	—	—	(11.9)	—	(0.1)	—	(12.0)
Exchange rate differences	—	(2.7)	(7.7)	—	(2.1)	—	(12.5)
As per 31.12.2013	—	63.3	176.0	—	49.0	0.3	288.6
Carrying amounts 31.12.2013	664.6	236.7	74.1	182.9	32.5	3.5	1,194.3
Historical cost							
As per 1.1.2014	664.6	300.0	250.1	182.9	81.5	3.8	1,482.9
Addition from business combination	606.9	707.4	—	32.7	8.6	0.1	1,355.7
Additions	—	—	—	—	3.6	—	3.6
Disposals	—	—	109.1	—	—	—	109.1
Transfers	—	—	(5.4)	—	(1.8)	(0.1)	(7.3)
Exchange rate differences	104.1	58.4	22.3	25.2	11.4	0.6	222.0
As per 31.12.2014	1,375.6	1,065.8	157.9	240.8	103.3	4.4	2,947.8
Accumulated amortisation							
As per 1.1.2014	—	63.3	176.0	—	49.0	0.3	288.6
Addition from business combination	—	—	—	—	3.8	0.1	3.9
Additions	—	15.8	23.7	0.1	11.5	—	51.1
Disposals	—	—	109.1	—	—	—	109.1
Transfers	—	—	(2.6)	—	(1.8)	(0.1)	(4.5)
Exchange rate differences	—	9.8	15.0	—	7.7	—	32.5
As per 31.12.2014	—	88.9	103.0	0.1	70.2	0.3	262.5
Carrying amounts 31.12.2014	1,375.6	976.9	54.9	240.7	33.1	4.1	2,685.3

In order to assess the goodwill for impairment, an impairment test was carried out for the entire cash-generating unit container shipping at the end of the financial year 2014, as was the case in the previous year. Please refer to the section "Impairment testing" within the accounting and measurement principles in the Notes to the consolidated financial statements. A need for impairment was not ascertained.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,375.6 million (2013: EUR 664.6 million) and the Hapag-Lloyd brand in the amount of EUR 207.2 million (2013: EUR 182.9 million).

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Existing contracts were identified as being advantageous if their contractual terms had a positive market value compared with the market conditions at the time of acquisition of the companies. This particularly included charter and lease contracts and transport and delivery contracts.

As in the previous year, no development costs were capitalised. The costs for the maintenance of software, which cannot be capitalised, amounted to EUR 7.1 million (2013: EUR 7.4 million) and were recognised as expenses.

(11) Property, plant and equipment

	<u>Vessels</u>	<u>Containers, chassis</u>	<u>Other equipment</u>	<u>Payments on account and assets under construction</u>	<u>Total</u>
	Million EUR				
Historical cost					
As per 1.1.2013	3,577.4	477.6	125.2	344.4	4,524.6
Additions	17.7	304.7	2.6	416.0	741.0
Disposals	25.1	13.4	0.6	—	39.1
Transfers	524.6	15.5	2.5	(527.0)	15.6
Exchange rate differences	(155.9)	(30.8)	(1.6)	(10.6)	(198.9)
As per 31.12.2013	3,938.7	753.6	128.1	222.8	5,043.2
Accumulated depreciation					
As per 1.1.2013	633.4	99.6	6.0	—	739.0
Additions	203.9	50.3	7.2	—	261.4
Impairments	0.6	—	—	—	0.6
Disposals	3.5	4.7	0.5	—	8.7
Transfers	—	11.9	(0.3)	—	11.6
Exchange rate differences	(20.7)	(6.1)	(0.3)	—	(27.1)
As per 31.12.2013	812.5	151.0	12.1	—	975.6
Carrying amounts 31.12.2013	3,126.2	602.6	116.0	222.8	4,067.6
Historical cost					
As per 1.1.2014	3,938.7	753.6	128.1	222.8	5,043.2
Addition from business combination	627.1	32.7	24.4	82.5	766.7
Additions	128.1	136.1	9.0	61.1	334.3
Disposals	14.8	4.1	0.5	—	19.4
Reclassifications to held for sale	411.6	—	—	—	411.6
Transfers	302.4	—	1.9	(298.8)	5.5
Exchange rate differences	532.8	112.8	6.2	10.6	662.4
As per 31.12.2014	5,102.7	1,031.1	169.1	78.2	6,381.1
Accumulated depreciation					
As per 1.1.2014	812.5	151.0	12.1	—	975.6
Addition from business combination	12.7	0.7	20.5	—	33.9
Additions	224.3	71.2	7.7	—	303.2
Impairments	127.4	—	—	—	127.4
Disposals	11.5	2.6	0.5	—	14.6
Reclassifications to held for sale	357.5	—	—	—	357.5
Transfers	2.7	—	—	—	2.7
Exchange rate differences	106.4	26.1	1.9	—	134.4
As per 31.12.2014	917.0	246.4	41.7	—	1,205.1
Carrying amounts 31.12.2014	4,185.7	784.7	127.4	78.2	5,176.0

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 4,481.1 million as at the balance sheet date (2013: EUR 3,381.1 million). These restrictions of ownership mainly pertain to ship mortgages from existing financing contracts for ships. Additional collateral exists with containers transferred by way of security.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Land charges of EUR 43.4 million and EUR 18.6 million were registered in the land registry as collateral for the loan from Deutsche Genossenschafts-Hypothekenbank for the purchase of the Ballindamm property.

Three “Hamburg Express” class newbuilds (2013: four) with a capacity of 13,200 TEU each and one vessel with a capacity of 9,300 TEU were delivered in the 2014 financial year and new containers were also received. Hapag-Lloyd again acquired containers from existing operating lease contracts and disposed of one vessel in the 2014 financial year. In the previous year, six ships and also containers were disposed of.

In the 2014 financial year, capitalisation of directly attributable borrowing costs amounted to EUR 2.0 million (2013: EUR 1.8 million). In addition, borrowing costs in the amount of EUR 2.8 million relating to general external financing were recognised in the year under review (2013: EUR 14.5 million).

(12) Subsidiaries with non-controlling interests

The following companies within the Hapag-Lloyd Group had non-controlling interests as at the balance sheet date:

Name of the company	Registered Office	Proportion of ownership interest (in %)		Proportion of voting rights held (in %)	
		2014	2013	2014	2013
CSAV Austral Ltda.	Valparaíso	50.01	0.00	50.06	0.00
CSAV Group Agencies					
South Africa (Pty) Ltd.	Durban	40.00	0.00	40.00	0.00
CSAV Shipping LLC	Dubai	51.00	0.00	0.00	0.00
Florida Vessel Management LLC	Tampa	25.00	25.00	25.00	25.00
Hapag-Lloyd Agency LLC	Dubai	51.00	51.00	49.00	49.00
Hapag-Lloyd Grundstücks-holding GmbH	Hamburg	5.10	5.10	5.10	5.10
Hapag-Lloyd Spain S.L.	Barcelona	10.00	10.00	10.00	10.00
Hapag-Lloyd (Thailand) Ltd.	Colombo	51.10	51.10	0.00	0.00
Southern Shipmanagement Co. S.A.	Valparaíso	50.00	50.00	50.00	50.00
Southern Shipmanagement (Chile) Ltda.	Valparaíso	49.50	49.50	49.50	49.50

The non-controlling interests within the Hapag-Lloyd Group are not material from a quantitative and qualitative perspective.

(13) Equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2014. Hapag-Lloyd’s share of the voting rights for each company corresponds to their share in the company.

Name of the company	Registered office	Proportion of ownership in the group (in %)	
		2014	2013
Joint venture			
Hapag-Lloyd Denizasiri Nakliyat A.S.*	Izmir	50.00	50.00
Consorcio Naviero Peruano S.A.*	Lima	47.97	—
Associated companies			
Hapag-Lloyd Lanka (Pvt) Ltd*	Colombo	40.00	40.00
HHLA CTA Besitzgesellschaft mbH**	Hamburg	—	25.10
HHLA Container Terminal Altenwerder GmbH**	Hamburg	25.10	25.10

* Container transport services.

** Container terminal.

All of the Company’s shares in the associated company Montreal Gateway Terminals Ltd. Partnership, Montreal, with a carrying amount of EUR 0.0, were sold to the majority shareholder in the 2013 financial year.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In the year under review, HHLA Container Terminal Altenwerder GmbH, Hamburg, was merged into HHLA CTA Besitzgesellschaft mbH, Hamburg, and was subsequently renamed HHLA Container Terminal Altenwerder GmbH, Hamburg.

In the course of incorporating CSAV's container shipping business into the Hapag-Lloyd Group, the equity-accounted investee Consorcio Naviero Peruano S.A., Lima, was included. As in the previous year, there were no unrecognised proportionate losses for equity-accounted investees in the reporting period. No impairment losses are included in the proportionate equity result.

HHLA Container Terminal Altenwerder GmbH provides terminal services for the Hapag-Lloyd Group.

Summarised financial information for the main equity-accounted investee reported in the statement of financial position (on a 100% basis and therefore not adjusted to the percentage holding) is contained in the following table:

	HHLA Container Terminal Altenwerder GmbH*	
	2014	2013
	Million EUR	
Balance sheet		
Current assets	168.8	173.7
Non-current assets	93.2	109.6
Liabilities	181.6	202.9
Statement of comprehensive income		
Revenues	261.5	280.4
Annual result	84.4	86.9
Dividend payments to Hapag-Lloyd Group	(30.6)	(27.9)

* Combined data of CTA Group as of 2013 (HHLA Container Terminal Altenwerder GmbH and HHLA CTA Besitz mbH).

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

	HHLA Container Terminal Altenwerder GmbH*		Non-material associated companies		Non-material joint ventures	
	2014	2013	2014	2013	2014	2013
	Million EUR					
Participation 1.1.	327.6	324.9	0.3	0.3	4.9	4.7
Addition from business combination	—	—	—	—	50.1	—
Pro-rata share at earnings after taxes	30.3	30.6	0.2	0.3	3.7	4.2
Dividend payments	(30.6)	(27.9)	(0.2)	(0.2)	(3.2)	(3.1)
Exchange rate differences	—	—	—	(0.1)	1.8	(0.9)
Participation 31.12.	327.3	327.6	0.3	0.3	57.3	4.9

* Combined data of CTA Group as of 2013 (HHLA Container Terminal Altenwerder GmbH and HHLA CTA Besitz mbH).

(14) Trade accounts receivable and other assets

	31.12.2014		31.12.2013	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
	Million EUR			
Trade accounts receivable	716.0	—	473.3	—
thereof from third parties	713.0	—	470.4	—
thereof from affiliated non-consolidated companies	3.0	—	2.9	—
Other assets	147.4	13.1	114.7	7.9
Other assets and prepaid expenses	92.4	9.3	97.4	4.8
Claims arising from the refund of other taxes	54.8	3.6	17.1	2.9
Available-for-sale financial assets	0.2	0.2	0.2	0.2
Total	863.4	13.1	588.0	7.9

With the addition of new companies to the group of consolidated companies due to the acquisition of CSAV's container shipping business, trade accounts receivable and other assets have risen.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As at 31 December 2014, in relation to ship financing there were assignments of 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.

If no prices listed on an active market are available and the fair value cannot be determined reliably, the available-for-sale financial assets are measured at cost. In the 2014 financial year, as in the previous year, no impairment was recognised in the “available-for-sale financial assets” category.

Credit risks

The following table provides information about the credit risks involved in trade accounts receivable and other financial assets:

	Carrying amounts of Financial instruments	Thereof neither overdue nor impaired	Thereof not impaired and overdue in the following periods				
			more than 30 days	less than 60 days	between 31 and 90 days	between 61 and 180 days	between 91 and 180 days
Million EUR							
31.12.2013							
Trade accounts receivable	473.3	333.0	114.8	9.6	8.5	6.2	1.2
Other assets	51.0	51.0	—	—	—	—	—
Total	524.3	384.0	114.8	9.6	8.5	6.2	1.2
31.12.2014							
Trade accounts receivable	716.0	556.0	131.0	14.4	6.1	2.9	5.7
Other assets	58.9	58.9	—	—	—	—	—
Total	774.9	614.9	131.0	14.4	6.1	2.9	5.7

With regard to the portfolio of trade accounts receivable and other assets which are neither impaired nor defaulted, there are no indications as at the balance sheet date that the respective debtors will not honour their obligations to pay.

Impairment allowances

The impairment allowances on trade accounts receivable developed as follows:

	2014	2013
	Million EUR	
Impairment allowances as of 1.1.	12.5	9.9
Addition from business combination	8.0	—
Additions	9.1	6.0
Utilisation	3.7	1.1
Release	7.9	2.1
Exchange rate differences	(1.7)	(0.2)
Impairment allowances as of 31.12.	19.8	12.5

There were minor cash inflows from impaired trade accounts receivable in the financial year.

(15) Derivative financial instruments

	31.12.2014		31.12.2013	
	Remaining term more than 1 year	Total	Remaining term more than 1 year	Total
Million EUR				
Receivables from derivative financial instruments	19.6	15.8	99.6	74.5
thereof derivatives with hedge accounting applied	0.2	—	41.2	16.1
thereof derivatives with hedge accounting not applied	19.4	15.8	58.4	58.4

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Derivative financial instruments are shown at fair value (market value). They serve to hedge both the future operating business and the currency risks in the area of financing. This item also contains embedded derivatives in the form of early buy-back options for issued bonds. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (27)).

(16) Inventories

The inventories were as follows:

	<u>31.12.2014</u>	<u>31.12.2013</u>
	<u>Million EUR</u>	
Raw materials and supplies	149.0	168.7
Prepayments	3.1	0.2
Total	<u>152.1</u>	<u>168.9</u>

The raw materials and supplies were primarily fuel and lubricating oil (2014: EUR 146.7 million; 2013: EUR 166.9 million).

Impairments of fuel inventories in the amount of EUR 19.0 million were recognised as expenses in the reporting period (2013: EUR 1.1 million). No write-backs were recognised.

(17) Cash and cash equivalents

	<u>31.12.2014</u>	<u>31.12.2013</u>
	<u>Million EUR</u>	
Securities	0.3	0.5
Cash at bank	707.7	459.4
Cash in hand and cheques	3.4	4.9
Total	<u>711.4</u>	<u>464.8</u>

The balances of a number of bank accounts belonging to the Hapag-Lloyd Group are only freely available once the redemption payments and interest obligations due have been settled. These account balances came to EUR 7.8 million as at 31 December 2014.

In the previous year, cash and cash equivalents were not subject to any restrictions.

(18) Non-current assets held for sale

The Executive Board of Hapag-Lloyd AG has decided to sell a portfolio of vessels in 2015. Pursuant to IFRS 5, the assets were reported separately as non-current assets held for sale in the consolidated statement of financial position as at 31 December 2014.

The carrying amount of the ships to be sold totalled EUR 59.2 million as at 31 December 2014. Previously, impairment amounting to EUR 127.4 million was recognised. Twelve ships serve as collateral for a fleet financing arrangement entered into in 2011. An additional ship is financed on a bilateral basis. The contract terms require that the sales proceeds of eleven of these ships be used to repay these loan liabilities should those ships be disposed of earlier than originally planned. As a result, additional early repayments are expected in the 2015 financial year.

(19) Subscribed capital, capital reserves and retained earnings

Following the retrospective merger of Hapag-Lloyd Holding AG with Hapag-Lloyd AG, capital reserves of EUR 935.3 million were recognised for Hapag-Lloyd AG within the Hapag-Lloyd Group from 1 January 2013. The reduction in capital reserves of EUR 2,334.5 million as a result of the merger led to a corresponding increase in retained earnings. Overall, there were no changes to the Group's equity as a result of the merger.

The Company's subscribed capital increased by EUR 28.3 million and the capital reserves by EUR 1,202.3 million with effect from 2 December 2014 as a result of the incorporation of CSAV's container shipping business in Hapag-Lloyd AG in exchange for new shares. In a second capital

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

increase on 19 December 2014, the subscribed capital was increased by a further EUR 10.5 million and capital reserves by EUR 359.5 million. Under a resolution dated 17 February 2015, EUR 845.2 million was transferred from capital reserves to offset Hapag-Lloyd AG's net loss for the year, thereby increasing retained earnings.

Under a resolution approved at the AGM on 25 June 2014, the Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's share capital by up to EUR 33.0 million up to 31 March 2015 by issuing new no-par registered shares in exchange for cash and/or contributions in kind on one or more occasions. This authorised capital was utilised to effect the capital increase of EUR 28.3 million on 2 December 2014. EUR 4.7 million of authorised capital therefore now remains.

In addition, under a resolution approved at the AGM on 2 December 2014, the Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's share capital by up to EUR 12.5 million up to 31 December 2017 by issuing up to 12.5 million new no-par registered shares in exchange for a minimum subscription fee of EUR 1.00 per share, payable in cash. This authorised capital may only be used for the purposes of effecting a public share offer in connection with a listing of the Company's shares on the Frankfurt Stock Exchange.

As at 31 December 2014, Hapag-Lloyd AG's subscribed capital is divided into 104.9 million no-par registered shares with equal rights.

In addition to the effect caused by the merger, retained earnings include earnings from the financial year as well as previous years.

(20) Cumulative other equity

Cumulative other equity comprises the reserve for cash flow hedges, the reserve for remeasurements from defined benefit plans and the translation reserve.

The reserve for cash flow hedges contains changes in market value from hedging transactions that are recognised in other comprehensive income and amounted to EUR 0.0 million as at 31 December 2014 (2013: EUR 6.4 million).

The item for remeasurements from defined benefit plans (2014: EUR –104.8 million; 2013: EUR –46.6 million) results from actuarial gains and losses recognised in other comprehensive income, among other things due to the change in actuarial parameters in connection with the valuation of pension obligations and the associated fund assets.

The differences from currency translation of EUR 320.8 million in the year under review (previous year: EUR –115.9 million) were due to the translation of the financial statements of subsidiaries prepared in foreign currency and from the conversion of goodwill carried in foreign currency as well as other purchase price allocation items. The translation reserve as at 31 December 2014 amounted to EUR 226.2 million (2013: EUR –94.6 million).

(21) Non-controlling interests

Non-controlling interests rose to EUR 5.3 million in the year under review as a result of the addition of five former CSAV companies with minority interests. This item rose by EUR 2.7 million in the previous year as a result of the sale of 5.1% of the Company's shares in Hapag-Lloyd Grundstücksholding. For more information about the companies, please refer to Note (12).

(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, based on years of service, the employees belong to 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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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.

The Group also makes contributions to a separate defined benefit plan for current and former members of the Executive Board. This plan also entails entitlement to pension, survivorship annuity and disability benefits. Pension sums are based on an individually defined percentage of pensionable emoluments. There is also the option of forgoing bonus payments in favor of the company pension scheme. Executive Board pensions are secured by plan assets in the form of reinsurance. Retirement benefits are paid out in the form of monthly pension payments.

Foreign defined benefit pension plans relate primarily to plans in the United Kingdom, the Netherlands, Canada 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 Company is exposed to a variety of risks associated with defined benefit pension plans. Aside from general actuarial 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

	<u>31.12.2014</u>	<u>31.12.2013</u>
	<u>Million EU</u>	
Domestic defined benefit obligations		
Net present value of defined benefit obligations	182.1	132.1
Less fair value of plan assets	<u>10.8</u>	<u>10.0</u>
Deficit (net liabilities)	<u>171.3</u>	<u>122.1</u>
Foreign defined benefit obligations		
Net present value of defined benefit obligations	150.6	116.6
Less fair value of plan assets	<u>107.1</u>	<u>91.9</u>
Deficit (net liabilities)	<u>43.5</u>	<u>24.7</u>

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Composition and management of plan assets

The Group's plan assets are as follows:

	31.12.2014	31.12.2013
	Million EUR	
Equity instruments		
with quoted market price in an active market	20.6	29.0
without quoted market price in an active market	2.3	2.3
Government bonds		
with quoted market price in an active market	34.6	27.1
without quoted market price in an active market	—	—
Corporate bonds		
with quoted market price in an active market	22.9	14.2
without quoted market price in an active market	—	—
Other debt instruments		
mortgage-backed securities		
with quoted market price in an active market	6.2	5.6
without quoted market price in an active market	—	—
(other) asset-backed securities		
with quoted market price in an active market	3.5	2.9
without quoted market price in an active market	—	—
Derivatives		
with quoted market price in an active market	2.1	1.8
without quoted market price in an active market	—	—
Pension plan reinsurance	10.8	10.0
Real estate	1.0	0.9
Cash and cash equivalents	8.5	2.4
Other	5.4	5.7
Fair value of plan assets	117.9	101.9

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 had a rating of at least AA as at the balance sheet date.

Committees (trustees) exist in the United Kingdom, Canada and Mexico to manage the foreign plan assets; these consist of plan participants and representatives of Hapag-Lloyd management.

When plan assets are invested in these countries, legally independent financial service providers are called in to provide advice and support. They make a capital investment proposal to the respective committee, complete with risk and success scenarios. The committee is then responsible for taking the investment decision in close consultation with Hapag-Lloyd AG; their decisions tally with their respective investment strategy. The investment strategy first and foremost focuses on reducing the interest rate risk and on safeguarding liquidity and optimising returns. To this end, the anticipated pension payments, which will be incurred in a specific time frame, are aligned with the maturity of the capital investments. In the case of maturities from eight to twelve years, low-risk investment forms are chosen, *e.g.* fixed-interest or index-linked government and corporate bonds. For other obligations falling due beyond this, investments are made with a higher risk, but with 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.

In addition, it must be taken into account that 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.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Development of the present value of defined benefit obligations

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

	2014	2013
	Million EUR	
Net present value of defined benefit obligations as at 1.1.	248.7	254.1
Current service cost	6.7	7.4
Interest expenses	9.7	8.9
Remeasurements:		
Actuarial gains (–) / losses (+) from changes in demographic assumptions	—	0.3
Actuarial gains (–) / losses (+) from changes in financial assumptions	68.2	(16.0)
Actuarial gains (–) / losses (+) from changes due to experience	(0.5)	0.9
(Negative (–)) Past service cost	1.3	—
Plan settlements	(0.1)	(0.1)
Contributions by plan participants	0.5	0.4
Benefits paid	(7.1)	(6.4)
Exchange rate differences	4.5	(0.8)
Additions from change in the group of consolidated companies	0.7	—
Net present value of defined benefit obligations as at 31.12.	332.6	248.7

The weighted average maturity of defined benefit obligations was 20.4 years as at 31 December 2014 (2013: 17.8 years).

	2014	2013
	Million EUR	
Fair value of plan assets as at 1.1.	101.9	98.6
Interest income	4.5	3.8
Return on plan assets (excluding interest income)	8.9	1.6
Employer contributions	2.8	4.0
Contributions by plan participants	0.4	0.4
Plan settlements	(0.1)	—
Benefits paid	(3.8)	(3.3)
Exchange rate differences	3.3	(3.2)
Fair value of plan assets as at 31.12.	117.9	101.9

Development of the fair value of the plan assets

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

Net pension expenses

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

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Current service cost	6.7	7.4
Interest expenses	9.6	8.9
Interest income	(4.5)	(3.8)
(Negative (–)) Past service cost	1.3	—
Plan settlements	(0.1)	(0.1)
Net pension expenses	13.0	12.4

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The expenses incurred in connection with pensions and similar obligations are contained in the following items in the consolidated income statement:

	1.1.–31.12. 2014	1.1.–31.12. 2013
	Million EUR	
Personnel expenses	7.9	7.3
Interest expenses (+) / interest income (–)	5.1	5.1
Total	13.0	12.4

Actuarial assumptions

The valuation date for pension obligations 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 obligations and the interest rate to determine interest income on plan assets to be reported in the income statement vary in accordance with the prevailing market conditions in the currency region in which the pension plan was set up.

The 2005 G mortality tables devised by Heubeck served as the demographic basis for calculating the domestic pension obligations. The following significant financial and actuarial assumptions were also used:

<u>percentage points</u>	2014	2013
Discount factors	2.00	3.50
Expected rate of pension increases	1.80	1.80

Demographic assumptions based on locally generally applicable guidance tables were used to measure the significant foreign pension obligations. The following financial and actuarial assumptions were also used:

<u>percentage points</u>	2014	2013
Discount factors for pension obligations		
—United Kingdom	3.60	4.60
—Netherlands	2.00	3.50
—Canada	3.75	4.50
—Mexico	7.20	7.20
Expected rate of pension increases		
—United Kingdom	2.90	3.20
—Netherlands	2.00	2.00
—Canada	n a	n a
—Mexico	3.30	3.30

The discount factors for the pension plans are determined annually as at 31 December 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 discount rate is then determined in line with the duration of the obligation.

Remeasurements

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR –60.1 million before tax as at 31 December 2014 for the 2014 financial year (2013: EUR 16.9 million) and can be broken down as follows:

	31.12.2014	31.12.2013
	Million EUR	
Actuarial gains (+) / losses (–) from		
Changes in demographic assumptions	0.0	(0.3)
Changes in financial assumptions	(68.2)	16.0
Changes from experience	0.4	(0.9)
Return on plan assets (excluding interest income)	8.9	1.6
Exchange rate differences	(1.2)	0.5
Remeasurements	(60.1)	16.9

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR –104.8 million as at 31 December 2014 (2013: EUR –46.6 million).

Future contribution and pension payments

For 2015, the Group is planning to make contributions to pension plan assets amounting to EUR 4.4 million (2014: EUR 4.1 million). Payments for unfunded pension plans are anticipated in the amount of EUR 3.2 million in 2015 (2014: EUR 3.0 million).

Sensitivity analyses

An increase or decrease in the material actuarial assumptions would have the following effects on the present value of pension obligations as at 31 December 2014:

	Present value 31.12.2014	Present value 31.12.2013
	Million EUR	
Discount factor 0.8% points higher	(55.1)	(30.5)
Discount factor 0.8% points lower	70.4	37.7
Expected rate of pension increase 0.2% higher	18.3	4.8
Expected rate of pension increase 0.2% lower	(17.6)	(4.5)
Life expectancy 1 year longer	22.2	6.9

The sensitivity calculations are based on the average maturity of pension obligations determined as at 31 December 2014. In order to present the effects on the present value of obligations as at 31 December 2014 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 obligations 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 2014, expenses incurred in connection with defined contribution pension plans totalled EUR 18.2 million (2013: EUR 17.9 million). This amount includes an expense of EUR 0.7 million in connection with a joint plan operated by several employers (2013: EUR 0.3 million).

In the 2008 financial year, pension and medical benefit obligations in the USA were transferred, together with the corresponding plan assets, from the Company's own benefit plan to the joint plan of several employers. This plan is a defined benefit pension plan. As the joint plan does not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, this plan has been recognised as a contribution plan since then.

Contributions are paid to finance the plan. These are determined on the basis of current service cost, the anticipated costs of the earned entitlement of active participants for the current year and the distribution of shortfalls. The total amount required is spread in an amount calculated per working hour which falls due per participant and paid working hour.

A total of 17 shipping companies participate in the plan. When joining the plan, the companies brought with them deficits of EUR 20.6 million (pensions) and EUR 57.7 million (medical care). Hapag-Lloyd's share amounted to a surplus of EUR 0.9 million (pensions) and a deficit of EUR 1.9 million (medical care). These initial surpluses and deficits are being equalised over a period of ten years by means of reduced contributions or additional contributions respectively. In this context, the Company reported a net liability of EUR 1.0 million as at 31 December 2014 (2013: EUR 0.7 million).

Deficits which have arisen since the calculation of the initial deficits are spread over 15 years, which results in higher contributions. Deficits are calculated by deducting the market value of the plan assets from the cumulative obligations.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

According to the most recent report (1 January 2014; previous year: 1 January 2013), the plan participants were as follows:

Plan participants (total)	2014		2013	
	Medical care	Pensions	Medical care	Pensions
Active vested participants	559	523	581	539
Inactive vested participants	0	47	0	48
Beneficiaries	144	144	123	122
Total	703	714	704	709

Plan participants (total)	2014		2013	
	Medical care	Pensions	Medical care	Pensions
Active vested participants	39	39	37	37
Inactive vested participants	2	2	3	3
Beneficiaries	2	1	1	1
Total	43	42	41	41

In the event that a company wishes to leave the plan, they must pay a withdrawal liability. This withdrawal liability is calculated on the basis of the current proportionate deficit by taking into account only the non-forfeitable benefits less the market value of the plan assets. If a company leaves the plan without being able to pay the withdrawal liability, for instance in the event of insolvency, the deficit remains within the plan and must be covered by the other companies.

For 2015, payments to the plan are expected to amount to EUR 0.8 million (2014: EUR 0.8 million).

(23) Other provisions

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

	As per 1.1.2013	Addition from business combination	Reclassi- fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12.2013
Million EUR								
Guarantee, warranty and liability risks	63.6	—	—	5.9	25.7	5.9	(1.8)	36.1
Risks from pending transactions	49.8	—	—	14.5	—	—	(1.7)	33.6
Personnel costs	38.8	—	(3.6)	23.7	0.6	28.5	(1.3)	38.1
Insurance premiums	11.6	—	—	11.4	—	5.8	(0.3)	5.7
Provisions for other taxes	3.4	—	(0.5)	2.5	0.4	2.1	(0.2)	1.9
Restructuring	0.6	—	—	0.4	—	—	(0.1)	0.1
Other provisions	39.2	—	0.3	19.5	9.9	8.3	(0.9)	17.5
Other provisions	207.0	0.0	(3.8)	77.9	36.6	50.6	(6.3)	133.0

	As per 1.1.2014	Addition from business combination	Reclassi- fication	Utilisation	Release	Addition	Exchange rate differences	As per 31.12.2014
Million EUR								
Guarantee, warranty and liability risks	33.6	265.6	—	24.0	10.8	17.4	9.9	291.7
Restructuring	0.1	—	—	0.1	—	82.0	7.7	89.7
Risks from pending transactions	36.1	43.7	—	8.3	0.8	12.7	6.4	89.8
Personnel costs	38.1	5.2	0.1	27.8	2.2	25.4	2.7	41.5
Insurance premiums	5.7	—	—	4.9	0.3	8.0	1.0	9.5
Provisions for other taxes	1.9	3.9	—	2.0	—	2.2	0.3	6.3
Other provisions	17.5	17.5	—	8.2	3.0	35.5	4.6	63.9
Other provisions	133.0	335.9	0.1	75.3	17.1	183.2	32.6	592.4

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In relation to the incorporation of CSAV's container shipping business into the Hapag-Lloyd Group with effect from 2 December 2014, the Hapag-Lloyd Group's Executive Board approved a comprehensive restructuring plan to implement the Group's new organisational structure directly caused by this integration. Following the announcement of the plan, the Group recognised provisions for the expected restructuring costs, including estimated costs incurred for closing and merging offices, IT modifications, discontinuing and restructuring services, agent terminations, consultancy costs and employee termination benefits, amounting to EUR 88.2 million as at 31 December 2014. Half of the estimated restructuring costs relate to employee termination benefits. It is expected that the restructuring measures will be largely completed by the end of 2015.

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. In the 2013 financial year, provisions for liability losses were released in the amount of EUR 25.7 million following the end of a legal dispute by means of settlement with the parties involved. Following the acquisition of CSAV's container shipping business, provisions for expenses relating to the return of containers in the amount of EUR 53.9 million were created as at 31 December 2014.

Provisions for risks from pending transactions relate to contracts identified with regard to purchase price allocations pursuant to IFRS 3 that have a negative market value compared to the market conditions at the time of the purchase. During the current financial year, disadvantageous charter and lease agreements amounting to EUR 256.6 million were reported in connection with the acquisition of CSAV's container shipping activities. Provisions for risks from pending transactions are utilised over the respective contractual terms of the underlying contracts.

Provisions for personnel costs comprise provisions for holidays not yet taken, bonuses not yet paid, severance compensation and anniversary payments.

Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Group.

Other provisions in particular include provisions for country-specific risks (EUR 19.0 million; 2013: EUR 6.0 million) and archiving provisions (EUR 3.9 million; 2013: EUR 3.7 million).

The increase in non-current provisions in the year under review primarily resulted from the incorporation of CSAV's container shipping business. The increase in the discounted amount during the financial year due to the passage of time is insignificant, as is the change in discounted provisions as a result of the change in the discount rate in relation to the Hapag-Lloyd Group's existing provisions.

The maturities of the other provisions are as follows:

	31.12.2014				31.12.2013			
	Total	Remaining terms			Total	Remaining terms		
		up to 1 year	1-5 years	more than 5 years		up to 1 year	1-5 years	more than 5 years
	Million EUR							
Guarantee, warranty and liability risks	291.7	150.7	122.3	18.7	33.6	14.0	19.6	—
Restructuring	89.7	88.3	1.4	—	0.1	0.1	—	—
Risks from pending transactions	89.8	44.3	43.2	2.3	36.1	26.6	7.6	1.9
Personnel costs	41.5	27.4	6.4	7.7	38.1	30.1	3.5	4.5
Insurance premiums	9.5	9.5	—	—	5.7	5.7	—	—
Provisions for other taxes	6.3	6.3	—	—	1.9	1.9	—	—
Other provisions	63.9	58.9	0.9	4.1	17.5	12.9	0.7	3.9
Other provisions	592.4	385.4	174.2	32.8	133.0	91.3	31.4	10.3

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(24) Financial debt

	31.12.2014				31.12.2013			
	Total	Remaining terms			Total	Remaining terms		
		up to 1 year	1-5 years	more than 5 years		up to 1 year	1-5 years	more than 5 years
	Million EUR							
Liabilities to banks	2,489.1	337.2	1,396.7	755.2	1,694.2	334.4	848.1	511.7
Bonds	869.3	18.7	850.6	—	873.0	16.2	856.8	—
Liabilities from finance lease contracts	206.3	34.3	122.1	49.9	233.6	110.8	83.1	39.7
Other financial liabilities	152.4	17.8	78.6	56.0	134.2	13.5	58.7	62.0
Total	3,717.1	408.0	2,448.0	861.1	2,935.0	474.9	1,846.7	613.4

Financial debt by currency exposure:

	31.12.2014	31.12.2013
	Million EUR	
Financial liabilities denoted in US\$ (excl. transaction costs)	2,970.1	2,192.4
Financial liabilities denoted in EUR (excl. transaction costs)	786.5	773.3
Financial liabilities denoted in CLP (excl. transaction costs)	12.2	0.0
Interest payable	29.8	27.9
Accounting for transaction costs	(81.5)	(58.6)
Total	3,717.1	2,935.0

Financial debt increased significantly in the financial year due to the incorporation of CSAV's container shipping business.

Liabilities to banks comprise loans to finance the existing fleet of vessels and to finance containers. Liabilities to banks increased as a result of the addition of financial debt from the CCS companies and due to the drawdown of US\$276.7 million (EUR 227.6 million) in connection with the delivery of three "Hamburg Express" class newbuilds in the first half of 2014. The existing bridging loans for these vessels in the amount of US\$143.2 million (EUR 117.8 million) were repaid in full.

In the previous year, liabilities to banks increased in particular as a result of four credit tranches in connection with the financing of the ship newbuilds in the "Hamburg Express" class delivered in 2013 (as at 31 December 2013: EUR 241.9 million) and financing in connection with the keel laying and launching of three additional ship newbuilds (as at 31 December 2013: EUR 83.2 million). The existing loans for four vessels were paid off in full and were replaced by new financing (as at 31 December 2013: EUR 111.9 million).

EUR 41.5 million was drawn down from an available credit facility in 2013 to finance container investments.

In addition, various sale and operating leaseback transactions were effected and investments were made in new containers. The economic substance of these transactions is credit financing secured by the assignment of containers as collateral. Classification is in accordance with SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. Three such transactions were concluded in 2014. Overall, such financial debt resulted in carrying amounts totalling EUR 351.1 million (2013: EUR 207.0 million), with interest of EUR 14.2 million being recognised in interest expense in the 2014 financial year (2013: EUR 5.1 million).

As part of the receivables securitisation programme, liabilities to banks increased by EUR 90.3 million.

Significant elements of the liabilities to banks are collateralised with ship mortgages. Additional collateral exists in the form of securitised trade accounts receivable amounting to EUR 236.9 million (2013: EUR 135.3 million).

On 20 November 2014, Hapag-Lloyd issued another corporate bond on the capital market with a maturity of five years. The bond has a volume of EUR 250 million and a coupon of 7.50% p.a. The proceeds from the bond's issuance and an additional EUR 30 million of existing cash balances were used for the early repayment of the EUR bond due in 2015.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hapag-Lloyd has available credit facilities in the amount of EUR 210.5 million (2013: EUR 69.0 million). These free liquidity reserves have maturities ranging between one and two years.

(25) Trade accounts payable and other liabilities

	31.12.2014				31.12.2013			
	Total	Remaining terms			Total	Remaining terms		
		up to 1 year	1–5 years	more than 5 years		up to 1 year	1–5 years	more than 5 years
	Million EUR							
Trade accounts payable	1,232.8	1,232.3	0.5	—	700.3	700.3	—	—
thereof to third parties	1,228.9	1,228.4	0.5	—	691.9	691.9	—	—
thereof to investments	3.9	3.9	—	—	8.4	8.4	—	—
Other liabilities	138.0	131.3	6.1	0.6	104.5	99.3	4.7	0.5
Prepayments received	78.3	78.3	—	—	62.5	62.5	—	—
Other liabilities and deferred income	41.4	37.7	3.4	0.3	26.8	24.5	2.1	0.2
Other liabilities as part of social security	10.9	8.1	2.7	0.1	10.1	7.4	2.6	0.1
Other liabilities from other taxes	5.3	5.3	—	—	3.7	3.7	—	—
Other liabilities to employees	1.9	1.7	—	0.2	1.2	1.0	—	0.2
Other liabilities to affiliated non-consolidated companies	0.2	0.2	—	—	0.2	0.2	—	—
Total	1,370.8	1,363.6	6.6	0.6	804.8	799.6	4.7	0.5

(26) Derivative financial instruments

	31.12.2014		31.12.2013	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
		Million EUR		
Liabilities from derivative financial instruments	(23.8)	—	6.7	6.7
thereof derivatives in hedge accounting	(0.2)	—	—	—
thereof derivatives not included in hedge accounting	(23.6)	—	6.7	6.7

Liabilities from derivative financial instruments were mainly attributable to currency forward contracts and currency put options. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (27)).

(27) Financial instruments

FINANCIAL RISKS AND RISK MANAGEMENT

Risk management principles

The Hapag-Lloyd Group is exposed to market risks as a result of Hapag-Lloyd AG's international operations. 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 a hedging instrument 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 involve the risk that the Group itself or one of its contractual partners cannot 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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

separation of trading and handling with binding force. The risk management processes are examined for their effectiveness annually by the Corporate Audit department and by external auditors.

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.

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 after-tax earnings and equity. The hypothetical changes in these risk variables relate to the respective portfolio of primary and derivative financial instruments on the balance sheet date.

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

Currency risk

Currency risks are hedged if they influence the Hapag-Lloyd Group's cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates for preventing 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.

Hapag-Lloyd AG's currency management generally provides for the hedging of operating euro-denominated cost exposure of up to 80%. The repayment of euro-denominated financial debt is also hedged up to as much as 100%. The risks are hedged by making customised use of derivative financial instruments in the form of currency options and currency forward contracts, as well as instruments that have a natural hedging effect (*e.g.* euro money market investments).

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 the US dollar as the functional currency might appreciate or depreciate by 10% against the major Group currencies (EUR, CAD, GBP). The analysis is accordingly depicted in US dollars.

	31.12.2014		31.12.2013	
	Effect on earnings	Reserve for cash flow hedges (equity)	Effect on earnings	Reserve for cash flow hedges (equity)
	Million US\$			
US\$/EUR				
+10%	(20.1)	—	12.6	26.8
-10%	44.6	—	36.9	(7.8)
US\$/CAD				
+10%	(4.9)	—	0.3	—
-10%	4.9	—	(0.3)	—
US\$/GBP				
+10%	0.9	—	6.4	—
-10%	(0.9)	—	(6.4)	—

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Risks at the level of Hapag-Lloyd AG's consolidated financial statements arise from the translation of the financial statements of consolidated companies in US dollars into the reporting currency of euros (translation risk). This risk has no impact on the Group's cash flow; instead, it is reflected in equity and is not currently hedged.

Fuel price risk

As a result of its operating activities, the Hapag-Lloyd Group is exposed to a market price risk for the procurement of bunker fuel.

The risk management's basic objective is to secure up to 80% of the forecasted bunker requirements. Derivative financial instruments in the form of commodity options are used to hedge against price fluctuations. Hapag-Lloyd is also endeavouring to offset a large proportion of the raw materials price fluctuations by means of a bunker fuel surcharge on freight rates. However, the extent to which this can be implemented depends very much on the prevailing market situation.

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was performed with the effects of a hypothetical market price change of +/-10%. Based on the current hedging instruments and the underlying market prices, a hypothetical market price change of +/-10% would have virtually no effect on the reserve for cash flow hedges or the Group net result. The decision was therefore made not to present this information in a table.

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 hedging instruments were not used in 2014. 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 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 2014 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 nil. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 2,197.1 million that existed at the balance sheet date (2013: EUR 1,566.8 million) and the market value of embedded derivatives totalling EUR 14.5 million (previous year: EUR 25.0 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

	31.12.2014		31.12.2013	
	Million EUR			
Change in variable interest rate	+100 base points	-100 base points	+100 base points	-100 base points
Earnings before income taxes	(17.8)	2.3	(20.8)	11.6

Credit risk

In addition to the market risks described above, the Hapag-Lloyd Group is exposed to default risks. Default risk constitutes the risk that a contracting 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 operational 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. To provide protection against default risks, a credit insurance policy or bank guarantees are also used to hedge more than half of the trade accounts receivable as at the balance sheet date.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Hapag-Lloyd Group is not exposed to a major default risk from an individual counterparty. The concentration of the default risk is limited due to the broad and heterogeneous customer base.

If there are discernible risks in the area of trade accounts receivable and other assets, these are taken into account by means of appropriate impairment allowances. With regard to the age structure analysis for the trade accounts receivable and other assets, please refer to Note (14).

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 balance sheet date, as this is the extent of the loss that would have to be borne.

Taking into account the positive and negative market values of the derivative financial instruments in the amount of EUR 5.1 million and EUR -23.8 million respectively, this results in the potential to offset financial assets and financial liabilities to the tune of EUR 1.3 million subject to the German Master Agreement for Financial Derivatives Transactions. The market values of embedded derivatives linked to the buy-back option of issued bonds totalling EUR 14.5 million were not taken into account here.

In addition to these, there are no further long-term financial obligations or loans with external contracting partners from which a potential default risk may arise.

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 Group 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 (31.12.2013)

	Cash inflows and outflows				Total
	2014	2015	2016–2018	from 2019	
	Million EUR				
Primary financial liabilities					
Liabilities to banks ¹⁾	(318.6)	(267.6)	(777.2)	(615.8)	(1,979.2)
Bonds	(73.9)	(353.9)	(716.5)	—	(1,144.3)
Finance leases	(55.0)	(45.2)	(108.3)	(92.7)	(301.2)
Other financial liabilities (excl. operating leases)	(20.2)	(20.1)	(60.5)	(77.9)	(178.7)
Trade accounts payable	(700.3)	—	—	—	(700.3)
Other liabilities	(21.5)	(3.5)	—	—	(25.0)
Total primary financial liabilities	(1,189.5)	(690.3)	(1,662.5)	(786.4)	(4,328.7)

1) In relation to a contractually fixed loan for the financing of new vessels, there is a further nominal amount of US\$162.1 million to be paid upon delivery of the vessels. The loan has a term of twelve years starting with the delivery of the financed vessels and is subject to an interest rate of US\$ LIBOR +2.25%.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Cash flows of financial instruments (31.12.2014)

	Cash inflows and outflows				Total
	2015	2016	2017–2019 from 2020	from 2020	
	Million EUR				
Primary financial liabilities					
Liabilities to banks ¹⁾	(423.9)	(721.1)	(871.0)	(874.4)	(2,890.4)
Bonds	(67.3)	(69.8)	(1,000.4)	0.0	(1,137.5)
Finance leases	(49.9)	(41.2)	(111.3)	(59.3)	(261.7)
Other financial liabilities (excl. operating leases)	(25.3)	(24.8)	(76.7)	(71.8)	(198.6)
Trade accounts payable	(1,232.3)	(0.5)	—	—	(1,232.8)
Other liabilities	(32.7)	(5.5)	—	—	(38.2)
Total primary financial liabilities	(1,831.4)	(862.8)	(2,059.4)	(1,005.5)	(5,759.2)
Total derivative financial liabilities	(22.8)	—	—	—	(22.8)

1) In relation to contractually fixed loans for the financing of new vessels, there is a further nominal amount of US\$247.9 million to be paid upon delivery of the vessels. The loans have a term of ten years starting with the delivery of the financed vessels and are subject to an interest rate of US\$ LIBOR +2.81%.

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2014 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 balance sheet 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 hedges

Derivative financial instruments are generally used to hedge existing or planned underlying transactions and serve to reduce foreign currency risks and fuel price 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 options and currency forward contracts. Commodity options are used as hedges for fuel price risks.

Hedging relationships in accordance with IAS 39 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review. Until the underlying transaction is realised, the effective share of the accumulated changes in market value is shown in other comprehensive income and, upon completion of the hedged underlying transaction, is recognised in the consolidated income statement.

As at 31 December 2014, there were hedges that were classified as hedge accounting in accordance with IAS 39, with remaining terms of up to one year. Hedged cash flows from the underlying transactions are recognised through profit or loss during the same period.

In the 2014 financial year, changes in the fair values of derivative financial instruments in hedging relationships resulted in gains totalling EUR 8.9 million, which were recognised in other comprehensive income (2013: EUR 38.7 million). These changes in value represent the effective share of the hedging relationship.

In the reporting period, EUR 15.3 million from other comprehensive income was reclassified and recognised through profit or loss (2013: EUR 41.4 million). EUR 12.5 million (2013: EUR 36.1 million) of this related to exchange rate hedging, which was recognised in other operating income. An additional EUR 0.7 million was recognised in other operating income as a result of the termination of hedge accounting when an underlying transaction was repaid early. A further EUR 1.6 million (2013: EUR 1.6 million) relating to the interest portion from currency forward contracts was recognised as interest expenses. In addition, EUR 0.5 million (2013: EUR 7.0 million) relating to commodity hedges, the earnings contribution of which is shown in transport expenses, was reclassified and recognised through profit or loss.

In the reporting period and in the previous year, inefficiencies from hedging relationships occurred to an insignificant extent.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In addition, the Hapag-Lloyd Group uses optional hedges to hedge currency risks from existing foreign currency liabilities which are in an economic relationship with the respective underlying transaction, but were not designated as a hedging relationship according to IAS 39. Derivative financial instruments were at no time used for speculative purposes.

The following table shows the nominal values of the derivative financial instruments:

	31.12.2014			31.12.2013		
	Remaining terms			Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
	Million EUR					
Currency options						
Asset	320.0	100.0	420.0	176.9	420.0	596.9
Liability	80.0	—	80.0	—	80.0	80.0
Currency forwards	319.6	—	319.6	—	275.0	275.0
Cross-currency swaps	12.7	—	12.7	—	—	—
Commodity options	279.4	—	279.4	381.3	—	381.3

The fair value determined for the derivative financial instruments is the price at which a contracting party would assume the rights and/or obligations of the other contracting party.

The fair values of currency and commodity options are calculated using the Black & Scholes model or the modified Turnbull & Wakeman model and are based on the current exchange rates, commodity prices, currency and commodity price volatility, yield curves and forward prices. Currency forward contracts and cross-currency swaps are measured on the basis of their market-traded forward prices as at the reporting date.

An analysis of the underlying 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 and are classified as held for trading. The market value of the embedded derivatives is calculated using the Hull-White model together with a trinomial decision tree based on current market values.

The positive and/or negative fair values of derivative financial instruments are shown as follows:

	31.12.2014		31.12.2013	
	Positive market values	Negative market values	Positive market values	Negative market values
	Million EUR			
Hedging instruments acc. to IAS 39 (Hedge accounting)				
Currency options	—	—	7.6	—
Commodity options	0.2	—	17.5	—
Currency forwards	—	—	16.1	—
Cross-currency swaps	—	(0.2)	—	—
Hedges	0.2	(0.2)	41.2	—
Hedging instruments (Held for trading)				
Currency options	4.9	(0.9)	33.4	(6.7)
Currency forwards	—	(22.7)	—	—
Embedded derivatives	14.5	—	25.0	—
Cross-currency swaps	—	—	—	—
Other derivative financial instruments	19.4	(23.6)	58.4	(6.7)
Total	19.6	(23.8)	99.6	(6.7)

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 balance sheet date in the course of a normal transaction between market participants.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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 price on the balance sheet date.

The carrying amounts of cash and cash equivalents, trade accounts receivable and significant portions of other assets, and trade accounts payable and other liabilities are a suitable approximation of the fair values. The decision was taken not to report the fair value in these cases. The available-for-sale financial assets included in other assets are generally measured at fair value. If no reliable fair value is available, the assets are measured at cost.

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 balance sheet date.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2013

	Classification category according to IAS 39	Carrying amount 31.12.2013	Amount recognised in the balance sheet under IAS 39				Fair value through profit and loss	Amount recognised in the balance sheet under IAS 17	Fair value of financial instruments
		Total	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss			
Million EUR									
Assets									
Other assets	LaR/n a	114.7	51.0	—	—	—	—	—	—
	AfS	0.2	—	0.2	—	—	—	—	—
Derivative financial instruments									
Derivatives (Held for trading)	FAHfT	58.4	—	—	—	58.4	—	58.4	—
Hedges (Hedge accounting)	n a	41.2	—	—	3.9	37.3	—	—	41.2
Trade accounts receivable	LaR	473.3	473.3	—	—	—	—	—	—
Cash and cash equivalents	LaR	464.8	464.8	—	—	—	—	—	—
Liabilities									
Financial debt	FLAC	2,701.4	2,701.4	—	—	—	—	—	2,792.6
Liabilities from finance lease ¹⁾	n a	233.6	—	—	—	—	233.6	—	244.6
Other liabilities	FLAC/na	104.5	25.0	—	—	—	—	—	—
Derivative financial liabilities									
Derivatives (Held for trading)	FLHfT	6.7	—	—	—	6.7	—	—	6.7
Hedges (Hedge accounting)	n a	—	—	—	—	—	—	—	—
Trade accounts payable	FLAC	700.3	700.3	—	—	—	—	—	—
Thereof aggregated according to IAS 39 classification category									
Loans and receivables (LaR)		989.1	989.1	—	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.2	—	0.2	—	—	—	—	—
Financial assets held for trading (FAHfT)		58.4	—	—	—	58.4	—	—	—
Financial liabilities measured at amortised cost (FLAC)		3,426.7	3,426.7	—	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		6.7	—	—	—	6.7	—	—	—

1) Part of financial debt.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2014

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Classification category according to IAS 39	Carrying amount 31.12.2014	Amount recognised in the balance sheet under IAS 39				Amount recognised in the balance sheet under IAS 17	Fair value of financial instruments
		Total	Amortised acquisition cost	Acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss		
Million EUR								
Assets								
Other assets	LaR/n a	147.4	58.9	—	—	—	—	58.9
	AfS	0.2	—	0.2	—	—	—	0.2
Derivative financial instruments								
Derivatives (Held for trading)								
	FAHfT	19.4	—	—	—	19.4	—	19.4
Hedges (Hedge accounting)								
	n a	0.2	—	—	0.2	—	—	0.2
Trade accounts receivable	LaR	716.0	716.0	—	—	—	—	716.0
Cash and cash equivalents	LaR	711.4	711.4	—	—	—	—	711.4
Liabilities								
Financial debt	FLAC	3,510.8	3,510.8	—	—	—	—	3,796.4
Liabilities from finance lease ¹⁾	n a	206.3	—	—	—	—	206.3	216.2
Other liabilities	FLAC/n a	138.0	38.0	—	—	—	—	38.0
Derivative financial liabilities								
Derivatives (Held for trading)								
	FLHfT	23.6	—	—	—	23.6	—	23.6
Hedges (Hedge accounting)								
	n a	0.2	—	—	0.2	—	—	0.2
Trade accounts payable	FLAC	1,232.8	1,232.8	—	—	—	—	1,232.8
Thereof aggregated according to IAS 39 classification category								
Loans and receivables (LaR)		1,486.3	1,486.3	—	—	—	—	—
Held-to-maturity investments (HtM)		—	—	—	—	—	—	—
Available-for-sale financial assets (AfS)		0.2	—	0.2	—	—	—	—
Financial assets held for trading (FAHfT)		19.4	—	—	—	19.4	—	—
Financial liabilities measured at amortised cost (FLAC)		4,781.6	4,781.6	—	—	—	—	—
Financial liabilities held for trading (FLHfT)		23.6	—	—	—	23.6	—	—

1) Part of financial debt.

The financial instruments in the available-for-sale category which are included in other assets contain, among other things, investments not listed on a stock exchange for which there are no market prices listed on an active market. The market values were not determined as these do not provide any additional information of value. The disposal of the investments is not planned at present.

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

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table shows the classification of the financial instruments measured at fair value in the three levels of the fair value hierarchy:

	31.12.2013			
	Level 1	Level 2	Level 3	Total
	Million EUR			
Assets				
Derivative financial instruments (Hedge accounting)	—	41.2	—	41.2
Derivative financial instruments (Trading)	—	58.4	—	58.4
Liabilities				
Financial debt	—	2,792.6	—	2,792.6
Liabilities from finance lease	—	244.6	—	244.6
Derivative financial instruments (Trading)	—	6.7	—	6.7
	31.12.2014			
	Level 1	Level 2	Level 3	Total
	Million EUR			
Assets				
Derivative financial instruments (Hedge accounting)	—	0.2	—	0.2
Derivative financial instruments (Trading)	—	19.4	—	19.4
Liabilities				
Derivative financial instruments (Hedge accounting)	—	0.2	—	0.2
Derivative financial instruments (Trading)	—	23.6	—	23.6
Financial debt	—	3,796.4	—	3,796.4
Liabilities from finance lease ¹⁾	—	216.2	—	216.2

1) Part of financial debt.

Net earnings

The net earnings of the financial instruments by classification category pursuant to IAS 39 are as follows:

	31.12.2014			31.12.2013		
	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
	Million EUR					
Loans and receivables	(0.2)	(63.3)	(63.5)	(0.6)	(11.3)	(11.9)
Available-for-sale financial assets	—	—	—	—	—	—
Financial assets and liabilities held for trading	(18.1)	(28.7)	(46.8)	(0.4)	2.8	2.4
Financial liabilities measured at amortised cost	(154.5)	60.8	(93.7)	(133.2)	(13.9)	(147.1)
Total	(172.8)	(31.2)	(204.0)	(134.2)	(22.4)	(156.6)

In addition to interest income and expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of Hapag-Lloyd AG's trade accounts receivable as well as the valuation result from derivative financial instruments that are not part of an effective hedging relationship as set out in IAS 39.

Capital management

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. Its objective is to strengthen the trust of the parties involved in the Company in a lasting manner. To achieve this, the Hapag-Lloyd Group aims for a high equity ratio.

The goal of its capital management is to safeguard the capital base at its disposal over the long term. It intends to achieve this with a healthy balance of financing requirements for the desired profitable growth.

A key performance indicator within the scope of capital risk management is the relationship between equity and the balance sheet total (equity ratio).

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Covenant clauses that are customary in the market have been arranged for existing financing from bonds or loans (financial covenants regarding equity, liquidity and loan-to-value ratio), and are used as an additional control tool. In the reporting period, as in the previous year, the financial covenants were adhered to for all the reporting dates. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows shows the development of cash and cash equivalents using separate presentation of cash inflows and outflows from operating, investing and financing activities. The effects of the acquisition of CSAV's container shipping business are eliminated.

(28) Cash inflow/outflow from operating activities

In the financial year, interest amounting to EUR 2.3 million was received (2013: EUR 1.6 million). Income tax payments in the 2014 financial year led to a cash inflow of EUR 0.4 million (2013: EUR 0.0 million) and a cash outflow of EUR 5.0 million (2013: EUR 5.9 million).

The other non-cash expenses and income contained in the reconciliation from Group profit/loss to cash inflow/outflow from operating activities essentially encompass the effects of the measurement of financial debt in a foreign currency, income from the recognition of companies using the equity method and the effects of the measurement of the fair value of derivative financial instruments.

(29) Cash inflow/outflow from investing activities

In the year under review, the cash outflow from investing activities amounted to EUR 257.6 million (2013: EUR 544.7 million). Cash payments for investments in property, plant and equipment and intangible assets totalling EUR 340.5 million (2013: EUR 664.5 million) mainly consisted of investments in new containers and final payments for ship newbuilds delivered in 2014.

The addition of EUR 44.0 million from the incorporation of CSAV's container shipping business had an offsetting effect. This includes cash inflows of EUR 69.5 million from the liquidity reserves of the acquired companies and payments of EUR 25.5 million for incidental acquisition costs. For the assets and liabilities of the acquired companies, please refer to the section "Addition of CSAV's container shipping activities" in the Notes to the consolidated financial statements. Dividend payments totalled EUR 34.2 million (2013: EUR 33.2 million). The proceeds from the disposal of companies in the amount of EUR 20.6 million in the previous year came from the sale of Montreal Gateway Terminals Ltd. Partnership, Montreal, (EUR 19.1 million) and the sale of 4.9% of the Company's shares in Hapag-Lloyd Grundstücksholding GmbH, Hamburg (EUR 1.5 million).

Cash flows from investing activities contained capitalised interest on debt amounting to EUR 4.8 million (2013: EUR 16.3 million).

(30) Cash inflow/outflow from financing activities

Cash inflow from financing activities amounted to a balance of EUR 81.6 million (2013: EUR 403.2 million).

The cash contribution made in the course of the second capital increase on 19 December 2014 resulted in a cash inflow of EUR 306.9 million. Borrowing amounting to EUR 748.2 million (2013: EUR 1,118.8 million) related primarily to cash inflows from the placement of a new EUR bond and to loans for the financing of vessels and containers. This was offset by the repayment of a bond issued in 2010 and interest and capital repayments amounting to EUR 972.6 million (2013: EUR 707.9 million).

(31) Cash and cash equivalents at the end of the period

Cash and cash equivalents encompass all liquid funds, *i.e.* cash in hand, bank balances and cheques. The impact of changes in cash and cash equivalents due to exchange rate fluctuations is shown separately.

Please refer to Note (17) for information relating to any restrictions on cash and cash equivalents.

OTHER NOTES

(32) Government assistance

The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 11.0 million in 2014 (2013: EUR 10.3 million) according to the guideline for lowering indirect labour costs in the German marine industry; this amount is recorded as other operating income.

(33) Contingencies

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

As at 31 December 2014, there were merely guarantees and sureties for liabilities of affiliated consolidated companies.

(34) 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. It is regarded as unlikely that these proceedings will result in any noteworthy payment obligations. Consequently, no provisions for litigation risks are formed and no contingent liabilities are reported in the Notes in this context.

Since May 2011, the European Commission has been examining whether EU competition law has been violated since the exemption regulation for liner conferences was abolished in October 2008. The Company believes that shipping services are provided in line with EU competition regulations. There were no new developments in this context in 2014. Consequently, no provisions for litigation risks were formed and no contingent liabilities were reported in the Notes.

At Hapag-Lloyd Mexico in 2013, tax audits were completed for the years 2004 and 2005. The Company appealed against the resulting tax assessments which, among other things, obliged it to make significant additional value added tax payments. The lawyers handling the case are of the opinion that the tax assessments are not lawful. The quantification of a financial risk, the determination of the maturity of possible outflows and the evaluation of third-party rights to reimbursement relating to these circumstances are therefore currently not possible. In addition, the Mexican tax authorities intend to publish a letter of application designed to limit refundable value added tax in Mexico retroactively from 2014. Hapag-Lloyd remains subject to regular tax audits and these may lead to the payment of tax arrears. Investigations by local tax authorities concerning individual circumstances are currently taking place in a number of jurisdictions, such as in India and Brazil.

To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions.

Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2014. Such payment obligations will not have any significant influence on the Group's net asset, financial and earnings position.

(35) Leases

Lessee—finance leases

The items leased on the basis of finance lease contracts are primarily vessels and containers. In the previous year, existing short-term operating lease contracts for containers were turned into long-term lease contracts, resulting in the classification of the amended container rental agreements as finance lease contracts. The contracts have terms of up to twelve years. The containers can continue to be used in line with the contracts once the term of a contract has expired. As at 31 December 2014, the

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

vessels recognised in connection with the finance lease contracts had a net carrying amount of EUR 179.5 million (2013: EUR 201.5 million); the containers were recognised at EUR 66.5 million as at 31 December 2014 (2013: EUR 75.2 million).

The future minimum lease payments and their present values are as follows:

	31.12.2014				31.12.2013			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
	Million EUR							
Future minimum lease payments	253.7	46.4	150.7	56.6	276.2	126.3	101.8	48.1
Interest portion	47.4	12.1	28.6	6.7	42.6	15.5	18.7	8.4
Present value	206.3	34.3	122.1	49.9	233.6	110.8	83.1	39.7

At the balance sheet date, there were no expectations of future income from non-cancellable subletting arrangements, nor were there any contingent rents.

Lessee—operating leases

The Group's obligations from operating lease contracts above all relate to charter and lease agreements for vessels and containers, and rental agreements for business premises. The agreements have terms of between one year and 16 years, with the majority of them having a term of up to five years. A number of the agreements include prolongation and purchase options. The containers are used in the short term at standard market leasing rates until they are ultimately transferred to the purchaser. There is no obligation to repurchase them. Some of the rental agreements for business premises include contingent rents based on the consumer price index for Germany.

Charter agreements for ships are always structured as time charter contracts, *i.e.* in addition to the capital costs, the charterer bears part of the ship operating costs, which are reimbursed as part of the charter rate. In the existing charter agreements, these operating cost refunds account for around 50% of the charter expenses.

In the 2014 financial year, lease payments of EUR 651.7 million were posted to expenses (2013: EUR 698.6 million); thereof EUR 334.5 million were charter expenses (2013: EUR 335.7 million), of which EUR 0.0 million related to contingent rents (2013: EUR 0.1 million).

Total future minimum lease payments from non-cancellable operating lease contracts consist of the following:

	31.12.2014				31.12.2013			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
	Million EUR							
Vessels and containers	1,082.1	389.3	561.9	130.9	606.5	355.3	251.2	—
Business premises	104.9	20.5	43.5	40.9	98.7	16.7	39.2	42.8
Other	177.9	50.3	127.6	—	82.0	37.5	44.5	—
Total	1,364.9	460.1	733.0	171.8	787.2	409.5	334.9	42.8
Fair value	1,340.1	458.5	718.7	162.9	761.5	406.1	318.8	36.6

The fair value was ascertained by discounting the future minimum lease payments using a market interest rate of 0.67% p.a. (31 December 2013: 1.6% p.a.). Due to the change in the discount rate, other financial obligations increased by EUR 11.9 million.

The increase in liabilities from operating lease contracts in the 2014 financial year primarily resulted from the incorporation of CSAV's container shipping business and the extension of two IT service contracts. The reduction in long-term charter agreements for ships and the lower level of rates and shorter durations for newly concluded ship charter agreements had a partially offsetting effect

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

here. As at 31 December 2014, future minimum lease income from subletting arrangements relating to non-cancellable subletting arrangements totalled EUR 15.2 million (2013: EUR 2.5 million).

Lessor—operating leases

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. The assets let within the scope of the operating lease contracts are essentially fully owned vessels and slot charters.

The following future minimum lease payments relate to non-cancellable operating lease contracts:

	31.12.2014				31.12.2013			
	Total	up to 1 year	Remaining terms		Total	up to 1 year	Remaining terms	
			1–5 years	more than 5 years			1–5 years	more than 5 years
	Million EUR							
Vessels	26.0	26.0	—	—	24.3	24.3	—	—
Business premises	0.6	0.4	0.2	0.0	0.5	0.1	0.4	—
Total	26.6	26.4	0.2	0.0	24.8	24.4	0.4	—

At the reporting date, the gross carrying amount of the chartered ship amounted to EUR 95.9 million (2013: EUR 84.7 million). The accumulated depreciation amounted to EUR 28.1 million (2013: EUR 23.0 million) and depreciation for the period amounted to EUR 4.3 million (2013: EUR 4.3 million). No contingent rents were recorded through profit or loss in the 2014 financial year.

(36) Other financial obligations

The Group's other financial obligations as at 31 December 2014 include a purchase obligation for investments in container ships amounting to EUR 276.1 million (2013: EUR 113.4 million), of which EUR 276.1 million is for a term of up to one year (2013: EUR 113.4 million). Neither in the 2014 financial year nor in the previous year was the remaining term of the purchase obligation greater than five years.

(37) 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) in respect of disclosure:

- Hapag-Lloyd Grundstücksholding GmbH, Hamburg
- Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Hamburg-Amerika Linie GmbH, Hamburg
- First CSAV Ships Germany GmbH, Hamburg
- Second CSAV Ships Germany GmbH, Hamburg
- Third CSAV Ships Germany GmbH, Hamburg

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

In the 2014 financial year, the following fees were paid to the auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network:

	1.1.–31.12. 2014 Total	1.1.–31.12. 2014 Domestic	1.1.–31.12. 2013 Total	1.1.–31.12. 2013 Domestic
	Million EUR			
Audit fees for annual audit	1.7	0.5	1.2	0.5
Audit fees for other assurance services	0.7	0.6	0.5	0.5
Audit fees for tax consultancy	0.7	0.6	0.1	—
Audit fees for other services	0.5	0.4	0.4	0.4
Total	3.6	2.1	2.2	1.4

Fees for audit services mainly related to the audit of the consolidated financial statements as well as the statutory audit of Hapag-Lloyd AG and CSAV Germany Container GmbH.

(39) Related party disclosures

In carrying out its ordinary business activities, Hapag-Lloyd AG maintains indirect or direct relationships with related parties as well as with its own subsidiaries included in the consolidated financial statements.

The Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. During the reporting period, transactions were made with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH (HGV), which is a wholly owned subsidiary of the Free and Hanseatic City of Hamburg, the shareholder of Hapag-Lloyd AG. Payments in the amount of EUR 4.1 million were made to HGV, its affiliates and its associated companies mainly for harbour dues and mooring fees (2013: EUR 3.8 million).

Following the dissolution of the “Albert Ballin” consortium per shareholder resolution in September 2013, the former members of the consortium have a direct stake in Hapag-Lloyd AG. With the incorporation of CSAV’s container shipping business into the Hapag-Lloyd Group in exchange for shares, CSAV has become Hapag-Lloyd’s largest shareholder through CSAV Germany Container Holding GmbH. CG HoldCo, HGV and Kühne have agreed to pool their voting rights as part of a shareholder agreement.

Shares in %	2014	2013
CSAV Germany Container Holding GmbH	34.0%	0.0%
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	23.2%	36.9%
Kühne Maritime GmbH	20.8%	28.2%
TUI AG / TUI-Hapag Beteiligungs GmbH	13.9%	22.0%
SIGNAL IDUNA Gruppe	3.3%	5.3%
Pool of investors led by M.M.Warburg & CO KGaA	1.9%	2.9%
HSH Nordbank AG	1.8%	2.9%
HanseMerkur Versicherungsgruppe	1.1%	1.8%
Total	100.0%	100.0%

Transactions with related parties (excluding management in key positions):

	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
	1.1.–31.12. 2014	1.1.–31.12. 2013	1.1.–31.12. 2014	1.1.–31.12. 2014
	Million EUR			
Shareholders	279.1	282.5	40.7	42.8
Associated companies	0.2	0.2	57.7	109.6
Other investments	5.5	5.2	2.2	1.3
Total	284.8	287.9	100.6	153.7

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

	Receivables		Liabilities	
	31.12.2014	31.12.2013	31.12.2014	31.12.2014
	Million EUR			
Shareholders	179.8	118.7	241.9	235.8
Affiliated non-consolidated companies	—	—	0.2	0.2
Associated companies	1.5	0.7	5.1	13.0
Other investments	1.1	1.0	0.3	0.3
Total	182.4	120.4	247.5	249.3

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 284.0 million; 2013: EUR 287.5 million), interest income (EUR 0.4 million; 2013: EUR 0.2 million) and other services (EUR 0.4 million; 2013: EUR 0.2 million).

Of the expenses shown above, EUR 80.6 million result from operating services (2013: EUR 135.0 million), EUR 16.8 million relate to interest expenses (2013: EUR 18.6 million), and EUR 3.2 million are from other services (2013: EUR 0.1 million).

The remuneration of key management personnel in the Group to be disclosed under IAS 24 encompasses the remuneration paid to the members of the Executive Board and Supervisory Board of Hapag-Lloyd AG.

	Executive Board		Supervisory Board		Total	
	2014	2013	2014	2013	2014	2013
	Million EUR					
Short-term benefits	3.2	1.8	1.2	1.1	4.4	2.9
Termination benefits	0.9	0.6	—	—	0.9	0.6
Post-employment benefits	0.8	0.8	—	—	0.8	0.8
Total	4.9	3.2	1.2	1.1	6.1	4.3

Post-employment benefits refer to the allocations to pension provisions for active Executive Board members. A total of EUR 12.0 million was allocated to pension obligations for former Executive Board members as at 31 December 2014 (2013: EUR 4.8 million).

Additional disclosures pursuant to Section 315a HGB

	Executive Board		Supervisory Board	
	2014	2013	2014	2013
	Million EUR			
Active board members	3.2	1.8	1.1	1.0
Former board members	1.1	0.8	—	—
Total	4.3	2.6	1.1	1.0

The remuneration of members of the Supervisory Board pursuant to IAS 24 includes emoluments paid for employee representatives, who are also Group employees. These salaries were appropriate to the positions and functions.

(40) Significant transactions after the balance sheet date

The merger of CSAV Germany Container GmbH with Hapag-Lloyd AG is planned for the first quarter of 2015.

Three ships from a portfolio of 16 vessels to be decommissioned (“Old Ladies”) will be sold to certified ship breaking yards in the first quarter of 2015. Negotiations regarding the sale of a further five vessels to a shipping company that will continue to operate them are at an advanced stage and preliminary contracts have been signed. An additional two ships on the current order book were delivered by 27 February 2015.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/loss for the year in TCU*
Affiliated consolidated companies					
Head Office					
Hamburg-Amerika Linie GmbH	Hamburg	100.00	EUR	63	**
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	94.90	EUR	30,045	**
Hapag-Lloyd Schiffvermietungs-gesellschaft mbH	Hamburg	100.00	EUR	26	**
CSAV Germany Container GmbH	Hamburg	100.00	EUR	1,072,798	(4,654)
Compañía Sudamericana de Vapores GmbH	Hamburg	100.00	EUR	303	189
CSAV North & Central Europe GmbH	Hamburg	100.00	EUR	1,980	58
First CSAV Ships Germany GmbH	Hamburg	100.00	EUR	****	****
Second CSAV Ships Germany GmbH	Hamburg	100.00	EUR	****	****
Third CSAV Ships Germany GmbH	Hamburg	100.00	EUR	****	****
Europe					
Hapag-Lloyd Africa PTY Ltd.	Durban	100.00	ZAR	3,419	602
Hapag-Lloyd (Austria) GmbH	Vienna	100.00	EUR	1,148	(47)
Oy Hapag-Lloyd Finland AB	Helsinki	100.00	EUR	142	31
Hapag-Lloyd (France) S.A.S.	Paris	100.00	EUR	4,665	(62)
Hapag-Lloyd (Ireland) Ltd.	Dublin	100.00	EUR	226	24
Hapag-Lloyd (Italy) S.R.L.	Milan	100.00	EUR	1,463	241
Hapag-Lloyd Polska Sp.z.o.o.	Gdynia	100.00	PLN	729	82
Hapag-Lloyd Portugal LDA	Lisbon	100.00	EUR	148	12
Hapag-Lloyd (Schweiz) AG	Basel	100.00	CHF	316	32
Hapag-Lloyd Special Finance Limited	Dublin	100.00	US\$	48	33
Hapag-Lloyd (Sweden) AB	Gothenberg	100.00	SEK	3,124	940
Hapag-Lloyd Spain S.L.	Barcelona	90.00	EUR	680	53
Hapag-Lloyd (UK) Ltd.	Barking	100.00	GBP	3,516	89
CSAV Agency France S.A.S.	Le Havre	100.00	EUR	(65)	1,193
CSAV Group Agencies South Africa (Pty) Ltd.	Durban	60.00	ZAR	12,798	5,967
CSAV Denizcilik Acentasi A.S.	Istanbul	100.00	TRY	4,439	6,840
CSAV Agency Italy, S.p.A.	Genoa	100.00	EUR	503	73
CSAV Holding Europe S.L.	Madrid	100.00	US\$	24,607	60
CSAV North & Central Europe B.V.	Rotterdam	100.00	EUR	1,913	138
CSAV North & Central Europe N.V.	Antwerp	100.00	EUR	366	98
Compañía Sud Americana de Vapores	Barcelona	100.00	EUR	2,137	954
Agencia Maritima S.L.					
Norasia Container Lines Ltd.	Valetta	100.00	US\$	(244,215)	(202,662)
CSAV UK & Ireland Limited	Liverpool	100.00	GBP	703	(38)
Asia					
Hapag-Lloyd Agency LLC.	Dubai	49.00	AED	12,985	12,535
Hapag-Lloyd (Australia) Pty.Ltd.	Sydney	100.00	AUD	1,973	84
Hapag-Lloyd (China) Ltd.	Hong Kong	100.00	HKD	6,378	561
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	100.00	CNY	79,467	28,491
Hapag-Lloyd (Eastwind) Pte. Ltd.***	Singapore	100.00	US\$	382	(3)
Hapag-Lloyd Global Services Pvt.Ltd.	Mumbai	100.00	INR	548,710	56,479
Hapag-Lloyd India Private Ltd.	Mumbai	100.00	INR	216,680	17,922
Hapag-Lloyd (Japan) K.K.	Tokyo	100.00	JPY	231,225	3,970
Hapag-Lloyd (Korea) Ltd.	Seoul	100.00	KRW	1,355,195	68,690
Hapag-Lloyd (Malaysia) Sdn.Bhd.	Kuala Lumpur	100.00	MYR	1,339	30

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/loss for the year in TCU*
Hapag-Lloyd (New Zealand) Ltd.	Auckland	100.00	NZD	807	45
Hapag-Lloyd Pte.Ltd.	Singapore	100.00	US\$	6,840	95
Hapag-Lloyd (South East Asia) Sdn. Bhd.	Kuala Lumpur	100.00	MYR	2,368	(31)
Hapag-Lloyd (Taiwan) Ltd.	Taipei	100.00	TWD	86,876	914
Hapag-Lloyd (Thailand) Ltd.	Bangkok	49.90	THB	5,763	453
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	100.00	VND	4,995,944	1,467,578
CSAV Group Agencies Korea Co. Ltd. ...	Seoul	100.00	KRW	323,712	(107,328)
CSAV Shipping LLC	Dubai	49.00	AED	3,804	7,034
CSAV Agencies (Malaysia) Sdn Bhd.	Kuala Lumpur	100.00	MYR	(476)	744
CSAV Group (China) Shipping Co. Ltd.	Shanghai	100.00	CNY	57,770	14,925
CSAV Group (Hong Kong) Ltd.	Hong Kong	100.00	HKD	6,153	(1,105)
CSAV Group (India) Private Ltd.	Gurgaon	100.00	US\$	4,053	609
CSAV Group Agencies (Hong Kong) Ltd.	Hong Kong	100.00	HKD	30,477	19
CSAV Group Agencies (Taiwan) Ltd.	Taipei	100.00	TWD	18,009	12,818
CSAV Group Agencies (India) Private Ltd.	Mumbai	100.00	INR	126,395	20,999
North America					
Hapag-Lloyd (America) Inc.	Piscataway	100.00	US\$	2,674	664
Hapag-Lloyd (Canada) Inc.	Montreal	100.00	CAD	364	207
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	100.00	MXN	222,969	(15,272)
Hapag-Lloyd USA LLC	Tampa	100.00	US\$	248,648	37,816
Florida Vessel Management LLC	Tampa	75.00	US\$	27	(7)
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	100.00	MXN	2,424	(4,112)
CSAV Agency LLC	New Jersey	100.00	US\$	11,981	5,341
Agencias Grupo CSAV (Mexico) S.A. de C.V.	Mexico City	100.00	MXN	(4,207)	(14,266)
Prestadora de servicios integrados de personal de SA de C.V.	Mexico City	100.00	MXN	1,131	1,066
CSAV Agency Ltd.	Vancouver	100.00	CAD	1,202	1
South America					
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	100.00	ARS	3,607	318
Hapag-Lloyd Brasil Agenciamento Maritimo Ltda.	São Paolo	100.00	BRL	11,517	(337)
Hapag-Lloyd Chile Agencia Maritima Ltda.	Santiago	100.00	CLP	160,344	27,243
Hapag-Lloyd Colombia LTDA	Bogota	100.00	COP	109,105	(40,736)
Hapag-Lloyd Costa Rica S.A.	San Jose	100.00	CRC	154,859	7,256
Hapag-Lloyd Guatemala S.A.	Guatemala	100.00	GTQ	(152)	67
Hapag-Lloyd (Peru) S.A.C.	Lima	100.00	PEN	1,588	10,416
Hapag-Lloyd Venezuela C.A.	Caracas	100.00	VEF	1,088	121
CSAV Austral SpA	Valparaíso	49.99	US\$	6,424	8,191
CSAV Portacontenedores SpA	Valparaíso	100.00	US\$	4,581	581
CSAV Agenciamiento Marítimo SpA	Valparaíso	100.00	CLP	797,562	554,862
CSAV Group Agencies Uruguay S.A.	Montevideo	100.00	UYU	61,698	62,908
CSAV Group Agency Colombia Ltda.	Bogota	100.00	COP	(211)	2,617
CSAV Agency (Costa Rica) S.A.	San Jose	100.00	CRC	623,713	38,070
CSAV Argentina S.A.	Buenos Aires	100.00	ARS	22,185	27,433
CSAV Group Agencies Puerto Rico Inc.	Guaynabo	100.00	US\$	(82)	(109)

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/loss for the year in TCU*
Servicios de Procesamiento Naviero					
S.R.L.	Montevideo	100.00	US\$	1,119	241
Libra Agency (Argentina) S.A.	Buenos Aires	100.00	ARS	250	(159)
Invermar Management S.A.	Panama City	100.00	US\$	1,683	1,305
Companhia Libra de Navegacao S.A.	São Paulo	100.00	BRL	155,096	8,813
Andes Operador Multimodal Ltda.	Rio de Janeiro	100.00	BRL	(66)	(2,908)
Corvina Maritime Holding S.A.	Panama City	100.00	US\$	1,251,782	(7)
Sea Lion Shipping Co. S.A.	Panama City	100.00	US\$	12,081	(1)
Southern Shipmanagement Co. S.A.	Panama City	50.00	US\$	912	42
Southern Shipmanagement (Chile) Ltda. ...	Valparaíso	50.50	US\$	149	(15)
Wellington Holding Group S.A.	Road Town	100.00	US\$	146,907	0
Compañía Libra de Navegación					
(Uruguay) S.A.	Montevideo	100.00	UYU	(748,988)	(493,727)
Inversiones Consorcio Naviero Peruano					
S.A.	Lima	100.00	US\$	8,055	(3,807)
Torksey S.A.	Montevideo	100.00	US\$	974	(18)
Lanco Investments Internacional Co.					
S.A.	Panama City	100.00	US\$	(43)	(53)
Rahue Investment Co. S.A.	Panama City	100.00	US\$	1,243,213	(5,722)
CNP Holding S.A.	Panama City	100.00	US\$	985,288	1,407
Others					
CSAV Ships S.A.	Panama City	100.00	US\$	11,464	(54,465)
CSBC Hull 900 Ltd.	Douglas	100.00	US\$	1,076	(5,581)
CSBC Hull 898 Ltd.	Douglas	100.00	US\$	178	(1,839)
Hull 1794 Co. Ltd.	Majuro	100.00	US\$	317	(13,647)
Hull 1796 Co. Ltd.	Majuro	100.00	US\$	6,164	(10,306)
Hull 1798 Co. Ltd.	Majuro	100.00	US\$	4,094	(12,176)
Hull 1800 Co. Ltd.	Majuro	100.00	US\$	332	(17,320)
Hull 1906 Co. Ltd.	Majuro	100.00	US\$	(657)	(13,201)
Hull 1975 Co. Ltd.	Majuro	100.00	US\$	5,271	2,728
Hull 1976 Co. Ltd.	Majuro	100.00	US\$	3,970	(149)
Hull 2082 Co. Ltd.	Majuro	100.00	US\$	717	1,350
Hull 2083 Co. Ltd.	Majuro	100.00	US\$	868	1,500
Hull 2084 Co. Ltd.	Majuro	100.00	US\$	794	1,163
Hull 2085 Co. Ltd.	Majuro	100.00	US\$	724	1,084
Hull 2086 Co. Ltd.	Majuro	100.00	US\$	724	1,084
Hull 2087 Co. Ltd.	Majuro	100.00	US\$	724	1,084
Hull 2088 Co. Ltd.	Majuro	100.00	US\$	724	1,084
Bureo Shipping Co. S.A.	Majuro	100.00	US\$	(1)	0
Norasia Alya S.A.	Panama City	100.00	US\$	(746)	403
Malleco Shipping Co. S.A.	Panama City	100.00	US\$	276	(1)
Maule Shipping Co. S.A.	Panama City	100.00	US\$	343	(1)
Joint Venture					
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	50.00	US\$	14,907	9,544
Consorcio Naviero Peruano S.A.	Lima	47.97	US\$	24,742	8,519
Associated companies					
Hapag-Lloyd Lanka (Pvt) Ltd.	Colombo	40.00	LKR	145,342	89,794
HHLA Container Terminal Altenwerder					
GmbH	Hamburg	25.10	EUR	80,433	**
Affiliated non-consolidated companies					
Hapag-Lloyd Container Ltd.	Barking	100.00	EUR	3	1
Hapag-Lloyd Container (No. 2) Ltd.	Barking	100.00	EUR	2	1
Hapag-Lloyd Ships Ltd.	Barking	100.00	EUR	112	10
Chacabuco Shipping Ltd.	Majuro	100.00	US\$	*****	*****

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU*	Net profit/ loss for the year in TCU*
Limarí Shipping Ltd.	Majuro	100.00	US\$	*****	*****
Longavi Shipping Ltd.	Majuro	100.00	US\$	*****	*****
Palena Shipping Ltd.	Majuro	100.00	US\$	*****	*****
Hamburg-Amerikanische Packetfahrt- Gesellschaft mbH	Hamburg	100.00	EUR	63	**
Norddeutscher Lloyd GmbH	Bremen	100.00	EUR	31	**
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	100.00	EUR	26	**

* TCU = thousand of currency units as at 31.12.2014.

** Profit and loss transfer agreement.

*** In liquidation.

**** No annual results were available for these new companies with a financial year ending on 31.8. when these financial statements were being prepared.

***** No annual financial statements were available for these companies when these financial statements were being prepared.

NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Hamburg, 27 February 2015

Hapag-Lloyd AG
Executive Board

Rolf Habben Jansen

Anthony J. Firmin

Peter Ganz

The following auditor's report, prepared in accordance with Section 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete consolidated financial statements, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow, notes to the consolidated financial statements, together with the group management report of Hapag-Lloyd Aktiengesellschaft for the financial year from 1 January to 31 December 2014. The group management report is not included in this prospectus. The above-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

AUDITOR'S REPORT

We have audited the consolidated financial statements of Hapag-Lloyd Aktiengesellschaft, Hamburg, comprising the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, notes to the consolidated financial statements and group management report for the financial year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315a (1) of the German Commercial Code [HGB] are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and group management report are free from material misstatements affecting the presentation of the net assets, financial position and results of operations in accordance with applicable accounting standards. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with the IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 27 February 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Gutsche
Wirtschaftsprüfer (German Public Auditor)

Heckert
Wirtschaftsprüfer (German Public Auditor)

**Audited Unconsolidated Financial Statements
of Hapag-Lloyd AG prepared in
Accordance with the German Commercial Code
(*Handelsgesetzbuch*) as of and for the
year ended December 31, 2016**

FINANCIAL STATEMENTS
BALANCE SHEET
as at 31 December 2016

ASSETS

	<u>Notes</u>	<u>31.12.2016</u>	<u>31.12.2015</u>
		<u>million EUR</u>	
A. Fixed assets	(1)		
I. Intangible assets		468.7	493.8
II. Property, plant and equipment		4,319.9	3,825.6
III. Financial assets	(2)	<u>852.0</u>	<u>910.0</u>
		<u>5,640.6</u>	<u>5,229.4</u>
B. Current assets			
I. Inventories	(3)		
1. Raw materials and supplies		113.7	77.7
2. Unfinished voyages		183.3	185.3
3. Prepayments received		2.5	1.9
4. Payments received on account of orders		<u>(18.9)</u>	<u>(19.2)</u>
		<u>280.6</u>	<u>245.7</u>
II. Accounts receivable and other assets	(4)		
1. Trade accounts receivable		219.2	170.6
2. Accounts receivable from affiliated companies		278.2	424.8
3. Accounts receivable from associated companies		11.1	4.1
4. Other assets		<u>138.8</u>	<u>84.8</u>
		<u>647.3</u>	<u>684.3</u>
III. Cash-in-hand, bank balances and cheques	(5)	<u>472.4</u>	<u>426.4</u>
		<u>1,400.3</u>	<u>1,356.4</u>
C. Prepaid expenses	(6)	<u>13.6</u>	<u>12.6</u>
D. Excess of plan assets over post-employment benefit liability	(7)	<u>3.9</u>	<u>3.6</u>
		<u>7,058.4</u>	<u>6,602.0</u>

Please note that for computational reasons, rounding differences to the exact mathematical figures (monetary units) may occur.

FINANCIAL STATEMENTS
BALANCE SHEET — (Continued)
as at 31 December 2016

EQUITY AND LIABILITIES

	Notes	31.12.2016	31.12.2015
		million EUR	
A. Equity			
I. Subscribed capital	(8)	118.1	118.1
II. Capital reserves	(9)	917.4	1,118.8
III. Retained earnings	(9)	108.4	108.4
		1,143.9	1,345.3
B. Provisions	(11)		
1. Provisions for pensions and similar obligations		127.7	125.5
2. Tax provisions		3.7	2.9
3. Other provisions		667.3	691.9
		798.7	820.3
C. Liabilities	(12)		
1. Bonds		789.1	785.6
2. Liabilities to banks		2,482.9	2,024.4
3. Trade accounts payable		337.3	293.7
4. Liabilities to affiliated companies		1,110.6	956.9
5. Liabilities to associated companies		9.3	5.7
6. Other liabilities (thereof for taxes: EUR 2.1 million; previous year: EUR 2.6 million) (thereof for social security: EUR 1.1 million; previous year: EUR 1.3 million)		379.0	358.5
		5,108.2	4,424.8
D. Deferred income	(13)	7.6	11.6
		7,058.4	6,602.0

Please note that for computational reasons, rounding differences to the exact mathematical figures (monetary units) may occur.

INCOME STATEMENT

for the period from 1 January to 31 December 2016

	Notes	1.1.–31.12.2016	1.1.–31.12.2015
		million EUR	
1. Revenue	(16)	7,590.8	7,900.5
2. Decrease / increase in capitalised expenses for unfinished voyages		(2.0)	55.3
3. Other operating income	(17)	690.1	916.5
		8,278.9	8,872.3
4. Transport expenses	(18)	6,614.0	6,887.7
5. Personnel expenses	(19)	209.8	235.8
6a. Amortisation of intangible fixed assets and depreciation of property, plant and equipment	(20)	278.6	258.2
6b. Write-downs of current assets in excess of normal depreciation and amortisation		0.0	156.7
7. Other operating expenses	(21)	1,270.8	1,618.9
		8,373.2	9,157.3
8. Operating result		(94.3)	(285.0)
9. Income from profit transfer		56.1	1.7
10. Income from investments		42.9	52.0
11. Income from loans within financial assets		1.2	0.1
12. Other interest and similar income		16.9	15.2
13. Amortisation of financial assets		29.2	182.5
14. Expenses from transfer of losses		0.1	22.1
15. Interest and similar expenses		172.6	197.7
16. Financial result	(22)	(84.8)	(333.3)
17. Taxes on income	(23)	5.0	4.6
18. Result after taxes		(184.1)	(622.9)
19. Other taxes		17.3	12.8
20. Net loss for the year		(201.4)	(635.7)
21. Retained earnings brought forward		108.4	108.4
22. Withdrawals from capital reserves		201.4	635.7
23. Retained earnings brought forward	(9)	108.4	108.4

Please note that for computational reasons, rounding differences to the exact mathematical figures (monetary units) may occur.

NOTES

GENERAL NOTES

Hapag-Lloyd Aktiengesellschaft, domiciled in Hamburg, Germany, is registered in commercial register B of the district court in Hamburg under number HRB 97937.

The annual financial statements of Hapag-Lloyd AG were prepared in accordance with the German Commercial Code (HGB) as amended by the German Accounting Directive Implementation Act (BilRUG) dated 17 July 2015 and in accordance with the supplementary provisions of the German Stock Corporation Act (AktG). Due to the first-time application of the provisions of BilRUG, revenue recorded in 2016 is only comparable with that of the previous year to a limited degree. The amount of revenue that would have been recorded in the previous year if Section 277 (1) of the German Commercial Code (HGB) as amended by BilRUG had been applied is presented for informational purposes in the section “Notes to the income statement”.

Furthermore, the integration of the operating business of the CSAV container shipping activities during the previous year allows only a limited comparability of the profit and loss account for the current financial year with the previous year.

The annual financial statements are published in the online version of the German Federal Gazette. The financial year corresponds to the calendar year.

The annual financial statements, comprising the statement of financial position, the income statement and the Notes, are prepared in euros (EUR); the amounts are quoted in million euros (million EUR).

The income statement is prepared using the total cost method. For clarity of presentation, individual items have been summarised in the statement of financial position and the income statement and are listed separately and explained in the Notes. The provisions of BilRUG require an adjustment to the structure of the income statement compared with the previous year. The adjustments which have resulted from the first-time application of BilRUG individually for the previous year are presented in the section “Notes to the income statement”.

Third CSAV Ships Germany GmbH (“Third CSAV Ships Germany”), Hamburg, Germany, merged with the sole shareholder Hapag-Lloyd AG as part of an upstream merger in the period under review. The merger was carried out at carrying amounts without a capital increase. The difference between the investment carrying amount and the net assets transferred was EUR 192.8 million. The merger was finalised on 1 September 2016. All business transactions from this date have thus been included in the annual financial statements of Hapag-Lloyd AG and all assets and liabilities of Third CSAV Ships assumed by the Company. The assets and liabilities can therefore only be compared to a limited extent.

ACCOUNTING AND MEASUREMENT PRINCIPLES

The previous year’s accounting and measurement principles and balance sheet structure were maintained in the year under review. The provisions of BilRUG require an adjustment to the structure of the income statement compared with the previous year.

Currency translation

In accordance with Section 256a of the German Commercial Code (HGB), foreign currency receivables / liabilities, cash and cash equivalents, and provisions are carried at the mean spot exchange rate on the reporting date. Observance of the lowest / highest value principle for long-term other foreign currency receivables / liabilities is guaranteed by comparing the acquisition and measurement exchange rates. The costs of acquisition of fixed assets purchased in foreign currency – primarily ships and containers invoiced in US dollars – are calculated by converting them on the basis of the currency exchange rates valid at the time of their acquisition.

Cash in hand, bank balances, accounts receivable and other assets denominated in foreign currencies and with a maturity of up to one year are translated on the basis of the mean spot exchange rate on the balance sheet date.

NOTES — (Continued)

Fixed assets

Intangible fixed assets

Intangible fixed assets acquired in return for payment are carried at cost, are written off on a straight-line basis over the course of their expected useful lives and are recorded as a disposal in the year in which they are written off in full. Trademark rights are not subject to amortisation due to the likelihood of an indefinite useful life. Internally generated intangible assets are not carried as assets.

In view of the durability of the customer portfolio and the anticipated synergy potential as a key driver of the value of goodwill and of earnings potential, goodwill acquired in 2015 is written off on a straight-line basis over a useful life of 20 years.

Property, plant and equipment

Property, plant and equipment are carried at purchase and production cost less depreciation or, if applicable, impairment charges. Depreciation is recognised on a straight-line basis over the estimated useful operating life of an asset up to the amount of the anticipated residual / scrap value. Depreciation on additions to property, plant and equipment are recorded on a pro rata basis. Estimation of the residual value is based on the current realisable value for a comparable asset which has already reached the end of its useful life and which was used under similar circumstances. Ships are depreciated over a useful economic life of 25 years, taking their scrap values into account. Containers are depreciated to a residual value of 10% or 20% of their cost of acquisition depending on the container type over a useful economic life of 13 years. Write-downs are effected if there is likely to be ongoing impairment. Impairment losses are reversed up to the amount of the amortised cost if the reasons for ongoing impairment no longer apply.

Provided that Hapag-Lloyd AG as the lessee bears all the substantial risks and rewards associated with the lease, leased assets are included in the statement of financial position upon recognition at the net present value of the minimum lease payments. They are subject to straight-line depreciation throughout the term of the lease or the useful life of the asset (whichever is longer), provided that it is sufficiently certain at the beginning of the lease that legal ownership of the asset will be transferred to the Company once the contractual term expires.

Low-value assets with a purchase and production cost of greater than EUR 150 and up to EUR 1,000 are recorded as a collective item for the financial year in accordance with Section 6 (2a) of the German Income Tax Act (EStG), this item being depreciated by 20% for the year.

Financial assets

Shares in affiliated companies and holdings are carried at cost of acquisition or fair value, whichever is lower. Impairment to a lower value is performed on the balance sheet date if the impairment is likely to be ongoing. Impairment losses are reversed at a maximum up to the amount of the cost of acquisition if the reasons for ongoing impairment no longer apply.

Loans are carried at their nominal value. Appropriate specific valuation allowances are accrued to cover items subject to risk.

Current assets

Raw materials, supplies and purchased goods are carried at purchase and production cost or at fair value, whichever is lower. Fuel inventories are measured on the basis of a moving average price. A write-down on fuel inventories is recorded at the balance sheet date if the market price is below the carrying amount. Unfinished voyages are measured on the basis of the direct costs plus the minimum overhead costs required pursuant to commercial law; interest on borrowing costs is not included. Corrections are made to the capitalised expenses of loss-making unfinished voyages to adjust them for the anticipated losses. Prepayments received are offset against the inventories.

Accounts receivable, other assets and cash and cash equivalents are carried at their nominal value. Identifiable individual risks from receivables are taken into account by means of specific valuation allowances. The general credit risk is taken into account by means of a general allowance on the existing accounts receivable.

NOTES — (Continued)

Derivative financial instruments are valued at their cost of acquisition or market value, whichever is lower, at the balance sheet date. The market values of bunker options are calculated using the Black & Scholes model or the modified Turnbull & Wakeman model and are based on the current exchange rates, commodity prices, currency and commodity price volatility, yield curves and forward prices. Currency forward contracts are measured on the basis of their market-traded forward prices as at the reporting date.

Structured financial instruments are analysed to determine the existence of embedded derivatives. Embedded derivatives are recognised separately from their underlying contracts as independent assets and liabilities in accordance with the relevant commercial law requirements, if, based on economic criteria, instruments demonstrate significantly higher or additional risks or opportunities compared to the host instrument, and these characteristics are due to the presence of embedded derivatives. On initial recognition, the cost of a structured financial instrument is recognised in proportion to the fair value of its separate components. The market value of the embedded derivatives is calculated using the Hull-White model together with a trinomial decision tree based on current market values.

Prepaid expenses

Expenses prior to the balance sheet date are recognised as prepaid expenses insofar as they constitute expenses for a specific period subsequent to this date.

Provisions

Provisions for pensions are determined in accordance with actuarial principles on the basis of the projected unit credit method, drawing on the 2005 G mortality tables devised by Prof. Klaus Heubeck. As a result of the revision of Section 253 (6) of the German Commercial Code (HGB), discounting is based for the first time on the average market interest rate over the past ten years as published by the Bundesbank, with the assumption of a remaining term of 15 years. In the previous year, the average market interest rate for the preceding seven years was used. The positive difference between the pension provision method based on the corresponding average market interest rate for the previous ten financial years and the pension provision method based on the corresponding average market interest rate for the previous seven financial years is non-distributable if the freely available reserves – plus retained earnings carried forward and less losses carried forward – remaining after the distribution are not at least equal to the difference.

For measurement as at 31 December 2016, the interest rate based on the interest rate information published on 31 October 2016 is used as the basis of a forecast for 31 December 2016. This is 4.00% p. a. (previous year: 3.88% p. a.). This measurement is also based on the following assumptions: a salary trend of 2.5% p. a. (previous year: 2.5% p. a.), a pension trend of 5.5% every three years (previous year: 5.5% every three years), and a fluctuation rate of 1.0% p. a. (previous year: 1.0% p. a.). Deviating from these figures, the provisions relating to the branch in the Netherlands are calculated using a pension trend of 2.0% p. a. (previous year: 2.0% p. a.) and a fluctuation rate of between 0% and 10% p. a. depending on the age of the employees (previous year: between 0% and 10% p. a.).

Reinsurance agreements exist in relation to some of the pension provisions, these being pledged to the retirees. Accordingly, the provisions and the equivalent amount of the reinsurance are recognised net in accordance with Section 246 (2) of the German Commercial Code (HGB). In addition, there are special-purpose funds in place for another portion of the pension provisions and for obligations relating to employees' pre-retirement part-time employment agreements. These are not available to other creditors. Plan assets are measured at their fair value and are offset against the underlying provisions. In the event of an excess of obligations, this is recognised under provisions. If the value of the securities exceeds the obligations, they are recognised on the assets side of the statement of financial position as excess of plan assets over post-employment benefit liability. Insofar as the fair value of plan assets is above the historic cost of acquisition, the income generated by these assets is subject to the distribution restriction pursuant to Section 268 (8) (3) of the German Commercial Code (HGB).

Tax provisions and other provisions are calculated using the settlement amount estimated on the basis of prudent business judgement. All the identifiable risks are taken into account appropriately in the measurement of these provisions. Provisions with a remaining term of more than one year are

NOTES — (Continued)

discounted using the average market interest rate which corresponds to their remaining term and which is calculated based on the previous seven financial years. The discount rates for similar maturities published by the Deutsche Bundesbank for discounting other provisions range from 1.67% to 2.46% in 2016, depending on the remaining term.

Liabilities

Liabilities are recognised at their settlement amount. In the event that the settlement amount of a liability is greater than the issue price, the difference is recognised as a prepaid expense in the income statement on a pro rata basis over the term of the liability. In the event that the settlement amount of a liability is less than the issue price, the difference is recognised as deferred income in the income statement on a pro rata basis over the term of the liability.

In the event that a leased asset is capitalised, a lease obligation is recognised at the same time, with an initial carrying amount equivalent to that of the leased asset recognised. Each leasing rate is divided into an interest portion and a repayment element. The interest portion is recognised as an expense in the income statement; the repayment element reduces the lease obligation recognised.

Deferred income

Income prior to the balance sheet date is recognised as deferred income insofar as it constitutes income for a specific period subsequent to this date.

Deferred taxes

Deferred taxes resulting from temporary differences between the carrying amounts of assets, liabilities and prepaid expenses according to commercial law and tax law are determined using the balance sheet concept. Tax loss carry-forwards are taken into account in addition to the temporary differences. Generally no deferred taxes are calculated, because Hapag-Lloyd AG has opted to be taxed under the tonnage tax regime and therefore temporary differences have no influence on the taxes. For domestic income, which does not lie under the tonnage tax regime, the calculation of deferred taxes in 2016 and 2015 was performed on the basis of the combined income tax rate of 32.3%. A resulting tax burden is carried as a deferred tax liability in the statement of financial position. As in the previous year, Hapag-Lloyd AG did not avail itself of the option of recognising deferred tax assets due to tax relief generated pursuant to Section 274 (1) (2) of the German Commercial Code (HGB). Overall in the 2016 financial year, there was an (unrecognised) deferred tax asset resulting from corporate income tax loss carry-forwards and tax interest carried forward.

NOTES ON THE STATEMENT OF FINANCIAL POSITION – ASSETS

1. Fixed assets

The asset items summarised in the statement of financial position and their development in the 2016 financial year can be found in the statement of fixed assets under *Annexe I* to the Notes.

In addition to investments of EUR 266.4 million in ships and containers (previous year: EUR 406.2 million), the increase in property, plant and equipment was primarily due to additions of container ships as a result of the retroactive merger of Third CSAV Ships Germany with Hapag-Lloyd AG as part of an upstream merger. The merger date was 1 September 2016, and all business transactions from 1 September 2016 onwards are thus included in the annual financial statements of Hapag-Lloyd AG.

The merger of Third CSAV Ships Germany was carried out at carrying amounts without a capital increase. The difference between the investment carrying amount and the net assets transferred is EUR 192.8 million. The addition of the container ships was presented as a gross amount in the statement of fixed assets as additions resulting from the merger.

NOTES — (Continued)

The table below compares the transferred net assets of Third CSAV Ships Germany with the investment carrying amount:

	Transferred net assets of Third CSAV Ships Germany GmbH
	million EUR
Fixed assets	479.5
Property, plant and equipment	479.5
Currents assets	28.8
Inventories	0.5
Receivables and other assets	21.3
Cash and cash equivalents	7.0
Prepaid expenses	0.3
Total assets	508.6
Liabilities	315.8
Total liabilities	315.8
Transferred net assets	192.8
Carrying amount of the investment	192.8

2. Financial assets

In addition to the investment carrying amounts, a long-term loan to an affiliated company is recognised in financial investments. Hapag-Lloyd AG's main indirect and direct holdings are outlined in *Annexe II* to the Notes.

3. Inventories

	31.12.2016	31.12.2015
	million EUR	
Raw materials and supplies	113.7	77.7
Unfinished voyages	183.3	185.3
Prepayments received	2.5	1.9
Payments received on account of orders	(18.9)	(19.2)
Total	280.6	245.7

4. Accounts receivable and other assets

Accounts receivable from affiliated companies primarily comprise a shareholder loan made to Hapag-Lloyd Special Finance DAC ("Hapag-Lloyd Special Finance"), Dublin, Ireland, in the amount of EUR 158.3 million (previous year: EUR 123.0 million) in connection with existing asset securitisation.

	31.12.2016	thereof remaining duration > 1 year	31.12.2015	thereof remaining duration > 1 year
	million EUR			
Trade receivables	219.2	0.0	170.6	0.0
Accounts receivable from affiliated companies	278.2	0.0	424.8	0.0
thereof from trade receivables	21.2	0.0	0.0	0.0
Accounts receivable from associated companies	11.1	0.0	4.1	0.0
Other assets	138.8	22.9	84.8	10.7
Total	647.3	22.9	684.3	10.7

Among other things, other assets include cash and cash equivalents with restricted availability of EUR 18.7 million and derivative financial instruments, in particular for paid option premiums for the hedging of fuel risks. In addition, the derivative financial instruments comprise embedded derivatives

NOTES — (Continued)

in the form of buy-back options for the bonds issued. These are accounted for separately to the underlying host instruments. The carrying amount of the embedded derivatives came to EUR 13.7 million as at 31 December 2016.

The following derivative financial instruments with a positive fair value existed at the balance sheet date:

Derivatives

	Nominal value as per 31.12.2016	Fair value as per 31.12.2016	Carrying amount as per 31.12.2016
	million EUR		
Commodity options	204.5	11.2	6.1
Embedded derivatives	0.0	26.3	13.7

Of the embedded derivatives totalling EUR 13.7 million (previous year: EUR 10.7 million), derivatives with a carrying amount of EUR 11.5 million have a term to maturity of more than one year.

5. Cash in hand, bank balances and cheques

This item encompasses cash in hand, bank balances and other financial investments that can be converted into defined cash amounts at any time. Fully utilised overdraft facilities are not deducted from cash in hand, but rather are shown as liabilities to banks under current financial debt.

6. Prepaid expenses

Prepaid expenses at the balance sheet date included EUR 0.1 million resulting from bond issue differences relating to the USD bond tranche issued in 2010 (previous year: EUR 0.1 million). This item also includes amounts recognised for charters, rental and lease expenses, and insurance premiums for subsequent years.

7. Excess of plan assets over post-employment benefit liability

An excess of plan assets is recognised from the offsetting of pension provisions against a special-purpose fund for the pension commitments of the branch in the Netherlands.

NOTES ON THE STATEMENT OF FINANCIAL POSITION – LIABILITIES

8. Subscribed capital

Hapag-Lloyd AG has subscribed capital of EUR 118.1 million (previous year: EUR 118.1 million). It is divided into 118.1 million no-par registered shares with equal rights (previous year: 118.1 million); each individual share represents EUR 1.00 of the share capital (previous year: EUR 1.00).

Disclosures pursuant to Section 160 (1) (8) of the German Stock Corporation Act (AktG)

Between the start of the financial year and the time at which the financial statements were completed, we did not receive any disclosures pursuant to Section 21 (1) or (1a) of the German Securities Trading Act (WpHG). As a result, the following disclosures regarding holdings in Hapag-Lloyd AG are taken from the previous year and continue to be valid.

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.

TUI-Hapag Beteiligungs GmbH, Hanover, Germany, 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 12.33% (corresponding to 14,561,811 voting rights). 12.33% of the voting rights (corresponding to 14,561,811 voting rights) are held directly by the Company.

NOTES — (Continued)

TUI AG in Hanover / Berlin, Germany, 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 12.33% (corresponding to 14,561,811 voting rights). 12.33% of the voting rights (corresponding to 14,561,811 voting rights) are attributable to the Company through TUI-Hapag Beteiligungs GmbH pursuant to Section 22 (1) (1) (1) WpHG, of which 3% or more are assigned.

The Luksburg Foundation, 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.

Quinenco 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.

Compania 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.

CSAV Germany Container Holding GmbH, Hamburg, Germany, notified us on 5 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25,

NOTES — (Continued)

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.

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) 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.

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 the 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) WpHG through Kühne Holding AG and Kühne Maritime GmbH, of which 3% or more are assigned in each case.

Kühne Holding AG in 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) WpHG, of which 3% or more are assigned.

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) WpHG, of which 3% or more are assigned.

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

Authorised share capital

Under a resolution approved at the Annual General Meeting on 26 August 2016, the information regarding authorised share capital in the articles of association was amended. Accordingly, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 50 million in the period to 30 June 2018 by issuing up to 50 million new no-par registered shares in exchange for cash and / or contributions in kind (Authorised

NOTES — (Continued)

Share Capital 2016). The amendment to the articles of association was entered on 4 October 2016. As a general rule, subscription rights should be provided to the shareholders. However, the Executive Board is authorised, with the approval of the Supervisory Board, to exclude the shareholders' subscription rights for one or more capital increases as part of authorised share capital.

The Executive Board's previous authorisation, which was subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 15.0 million on one or more occasions up to 17 September 2020 by issuing new no-par registered shares in exchange for a minimum subscription fee of EUR 1.00 per share, payable in cash (Authorised Share Capital III) was cancelled with effect from the date on which the Authorised Share Capital 2016 was entered.

9. Capital reserves and retained earnings

The net loss for the year of EUR 201.4 million was offset by a withdrawal from the capital reserves of EUR 201.4 million. As such, capital reserves amounted to EUR 644.0 million (previous year: EUR 644.0 million) in accordance with Section 272 (2) (1) of the German Commercial Code (HGB) and EUR 273.4 million (previous year: EUR 474.8 million) in accordance with Section 272 (2) (4) of the German Commercial Code (HGB).

The reconciliation of the net loss for the year by the withdrawal from the capital reserves can be found in the supplement to the income statement pursuant to Section 158 of the German Stock Corporation Act (AktG).

The Executive Board proposes that the retained earnings of EUR 108.4 million achieved in the 2016 financial year will be carried forward.

10. Information regarding non-distributable amounts

The difference between the cost of acquisition and the plan assets of pension and pre-retirement part-time employment provisions as carried at their fair value resulted in a non-distributable amount totalling EUR 1.6 million (previous year: EUR 3.8 million).

The difference between the provision method which uses the average market interest rate for the previous ten years (interest rate of 4.0%) for discounting purposes and the provision method which uses the average market interest rate for the previous seven years (interest rate of 3.23%) for discounting purposes is EUR 25.1 million.

These non-distributable amounts are offset by freely available reserves in the amount of EUR 273.4 million. Freely available reserves comprise the capital reserves pursuant to Section 272 (2) (4) of the German Commercial Code (HGB).

11. Provisions

Provisions for pensions and similar obligations include pension provisions in the amount of EUR 19.2 million (previous year: EUR 19.6 million) in relation to which the entitlements from reinsurance arrangements at fair value totalling EUR 10.7 million (previous year: EUR 10.8 million) are pledged to the retirees. For pledged reinsurance arrangements, the amortised cost is the same as the fair value. Expenses relating to the discounting of provisions for pensions totalling EUR 0.7 million (previous year: EUR 0.8 million) compare with income from the fair value measurement of the plan assets in the amount of EUR 0.4 million (previous year: EUR 0.5 million).

The settlement amount for the additionally offset provisions totalled EUR 36.7 million on 31 December 2016 (previous year: EUR 35.6 million). The cost of all offset assets amounts to EUR 38.9 million (previous year: EUR 34.6 million), with their fair value amounting to EUR 40.5 million (previous year: EUR 39.1 million). Expenses relating to the discounting of provisions for pensions totalling EUR 1.4 million (previous year: EUR 1.3 million) compare with income from the fair value measurement of the plan assets in the amount of EUR 1.0 million (previous year: EUR 0.8 million).

The income resulting from the change to the discount rate was recognised in the operating result (personnel expenses).

Other provisions totalling EUR 667.3 million (previous year: EUR 691.9 million) include provisions for outstanding invoices in the amount of EUR 396.5 million (previous year: EUR 425.7 million),

NOTES — (Continued)

personnel expenses in the amount of EUR 33.9 million (previous year: EUR 38.1 million), maintenance of leased containers in the amount of EUR 60.9 million (previous year: EUR 69.8 million) and uninsured damage to third-party property and cargo totalling EUR 18.2 million (previous year: EUR 21.0 million). These also comprise provisions for other risks totalling EUR 157.8 million (previous year: EUR 131.7 million), which include country-specific risks (EUR 51.6 million; previous year: EUR 42.2 million) and obligations under a guarantee issued for the benefit of a subsidiary for existing pension obligations there (EUR 15.3 million; previous year: EUR 7.9 million).

Other provisions included the following contingent losses for derivative financial instruments at the balance sheet date:

Contingent liabilities from forward exchange contract

	Nominal value as per 31.12.2016	Fair value as per 31.12.2016	Carrying amount as per 31.12.2016
	million EUR		
Forward exchange contract	665.2	41.1	41.1

The currency forward contracts generally have a term to maturity of less than one year. A currency forward contract with a nominal value of EUR 30.6 million and a negative market value of EUR 1.8 million as at 31 December 2016 has a term to maturity of more than one year.

12. Liabilities

	31.12.2016				31.12.2015			
	thereof with remaining duration				thereof with remaining duration			
	Total	less than 1 year	more than 1 year	more than 5 years	Total	less than 1 year	more than 1 year	more than 5 years
	million EUR							
Financial liabilities								
Bonds	789.1	139.1	650.0	0.0	785.6	20.8	764.8	0.0
Liabilities to banks	2,482.9	631.9	1,851.0	611.0	2,024.4	495.4	1,529.0	509.8
thereof secured by liens and similar rights	2,272.0	481.4	1,790.6	611.0	1,918.1	389.1	1,529.0	509.8
	3,272.0	771.0	2,501.0	611.0	2,810.0	516.2	2,293.8	509.8
Other liabilities								
Liabilities to affiliated companies	1,110.6	1,079.8	30.8	30.8	956.9	956.9	0.0	0.0
thereof trade accounts payable ...	1,068.3	1,068.3	0.0	0.0	956.9	956.9	0.0	0.0
Liabilities to associated companies	9.3	9.3	0.0	0.0	5.7	5.7	0.0	0.0
Trade accounts payable	337.3	337.3	0.0	0.0	293.7	293.7	0.0	0.0
Other liabilities	379.0	89.2	289.8	49.0	358.5	63.4	295.1	84.8
thereof for taxes	2.1	2.1	0.0	0.0	2.6	2.6	0.0	0.0
thereof for social security	1.1	1.1	0.0	0.0	1.3	1.3	0.0	0.0
thereof secured by liens and similar rights	349.1	67.1	282.0	49.0	345.7	50.6	295.1	84.8
	1,836.2	1,515.6	320.6	79.8	1,614.8	1,319.7	295.1	84.8
Total	5,108.2	2,286.6	2,821.6	690.8	4,424.8	1,835.9	2,588.9	594.6

The liabilities secured by liens essentially relate to mortgages for the container ships being financed and collateral for the containers being financed.

Liabilities to affiliated companies comprise liabilities to subsidiaries arising from ordinary operating activities and a liability to Hapag-Lloyd Special Finance in the amount of EUR 435.0 million (previous year: EUR 329.1 million) in connection with the receivables securitisation programme. The liabilities with terms of more than one year are the result of a loan to Hapag-Lloyd Grundstücksholding GmbH ("Hapag-Lloyd Grundstücksholding"), Hamburg, Germany.

NOTES — (Continued)

13. Deferred income

On the liabilities side, deferred income includes a bond-related difference of EUR 6.5 million (previous year: EUR 9.9 million). This includes EUR 5.5 million attributable to the embedded buy-back options accounted for separately (previous year: EUR 8.4 million). These differences are spread over the entire term of the bonds on a linear basis.

14. Contingencies

	31.12.2016	31.12.2015
	million EUR	
Liabilities from guarantees	263.4	607.1
thereof from affiliated companies	263.4	603.7
Liabilities from warranties	4.3	33.7
thereof from affiliated companies	4.3	33.7
Total	267.7	640.8

Guarantee liabilities are above all the result of bank loans taken out by subsidiaries of Hapag-Lloyd AG in order to finance ships, for which Hapag-Lloyd AG acts as the guarantor. As the loans are secured by ship mortgages and revenue is secured by means of long-term charter agreements with Hapag-Lloyd AG that cover interest and repayment, the guarantees are not expected to be utilised.

Liabilities relating to warranty agreements primarily comprise Hapag-Lloyd AG's suretyship for the Seaspan Corporation, Trust Company Complex ("Seaspan Corporation"), Ajeltake, Marshall Islands, in the form of a charter obligation for the benefit of Hapag-Lloyd USA LLC ("Hapag-Lloyd USA"), Piscataway, USA, in the amount of EUR 4.2 million (previous year: EUR 32.9 million). Utilisation of the suretyship can be ruled out, as a charter relationship exists in turn between Hapag-Lloyd USA and Hapag-Lloyd AG, and the payments to the Seaspan Corporation are made directly by Hapag-Lloyd AG.

Letters of comfort / guarantee

In accordance with the Group structure, capital is allocated centrally through Hapag-Lloyd AG, which provides the Group companies with liquidity and manages the issuing of guarantees and letters of comfort for Group companies.

To prevent insolvency pursuant to Section 17 of the German Insolvency Regulation (InsO) or excess debt pursuant to Section 19 InsO, Hapag-Lloyd AG has issued letters of comfort in favour of its domestic subsidiaries First CSAV Ships Germany GmbH ("First CSAV Ships Germany"), Hamburg, Germany, and Second CSAV Ships Germany GmbH ("Second CSAV Ships Germany"), Hamburg, Germany. The validity of the letters of comfort does not depend on the extent of the investment relationship with the domestic subsidiaries. The notice period for cancelling the letters of comfort is one year to the end of the financial year of the domestic subsidiaries.

Hapag-Lloyd AG has also issued letters of comfort for its foreign subsidiaries Hapag-Lloyd (Canada) Inc., Montreal, Canada, Hapag-Lloyd (Malaysia) Sdn. Bhd., Kuala Lumpur, Malaysia and Hapag-Lloyd (China) Ltd., Hong Kong, China, to ensure that the subsidiaries are able at all times to fulfil their contractual obligations. The letters of comfort have a term of at least 12 months from the company's reporting date.

Hapag-Lloyd AG has also issued a guarantee relating to the pension obligations of Hapag-Lloyd UK Ltd., Barking, United Kingdom, in the amount of EUR 15.3 million (previous year: EUR 7.9 million).

No claims are expected from the letters of comfort and guarantee issued by Hapag-Lloyd AG, since it is assumed that the companies will meet the underlying liabilities.

NOTES — (Continued)

15. Other financial obligations

	31.12.2016	31.12.2015
	million EUR	
Obligations from long-term leases and license agreements (nominal value)		
Less than 1 year	502.1	792.8
thereof from affiliated companies	97.5	190.8
1 – 5 years	988.8	1,313.2
thereof from affiliated companies	373.2	650.0
More than 5 year	134.3	470.3
thereof from affiliated companies	88.3	386.5
Purchase order commitments	151.7	347.2
Total	1,776.9	2,923.5

Other financial obligations include charter and lease obligations for ships, and lease and rental obligations for containers and business premises. Purchase commitments relate to payment obligations to the shipyard for container ships ordered but not yet delivered. The various maturities of the charter and lease obligations and the purchase commitments constitute both advantages and risks for the Company. While there may be advantages in terms of orders placed for newbuilds due to the anticipated increase in container shipping volumes, there are risks relating above all to the tying up of capacities in long-term contracts. Short-term charter agreements offer potential flexibility regarding market fluctuations, but constitute a risk in the event that market charter rates increase.

Purchase commitments for investments in property, plant and equipment totalled EUR 151.7 million as at 31 December 2016 (previous year: EUR 347.2 million). The payment obligations relating to these are due in full in 2017.

NOTES TO THE INCOME STATEMENT

16. Revenue

Net freight revenue is broken down according to the trades. Other revenue includes slot charter revenue and income from demurrage and detention and other services. Revenue not assigned to trades includes slot charter revenue and income from demurrage and detention and other services. Slot charter revenue relating to other periods totalled EUR 12.9 million (previous year: EUR 5.5 million).

Due to the first-time application of the provisions of BilRUG, revenue recorded in 2016 is only comparable with that of the previous year to a limited degree. The increase in revenue due to Section 277 (1) of the German Commercial Code (HGB) as amended by BilRUG is EUR 32.9 million. This increase is primarily due to Group cost allocations insofar as these are based on an exchange of services.

*Revenue per trade **

	1.1. – 31.12. 2016	1.1. – 31.12. 2015
	million EUR	
Atlantic	1,782.8	1,976.9
Transpacific	1,647.8	1,982.9
Latin America	1,966.5	1,616.6
Far East	861.8	1,013.2
Intra-Asia	322.4	318.8
EMAO (Europe, Mediterranean, Africa, Oceania)	394.6	393.3
Revenue not assigned to trades	614.9	598.8
Total	7,590.8	7,900.5

* Due to BilRUG, positions had been reclassified under revenue. This led to an increase of EUR 32.9 million. In the previous year, a positive effect of EUR 31.2 million would have resulted in an increase in revenue to EUR 7,931.7 million.

NOTES — (Continued)

17. Other operating income

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Exchange rate gains	461.3	714.2
Income from the release of provisions	147.9	112.7
Income from the reduction of value adjustments of receivables	29.0	0.0
Income from recharged costs	20.9	26.6
Income from the disposal of fixed assets	3.6	18.5
Other income	27.4	44.5
Total	690.1	916.5

Exchange rate gains include income from currency translation (EUR 448.2 million; previous year: EUR 677.5 million) and from realised exchange rate gains and the valuation of derivative financial instruments (EUR 13.1 million; previous year: EUR 36.7 million).

The provisions of BilRUG require an adjustment to the structure of the income statement compared with the previous year. The income from the release of a provision of EUR 56.1 million recognised in the previous year under the item “extraordinary income” has now been reclassified as other operating income.

Other operating income includes income relating to other periods from the release of provisions, from the disposal of fixed assets and from the reduction of impairment allowances on receivables.

18. Transport expenses

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Costs of raw materials and supplies	636.6	882.6
Cost of purchased services	5,977.4	6,005.1
Total	6,614.0	6,887.7

Rebates received for port, canal and terminal costs and for container transport costs are deducted from the corresponding transport costs. These rebates totalled EUR 13.8 million (previous year: EUR 4.9 million) and relate to previous years, which means they are classified as relating to other periods. Slot charter revenue from slot charter settlements relating to other periods totalled EUR 3.2 million (previous year: expenses of EUR 28.5 million).

19. Personnel expenses / employees

	1.1.–31.12. 2016	1.1.–31.12. 2015
	million EUR	
Wages and salaries	177.6	180.0
Social security, post-employment and other employee benefit costs	32.2	55.8
thereof for pensions	1.0	24.9
Total	209.8	235.8

The average number of employees developed as follows:

<u>Number of employees (annual average)</u>	1.1.–31.12. 2016	1.1.–31.12. 2015
Marine personnel	1,176	1,246
Shore-based personnel	1,833	1,704
Apprentices	202	206
Total	3,211	3,156

NOTES — (Continued)

20. Depreciation, amortisation and impairment of intangible assets and property, plant and equipment and of current assets insofar as they exceed the corporation's usual depreciation, amortisation and impairment

	1.1.– 31.12. 2016	1.1.– 31.12. 2015
	million EUR	
Scheduled depreciation and amortisation		
Amortisation of intangible assets	27.8	19.5
Depreciation of property, plant and equipment	250.8	238.7
	278.6	258.2
Impairment losses		
Impairment losses pursuant to § 253 (4) German Commercial Code	0.0	156.7
	0.0	156.7
Total	278.6	414.9

21. Other operating expenses

	1.1. – 31.12. 2016	1.1. – 31.12. 2015
	million EUR	
Exchange rate losses, incl. bank charges	644.7	1,003.1
Commissions / sales expenses	392.1	373.4
IT service expenses	83.6	81.1
Legal and consultancy expenses / costs	25.6	19.7
Factoring	17.4	18.3
Rent and lease expenses	12.6	12.7
Administrative expenses	9.6	11.3
Other socially related material and personnel costs	15.8	3.5
Other expenses	69.4	95.8
Total	1,270.8	1,618.9

Exchange rate losses include EUR 584.1 million from currency translation (previous year: EUR 943.7 million) and EUR 54.3 million from realised exchange rate losses and the valuation of derivative financial instruments (previous year: EUR 49.5 million).

The provisions of BilRUG require an adjustment to the structure of the income statement compared with the previous year. The expenses from a merger loss of EUR 0.7 million recognised in the previous year under the item “extraordinary expenses” have now been reclassified as other operating expenses.

22. Financial result

	1.1. – 31.12. 2016	1.1. – 31.12. 2015
	million EUR	
Income from associated companies	42.9	52.0
thereof from affiliated companies	12.8	14.7
Income from loans from financial assets	1.2	0.1
thereof from affiliated companies	1.2	0.0
Income from a profit and loss transfer agreement	56.1	1.7
Other interest and similar income	16.9	15.2
thereof from affiliated companies	8.4	7.1
Expenses from the transfer of losses	0.1	22.1
Interest payable and similar expenses	172.6	197.7
thereof from affiliated companies	1.9	0.1
Impairment losses from long-term financial assets and current securities	29.2	182.5
Total	(84.8)	(333.3)

NOTES — (Continued)

Income from investments primarily includes dividends received of EUR 21.6 million (previous year: EUR 30.3 million) from HHLA Container Terminal Altenwerder GmbH, Hamburg, Germany.

Interest and similar expenses includes costs of EUR 8.0 million from the discounting of provisions (previous year: EUR 6.7 million).

Income from profit transfer agreements comprises income from the ship chartering companies First, Second and Third CSAV Ships Germany of EUR 53.6 million and from Hapag-Lloyd Grundstücksholding of EUR 1.9 million (previous year: EUR 1.7 million).

As in the previous year, write-downs on financial assets were necessary as a result of the further restructuring in line with company law and winding-up of former companies of CSAV's container shipping activities.

23. Income taxes

Corporate income tax, the solidarity surcharge, trade tax and paid withholding tax are recognised as income taxes. As in the previous year, a corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on corporate income tax applied in the 2016 financial year. The trade earnings tax rate, which corresponds to the specific applicable municipal assessment rate, was 16.5% in 2015 and 2016. As a liner shipping company, Hapag-Lloyd AG, 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 ship fleet.

Prior-period tax income in the amount of EUR 1.2 million is included in the actual income taxes (previous year: EUR 0.4 million).

Tax expense/income does not include any deferred taxes. Overall in the 2016 financial year, there was an (unrecognised) deferred tax asset resulting from tax loss carry-forwards.

OTHER DISCLOSURES

24. Limitation of disposition rights and collateral for liabilities

Under the existing agreements for the financing of fixed assets, in particular ships and containers, Hapag-Lloyd AG has committed itself to observing specific restrictions customary on the market with regard to the disposition of these material collateral items. The secured liabilities amount in total to EUR 2,621.1 million (previous year: EUR 2,263.8 million).

Of the ships of which Hapag-Lloyd AG is the beneficial owner, twelve had no encumbrances and were free of third-party rights at the reporting date. There are mortgages on the remaining ships of which the Company is the beneficial owner.

Collateral security provided for some of the liabilities to banks totalling EUR 233.9 million (previous year: EUR 233.9 million) and for some of the other liabilities with a carrying amount of EUR 299.7 million (previous year: EUR 268.1 million) is in the form of legal ownership of the containers being assigned to the creditors in question, while their economic ownership is attributable to Hapag-Lloyd AG. From an economic perspective, this is equivalent to a secured economic interest in the containers.

25. Transactions with related parties

No significant transactions were effected in the financial year or the previous year which were not conducted on the basis of normal market terms and conditions.

26. Group affiliation

Hapag-Lloyd AG is the parent company for the smallest and largest group of companies for which consolidated financial statements are prepared. The consolidated financial statements of Hapag-Lloyd AG, Hamburg, Germany, as at 31 December 2016 are to be published in the online version of the German Federal Gazette.

NOTES — (Continued)

27. Executive Board and Supervisory Board remuneration

The total remuneration granted to active Executive Board members in the financial year was EUR 5.6 million (previous year: EUR 6.5 million). This includes share-based payments with a fair value of EUR 2.2 million (previous year: EUR 2.2 million) on the date the remuneration was granted. The active Executive Board members were granted a total of 125,216 virtual shares in the financial year (previous year: 112,586). The total remuneration for former members of the Executive Board and their surviving dependants amounted to EUR 0.9 million in the 2016 financial year (previous year: EUR 1.0 million). The emoluments of the active members of the Supervisory Board amounted to EUR 0.9 million (previous year: EUR 0.9 million).

Pension provisions for former members of the Executive Board amounted to EUR 17.7 million (previous year: EUR 18.2 million).

For details of the basic features of Executive Board and Supervisory Board remuneration and the individual members' emoluments, please refer to the management report.

Details of the members of the Executive Board and Supervisory Board can be found in *Annexes III* and *IV* to the Notes. Membership of other supervisory boards and regulatory committees within the meaning of Section 125 (1) (5) AktG is listed in *Annexe V* to the Notes.

28. Declaration of conformity in accordance with Section 161 AktG

The declaration required under Section 161 of the German Stock Corporation Act (AktG) was issued by the Executive Board and Supervisory Board in November 2016 and has been made permanently available to shareholders on the Company's website www.hapag-lloyd.com in the "Corporate Governance" section under "IR" at <http://ir.hapag-lloyd.com/websites/hapaglloyd/English/8000/corporate-governance.html>.

29. Total external auditors' fees

The total fees charged by the Company's external auditors KPMG AG Wirtschaftsprüfungsgesellschaft are disclosed in the exempting consolidated financial statements of Hapag-Lloyd AG, broken down into auditing services, other attestation services, tax consultancy services and other services.

30. Events after the balance sheet date

Following delivery of the "Cartagena Express" on 19 January 2017 and the "Guayaquil Express" on 2 February 2017, Hapag-Lloyd has put another two ships in the Valparaíso class into operation, each with a transport capacity of 10,500 TEU. In connection with this, the last instalments for the construction work amounting to EUR 96.0 million were paid to the shipyard, while at the same time a credit facility amounting to EUR 138.8 million was also utilised. The last ship under construction in the Valparaíso class is scheduled to enter operation in April 2017.

In January 2017, a sale and leaseback transaction was entered into involving used containers and containers held by the Company. The lease contract has a term of four years, beginning on 20 January 2017, and comprises a volume of EUR 41.5 million. The Company will remain the beneficial owner of the containers, and the disposal of the containers will have no effect on earnings.

On 1 February 2017, Hapag-Lloyd issued a new corporate bond with a coupon of 6.75% and a maturity of five years at an issue price of 100.00%. Due to the high level of demand, the originally planned issue volume of EUR 150.0 million was increased to EUR 250.0 million. On 17 February 2017, some of the proceeds from the issue were used for the early repayment of the USD bond with an outstanding amount of USD 125.0 million. The original repayment date of the USD bond was 15 October 2017.

On 15 February 2017, EUR 200 million was added to the corporate bond issued in January, taking the total amount to EUR 450 million. The additional proceeds from the issue in the amount of EUR 204.8 million (issue price of 102.375%) are to be used for the early partial repayment of the EUR bond due on 1 October 2018.

NOTES — (Continued)

Hamburg, 8 March 2017

Hapag-Lloyd AG
Executive Board



Rolf Habben Jansen



Nicolás Burr



Anthony J. Firmin



Thorsten Haeser

NOTES — (Continued)

ANNEXE I

Statement of fixed assets of Hapag-Lloyd Aktiengesellschaft for the 2016 financial year

	Acquisition / production costs				Depreciation, amortisation and impairment				Carrying amounts			
	Additions from merger		Reclassifications		Additions from merger		Reclassifications		Disposals			
	1.1.2016	31.12.2016	1.1.2016	31.12.2016	1.1.2016	31.12.2016	1.1.2016	31.12.2016	31.12.2016	31.12.2015		
I. Intangible assets												
1. Purchased software	27.1	2.7	—	0.1	—	29.9	23.3	2.6	—	25.9	4.0	3.8
2. Purchased concessions, industrial property and similar rights and assets as well as licences in such rights and assets	3.5	—	—	—	—	3.5	—	—	—	—	3.5	3.5
3. Goodwill	503.1	—	—	—	—	503.1	16.7	25.2	—	41.9	461.2	486.4
4. Payments received on account of orders	0.1	—	—	(0.1)	—	—	—	—	—	—	—	0.1
	533.8	2.7	—	0.0	—	536.5	40.0	27.8	—	67.8	468.7	493.8
II. Property, plant and equipment												
1. Land, similar rights and buildings including buildings on leasehold land	0.0	—	—	—	—	0.0	0.0	—	—	—	0.0	0.0
2. Vessels	3,569.4	151.0	505.2	59.8	—	4,285.4	773.7	153.4	25.7	—	952.8	3,332.6
3. Improvement on leased vessels	4.7	—	—	0.5	—	5.2	4.4	0.7	—	—	5.1	0.1
4. Major spare parts for vessels	3.5	—	—	—	0.1	3.4	2.0	0.2	—	—	2.2	1.2
5. Container, chassis, gensets	1,172.9	58.8	—	—	7.7	1,224.0	300.4	93.7	—	0.0	4.5	389.6
6. Machinery and equipment	9.0	—	—	—	—	9.0	1.8	0.9	—	—	2.7	6.3
7. Other equipment and office equipment	18.3	2.4	—	0.0	0.8	19.9	14.8	1.9	—	—	0.9	15.8
8. Payments received on account of orders	144.9	56.6	—	(60.3)	—	141.2	—	—	—	—	—	144.9
	4,922.7	268.8	505.2	0.0	8.6	5,688.1	1,097.1	250.8	25.7	0.0	5.4	1,368.2
												4,319.9
												3,825.6
III. Financial assets												
1. Shares in affiliated companies	776.7	91.8	—	—	220.2	648.3	182.5	28.6	—	—	211.1	437.2
2. Holdings	319.6	—	—	—	—	319.6	4.3	—	—	—	4.3	315.3
3. Loans to associated companies	—	99.5	—	—	—	99.5	—	—	—	—	—	99.5
4. Loans to holdings	1.3	0.1	—	—	—	1.4	0.8	0.6	—	—	1.4	0.0
	1,097.6	191.4	—	—	220.2	1,068.8	187.6	29.2	—	—	216.8	852.0
Total	6,554.1	462.9	505.2	—	228.8	7,293.4	1,324.7	307.8	25.7	0.0	5.4	1,652.8
												5,640.6
												5,229.4

Please note that for computational reasons, rounding differences to the exact mathematical figures (monetary units) may occur.

NOTES — (Continued)

ANNEXE II

List of holdings of Hapag-Lloyd Aktiengesellschaft as at 31 December 2016

Name of the company	Registered office	Currency unit (CU)	Share-holding in %	Equity in TCU 1	Net profit/loss for the year in TCU 1
Head office					
Hamburg-Amerika Linie GmbH	Hamburg	EUR	100.00	63	*
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	EUR	94.90	30,045	*8
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00	26	*
First CSAV Ships Germany GmbH	Hamburg	EUR	100.00	205,404	*3
Second CSAV Ships Germany GmbH	Hamburg	EUR	100.00	32,746	*3
HHLA Container Terminal Altenwerder GmbH	Hamburg	EUR	25.10	80,433	*
Hamburg-Amerikanische Packetfahrt-Gesellschaft mbH	Hamburg	EUR	100.00	63	*
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00	26	*
Europe					
Hapag-Lloyd Africa PTY Ltd.	Durban	ZAR	100.00	12,678	614
Hapag-Lloyd (Austria) GmbH	Vienna	EUR	100.00	1,189	41
Oy Hapag-Lloyd Finland AB	Helsinki	EUR	100.00	191	49
Hapag-Lloyd (France) S.A.S.	Asnieres sur Seine	EUR	100.00	4,907	287
Hapag-Lloyd (Ireland) Ltd.	Dublin	EUR	100.00	154	27 ⁸
Hapag-Lloyd (Italy) S.R.L.	Milan	EUR	100.00	2,235	269
Hapag-Lloyd Polska Sp.z.o.o.	Gdynia	PLN	100.00	719	(11)
Hapag-Lloyd Portugal LDA	Lisbon	EUR	100.00	167	19
Hapag-Lloyd (Schweiz) AG	Basel	CHF	100.00	359	42
Hapag-Lloyd Special Finance DAC	Dublin	USD	100.00	73	25
Hapag-Lloyd (Sweden) AB	Gothenburg	SEK	100.00	3,529	405
Hapag-Lloyd Spain S.L.	Barcelona	EUR	90.00	864	53
Hapag-Lloyd (UK) Ltd.	Barking	GBP	100.00	3,635	(1,426)
Norasia Container Lines Ltd.	Valetta	USD	100.00	3,286	(15,241) ⁴
CSAV UK & Ireland Limited i.L.	Liverpool	GBP	100.00	702	124 ⁵
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	USD	50.00	13,395	11,132
Hapag-Lloyd Container Ltd.	Barking	EUR	100.00	3	1
Hapag-Lloyd Container (No. 2) Ltd.	Barking	EUR	100.00	3	1
Hapag-Lloyd Container (No. 3) Ltd.	Barking	EUR	100.00	**	**
Hapag-Lloyd Ships Ltd.	Barking	EUR	100.00	109	3
Hapag-Lloyd Ships (No. 2) Ltd.	Barking	EUR	100.00	**	**
CSAV Denizcilik Acentasi A.S.	Istanbul	TRY	100.00	5,606	4,477
CSAV Group Agencies South Africa (Pty) Ltd.	Durban	ZAR	100.00	(251)	686
Norddeutscher Lloyd GmbH	Bremen	EUR	100.00	31	*
Asia					
Hapag-Lloyd Middle East Shipping LLC	Dubai	AED	49.00 ²	17,242	16,792
Hapag-Lloyd (Australia) Pty.Ltd.	Pyrmont	AUD	100.00	2,110	55 ⁸
Hapag-Lloyd (China) Ltd.	Hong Kong	HKD	100.00	7,219	841
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	CNY	100.00	85,281	5,814
Hapag-Lloyd Global Services Pvt.Ltd.	Thane	INR	100.00	584,922	54,101 ⁶
Hapag-Lloyd India Private Ltd.	Mumbai	INR	100.00	223,854	20,826 ⁶
Hapag-Lloyd (Japan) K.K.	Tokyo	JPY	100.00	235,282	4,056
Hapag-Lloyd (Korea) Ltd.	Seoul	KRW	100.00	2,397,480	83,531
Hapag-Lloyd (Malaysia) Sdn.Bhd.	Kuala Lumpur	MYR	100.00	15	21
Hapag-Lloyd (New Zealand) Ltd.	Auckland	NZD	100.00	915	36 ⁸
Hapag-Lloyd Pte.Ltd.	Singapore	USD	100.00	7,383	543

NOTES — (Continued)

Name of the company	Registered office	Currency unit (CU)	Shareholding in %	Equity in TCU 1	Net profit /loss for the year in TCU 1
Hapag-Lloyd (Taiwan) Ltd.	Taipei	TWD	100.00	87,469	593
Hapag-Lloyd (Thailand) Ltd.	Bangkok	THB	49.90	5,771	(364)
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00	7,154,697	1,723,813
CSAV Group (China) Shipping Co. Ltd.	Shanghai	CNY	100.00	2,784	(52,803)
CSAV Group (Hong Kong) Ltd. i.L.	Hong Kong	HKD	100.00	610	(131)
CSAV Group Agencies (Hong Kong) Ltd. i.L.	Hong Kong	HKD	100.00	23,315	(4,427)
Hapag-Lloyd Lanka (Pvt) Ltd.	Colombo	LKR	40.00	113,948	135,704 ⁶
North America					
Hapag-Lloyd (America) LLC	Wilmington	USD	100.00	3,355	1,708 ⁸
Hapag-Lloyd (Canada) Inc.	Montreal	CAD	100.00	619	199
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	MXN	100.00	246,892	23,922
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	MXN	100.00	(830)	(3,255)
Hapag-Lloyd USA LLC	Wilmington	USD	100.00	287,304	16,055 ⁸
Florida Vessel Management LLC	Wilmington	USD	75.00	**	**
Agencias Grupo CSAV (Mexico) S.A. de C.V.	Mexico City	MXN	100.00	(74,518)	(70,311)
South America					
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	ARS	100.00	22,306	4,796
Hapag-Lloyd Colombia LTDA	Bogota	COP	100.00	1,768,488	1,659,383
Hapag-Lloyd Costa Rica S.A.	San Jose	CRC	100.00	740,377	(11,975)
Hapag-Lloyd Guatemala S.A.	Guatemala City	GTQ	100.00	505	128
Hapag-Lloyd (Peru) S.A.C.	Lima	PEN	60.00	16,455	32,770
Hapag-Lloyd Venezuela C.A.	Caracas	VEF	100.00	**	**
CSAV Austral SpA	Valparaíso	USD	49.00	685	(2,538)
Hapag-Lloyd Chile SpA	Valparaíso	USD	100.00	**	**
CSAV Group Agencies Uruguay S.A.	Montevideo	UYU	100.00	20,450	6,110
Servicios de Procesamiento Naviero S.R.L. i.L.	Montevideo	USD	100.00	19,897	15,505
Invermar Management S.A.	Panama City	USD	100.00	**	**
Companhia Libra de Navegacao S.A.	São Paulo	BRL	100.00	164,154	8,153
Andes Operador Multimodal Ltda.	São Paulo	BRL	100.00	**	**
Corvina Maritime Holding S.A.	Panama City	USD	100.00	**	**
Sea Lion Shipping Co. S.A.	Panama City	USD	100.00	**	**
Southern Shipmanagement Co. S.A.	Panama City	USD	100.00	1,141	630
Southern Shipmanagement (Chile) Ltda.	Valparaíso	USD	100.00	150	18
Wellington Holding Group S.A.	Road Town	USD	100.00	**	**
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	UYU	100.00	**	**
Inversiones CNP S.A.	Lima	USD	100.00	9,806	1,246
Torksey S.A.	Montevideo	USD	100.00	**	**
Lanco Investments Internacional Co. S.A.	Panama City	USD	100.00	**	**
Rahue Investment Co. S.A.	Panama City	USD	100.00	**	**
CNP Holding S.A.	Panama City	USD	100.00	**	**
CSAV Group Agency Colombia Ltda. i.L.	Bogota	COP	100.00	623,717	2,074,371
Libra Agency (Argentina) S.A.	Buenos Aires	ARS	100.00	(62,290)	(15)
Norasia Alya S.A.	Panama City	USD	100.00	**	**
Others					
CSAV Ships S.A.	Panama City	USD	100.00	**	**
CSBC Hull 900 Ltd.	Douglas	USD	100.00	1,077	0 ⁷
Hull 1796 Co. Ltd.	Majuro	USD	100.00	5,842	0 ⁷
Hull 1798 Co. Ltd.	Majuro	USD	100.00	3,767	0 ⁷
Hull 1906 Co. Ltd.	Majuro	USD	100.00	(998)	0 ⁷

NOTES — (Continued)

Name of the company	Registered office	Currency unit (CU)	Share-holding in %	Equity in TCU 1	Net profit /loss for the year in TCU 1
Hull 1975 Co. Ltd.	Majuro	USD	100.00	3,353	(1) ⁷
Hull 1976 Co. Ltd.	Majuro	USD	100.00	2,013	(1) ⁷
Malleco Shipping Co. S.A.	Panama City	USD	100.00	**	**
Maule Shipping Co. S.A.	Panama City	USD	100.00	**	**
CSBC Hull 896 Ltd.	Douglas	USD	100.00	**	**
CSBC Hull 898 Ltd.	Douglas	USD	100.00	0	0 ⁷
Hull 1794 Co. Ltd.	Majuro	USD	100.00	0	0 ⁷
Hull 1800 Co. Ltd.	Majuro	USD	100.00	0	0 ⁷
Hull 2082 Co. Ltd.	Majuro	USD	100.00	(86)	0 ⁷
Hull 2083 Co. Ltd.	Majuro	USD	100.00	58	0 ⁷
Hull 2084 Co. Ltd.	Majuro	USD	100.00	(16)	0 ⁷
Hull 2085 Co. Ltd.	Majuro	USD	100.00	(86)	0 ⁷
Hull 2086 Co. Ltd.	Majuro	USD	100.00	(86)	0 ⁷
Hull 2087 Co. Ltd.	Majuro	USD	100.00	(86)	0 ⁷
Hull 2088 Co. Ltd.	Majuro	USD	100.00	(86)	0 ⁷
Chacabuco Shipping Ltd.	Majuro	USD	100.00	0	0 ⁷
Palena Shipping Ltd.	Majuro	USD	100.00	0	0 ⁷
Brunswick Investment Co. Inc.	Nassau	USD	100.00	**	**

1 TCU = thousands of currency units; financial statements as at 31 December 2015 unless otherwise stated

2 Another 51.00% held in trust for the Hapag-Lloyd Group

3 Financial statements as at 31 August 2016

4 Financial year consists of 15 months

5 Financial statements as at 31 December 2014

6 Financial statements as at 31 March 2016

7 Financial statements as at 30 September 2016

8 Financial statements as at 31 December 2016

* Profit-and-loss transfer agreement

** No financial statements were available for these companies.

NOTES — (Continued)

ANNEXE III

Executive Board of Hapag-Lloyd Aktiengesellschaft in the 2016 financial year

Rolf Habben Jansen Hamburg
Chairman of the Executive Board
Chief Executive Officer (CEO)

Nicolás Burr Hamburg
Member of the Executive Board
Chief Financial Officer (CFO)

Anthony J. Firmin Hamburg
Member of the Executive Board
Chief Operating Officer (COO)

Thorsten Haeser Hamburg
Member of the Executive Board
Chief Commercial Officer (CCO)

ANNEXE IV

Members of the Supervisory Board of Hapag-Lloyd Aktiengesellschaft in the 2016 financial year

Michael Behrendt (Chairman)
Chairman of the Supervisory Board of Hapag-Lloyd AG, Hamburg

Karl Gernandt (2nd Deputy Chairman until 26 August 2016)
Chairman of the Board of Directors, Kühne Holding AG, Schindellegi

Jutta Diekamp
Commercial Clerk, Hapag-Lloyd AG, Hamburg

Oscar Eduardo Hasbún Martínez (2nd Deputy Chairman since 26 August 2016)
Chief Executive Officer, Compañía Sud Americana de Vapores S.A., Santiago de Chile

Dr Rainer Klemmt-Nissen
Managing Director, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg

Arnold Lipinski
Commercial Clerk, Hapag-Lloyd AG, Hamburg

Francisco Pérez Mackenna
Managing Director, Quiñenco S.A., Santiago de Chile until 26 August 2016
until 26 August 2016

Karl-Heinz Biesold (1st Deputy Chairman)
Trade Union Secretary, ver.di Vereinte Dienstleistungsgewerkschaft, Berlin

Andreas Bahn
Trade Union Secretary, ver.di Vereinte Dienstleistungsgewerkschaft, Hamburg

Horst Baier
Member of the Executive Board, TUI AG, Hanover

Oliver Bringe
Commercial Clerk, Hapag-Lloyd AG, Hamburg

Renate Commerell
Commercial Clerk, Hapag-Lloyd AG, Hamburg

NOTES — (Continued)

since 26 August 2016

Nicola Gehrt

Head of Investor Relations Continental Europe, Asia & Middle East TUI AG, Hanover

Christine Behle

(1st Deputy Chairwoman)

Member of the Federal Board, ver.di – Vereinte Dienstleistungsgewerkschaft Bundesverwaltung, Berlin

Sabine Nieswand

Chairman of the Works Committee, Hapag-Lloyd AG, Hamburg

Klaus Schroeter

Trade Union Secretary, ver.di – Vereinte Dienstleistungsgewerkschaft Bundesverwaltung, Berlin

Uwe Zimmermann

Commercial Clerk, Hapag-Lloyd AG, Hamburg

NOTES — (Continued)

ANNEXE V

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

Rolf Habben Jansen

Stolt-Nielsen Limited – Member of the Board of Directors

Anthony Firmin

HHLA Container Terminals GmbH – Supervisory Board Member

HHLA Container Terminal Altenwerder GmbH – Supervisory Board Member

SCA Service Center Altenwerder GmbH – Supervisory Board Member

FRANK Beteiligungsgesellschaft mbH – Advisory Board Member

The Britannia Steam Ship Insurance Association Ltd. – Member of the Board of Directors

Through Transport Mutual Insurance Association Ltd. – Member of the Board of Directors

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

Michael Behrendt

Barmenia Allgemeine Versicherungs AG – Deputy Chairman of the Supervisory Board

Barmenia Krankenversicherung AG – Deputy Chairman of the Supervisory Board

Barmenia Lebensversicherung AG – Deputy Chairman of the Supervisory Board

ESSO Deutschland GmbH – Supervisory Board Member

EXXON Mobil Central Europe Holding GmbH – Supervisory Board Member

MAN SE – Supervisory Board Member

MAN Diesel Turbo SE – Supervisory Board Member

MAN Truck & Bus AG – Supervisory Board Member

Renk AG – Supervisory Board Member

Andreas Bahn (until 26 August 2016)

HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH
– Supervisory Board Member

HHLA Container Terminals GmbH – Supervisory Board Member

Horst Baier (until 26 August 2016)

TUI Deutschland GmbH – Chairman of the Supervisory Board

TUIfly GmbH – Supervisory Board Member (until 24 February 2016)

RIUSA II S.A. – Member of the Board of Directors

TUI Canada Holdings Inc. – Member of the Board of Directors

Sunwing Travel Group Inc. – Member of the Board of Directors

Christine Behle (since 26 August 2016)

Deutsche Lufthansa AG – Supervisory Board Member

Bremer Lagerhaus-Gesellschaft – Aktiengesellschaft von 1877 – Supervisory Board Member

Bochum-Gelsenkirchener Straßenbahnen Aktiengesellschaften – Supervisory Board Member

NOTES — (Continued)

Nicola Gehrt (since 26 August 2016)

TUI Deutschland GmbH – Supervisory Board Member

Karl Gernandt

Kühne + Nagel International AG – Vice Chairman of the Board of Directors

Kühne Holding AG – Chairman of the Board of Directors

HSV Fußball AG – Supervisory Board Member

Kühne Logistics University – Supervisory Board Member

VTG Aktiengesellschaft – Supervisory Board Member

Dr Rainer Klemmt-Nissen

Hamburger Hochbahn AG – Supervisory Board Member

HSH Nordbank AG – Supervisory Board Member

Vattenfall Wärme Hamburg GmbH – Supervisory Board Member

HMC Hamburg Messe und Congress GmbH – Supervisory Board Member

HSH Finanzfond AöR – Institutional Authorities Assembly Member

Francisco Pérez Mackenna

Compañía Sud Americana de Vapores S.A. – Member of the Board of Directors

Compañía Cervecerías Unidas S.A. – Member of the Board of Directors

Banco de Chile – Member of the Board of Directors

Nexans S.A. – Member of the Board of Directors

Invexans S.A. – Member of the Board of Directors

Sudamericana Agencias Aéreas y Marítimas S.A. – Member of the Board of Directors

Tech Pack S.A. – Member of the Board of Directors

Óscar Eduardo Hasbún Martínez

Sudamericana Agencias Aéreas y Marítimas S.A. – Supervisory Board Member

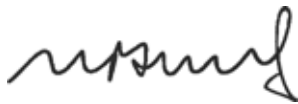
The Supervisory Board members not listed above do not hold any offices on other legally required supervisory boards or comparable regulatory committees of commercial companies.

Hamburg, 8 March 2017

Hapag-Lloyd AG
Executive Board



Rolf Habben Jansen



Nicolás Burr



Anthony J. Firmin



Thorsten Haeser

The following auditor's report, prepared in accordance with Section 322 HGB ("Handelsgesetzbuch": "German Commercial Code"), refers to the complete financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the management report of Hapag-Lloyd Aktiengesellschaft for the financial year from 1 January to 31 December 2016. The management report is not included in this prospectus. The above-mentioned auditor's report and financial statements are both translations of the respective German-language documents.

AUDITOR'S REPORT

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Hapag-Lloyd Aktiengesellschaft, Hamburg, for the financial year from 1 January to 31 December 2016. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Executive Board, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hamburg, 8 March 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Heckert
Wirtschaftsprüfer (German Public Auditor)

Lippmann
Wirtschaftsprüfer (German Public Auditor)

www.pwc.de

Valuation Report

Determination of the vessel
value of Hapag-Lloyd AG,
Hamburg

07.07.2017

pwc

Table of contents

1. Nature and performance of the assignment	V3
2. Summary of results	V4
3. Basic principles and methodology	V5
4. Description of the Company and the vessel portfolio	V7
4.1. Economic basis – Hapag-Lloyd (stand-alone)	V7
4.2. Description of vessel portfolio	V11
4.3. Legal and tax situation	V12
4.4. The UASC business combination	V13
5. Determination of the vessel value	V20
5.1. Analysis of market prospects of the vessel portfolio	V20
5.2. Historical earnings	V27
5.3. Business plan assessment	V29
5.4. Derivation of the discount rate	V36
5.5. Vessel portfolio value	V38
5.6. Determination of the range of values	V42
5.7. Vessel value – valuation result	V43
Appendices	V47
Appendix 1 Glossary of terms and abbreviations	V47
Appendix 2 List of sources	V49

1. Nature and performance of the assignment

With its letter dated October 12, 2016, the executive board of Hapag-Lloyd AG, Hamburg ('Hapag-Lloyd' or 'Company') retained us – PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Hamburg (hereinafter referred to as 'PwC') – to determine the value of the Company's owned and financed leased vessels ('vessel portfolio') as at the valuation date March 31, 2017.

In the context of the acquisition of United Arab Shipping Company (S.A.G.), Dubai ('UASC') via capital increase against contribution-in-kind, Hapag-Lloyd intends an admission of shares to trading on the regulated market segment (regulierter Markt) of the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, and on the regulated market of the Hamburg Stock Exchange.

For admission to trading in the regulated market segment, Hapag-Lloyd is obliged to prepare a prospectus. According to the legal requirements, in particular, the European Commission Regulation (EG) No 809/2004 of 29 April 2004 (as amended) and paragraphs 140 to 145 of the European Securities and Market Authority ('ESMA') update of the Committee of European Securities Regulators' ('CESR') recommendations for the consistent implication of (EC) No 809/2004, Hapag-Lloyd is, as an issuer that operates in ocean-going shipping and manages, leases or owns cargo vessels, obliged to include in its prospectus a valuation report of the owned vessels of Hapag-Lloyd.

For this report, the valuation considers Hapag-Lloyd on a 'combined entity' level after closing, i.e. including the acquired vessels of UASC.

We conducted our work from May 2017 to July 2017 in the offices of the Company as well as in our office in Hamburg. Our valuation was primarily based on information made available to us by the Company or UASC. For details, please refer to Appendices.

Additional information was provided to us by the management of Hapag-Lloyd and UASC (the latter with limited access via data room without direct contacts to management) and by employees specified by them. Hapag-Lloyd has provided us with a written statement to the effect that all material information and explanations given to us in connection with preparing our valuation report are both complete and correct.

We observed the principles in the current standards of the Institut der Wirtschaftsprüfer e. V., Düsseldorf, Germany (Institute of Public Auditors in Germany, Incorporated Association, 'IDW'), specifically IDW S 1 'Principles for the Execution of Business Valuations' in the version dated 2 April 2008 to the extent that these principles are relevant for the valuation of individual assets. In accordance with these principles, we have determined the value of owned vessels of Hapag-Lloyd in the capacity of a neutral expert.

The valuation report will be part of the Company's prospectus, and it relates to the admission to trading in the regulated market segment.

PwC acknowledges and agrees that the valuation report will be published in an unabbreviated form in the prospectus, will be referred to in marketing and other materials prepared in the context of the capital increase and will be available for inspection at the Company's offices.

Apart from that, neither the whole nor any part of our valuation report nor any references thereto may be included in any published document, circular statement nor published in any way without our prior written approval of the form and context in which it will appear.

2. Summary of results

Based on the described scenarios in section 5.6, the value range of the vessel portfolio of Hapag-Lloyd as of the valuation date March 31, 2017 from

USD 8,243m to USD 9,044m

can be established.

For detailed breakdowns of values between assets, please refer to section 5.7 'Vessel value – valuation result'. There are no negative values to report.

Material Change

The PwC valuations with respect to the vessel portfolio were carried out as at March 31, 2017. PwC has not been engaged to update the valuations for the prospectus, has no obligation to do so and has not updated the valuations after these valuation dates. The valuation approach considers the specific role of the owned vessels as a portfolio to the business model of the Company. The owned and finance leased vessels were valued under the going concern premise of value. Neither the event of a sale on short notice, nor the event of a fire sale was subject to the valuation.

A vessel's valuation depends on assumptions that could subsequently turn out to have been incorrect. Data provided by Hapag-Lloyd and/or UASC and used in the valuation report were examined and analysed for plausibility on a random sampling basis. The valuation of the owned and finance leased vessels is based on a multitude of factors that also includes the appraiser's subjective judgment. These factors include, for example, the assumptions of the key performance indicators underlying the budgets, forecasts and projections, which are subject to significant business, economic, financial and competitive risks (e.g. cyclical and volatile nature of the container shipping industry, cyclical nature of freight rates, assumptions on market growth rates, risk of bunker fuel price fluctuation, assumptions underlying the definition of future operating margins, etc.), the completion of the UASC acquisition, future changes in the vessel's scrap value, changes in cost of capital and on the valuation method used.

In addition, the forward-looking estimates and forecasts were partly taken from third-party sources and could prove to be inaccurate. The market data and certain economic and industry data and forecasts used were obtained from market research, governmental and other publicly available information, independent industry publication and reports prepared by external industry consultants. For details, please refer to appendices. We rely on and refer to this external information for the future development of key performance indicators. PwC neither conducted an own in-depth industry analysis nor were any competitor surveys conducted. The valuation of the owned and finance leased vessels contained in the valuation report is, therefore, subject to numerous uncertainties. The past or future assumptions underlying the vessel valuation may later be determined to have been erroneous.

3. Basic principles and methodology

As of March 31, 2017 Hapag-Lloyd and UASC operates a combined fleet of 230 vessels, of which 119 are in ownership or under finance lease ('vessel portfolio'). These vessels are accounted for according to International Accounting Standard ('IAS') 16 – 'Tangible Assets'.

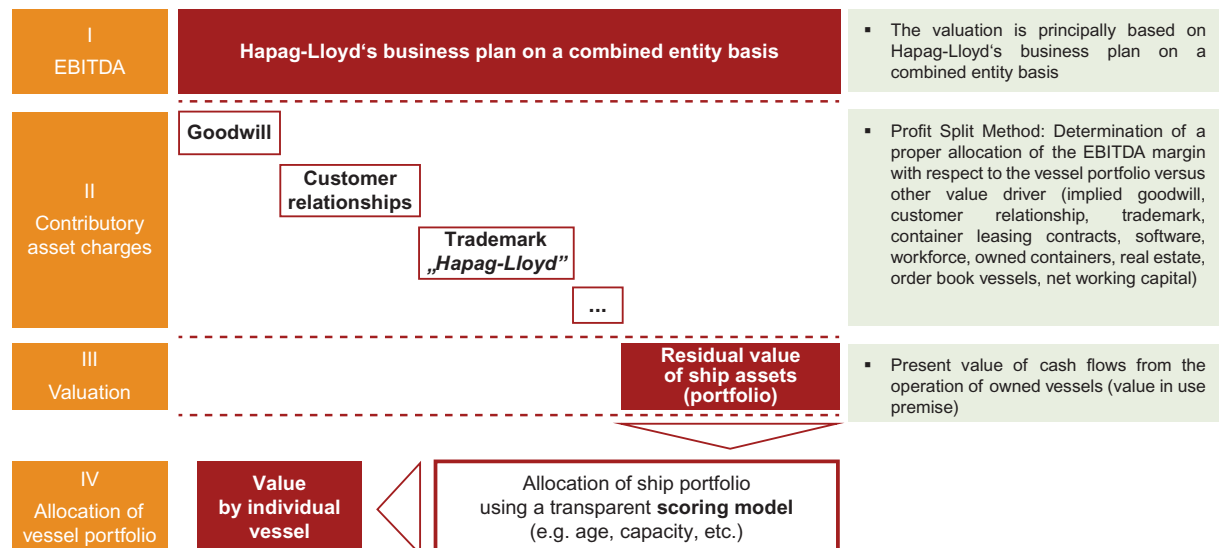
Considering the capital increase, we were mandated to determine the value of the vessel portfolio as of March 31, 2017. Following the current ESMA practice, we applied a valuation approach which considers the specific role of the owned and finance leased vessels as a portfolio to the business model of Hapag-Lloyd and which principally corresponds to the valuation method used by Hapag-Lloyd to test for potential impairment of book values. For this valuation report, the owned and finance leased vessels of Hapag-Lloyd to be valued are regarded on a combined entity level post acquisition, i.e. owned and finance leased vessels of both Hapag-Lloyd and UASC.

Overview valuation vessel portfolio – four-step approach

We derived the value of the vessel portfolio on the basis of the cash flows from the operating performance of Hapag-Lloyd attributable to the vessel portfolio using Discounted Cash Flow ('DCF') methodology in form of the so-called Multi-period Excess Earnings Method ('MEEM').

The following illustration gives an overview of our four-step valuation approach which is explained in details below:

Valuation methodology



Source: PwC Analysis

Step I – business plan validation

The starting point for the MEEM approach was the latest business plan of Hapag-Lloyd on a combined entity basis which was analysed and validated. We have performed an analysis of historical earnings for the years ended December 31, 2014 (stand-alone) and of pro forma figures for the years ended December 31, 2015 and December 31, 2016 to enhance comparability of historical earnings with the business plan.

Detailed planning information (further documents provided by Hapag-Lloyd and UASC, interviews with the management of Hapag-Lloyd and staff members responsible for planning as well as external market analyses) was used to further assess the plausibility of the business projections.

Step II – determination of fair values of identifiable material operating assets, liabilities and implied goodwill

We derived fair values for the operating assets and liabilities. The basis for our identification of certain assets and liabilities was the consolidated pro forma balance sheet of Hapag-Lloyd as of March 31, 2017.

In selecting valuation approaches and methods, we followed — if applicable — relevant valuation guidance provided by standard setters such as International Financial Reporting Standard ('IFRS') 13 'Fair Value Measurement' and IDW S 5 'Principles of the Valuation of Intangible Assets'.

The fair value estimation of the implied goodwill was based on the identification and valuation of Hapag-Lloyd's goodwill components from an economic point of view (e.g. synergies from the UASC merger (AEOLOS), cost savings from efficiency enhancement programmes such as OCTAVE II (see page 42 for more details) and effects from revenue enhancement programmes such as 'Compete to win' (see page 13 for more details)). In selecting an appropriate valuation method, we followed common valuation principles (e.g. comparable approach or cost approach).

The results of the purchase price allocation for the merger of Hapag-Lloyd with the container shipping activities of Compañía Sud Americana de Vapores S.A. ('CSAV') as of March 16, 2015 and the pre-deal purchase price allocation for Hapag-Lloyd and UASC as of June 30, 2017 prepared by PwC, respectively served as indicators for identifying and determining fair values of certain assets and liabilities (for details, please refer to section 5.5).

Step III – valuation of the vessel portfolio

The value of the vessel portfolio as of the valuation date was derived by using the above-mentioned multi-period excess earnings model in a range (bandwidth) based on the identified and quantified uncertainties of the business plan and valuation assumptions. The MEEM approach was adopted by using the cash flows from the operating performance of the business plan validated in step I, from which contributory asset charges for the implied goodwill, material assets and liabilities required for the vessel portfolio to carry out its operations were deducted. The assets and liabilities to be considered as well as the contributory asset charges were determined by using the step II results.

The resulting cash flows from the operating performance attributable to the vessel portfolio were discounted by using a standard DCF approach to derive its value.












Step IV – allocation of the value of the vessel portfolio to individual vessels

The value of the vessel portfolio was allocated to its components, which consist of the single vessels included in the portfolio. The allocation procedure was carried out by using a scoring model, which was based on indicators for the contribution of the respective vessel to the overall portfolio (e.g. capacity, age or specification).

4. Description of the Company and the vessel portfolio

4.1. Economic basis – Hapag-Lloyd (stand-alone)

Hapag-Lloyd – Company profile

	Pure play container shipping company
	Headquartered in Hamburg, Germany
	172 container ships, total transport capacity of 1,008 TTEU ¹
	Thereof 74 vessels in ownership and 3 under finance lease ¹
	963,126 containers, total transport capacity of 1,583 TTEU ¹
	118 liner services worldwide, 364 offices in 121 countries ¹
	Founding member of G6 alliance and THE Alliance, which is one of the largest operating container shipping alliances representing around 17% share of global transport capacity ²
	Transport volume of approximately 7.6 million TEU in 2016
	Approximately 14,700 customers worldwide as of 31 March 2017
	EUR 2,132.1m of sales and EUR 131,3m of EBITDA as of 31 March 2017
	A total of 9,225 FTE worldwide ¹

(1) According to management information as of March 31, 2017

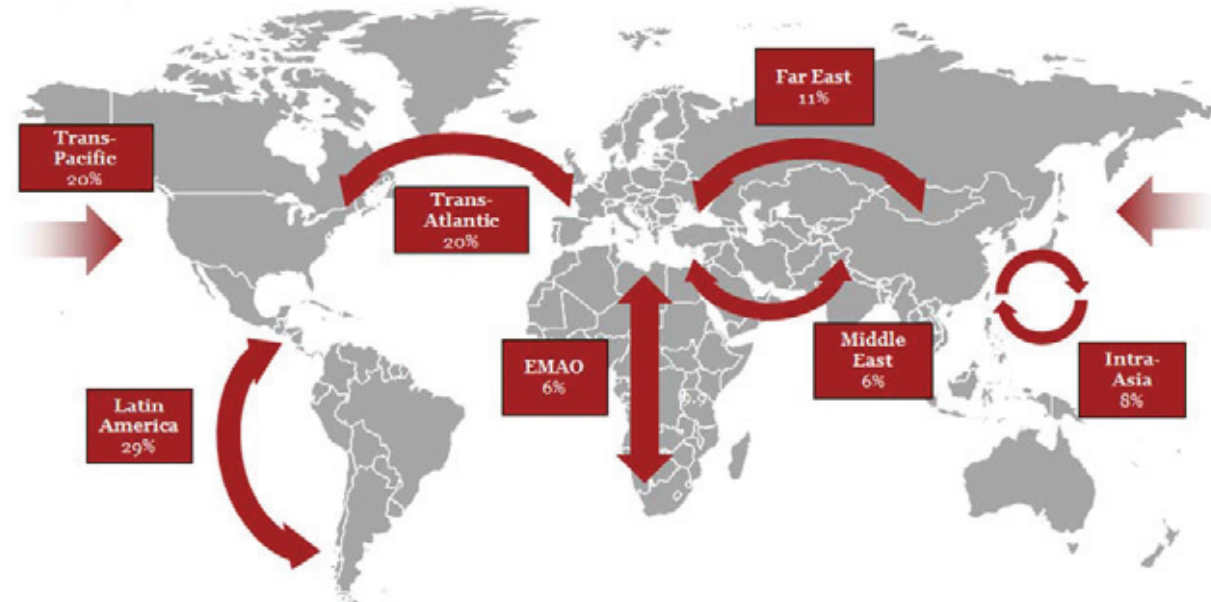
(2) Alliances as of April 2017; share according to MDS Transmodal, February 2016 and Drewry Maritime Research, Q1 2017

Hapag-Lloyd is one of the leading global container liner shipping companies. Measured by capacity of the fleet, the Company is the largest container shipping line based in Germany and one of the largest in the world (MDS Transmodal, April 2017).

As a global shipping company Hapag-Lloyd employs 9,225 FTEs as of March 31, 2017 and operates one corporate headquarter in Hamburg (Germany) and four regional head-quarters in Hamburg, Piscataway (United States), Singapore and Valparaiso (Chile). 1,381 FTEs or approximately 15% of the total workforce are employed on vessels.

Hapag-Lloyd offers a comprehensive range of services through an extensive network with 118 liner services worldwide, combined with the support of strong local presences with 364 sales offices including agents in 121 countries as of March 31, 2017. The Company offers complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet the customers' transport service requirements. Hapag-Lloyd's services cover the entire transport chain but focus on the ocean leg.

Hapag-Lloyd's transport volumes by trade



Source: Hapag-Lloyd as for the three months ended March 31, 2017

Hapag-Lloyd maintains a balanced portfolio of trades distributed among the global main markets. The merger with the container shipping activities of CSAV ('CCS') in 2014 further strengthened the market position in the Latin American and the Atlantic trade.

THE Alliance's capacity share of selected trade as of April 2017

Trade	Market Share	Market Position
Atlantic	34%	2
Transpacific	29%	2
Far East	23%	3

Source: Alphaliner Monthly Monitor, April 2017

Hapag-Lloyd's revenues by trade as of March 31, 2017

Trade	Average Freight Rate (USD/TEU)	Volume (in TEU k)	Freight Revenue (in EUR m)	Share of Revenue (in %)
Atlantic	1,293	389,435	473	22%
Transpacific	1,218	386,105	442	21%
Far East	897	214,786	181	8%
LATAM	1,017	551,632	527	25%
Intra Asia	539	152,422	77	4%
EMAO	1,009	116,602	111	5%
Middle East	791	123,304	92	4%
Total	1047*	1,934,286	1,901**	89%***

(*) average weighted by volume (TEU)

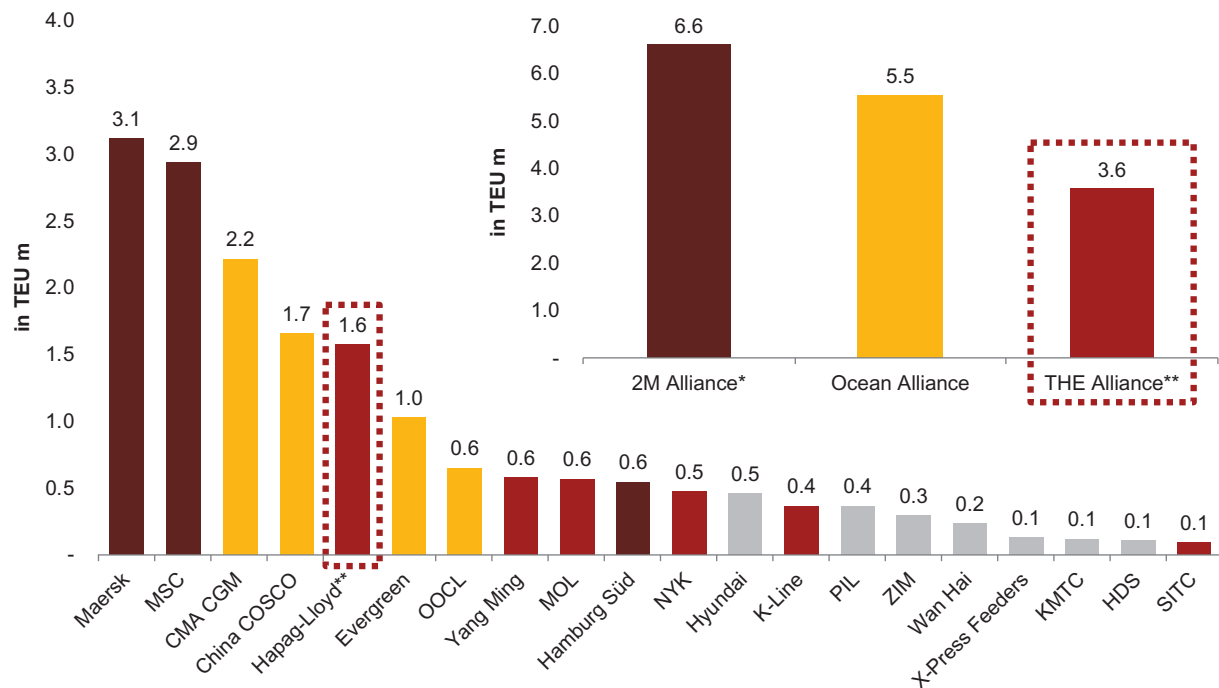
(**) excluding other revenues amounting to EUR 231m

(***) revenue shares calculated as of total freight revenue of EUR 2,132m

Source: Hapag-Lloyd as of March 31, 2017

The Company is one of the founding members of the G6 Alliance. Due to ongoing consolidation activities in the market, the Company engaged in forming a new alliance with a re-organised member structure. THE Alliance (whose other members will be Kawasaki Kisen Kaisha Ltd., Tokyo, Japan ('K-Line'); Mitsui O.S.K. Lines Ltd., Tokyo, Japan ('MOL'); Nippon Yusen Kaisha Lines, Tokyo, Japan ('NYK') and Yang Ming Marine Transport Corp., Keelung, Taiwan ('Yang Ming')) starts its operations in April 2017. With a combined capacity of approximately 3.6 million twenty-foot equivalent units ('TEU') and representing a share of 18% of the global transport capacity, THE Alliance will be one of the world's largest operating container shipping alliances (MDS Transmodal, April 2017 and Management Information).

Top 20 global carriers and largest alliances by capacity as of March 31, 2017



(*) 2M Alliance including Hamburg Süd

(**) Hapag-Lloyd and THE Alliance including UASC

Source: MDS Transmodal as of April 2017; Drewry Maritime Research, Q1 2017

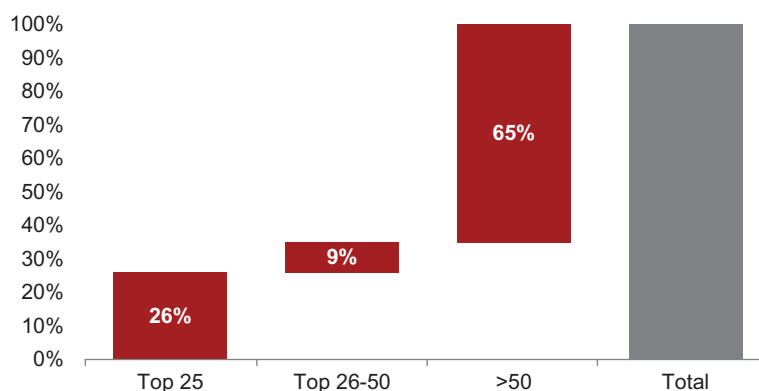
Such alliances allow Hapag-Lloyd to optimise fleet utilisation by sharing capacity and to provide a range and geographic scope of network services that would not be possible if the Company relied solely on its own fleet of vessels. For the three months ended March 31, 2017, approximately 41% of Hapag-Lloyd's total transport volume was carried on either owned or chartered vessels contributed to the G6 Alliance or vessels made available to Hapag-Lloyd through the G6 Alliance. Additionally, the Company has entered into cooperation arrangements with other shipping companies, enabling the Company to offer new products (e.g. reefer products, i.e. fresh temperature controlled products) between Asia and the west and the east coast of Latin America and to enhance its cost and operational efficiency.

Hapag-Lloyd maintains a balanced portfolio of trades distributed among the global main markets. The merger with CCS in December 2014 further strengthened the market position in the Latin American and the Atlantic trade.

The Company has a balanced customer portfolio. As for the three months ended March 31, 2017, no customer had a share of more than 4% of total revenue. Further, approximately 41% of Hapag-Lloyd's customers count for direct customers with long-term commitments, which facilitates planning for future volumes. Due to the long-lasting loyalty of direct customers, there are high entry barriers for competing carriers. Approximately 58% of the Company's customers are freight forwarders, which typically enter into short-term contracts at renegotiated rates. Thus, this customer segment generates cargo in many locations worldwide, which helps the Company to optimise its trade flows. However, the

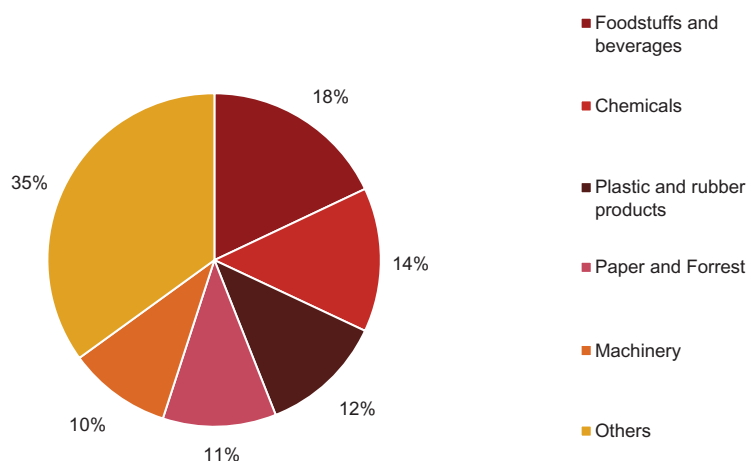
freight forwarders segment is described by low entry barriers for competing carriers. Hapag-Lloyd's diverse mix of cargo from both direct customers and forwarders thus allows for an optimal vessel utilisation.

Customer portfolio as of March 31, 2017



Source: Management Information

Portfolio of transported goods as of March 31, 2017



Source: Management Information

The Company has a diversified portfolio of goods transported with long-term relationships with blue-chip customers, for example BASF, DB Schenker, DHL, Ford, GM, IKEA, and Kuehne+Nagel. No single sector of goods comprised more than 18% of the transported volumes shipped during the three months ended March 31, 2017. Further, non-cyclical products like food, beverages and chemicals build a foundation for strong demand for reefer container transport.

Hapag-Lloyd constantly adjusts to a continuously changing market environment. However, completed mergers and acquisitions activities need to be actively managed. Therefore, Hapag-Lloyd defined and completed initiatives to meet its sustainable growth goals. In the first quarter of 2017, the ongoing programmes CUATRO and OCTAVE were completed. Whereas the former involved the integration of CCS after the merger in December 2014, the latter aimed at efficiency improvements, e.g. in bunker procurement, fleet refurbishment and service structure. Together, the two programmes resulted in annual synergies, efficiency improvements and cost savings of US\$600 million as against the comparable cost base in financial year 2014. However, the achieved savings might be off-set by lower freight rates. Hapag-Lloyd therefore continues its efforts to increase efficiency and launched the OCTAVE II programme, which includes additional measures based on the OCTAVE programme, in the first quarter of financial year 2016.

Additionally, Hapag-Lloyd aims at continuously investing in the modernisation of its vessel and container fleet. Through project 'Close the Cost Gap' the Company planned to increase productivity and efficiency of its owned vessels and containers. However, the planned productivity gains over the next years are not only to be reached through cost cutting and realisation of synergies. Project 'Compete to Win' was initiated in 2016 to ensure that the quality of services offered to customers as well as the marketing of Hapag-Lloyd's global service network improves by enhancing the sales organisation and processes, changing administrative procedures, defining clear responsibilities and launching new tools.

4.2. Description of vessel portfolio

Hapag-Lloyd's vessel portfolio as of March 31, 2017

Capacity (TEU)		Owned	Chartered	Current Fleet
≥12000	Capacity (TEU)	131,674	—	131,674
	Vessels	10	—	10
10000-11999	Capacity (TEU)	42,356	20,020	62,376
	Vessels	4	2	6
8000-9999	Capacity (TEU)	243,614	113,316	356,930
	Vessels	28	13	41
6000-7999	Capacity (TEU)	49,743	43,939	93,682
	Vessels	7	7	14
4000-5999	Capacity (TEU)	68,154	162,321	230,475
	Vessels	15	33	48
2300-3999	Capacity (TEU)	33,800	69,059	102,859
	Vessels	11	23	34
<2300	Capacity (TEU)	3,918	25,605	29,523
	Vessels	2	17	19
Total	Capacity (TEU)	573,259	434,260	1,007,519
	Vessels	77	95	172

* Owned vessels include three finance leased vessels

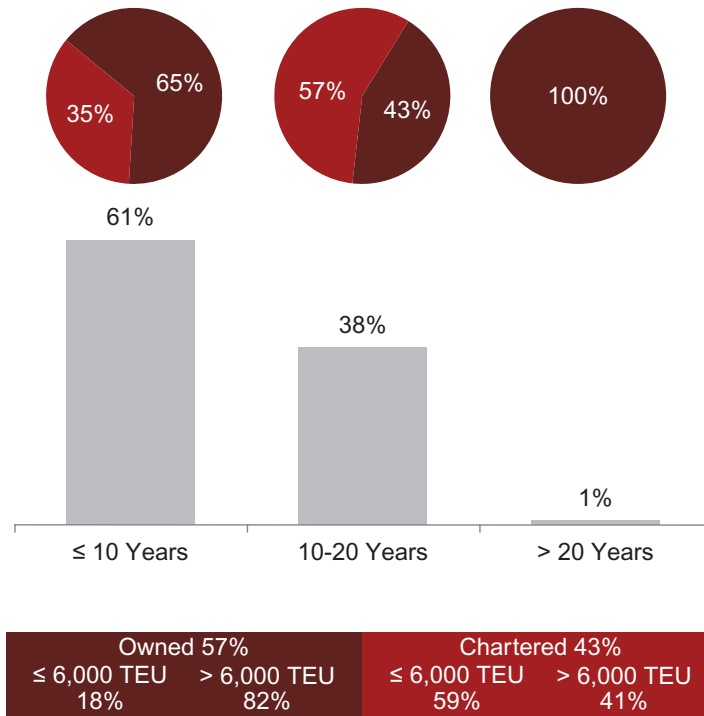
Source: Management Information

As of March 31, 2017, Hapag-Lloyd has a total fleet of 172 container ships with a total transport capacity of 1,007,519 TEU, of which 74 vessels are owned, 3 are finance leased, and 95 are chartered in.

As is customary in the container shipping industry, to meet the demand for container shipping services from customers, Hapag-Lloyd relies on a combination of owned and chartered vessels. The Company seeks to optimise the mix of owned, long-term chartered and leased as well as short-term and mid-term chartered vessels to maintain a stable cost base with the flexibility to obtain additional capacity in response to demand peaks and establish new services. As of March 31, 2017, the Company's order book comprised one vessel with a capacity of 10,500 TEU, which is scheduled for delivery by April 2017.

As of March 31, 2017, Hapag-Lloyd's vessel fleet shows an average age weighted by capacity of 8.5 years. 61% of Hapag-Lloyd's total vessel capacity has been delivered in the last 10 years and 38% between 10 and 20 years ago, whereas 3 vessels (1%) are older than 20 years.

Overall fleet capacity by age and size as of March 31, 2017



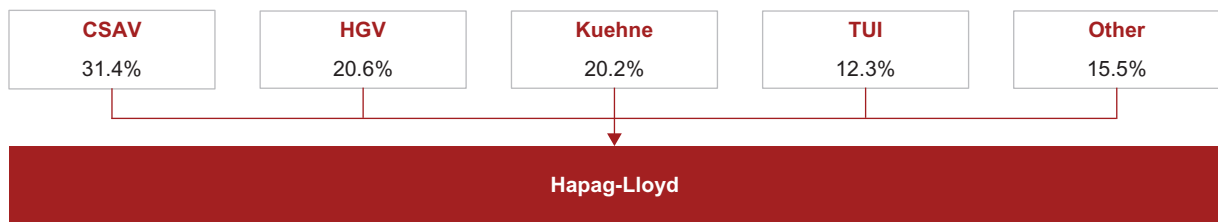
Source: Management Information

As of March 31, 2017, Hapag-Lloyds’ fleet of owned vessels mainly consists of vessels with capacities exceeding 6,000 TEU (approximately 82%). Also, 55% of the total fleet has a capacity in excess of 8,000 TEU, as of March 31, 2017. The fleet of chartered vessels mostly consists of vessels with capacities below or equal to 6,000 TEU (59%). Hapag-Lloyd’s fleet has a larger average capacity of 5,858 TEU compared to the industry average of 3,878 TEU and the average for the top 20 carriers of 5,094 TEU according to Management Information and MDS Transmodal, April 2017.

4.3. Legal and tax situation

Prior to the UASC merger Hapag-Lloyd has four main shareholders, which hold between 12.3% and 31.4% of the shares.

Hapag-Lloyd’s shareholding structure as of March 31, 2017



Source: Management Information (simplified illustration), prior to UASC merger

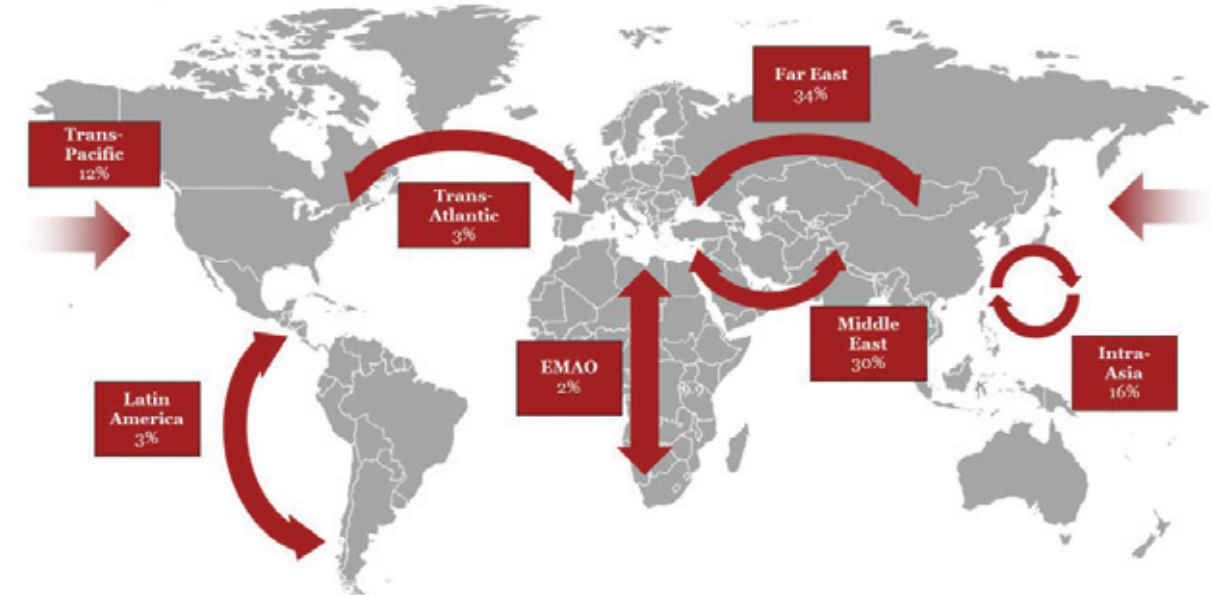
In general, Hapag-Lloyd has opted for its container shipping business to be taxed under the tonnage tax regime. Under the tonnage tax regime, corporate income tax liability is calculated by reference to the aggregate tonnage of Hapag-Lloyd’s container shipping fleet, rather than on the basis of actual income earned. Hapag-Lloyd made an initial election in 1999 to participate in this regime and expects to remain subject to this regime for the foreseeable future.

4.4. The UASC business combination

a) Description of UASC and its trade services

On July 15, 2016 Hapag-Lloyd and UASC entered into a business combination agreement to combine all activities, assets, liabilities, contractual relationships and employees of UASC and certain of its group companies with Hapag-Lloyd to further strengthen the Company's market position.

UASC's transport volumes by trade



Source: Management Information as for the three months ended March 31, 2017

As of March 31, 2017, UASC is the largest container shipping line in the Middle East with a fleet of 58 vessels comprising a total carrier capacity of 565,507 TEU, of which 42 vessels are owned, 16 vessels are chartered in, and 5 are chartered out. Measured by capacity, its average owned vessel age is 4.7 years, which makes UASC operate one of the youngest vessel fleets in the industry. As of March 31, 2017, UASC's order book consisted of two vessels each with a capacity of 14,993 TEU, which are scheduled for delivery during 2017. UASC's services provided to its global customer base consist of sea and ocean containerised cargo, temperature controlled/refrigerated cargo and out-of-gauge cargo shipping services. As of March 31, 2017, UASC's container fleet comprises a total of 739,331 TEU of various types and sizes of containers, containing one of the most modern reefer fleets in the market. UASC has a strong market presence in Far East trade as well as in Intra-Asia trade contributing to its total transport volumes by 34% and 16%, respectively. UASC employed 3,512 FTEs as of March 31, 2017.

As of March 31, 2017, UASC participated in the 'Ocean 3' alliance comprising UASC, CMA CGM and CSG covering routes from Asia to the Americas, Europe and Africa. UASC and Hapag-Lloyd joins THE Alliance together with MOL, 'K' Line, NYK, and Yang Ming as of April 2017.

Hapag-Lloyd – Combined company profile as of March 31, 2017



**Combined
Entity¹**

	HQ: Hamburg, Germany	HQ: Dubai, UAE	HQ: Hamburg, Germany
	Alliance membership: G6	Alliance membership: Ocean 3	Alliance membership: THE Alliance ²
	Vessels: 172 with 1,008 TTEU cap.	Vessels: 58 with 566 TTEU cap.	Vessels: 230 with 1,573 TTEU cap.
	Container capacity: 1,583 TTEU	Container capacity: 739 TTEU	Container capacity: 2,322 TTEU
	Sales/EBITDA (USD\$b): 2.1/0.1 ³	Sales/EBITDA (USD\$b): 0.7/0.1 ³	Sales/EBITDA (USD\$b): 2.8/0.2 ³
	9,225 FTE (7,844 land/1,381 sea)	3,512 FTE (2,877 land/635 sea)	12,737 FTE (10,721 land/ 2,016 sea)

(1) Sum of stand-alone figures

(2) As of April 2017

(3) HL and UASC financials as of March 31, 2017

Source: Management Information

b) Implications for the combined entity Hapag-Lloyd

Combined vessel portfolio as of March 31, 2017

Capacity (TEU)		Owned	Chartered	Current Fleet
≥12000	<i>Capacity (TEU)</i>	503,731	—	503,731
	<i>Vessels</i>	34	—	34
10000-11999	<i>Capacity (TEU)</i>	42,356	40,092	82,448
	<i>Vessels</i>	4	4	8
8000-9999	<i>Capacity (TEU)</i>	243,614	158,036	401,650
	<i>Vessels</i>	28	18	46
6000-7999	<i>Capacity (TEU)</i>	104,943	64,243	169,186
	<i>Vessels</i>	15	10	25
4000-5999	<i>Capacity (TEU)</i>	68,154	166,571	234,725
	<i>Vessels</i>	15	34	49
2300-3999	<i>Capacity (TEU)</i>	71,800	75,417	147,217
	<i>Vessels</i>	21	25	46
<2300	<i>Capacity (TEU)</i>	3,918	30,151	34,069
	<i>Vessels</i>	2	20	22
Total	<i>Capacity (TEU)</i>	1,038,516	534,510	1,573,026
	<i>Vessels</i>	119	111	230

* Owned vessels include 3 finance leased vessels and 5 vessels chartered out

Source: Management Information

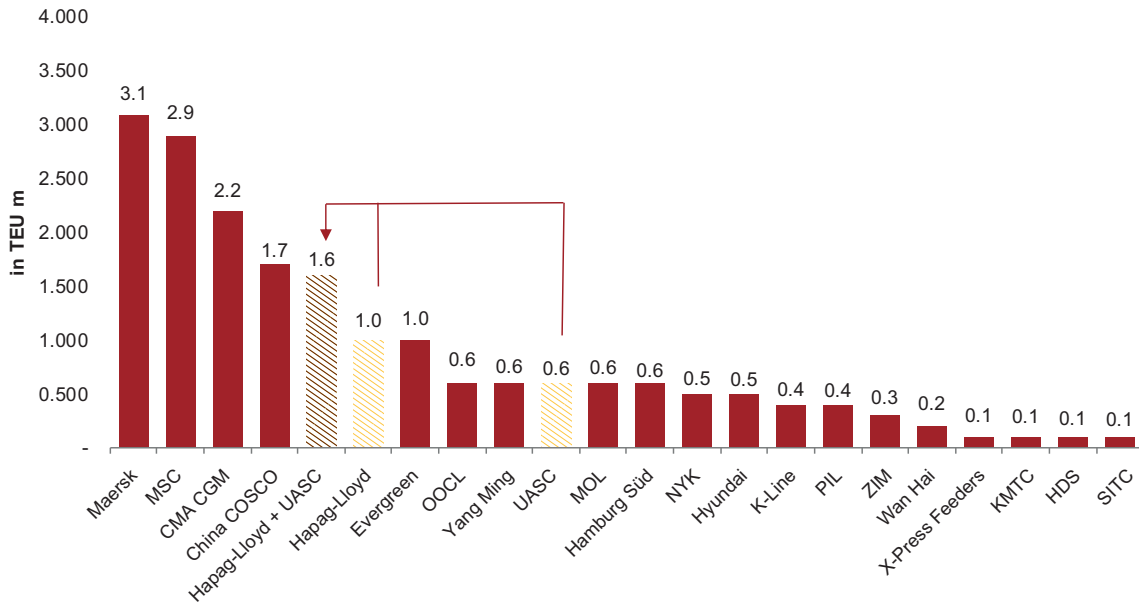
After the merger with UASC, Hapag-Lloyd's combined entity will rank among the largest shipping companies globally and will operate one of the most modern fleets in the industry. With a transport capacity of 1,573 TTEU and an anticipated market share of approximately 8%, the combined undertaking will be the 5th largest carrier in the market. According to Management Information as of March 31, 2017, Hapag-Lloyd's combined fleet is comparably young with an average capacity-weighted age of 7.2 years. Further, Hapag-Lloyd's combined fleet has an average vessel size of 6,839 TEU, whereas the top 20's average vessel size is 5,094 TEU and the world fleet's average vessel size amounts to 3,878 TEU according to MDS Transmodal in April 2017 and Drewry Maritime Research, Q1 2017.

UASC's young, fuel-efficient vessel fleet, which includes 15 Ultra-Large Container Vessels ('ULCV') with a capacity of more than 14,000 TEU, reduces the need for new vessel investment in the

coming years to a large degree and is expected to enable Hapag-Lloyd to achieve significant scale effects. In addition to these strategic and financial advantages, the company expects operational advantages by leveraging synergies in the areas of network, personnel and administrative, terminals/ inland transportation and equipment.

Clear distinction of leading players versus smaller operators

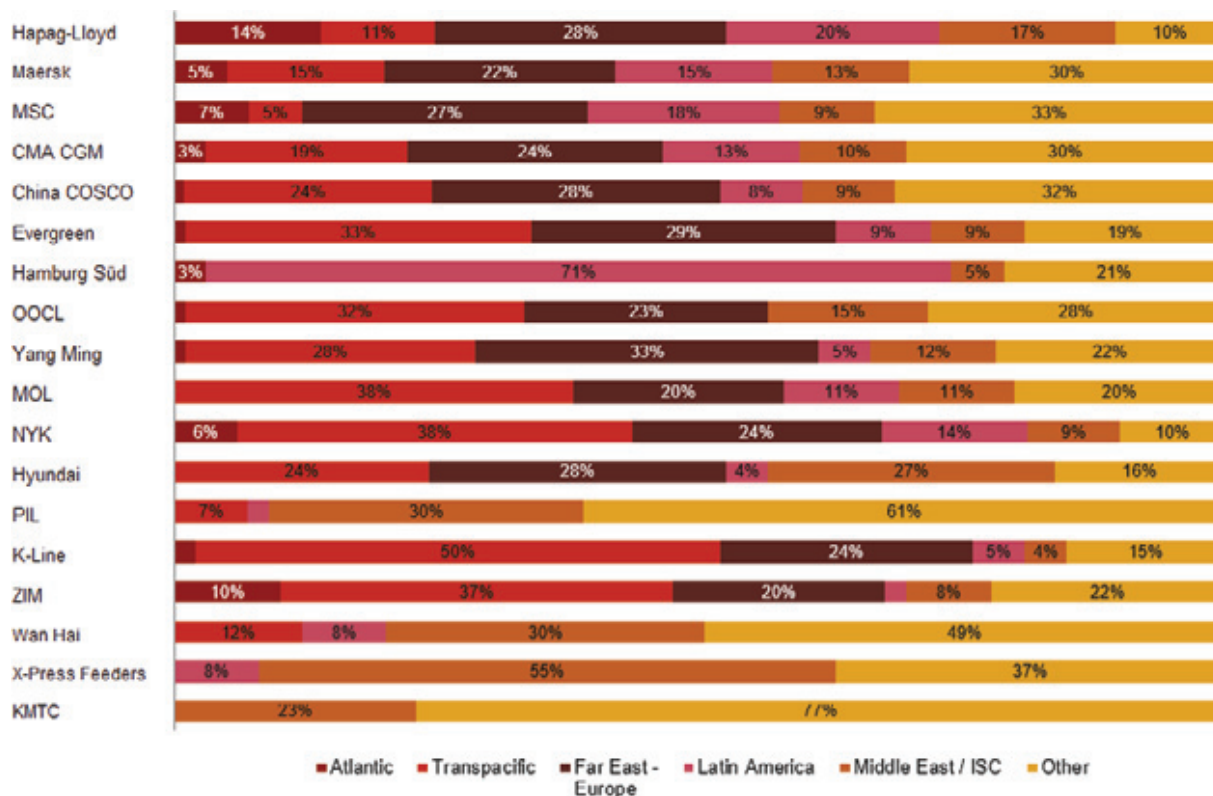
Carrier capacity in mTEU as of March 31, 2017



Source: MDS Transmodal as of April 2017

Hapag-Lloyd's combined vessel fleet consists of a mixture of owned and chartered vessels. While nearly all vessels with a capacity of more than 12,000 TEU are owned, 66% of the vessels with a capacity of less than 4,000 TEU are chartered. The order book comprises another three vessels with a capacity of more than 10,000 TEU each.

Breakdown of capacity operated by trade as of March 31, 2017



(*) Hapag-Lloyd including UASC

(**) Other trades including Sub-Saharan Africa, ANZ/Oceania, Intra-FE, Intra-Europe, unassigned, idle

(***) Breakdown based on capacity deployed by individual carriers on direct services only

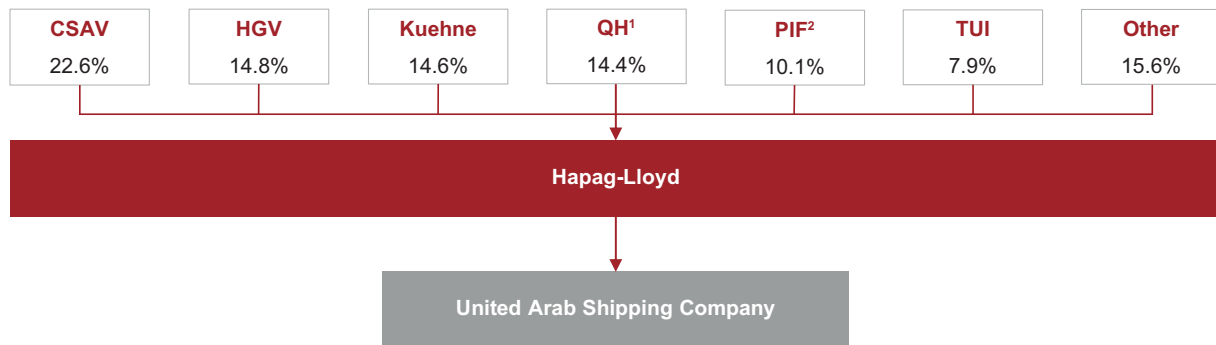
Source: Alphaliner Monthly Monitor, April 2017

For the main trade lines, the combined entity secures a balanced position on all important trades and maintains a high market share in Middle East trade. Due to the UASC Business Combination, Hapag-Lloyd managed a transport volume of at least one million TEU on five main trades (Atlantic, Transpacific, Far East, Latin America and Middle East).

As a result of the UASC business combination, a fifth regional headquarters will be added, which is in Dubai. In total, the combined number of FTEs on a pro-forma basis amounts to 12,737 as of March 31, 2017.

The planned post-merger shareholder structure of Hapag-Lloyd before 'capital increase II' (planned cash capital increase backstopped by incumbent and new key shareholders within six months post-closing) includes shares held by Qatar Holding and the Public Investment Fund of Saudi Arabia of 14.4% and 10.1%, respectively, which are created and obtained by a capital increase against contribution in kind.

Hapag-Lloyd's shareholding structure (combined entity)



(1) "QH" refers to Qatar Holding on behalf of the State of Qatar

(2) "PIF" refers to The Public Investment Fund on behalf of the Kingdom of Saudi Arabia

Source: Management Information

A detailed list of Hapag Lloyd's and UASC's owned vessels is given below:

Combined owned vessel portfolio - valuation data as of March 31, 2017⁽¹⁾

#	Vessel	Flag	Delivery year	Capacity (TEU)	Reefer capacity (TEU)	Energy Efficiency Design Index ("EEDI below baseline")	Electronic controlled main engine	Lifting equipment	Shaft generator	Ice class
1	Ain Snan	Malta	2012	13,100	800	nil	Yes	gearless	Yes	No
2	Al Abdali	Saudi Arabia	1998	3,800	360	nil	No	gearless	No	No
3	Al Bahia	U.A.E	2008	6,900	459	nil	Yes	gearless	No	No
4	Al Dahna	Malta	2016	19,870	1,000	35%	Yes	gearless	Yes	No
5	Al Dhail	Marshall Islands	2016	14,993	1,000	39%	Yes	gearless	Yes	No
6	Al Farahidi	Saudi Arabia	1998	3,800	360	nil	No	gearless	No	No
7	Al Hilal	Qatar	2008	6,900	459	nil	Yes	gearless	No	No
8	Al Jasrah	Marshall Islands	2016	14,993	1,000	39%	Yes	gearless	Yes	No
9	Al Kharj	U.A.E	2008	6,900	459	nil	Yes	gearless	No	No
10	Al Manamah	Bahrain	2008	6,900	459	nil	Yes	gearless	No	No
11	Al Mashrab	Marshall Islands	2016	14,993	1,000	39%	Yes	gearless	Yes	No
12	Al Murabba	Marshall Islands	2015	14,993	1,000	39%	Yes	gearless	Yes	No
13	Al Murayhk	Malta	2015	19,870	1,000	35%	Yes	gearless	Yes	No
14	Al Nasryah	Marshall Islands	2015	14,993	1,000	39%	Yes	gearless	Yes	No
15	Al Nefud	Malta	2015	19,870	1,000	35%	Yes	gearless	Yes	No
16	Al Qlibla	Malta	2012	13,100	800	nil	Yes	gearless	Yes	No
17	Al Rain	Saudi Arabia	1998	3,800	360	nil	No	gearless	No	No
18	Al Rawdah	Marshall Islands	2008	6,900	459	nil	Yes	gearless	No	No
19	Al Riffa	Malta	2012	13,100	800	nil	Yes	gearless	Yes	No
20	Al Safat	Kuwait	2008	6,900	360	nil	Yes	gearless	No	No
21	Al Zubara	Malta	2015	19,870	1,000	35%	Yes	gearless	Yes	No
22	Alula	Malta	2012	13,100	800	nil	Yes	gearless	Yes	No
23	Antofagasta Express	Chile	2015	3,508	466	nil	Yes	geared	No	No
24	.Antwerpen Express	Germany	2013	13,167	800	37%	Yes	gearless	Yes	No
25	Asir	Saudi Arabia	1998	3,800	360	nil	No	gearless	No	No
26	Barzan	Malta	2015	19,870	1,000	35%	Yes	gearless	Yes	No
27	Basle Express	Germany	2012	13,167	800	35%	Yes	gearless	Yes	No
28	Berlin Express	Germany	2003	7,506	700	29%	No	gearless	Yes	No
29	Bremen Express	Germany	2008	8,749	730	45%	Yes	gearless	Yes	No
30	Budapest Express	Germany	2010	8,749	730	26%	Yes	gearless	Yes	No
31	Callao Express	Germany	2016	10,589	2,100	40%	Yes	gearless	No	No
32	Cartagena Express	Germany	2017	10,589	2,100	40%	Yes	gearless	No	No
33	Cauquenes	Liberia	2015	9,300	1,400	nil	No	gearless	No	No
34	Cautin	Liberia	2014	9,300	1,400	nil	No	gearless	No	No
35	Chacabuco	Liberia	2006	5,527	500	nil	No	gearless	No	No
36	Charleston Express	United States	2002	3,237	400	nil	No	geared	No	No
37	Chicago Express	Germany	2006	8,749	730	45%	Yes	gearless	Yes	No
38	Cisnes	Liberia	2015	9,300	1,400	nil	No	gearless	No	No

#	Vessel	Flag	Delivery year	Capacity (TEU)	Reefer capacity (TEU)	Energy Efficiency Design Index ("EEDI below baseline")	Electronic controlled main engine	Lifting equipment	Shaft generator	Ice class
39	Cochrane	Liberia	2015	9,300	1,400	nil	No	gearless	No	No
40	Colombo Express	Germany	2005	8,749	730	36%	Yes	gearless	Yes	No
41	Copiapo	Liberia	2014	9,300	1,400	nil	No	gearless	No	No
42	Corcovado	Liberia	2015	9,300	1,400	nil	No	gearless	No	No
43	Coyhaique	Liberia	2015	9,300	1,400	nil	No	gearless	No	No
44	Dalian Express	Germany	2001	7,506	700	29%	No	gearless	Yes	No
45	Dallas Express	Germany	2000	4,864	370	22%	No	gearless	Yes	No
46	Deira	U.A.E	1998	3,800	360	nil	No	gearless	No	No
47	Dublin Express	Germany	2002	4,121	1,300	32%	No	gearless	No	No
48	Düsseldorf Express	Germany	1998	4,612	350	20%	No	gearless	Yes	No
49	Essen Express	Germany	2013	13,167	800	36%	Yes	gearless	Yes	No
50	Fowairret	Saudi Arabia	1998	3,800	360	nil	No	gearless	No	No
51	Frankfurt Express	Germany	2010	8,749	730	27%	Yes	gearless	Yes	No
52	Glasgow Express	Germany	2002	4,121	1,300	31%	No	gearless	No	No
53	Guyaquil Express	Germany	2017	10,589	2,100	40%	Yes	gearless	No	No
54	Hamburg Express	Germany	2012	13,169	800	35%	Yes	gearless	Yes	No
55	Hanover Express	Germany	2007	8,749	730	45%	Yes	gearless	Yes	No
56	Hong Kong Express	Germany	2013	13,167	800	36%	Yes	gearless	Yes	No
57	Jazan	Saudi Arabia	2008	6,900	459	nil	Yes	gearless	No	No
58	Jebel Ali	Malta	2012	13,100	800	nil	Yes	gearless	Yes	No
59	Kobe Express	Germany	1997	4,612	350	20%	No	gearless	Yes	No
60	Kuala Lumpur Express	Germany	2008	8,749	730	45%	Yes	gearless	Yes	No
61	Kyoto Express	Germany	2005	8,749	730	44%	Yes	gearless	Yes	No
62	Leverkusen Express	Germany	2014	13,167	800	34%	Yes	gearless	Yes	No
63	Limari	Germany	2005	4,045	879	nil	No	gearless	No	No
64	Linah	Marshall Islands	2015	14,993	1,000	39%	Yes	gearless	Yes	No
65	Lisbon Express	Bermuda	1995	2,494	314	nil	No	gearless	No	Yes
66	Liverpool Express	Germany	2002	4,121	1,300	30%	No	gearless	No	No
67	London Express	Germany	1998	4,612	350	19%	No	gearless	Yes	No
68	Ludwigshafen Express	Germany	2014	13,167	800	36%	Yes	gearless	Yes	No
69	Maipo	Liberia	2010	6,589	1,162	nil	No	gearless	No	No
70	Malik Al Ashtar	Malta	2012	13,100	800	nil	Yes	gearless	Yes	No
71	Mapocho	Chile	1999	1,620	200	nil	No	geared	No	No
72	Mayssan	Bahrain	2008	6,900	459	nil	Yes	gearless	No	No
73	Mehuin	Liberia	2011	6,589	1,162	nil	No	gearless	No	No
74	Milan Express	Bermuda	1996	2,489	150	nil	No	gearless	No	Yes
75	Mississauga Express	Bermuda	1998	2,808	248	nil	No	gearless	No	Yes
76	Montreal Express	Bermuda	2003	4,402	300	nil	No	gearless	No	Yes
77	Nagoya Express	Germany	2010	8,749	730	25%	Yes	gearless	Yes	No
78	Najran	Saudi Arabia	1998	3,800	360	nil	No	gearless	No	No
79	New York Express	Germany	2012	13,167	800	36%	Yes	gearless	Yes	No
80	Ningbo Express	Germany	2002	7,506	700	28%	No	gearless	Yes	No
81	Osaka Express	Germany	2007	8,749	730	36%	Yes	gearless	Yes	No
82	Ottawa Express	Bermuda	1998	2,808	248	nil	No	gearless	No	Yes
83	Palena	Liberia	2006	6,541	600	nil	No	gearless	No	No
84	Philadelphia Express	United States	2003	3,237	400	nil	No	geared	No	No
85	Prague Express	Germany	2010	8,749	730	27%	Yes	gearless	Yes	No

Combined owned vessel portfolio - valuation data as of March 31, 2017⁽²⁾

#	Vessel	Flag	Delivery year	Capacity (TEU)	Reefer capacity (TEU)	Energy Efficiency Design Index ("EEDI below baseline")	Electronic controlled main engine	Lifting equipment	Shaft generator	Ice class
86 .	Quebec Express	Germany	2006	4,045	879	nil	No	gearless	No	No
87 .	Rotterdam Express	Germany	2000	4,890	370	21%	No	gearless	Yes	No
88 .	Sabya	Saudi Arabia	1998	3,800	360	nil	No	gearless	No	No
89 .	Sajir	Marshall Islands	2014	14,993	1,000	39%	Yes	gearless	Yes	No
90 .	Sakaka	Saudi Arabia	1998	3,800	360	nil	No	gearless	No	No
91 .	Salahuddin	Marshall Islands	2015	14,993	1,000	39%	Yes	gearless	Yes	No
92 .	San Antonio Express	Chile	2015	3,508	466	nil	Yes	geared	No	No
93 .	Seoul Express	Germany	2000	4,890	370	42%	No	gearless	Yes	No
94 .	Shanghai Express	Germany	2013	13,167	800	36%	Yes	gearless	Yes	No
95 .	Sofia Express	Germany	2010	8,749	730	27%	Yes	gearless	Yes	No
96 .	St. Louis Express	United States	2002	3,237	400	nil	No	geared	No	No
97 .	Sudair	Saudi Arabia	1998	3,800	360	nil	No	gearless	No	No
98 .	Tayma	Malta	2012	13,100	800	nil	Yes	gearless	Yes	No
99 .	Tempanos	Liberia	2011	8,004	1,500	nil	No	gearless	No	No
100	Teno	Liberia	2011	8,004	1,500	nil	No	gearless	No	No
101	Tihama	Malta	2016	19,870	1,000	35%	Yes	gearless	Yes	No
102	Tirua	Liberia	2012	8,004	1,500	nil	No	gearless	No	No
103	Tokyo Express	Germany	2000	4,890	370	21%	No	gearless	Yes	No
104	Tolten	Liberia	2012	8,004	1,500	nil	No	gearless	No	No
105	Toronto Express	Bermuda	2003	4,402	300	nil	No	gearless	No	Yes
106	Torrente	Liberia	2011	8,004	1,500	nil	No	gearless	No	No
107	Tsingtao Express	Germany	2007	8,749	730	45%	Yes	gearless	Yes	No
108	Tubul	Liberia	2011	8,004	1,500	nil	No	gearless	No	No
109	Tucapel	Liberia	2012	8,004	1,500	nil	No	gearless	No	No
110	Ulsan Express	Germany	2014	13,169	800	36%	Yes	gearless	Yes	No
111	Umm Qarn	Marshall Islands	2016	14,993	1,000	39%	Yes	gearless	Yes	No
112	Umm Salal	Malta	2011	13,100	800	nil	Yes	gearless	Yes	No
113	Unayzah	Malta	2012	13,100	800	nil	Yes	gearless	Yes	No
114	Valencia Express	Bermuda	1996	2,298	149	nil	No	gearless	No	Yes
115	Valparaiso Express	Germany	2016	10,589	2,100	40%	Yes	gearless	No	No
116	Vienna Express	Germany	2010	8,749	730	25%	Yes	gearless	Yes	No
117	Washington Express	United States	2003	3,237	400	nil	No	geared	No	No
118	Yantian Express	Germany	2002	7,506	700	29%	No	gearless	Yes	No
119	Yorktown Express	United States	2002	3,237	400	nil	No	geared	No	No

Source: Management information

The newly built vessels 'Cartagena Express' and 'Guyaquil Express' were delivered in January and in the beginning of February 2017, respectively.

5. Determination of the vessel value

5.1. Analysis of market prospects of the vessel portfolio

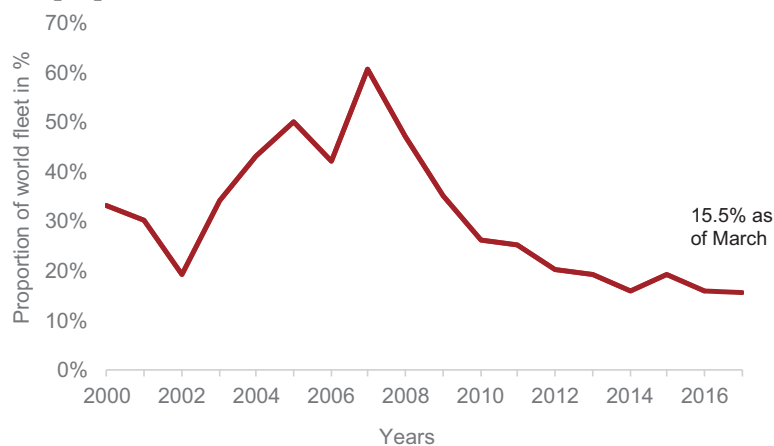
a) General developments in the container shipping industry

Container shipping industry is still highly competitive

Although consolidation in the global container shipping industry has accelerated, it is still characterised by a fragmented market and intense competition among the shipping companies. As of March 31, 2017, the top 20 largest carriers by capacity account for approximately 88% of the global fleet capacity according to MDS Transmodal in April 2017. Hapag-Lloyd and UASC will have a combined market share of approximately 8%. The combined entity will thus be one of the biggest carriers worldwide. As there are no restrictions for competitors or new market entrants to expand or set up services on certain trades and also considering the current low charter rates for vessels, new competitors could easily emerge (given sufficient capital resources). Thus, freight rates, which are primarily determined by transport volumes and available transport capacities in a trade, are expected to be continuously subject to fluctuations.

Global order book as a proportion of world fleet further normalises

Global order book as a proportion of world fleet



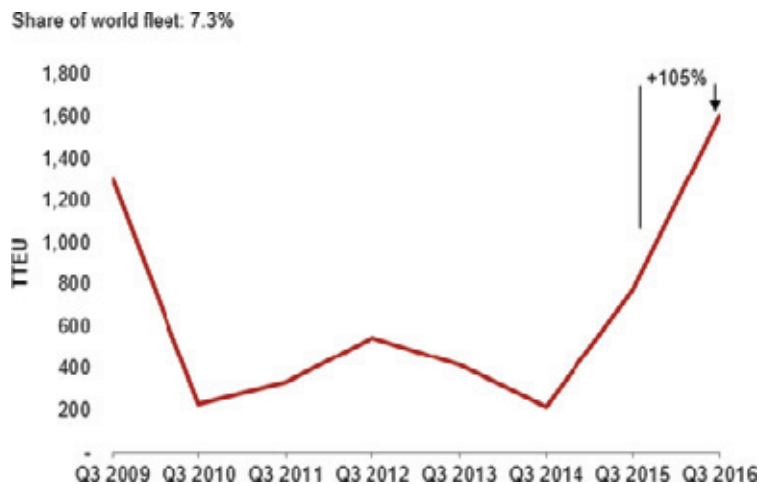
Source: Clarksons, MDS Transmodal April 2017

From 2004 to 2008, the container shipping industry faced exuberant ordering activities which reached their peak in 2007, when the global order book was approximately 61% of the world fleet. According to MDS Transmodal in April 2017 and Drewry Maritime Research in Q1 2017, the order book amounted to about 3.1 million TEU representing about 15.5% of the current global fleet capacity as of March 31, 2017. Also, the order book structure has changed. The demand for vessels with a capacity of less than 8,000 TEU has rapidly diminished. Instead, the proportion of vessels with a capacity of more than 10,000 TEU in the global order book continues to increase. According to MDS Transmodal in April 2017, the capacity of vessels with a transport capacity between 3,000 and 5,100 TEU accounted for only about 19.2% of global transport capacity of approximately 20.0m TEU as of March 31, 2017. Carriers have increasingly been using larger vessels to leverage economies of scale. They benefit from lower operating and voyage costs, such as fuel, port and canal fees, manning, repairs, insurance and ship management costs. Ultra-Large Container Vessels ('ULCV') with a capacity of more than 14,000 TEU are particularly used in the Far East trade. However, due to their size as well as limitations of port and land side operations, the port access for ULCVs is limited to specific deep water ports in Asia and Europe. Additionally, the port time of larger container ships increases with larger vessel size which, may lead to time delays. While vessel cost per TEU continue to decrease, the respective handling costs increase. Thus, economies of scale go down with the increase in vessel size. The last order for an ULCV of 18,000 TEU was placed in November 2015. As of March 31, 2017, there were 95 ULCV on order to be delivered until 2020, according to MDS Transmodal in April 2017.

With the opening of the expanded Panama Canal in 2016, scrapping of inefficient vessels is expected to stay at high levels since the purpose-built Panamax vessels (up to approximately 5,100

TEU) will be replaced by larger vessels with a capacity of up to 14,000 TEU that will be able to use the widened Panama Canal locks. According to Drewry Maritime Research in Q1 2017, scrapping of inefficient container ships reached its highest point and amounted to around 659,000 TEU in 2016, compared to 193,000 TEU in 2015, and is expected to stay at high levels with 650,000 TEU in 2017. Due to the high scrapping activity, the average age of scrapped vessels decreased from 28 years in 2011 to an average age of 19 years in 2016, according to Clarksons Research in February 2017.

High amount of idle vessels

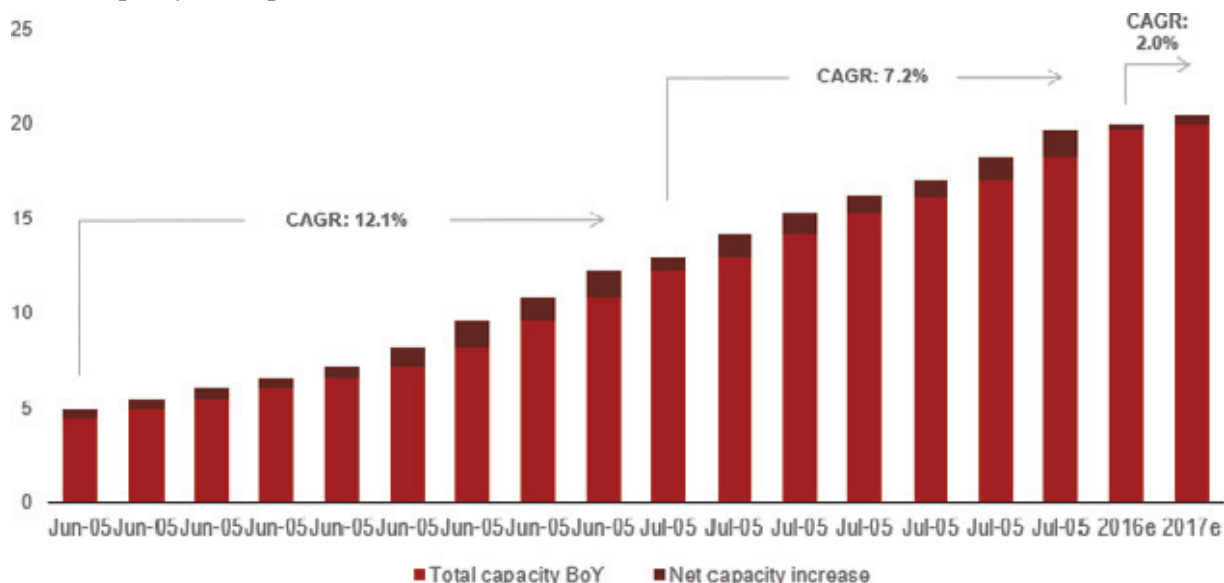


Source: Alphaliner Weekly Review in October 2016, MDS Transmodal, Clarksons

The relatively low proportion of global order book as well as a high scrapping ratio indicates decreasing supply in global transport capacity. However, this effect is compensated by the high amount of idle vessels in the market. As of October 2016, approximately 7.3% of the world fleet was idle, representing an increase of 105% compared to Q3 2015. As these ships re-enter the market and global supply increases, freight rates will face further downward pressure. As soon as orders are booked, the level of scrapping and the number of idle vessels normalise, supply and demand are expected to provide for more stable freight rates.

Due to global economic crisis in 2009, carriers started with slow-steaming activities, which significantly increased the number of ships employed on a loop. This absorption of existing nominal container capacity has positive effects on market supply as more ships are needed to connect the ports.

Global capacity development



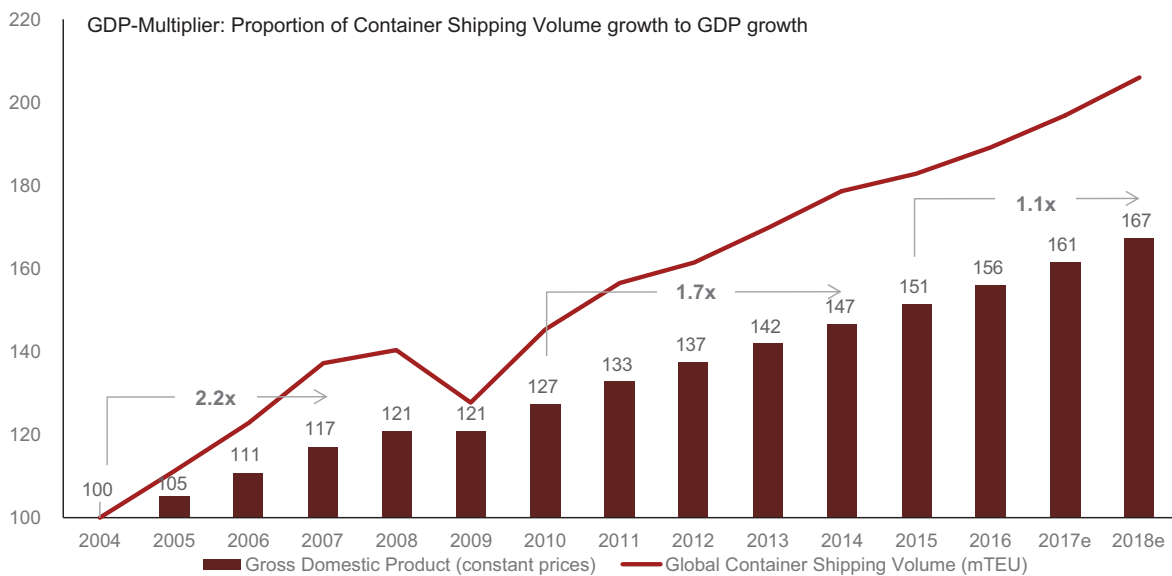
Source: Clarksons, April 2017 for the years 2000-2012; Drewry Maritime Research, Q1 2017 for the years 2013-2017

The graph above shows historical and expected global capacity development as well as net capacity development (supply growth netted against expected scrapping) of the global container vessel fleet in million TEU. According to Drewry Maritime Research in Q1 2017, the transport capacity of the global container ship fleet is expected to grow by 0.5 million TEU (4.0%) to 20.5 million TEU at the end of 2017. From 2000 to 2008, the total capacity at year end grew with a compound annual growth rate ('CAGR') of 12.1%. This development slowed down after the financial crisis 2008/2009 to a CAGR of 7.2% for the years 2009 till 2015. Due to ongoing consolidation activities in the market and the high scrapping level in 2016, global capacity growth is expected to decrease to a CAGR of 2.0% for the years 2016 and 2017.

Demand is highly correlated with world GDP

The continuing globalisation largely impacts the growth of the global container shipping industry. Manufacturing still continues to move away from high labour-cost countries to low labour-cost countries, primarily to Asia. Gross domestic product ('GDP') and production in newly industrialised countries in Asia and Latin America have picked up in recent years. Both lead to further growth in containerised transport volumes. Corporations in the container shipping industry also profit from increasing containerisation. Container shipping has constantly replaced other forms of shipping such as bulk cargo or roll-on/roll-off. The use of standardised containers enhances transit times, facilitates intermodal transport in supply chains, improves turnaround time of ships and reduces damage to and theft of goods. Due to the factors mentioned above, the container shipping industry experienced strong growth rates in the last decade, and the demand for capacities is expected to grow further in the next years.

Container shipping volume and global GDP growth



Source: Clarksons Research, February 2017; Container Intelligence Quarterly, various issues; IMF, April 2017

The graph above shows the indexed historical and expected future development of the global container shipping volumes since 2004 compared to the global GDP (2004 = 100). Although the global container shipping volume is expected to grow further, a slower pace is anticipated compared to the last decades. From 2004 to 2007, the growth rate of the global container shipping volume outperformed GDP growth by a factor of 2.2x. This development slowed down to a factor of 1.7x in the years after the economic and financial crisis from 2010 until 2014. According to Clarksons Research in February 2017, Container Intelligence and IMF in October 2016, the container shipping volume growth slowed down further compared to GDP growth resulting in a factor of 1.1x for the years 2015 until 2018. The global container shipping volume is expected to grow by 4.2% to 188.6 mTEU in 2017 and by 4.6% to 197.2 mTEU in 2018. While GDP grew by a CAGR of 3.8% over the whole period shown from 2004 till 2017, global container shipping volume grew by a CAGR of 5.3%.

In this regard, however, it has to be considered that the general applicability and usefulness of GDP estimates for predictions about the future development of the container shipping industry is limited, as GDP predictions are usually short-term, whereas investment decisions in new assets (primarily vessels), which are decisive for supply/demand-balance issues, are carried out with a long-term perspective.

Nevertheless, container trade volumes are sensitive to changes in the world economy as the global economic crisis in 2008/2009 revealed. While container trade volumes grew at a CAGR of 11.1% from 2004 to 2007, the industry only grew by 2.3% in 2008 and had to take a downturn in volumes of 9.0% in 2009.

Imbalances as full container on non-dominant leg per 10 full containers on dominant leg as of March 31, 2017

<u>Leg</u>	<u>Market</u>	<u>Hapag-Lloyd</u>
Atlantic	4	6
Far East	7	7
Transpacific	4	6

* Hapag-Lloyd including UASC

Source: Drewry Maritime Research, Q1 2017

Generally, the profitability of container liners depends on various factors, including the divergent demand in different regions, the available container vessel capacity, the structure of the container vessel fleet on the trades and the level of structural imbalances on the trades. All trades can be separated in a ‘dominant’ and a ‘non-dominant’ leg, because trade volumes are not equally distributed in both directions. The dominant leg is the trade direction with higher transport volumes. Typically, the greatest imbalances occur on the East-West trades from and to Asia. Imbalances exist because some countries export more TEU than they import. These imbalances have a significant impact on the container shipping industry, as container liners must relocate high numbers of empty containers from importing back to exporting countries. Market imbalances can be seen in the adjacent table.

Cooperation agreements provide for capacity sharing

Instead of fully independent operations, many carriers have entered into cooperation agreements which mainly provide for the sharing of capacity among the parties. They can be divided into slot-charter agreements, slot-swap agreements and vessel-sharing agreements. Under a slot-charter agreement, carriers simply sell certain slots in their vessels to another party. Slot-swap agreements operate in a manner similar to slot-charter agreements; however, instead of purchasing a slot, carriers just exchange slots on each other’s vessels. After entering a vessel-sharing agreement, each participating carrier contributes a certain number of vessels on a service line and allocates a defined proportion of the container space available on the vessels to the other parties of such an agreement. All these agreements enable the participating carriers to cover a broader geographic area and to offer services with higher frequency.

Alliances create long-term relationships

A more intense form of vessel-sharing agreements are alliances which involve the sharing of container vessel capacity among alliance members across specific or multiple trades, creating longer-term and institutionalised relationships between the parties. As of March 2017, there are four major alliances in the global container shipping industry. Due to ongoing intense consolidation activities in the market, the alliances were extensively reorganised and reduced to three major alliances in the second quarter of 2016. The reorganisation of alliance structures becomes operational as of April 2017. According to MDS Transmodal in April 2017, the three major alliances 2M, THE Alliance and Ocean Alliance together represent approximately 79% of the world’s container vessel fleet as of April 2017.

New alliances set-up as of April 2017



(1) Maersk including Hamburg Süd

(2) Hapag-Lloyd including UASC

Source: Hapag-Lloyd, MDS Transmodal in April 2017

Being a member of an alliance reduces the required investment costs as well, optimises the use of container capacity, leads to more direct port calls and provides a larger network scope with higher service frequency. The improved coverage and the leveraged cost efficiencies help members to stay competitive. Nevertheless, the loss of flexibility and the loss of decision-making power need to be considered. Despite cooperation agreements and alliances, the different carriers remain competitors.

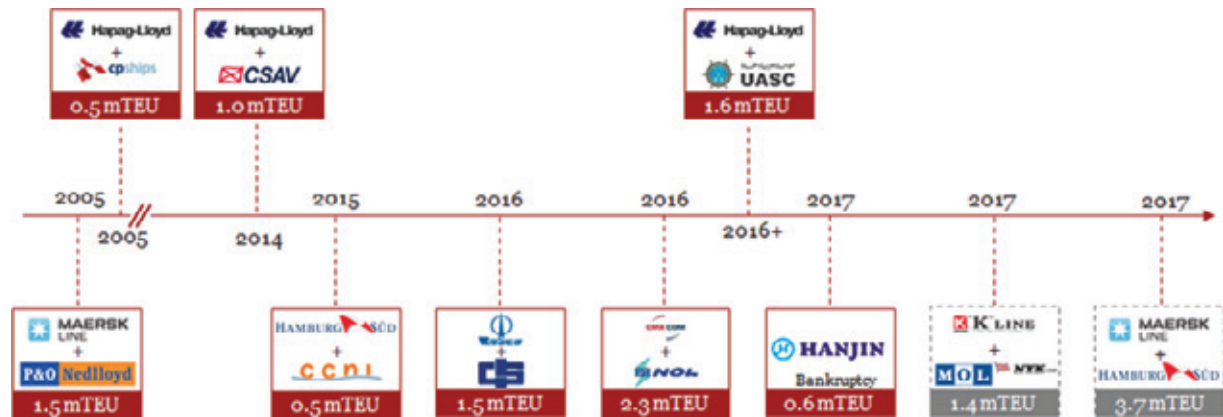
Ongoing industry consolidation

In the past years, primarily until 2007, the container shipping industry experienced a phase of significant consolidation activities. With the merger of the container shipping activities of CSAV in April 2014, Hapag-Lloyd has introduced a new phase of transaction activities. About one year after the closing of the Hapag-Lloyd and CCS merger, the two Chinese shipping companies COSCO and China Shipping Group merged to form China COSCO, which was able to further close the gap to the market leaders in terms of fleet capacity. Following this trend, Hapag-Lloyd agreed on the merger with UASC in July 2016, and CMA CGM merged with NOL after approval by the competition authorities in September 2016.

In February 2017, Korean container shipping company Hanjin has been declared bankrupt. Hanjin operated a fleet of 100 container ships with a transport capacity of approximately 617,000 TEU. Thus, the Korean company was the seventh largest container liner shipping company in the world measured by capacity and had a market share of around 3%.

As the gap between the market leaders and smaller operators increases due to intense mergers and acquisitions activities, Kawasaki Kisen Kaisha (K-Line), Mitsui O.S.K. Lines (MOL) and Nippon Yusen Kabushiki Kaisha (NYK) have agreed to establish a new joint venture to integrate their container shipping businesses. As of January 31, 2017, they comprise a total of around 1.4 million TEU fleet capacity and thus, approximately match the capacity of Hapag-Lloyd or China COSCO. Further, in December 2016, Maersk Line announced to acquire Hamburg Süd. In February 2017, the companies announced the entry into a slot-purchase agreement on the East-West Trades.

Consolidation in container shipping industry



(*) Capacities shown as the total capacities of the combined entities

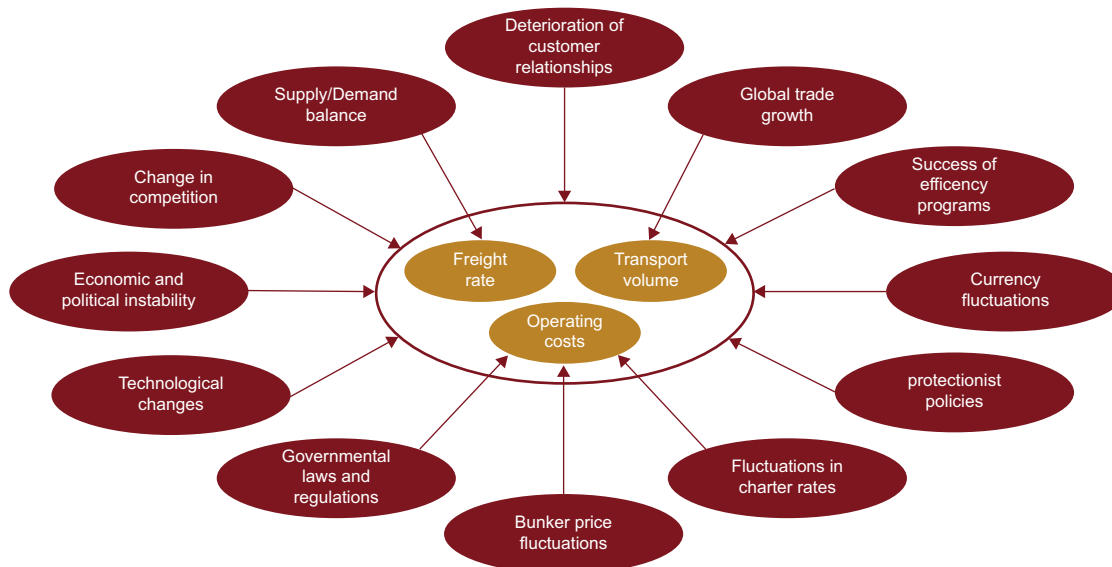
Source: Management Information as of March 2017, Alphaliner, June 2016; MDS Transmodal, April 2017

To summarise, corporations in the container shipping industry face intense competition and prevailing overcapacities. However, especially beyond 2017/2018, the expected continuous growth in demand may compensate or even outmatch net capacity increases. Therefore, the container shipping industry is likely to benefit from a positive trend in the supply and demand balance provided that no disruptive changes in the world economy affect the container shipping volumes.

b) Risk factors associated with performance drivers

The development of the container shipping industry depends on the dynamics of the economic performance of industrialized and newly industrialised countries as well as on the development of global trade. Moreover, political instability and military conflicts have had, and may continue to have, a significant adverse effect on the general economic environment. One or more crises could escalate and spill over into other countries, negatively impact the global economy and have a significant impact on global trade. Therefore, economic downturns and significant market disruptions can heavily affect Hapag-Lloyd's business and financial condition, with several essential influencing factors depicted below:

Risk factors associated with performance indicators



source: PwC Analysis

As freight rates are primarily determined by transport volumes (demand side) and available transport capacities (supply side), a global economic downturn and fluctuations in the demand for container shipping services would result in an oversupply of capacity and continuous pressure on freight rates (which could be observed for the downturn in 2008/2009). As vessels generally have an economic life of 20-25 years and must be ordered up to three years in advance, there can be periods of excess or deficit capacity relative to the demand for transport volumes. Due to the lead time for new vessels, new capacity may enter the market after demand has peaked, leading to a market imbalance that can take years to correct. Thus, increases or decreases in capacity or lower-than-anticipated increases in the demand for container shipping can lead to significantly lower freight rates, on which Hapag-Lloyd has no significant influence.

Apart from the revenue side, Hapag-Lloyd's future business and financial condition could also be affected by increasing transport costs like bunker fuel or personnel expenses. The price of bunker fuel correlates strongly with crude oil prices, which historically exhibited significant volatility – especially considering the decline since the second half of 2014. Hapag-Lloyd primarily tries to pass on bunker price fluctuations to customers through bunker price adjustment factors. To mitigate the risks, Hapag-Lloyd hedges part of this risk exposure and reduces bunker fuel consumption with measures such as slow steaming. As for the beginning of 2017, the Company hedged 28% of the anticipated bunker fuel consumption. However, there is no assurance that such hedging transactions will adequately mitigate the negative impact of rising bunker fuel prices, and the ability to hedge long-term developments is only possible to a certain degree, limiting the Company's influence over its transport expenses to some extent. Moreover, Hapag-Lloyd is required to use significantly more expensive and higher-quality bunker fuels like marine diesel oil ('MDO') when traversing coastal regions in Europe and North America due to changing environmental requirements. Stricter governmental regulations as well as a sustained increase in bunker fuel prices could significantly increase operating expenses of Hapag-Lloyd and have a substantial effect on the Company's business and financial condition.

As charter rates tend to fluctuate in response to market participants' perceptions of supply and demand and are thus largely outside of the control of a single shipping company, adding additional chartered-in capacity can be more expensive in times of strong demand than the cost of owned vessel capacity. In case vessel charter rates rise substantially, Hapag-Lloyd may not be able to pass on increased operating costs to customers.

Hapag-Lloyd incurs higher expenses in euro compared to the revenue it generates in euro and, therefore, is exposed to currency exchange rate fluctuations arising from these differences. Since exchange rates depend on numerous global economic factors, the Company's significant net exposure to the euro could thus negatively impact the future results of operations if future economic developments materially alter exchange rates.

Apart from the risk factors mentioned above, other factors can also have substantial effects on Hapag-Lloyd's business and financial condition like protectionist policies adopted by countries, the Company's ability to keep pace with technological changes, increases in cost or lack of availability of insurance coverage, risks related to Hapag-Lloyd's ability to achieve anticipated cost savings, loss of key management personnel and highly skilled employees and litigation risks, etc. (also please refer to the sections 'forward-looking statements' and 'risk factors' included in the prospectus).

As a result of the remarks made above, projections in the container shipping industry exhibit inherent, considerable uncertainties. Past occurrences have proven that massive external economic shocks (e.g. the economic downturn caused by the bankruptcy of US investment bank Lehman Brothers) can lead to situations significantly different from original market predictions. Combined with all but impossible predictability regarding magnitude and duration of current developments (e.g. market deterioration in China, decrease in bunker fuel prices, insolvency of Hanjin), the conclusions drawn in the plausibility assessment in Section 5.3. have to be viewed in the light of these uncertainties.

5.2. Historical earnings

a) Hapag-Lloyd stand-alone

Hapag-Lloyd stand-alone profit and loss statement

in €m	FY 2014	FY 2015*	FY 2016	3M 2016**	3M 2017**
Volume [kTEU]	5,907	7,401	7,599	n.a.	n.a.
Freight rate [USD/TEU]	1,427	1,225	1,036	n.a.	n.a.
Revenues	6,807.5	8,841.8	7,734.2	1,925.7	2,132.1
Other operating income	116.8	193.7	97.1	22.5	26.3
Transport expenses	(6,060.1)	(7,258.5)	(6,364.0)	(1,592.0)	(1,789.1)
Personnel Expenses	(403.3)	(484.4)	(496.1)	(141.7)	(147.4)
Other operating expenses	(393.3)	(517.7)	(386.2)	(96.9)	(98.2)
Share of profit of equity-accounted investees	34.2	28.5	27.1	5.8	7.6
Other financial results	(2.9)	27.6	(4.7)	—	—
EBITDA	98.9	831.0	607.4	123.4	131.3
Depreciation, amortization and impairment	(481.7)	(464.6)	(481.0)	(118.6)	(127.8)
EBIT	(382.8)	366.4	126.4	4.8	3.5
Interest result	(209.7)	(227.3)	(199.8)	(43.1)	(61.8)
EBT	(592.5)	139.1	(73.4)	(38.3)	(58.3)
Income taxes	(11.2)	(25.2)	(19.7)	(4.5)	(3.8)
Group profit/loss	(603.7)	113.9	(93.1)	(42.8)	(62.1)
EBIT-margin	(5.6%)	4.1%	1.6%	0.2%	0.2%

(*) including CSAV from FY 2015 onwards

(**) unaudited figures

Source: Hapag-Lloyd Annual Reports FY 2014, 2015, 2016, Management Information

Hapag-Lloyd's revenues are mainly generated by transport and various other related services and, to a smaller extent, slot charter, detention and demurrage, which consists of charges for shipments by customers for containers not returned on time. Total revenues decreased from €8,841.8m in FY 2015 by 12.5% or €1,107.6m to €7,734.2m in FY 2016. As the average freight rate decreased from 1,225 USD per TEU in 2015 to 1,036 USD per TEU in FY 2016, Hapag-Lloyd managed to increase total transport volume by 2.7% to 7,599 kTEU in FY 2016. Over the past seven years, Hapag-Lloyd increased its total transport volume by more than 50%, which is mainly attributable to the inclusion of the revenues from the acquisition of CCS in FY 2014 as well as to growing global demand for container shipping transports. From FY 2014 to FY 2016, revenues grew by a CAGR of 6.6%. Regarding the first three months ended March 31, 2017, revenues increased by 10.7% to €2,132.1m compared to the same period in 2016.

Besides these revenues, other operating income primarily includes income from the disposal of assets, exchange rate gains within Hapag-Lloyd mainly from the translation of financial assets and liabilities into USD, income from reversal of provisions, income from write-backs and other income such as compensation from insurance claims, income from the settlement of other claims, office space rentals and various other items. Other operating income decreased significantly from €193.7m in FY 2015 by 49.9% to €97.1m in FY 2016. This decrease was primarily attributable to lower exchange rate gains in FY 2016.

The majority of Hapag-Lloyd's expenses are transport expenses that consist of the costs for raw materials, supplies, purchased goods and the costs of purchased services. The latter include port, canal and terminal costs, container transport costs, chartering, leases and container rental expenses, maintenance and repair costs, as well as other services. Transport expenses decreased from €7,258.5m in FY 2015 by 12.3% to €6,364.0m in FY 2016. These transport expenses account for 82.1% and 82.3% of total revenues in FY 2015 and FY 2016, respectively. While costs of raw materials, supplies and purchased goods, which mainly comprise bunker costs, decreased by 35.6% from FY 2015 to FY 2016, overall costs of purchased services decreased by 8.3%. In general, the decrease in total revenues from FY 2015 to FY 2016 is aligned with the decrease in total transport expenses.

Personnel expenses consist of wages and salaries as well as social security, pension costs and other benefits. These expenses increased by 2.4% or €11.7m to €496.1m in FY 2016, constituting 6.4% of total revenues compared to 5.5% of total revenues in FY 2015. The increase in personnel expenses was primarily attributable to the release of provisions for restructuring in FY 2015, which significantly lowered the total personnel expenses during that period.

Other operating expenses consist of rental and lease expenses, commissions, exchange rate losses on financial assets and liabilities and bank charges, other personnel costs, expenses for charges, fees, consultancy and other professional services, electronic data processing costs including IT leasing, administrative expenses, travel expenses, other taxes, as well as sundry operating expenses. These expenses decreased significantly from €517.7m as for FY 2015 by 25.4% to €386.2m as for FY 2016, constituting 5.0% of total revenues in FY 2016 compared to 5.9% in FY 2015. The decrease in other operating expenses was primarily due to lower periodic-specific exchange rate losses in FY 2016 compared to FY 2015.

The share of profit and loss of equity-accounted investees mainly refers to the share of the results of companies Hapag-Lloyd is invested in, to an extent that Hapag-Lloyd exercises significant influence over the financial and operating policies of these companies. This account decreased from €28.5m in FY 2015 by 4.9% to €27.1m in FY 2016.

Other financial result mainly comprises changes in the time value of options, the recognition of ineffective hedges through profit and loss and minor effects resulting from the application of the spot-to-spot method. Mainly due to withdrawal of subsidiaries from the group of consolidated companies of Hapag-Lloyd, the other financial result decreased significantly from €27.6m in 2015 to €-4.7m in 2016.

Based on the factors described above, Hapag-Lloyd's EBITDA decreased by 26.9% from €831.0m in FY 2015 to €607.4m in FY 2016. Depreciation and amortisation include depreciation of property, plant and equipment as well as amortisation of intangible assets. Property, plant and equipment in use are depreciated on a straight-line basis over the estimated useful life of the assets. Hapag-Lloyd depreciates the container ships based on an estimated useful life of 25 years and the containers based on an estimated useful life of 13 years. Depreciation and amortisation slightly increased by 3.5% from €464.6m in FY 2015 to €481.0m in FY 2016. Since EBITDA decreased and the amount of depreciation, amortization and impairment increased, Hapag-Lloyd's EBIT significantly decreased by 65.6% from €366.4m in FY 2015 to €126.4m in FY 2016, resulting in a lower EBIT margin of 1.6% in 2016 compared to 4.1% in 2015. With regard to the first three months ending March 31, 2017, EBIT almost remained unchanged at €3.5m compared to the same period in 2016, resulting in a constant EBIT margin of 0.2%.

Interest income generally consists of interest income on bank deposits. Interest expense mainly comprises interest on bonds, interest on bank borrowings and interest on loans specifically related to the financing of ships and containers as well as fees and transaction costs for obtaining these borrowings. Moreover, the interest income from fund assets for the financing of pensions and similar obligations and interest cost from valuation of pensions and similar obligations are included. Whereas interest income remained almost unchanged at €5.7m as of FY 2016 compared to €5.6m as of FY 2015, interest expenses decreased by 3.3% from €227.6m in FY 2015 to €220.1m in FY 2016. Additionally, interest expenses from the change in fair value of embedded derivatives positively influenced the interest result in FY 2016 leading to an overall decrease of the negative interest result by 12.1% from €-227.3m in 2015 to €-199.8m in FY 2016.

Due to the significantly lower EBIT in FY 2016, Hapag-Lloyd recorded a negative EBT of €-73.4m in FY 2016 compared to €139.1m and €-592.5m in FY 2015 and FY 2014, respectively.

Income taxes comprise corporate income tax including the solidarity surcharge and trade tax in Germany as well as comparable earnings-related tax in other countries. Additionally, deferred taxes as well as the applicable deferred tax income and expense are considered in this figure. Compared to FY 2015, income taxes decreased by 21.8% from €25.2m to €19.7m in FY 2016. This development was mainly attributable to decreased deferred tax expenses due to lower loss carry-forwards compared to FY 2015.

Adding up all factors described above, Hapag-Lloyd's group profit decreased by €207.0m from €113.9m in FY 2015 to €-93.1m in FY 2016. Regarding the first three months ended March 31, 2017, group loss increased from €-42.8m as for the same period in 2016 to €-62.1m, which can be mainly referred to the increased negative interest result.

Overall, historical development since 2014 has been primarily determined by decreasing freight rates, which could not be compensated by the increase in transported cargo volumes. The group loss resulting from this development in FY 2014 was successfully avoided in FY 2015 mainly due to decreasing bunker prices, realized synergies from CCS' integration and efficiency improvements from cost savings program OCTAVE. Further decrease of freight rates in 2016 was partially offset by ongoing efforts to leverage synergy potentials and cost reductions. Whereas Hapag-Lloyd recorded an EBIT margin of 1.6% in FY 2016, the ongoing challenging market environment led to a group loss of €-93.1m in the respective period.

b) Hapag-Lloyd & UASC combined pro forma financial information

Combined pro-forma profit and loss statement

in €m	FY 2015	FY 2016*	3M 2017*
Revenues	10,897.0	9,995.8	2,834.5
Other operating income	198.0	130.3	33.1
Transport expenses	(9,202.6)	(8,224.2)	(2,319.6)
Personnel Expenses	(545.5)	(686.5)	(196.1)
Other operating expenses	(633.0)	(424.3)	(112.6)
Share of profit of equity-accounted investees	36.2	32.7	8.7
Other financial results	28.6	(3.3)	—
EBITDA	778.7	820.5	248.0
Depreciation, amortization and impairment	(643.0)	(727.4)	(192.8)
EBIT	135.7	93.1	55.2
Interest result	(303.0)	(297.7)	(89.9)
EBT	(167.3)	(204.6)	(34.7)
Income taxes	(40.2)	(38.0)	(7.1)
Group profit/loss	(207.5)	(242.6)	(41.8)
EBIT-margin	1.2%	0.9%	1.9%

(*) Pro Forma Consolidated Income Statement, incl. Pro forma adjustments (unaudited)

Source: Hapag-Lloyd as of 31 March 2017

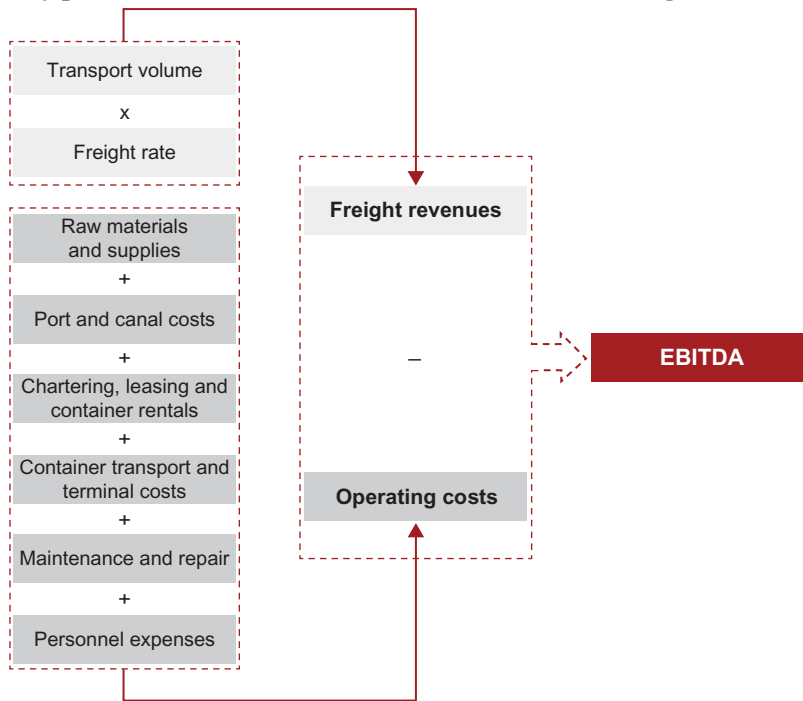
To show financial information of both UASC and Hapag-Lloyd in a combined view resulting from the acquisition of UASC as referred to in section 4.4, **unaudited** pro-forma financial information was prepared by the Company. As to the context of the preparation of this financial information and the underlying assumptions applied for derivation purposes, please refer to section 8 ('Pro Forma Financial Information') of the prospectus.

5.3. Business plan assessment

The plausibility of the key performance assumptions underlying the business plan of Hapag-Lloyd was assessed in the light of both the historical development of the Company and the current and future expected market developments outlined above. For this purpose, we have focused our analysis on the key factors influencing the earnings of container vessels depicted below.

The business plan of Hapag-Lloyd is based on a combined entity view and represents the time period from 2017 to 2020 (hereinafter referred to as the 'combined business plan'). This business plan was derived based on the stand-alone business plans of Hapag-Lloyd and UASC, which were aggregated and adjusted for merger-related effects (synergies, one-offs, etc.) and further effects concerning a combined entity view.

Key performance determinants of container vessel earnings



Source: PwC Analysis

a) *Transport volume*

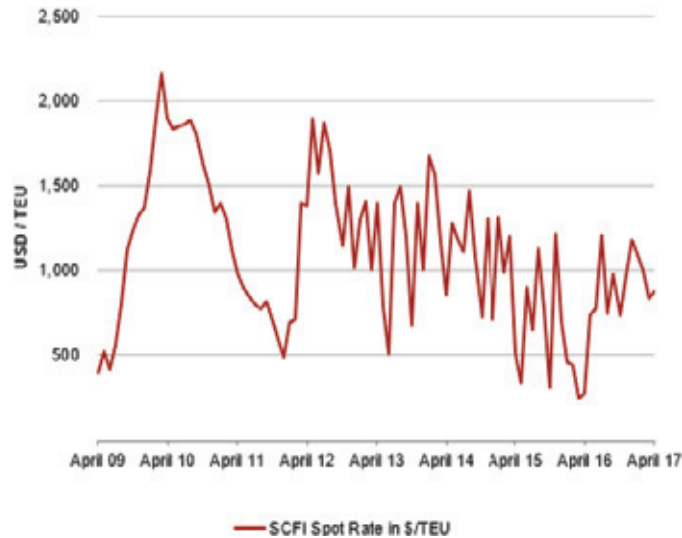
The projected transport volume provided by Hapag-Lloyd includes a detailed breakdown of the anticipated growth by several shipment routes for 2017-2020. To examine these volume projections, we have benchmarked them against a trade volume forecast of an independent research agency.

The forecasts predict moderate overall trade volume growth rates of approximately 3.7% to 5.0% p.a. until 2020. Between different trade routes, growth expectations differ quite substantially, with average growth expectations ranging from 2.9% for the Intra-America route to 7.4% for the Middle East. The total volume growth is expected to be primarily driven by fast-growing Asian countries.

Overall, the projected trade volume forecast and growth rate for the Company appears to be in line with the projections of the independent research agency. Therefore, the forecast of Hapag-Lloyd can be considered comprehensible and plausible.

b) Freight rates

SCFI Spot Freight Rates ex Shanghai to NE

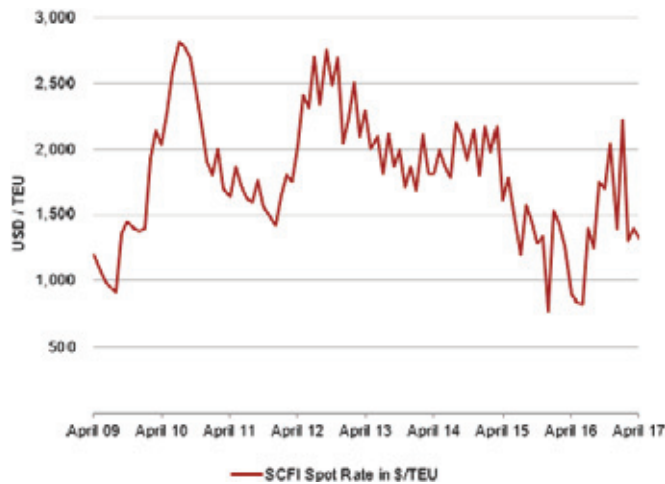


Source: Shanghai Shipping Freight Exchange Co.

To examine the projected freight rates, we have applied a threefold approach. In the first step, we have conducted an analysis of freight forward rates for two key trade routes:

For the Europe-Far East trade, the forward rates of Shanghai Shipping Freight Exchange Co. ('SSEFC'), Shanghai, China are expected to remain stable for the months May until September 2017. The same result can be seen for the Trans-Pacific trade, where the forward rates are expected to stay on the same level from May till September 2017 as well. Together, these developments indicate market expectations of stable freight rates during mid-year 2017, which is in line with planning assumptions of Hapag-Lloyd.

SCFI Spot Freight Rates ex Shanghai to USWC



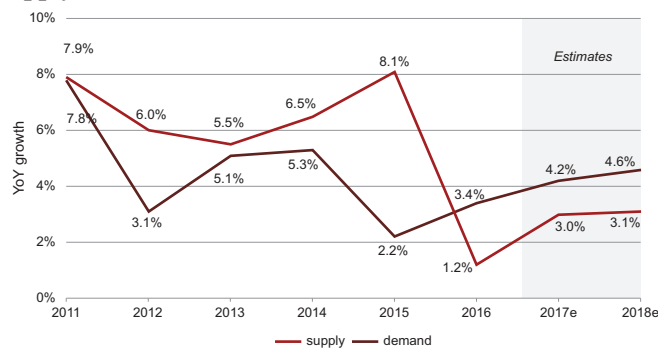
Source: Shanghai Shipping Freight Exchange Co.

In a second step, we used the forecast of financial analysts who cover Hapag-Lloyd to determine the expected freight rates in 2017. We then compared the average freight rate with management assumptions. Accordingly, analysts expect a slight average increase of Hapag-Lloyd's freight rate in 2017, which corresponds with Hapag-Lloyd's projections.

Container market freight rates are largely influenced by the balance of supply (in terms of total available transport capacity) and demand (in terms of transport volume growth) of container shipping services. In a third step, we have thus conducted an analysis of the supply/demand ratio on the

container shipping market, using data provided by Clarkson plc., London. The ratio indicates a slightly increasing freight rate development in 2017 and 2018, corresponding to Hapag-Lloyd's expectations.

Global capacity demand / supply



Source: Container intelligence Quaterly Q1 2017

The global capacity demand / supply, and the analyst forecasts indicate increasing freight rates from 2017 onwards. However, we point out that in the recent past, freight rate forecasts have in part proven to be imprecise. Overall, the expected freight rate development seems plausible.

c) Raw materials and supplies

The expected costs for raw materials and supplies are primarily determined by bunker fuel expenses, which again are mainly influenced by bunker consumption and bunker price development. Hapag-Lloyd hedges about 12 months of the anticipated bunker fuel consumption.

The total costs for raw materials and supplies are assumed to increase slightly faster than the expected trade volume until 2020. The increase is primarily driven by higher bunker fuel expenses.

Historical and Future Bunker Prices



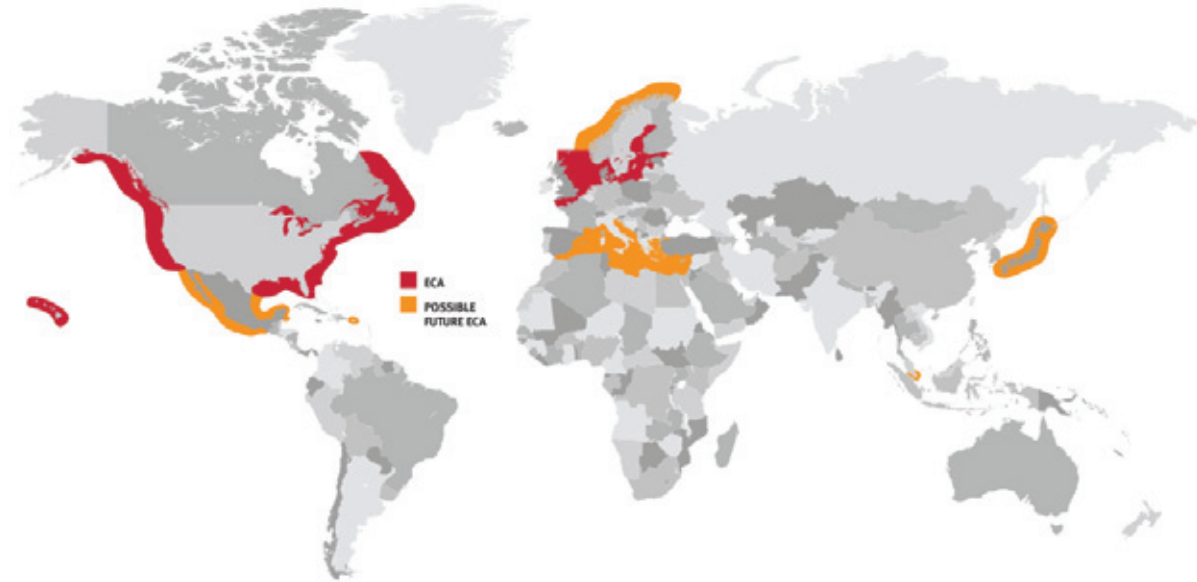
To examine the expected bunker costs, we have reviewed the price assumptions of marine fuel oil ('MFO') until 2020. MFO is the type of fuel that is mostly used by Hapag-Lloyd except within the Emission Control Areas. We compared Hapag-Lloyd's average expected MFO prices with average future prices traded on the New York Mercantile Exchange. The projected average MFO prices used by Hapag-Lloyd are with 314 USD/mt above the average market projections ranging between 252 USD/mt (Bloomberg) and 293 USD/mt (CME group). The latter indicates a cautious planning approach.

However, according to management, Hapag-Lloyd expects to have lower fuel consumption on a per TEU basis compared to the overall shipping market from 2017 onwards, which is explained by the more efficient fleet as well as economies of scale.

These planned cost-saving effects are offset by stricter environmental regulations and the subsequent expected increase in the use of significantly more expensive fuel like marine diesel oil ('MDO'). Under the 'Convention for the Prevention of Pollution from Ships', a sulphur cap of 0.1% within the emission control areas ('ECA') was implemented in January 2015. As of August 2015, four ECAs have been established, including the Baltic Sea, the North Sea, the North American ECA (most of the US and the Canadian coast) and the US Caribbean ECA. The new regulation requires the use of MDO when governing the traversing of coastal regions in Europe and North America.

Overall, the planning for raw materials and supplies appears plausible.

Overview of current and possible future ECA



Source: DuPont

d) Port and canal costs

Port and canal costs mainly include port costs as well as canal charges for passages through the Suez and Panama Canal. These costs are largely fixed cost components. Relating to the costs of purchased services, port and canal costs account for only a small portion of the overall cost position.

The port costs and canal charges are expected to decrease on a per TEU basis from 2016 to 2020. The canal costs are primarily determined by the number of passages as well as size and capacity employed during a passage. According to Hapag-Lloyd management, the expected decrease in port and canal costs is attributable to the continuous cost optimisation of the service profile and less canal transits due to synergies and economies of scale from the larger fleet.

As an additional plausibility check, we compared Hapag-Lloyd's proportion of port and canal costs to transportation costs of Hapag-Lloyd's competitors. Hapag-Lloyd's projections are observed to be roughly in line with current levels of its competitors.

e) Chartering, leasing and container rentals

The main underlying costs of chartering, leasing as well as container rentals include mainly expenses for time charter, slot charter (approximately 85% of expenses) and pool settlements as well as equipment leasing (approximately 15% of revenues). Based on the per-TEU analysis, the expenses are expected to remain relatively flat from 2016 to 2018 but decrease from 2019 onwards. According to Management, this decrease is mainly explained by long-term charter contracts running out.

The amount of container rental expenses primarily depends on the ratio of owned to rented containers. Hapag-Lloyd's current stock of containers consists of more than 960,000 boxes with a capacity of more than 2.2 million TEU, of which approximately 53% of owned containers in 2016 with the remainder being leased or rented. After a significant increase in leased container volume in 2017, the share of owned containers reduces in 2017 but recovers almost to the 2016 level in 2020.

All in all, we consider the costs relating to chartering, leasing and container rentals to be appropriate.

f) Container transport and terminal costs

Container transport and terminal expenses are considered to be fully variable and directly linked to the individual transport and transport volume. To validate the expected transport and terminal costs, we have therefore analysed the costs on a per-TEU basis.

The container transport and terminal costs of Hapag-Lloyd are expected to increase approximately in accordance with the trade volume until 2020. Therefore, the container costs per TEU are expected to be roughly in line with the costs in 2016. According to management, cost-saving programmes as well as economies of scale effects with the terminal operators, which are the result of the integration process, will counter inflation-related price increases.

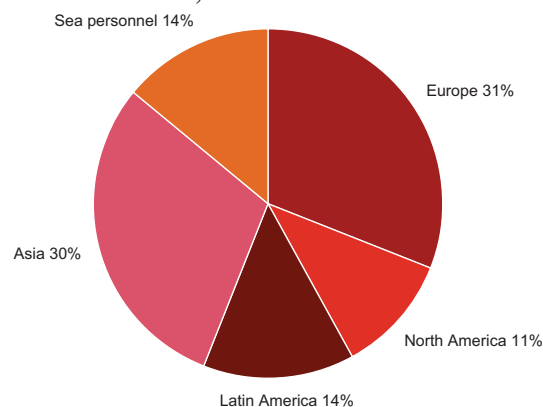
Particularly in the context of the expected increase in individual transport and transport volume, the projected development for container transport and terminal costs appears plausible.

g) Maintenance and repair

Maintenance and repair costs are mainly part of operating expenses ('OPEX') of owned vessels. According to management, these costs are expected to increase steadily from 2016 to 2020. For our plausibility assessment, we compared the expected costs for maintenance and repair on a per-TEU basis. The analysis revealed an increase in maintenance and repair costs between 2016 and 2020 which is slightly above industry expectations for OPEX. However, according to Drewry, especially recent legislation leading to additional technical requirements for vessels will result in a growth for expenditures on repairs and maintenance which is above the growth level for total OPEX. Based on this, the expected ship OPEX of Hapag-Lloyd seem to be plausible and appropriate.

h) Personnel expenses

Hapag-Lloyd stand-alone FTE as of March 31, 2017



Source: Hapag-Lloyd

As of March 31, 2017, the combined entity of Hapag-Lloyd is, as mentioned in section 4, a global shipping Company with a total of 12,737 full-time employees, of which 9,225 work for Hapag-Lloyd stand-alone and 3,512 for UASC stand-alone. The company will operate one corporate headquarter in Hamburg and five regional headquarters in Piscataway (United States), Valparaiso (Chile), Hamburg (Germany), Dubai (UAE) as well as in Singapore. Approximately 16% of the total workforce are employed on vessels.

For our plausibility assessment of personnel expenses, we looked at forecasts for the wage development via projections of world wages for different countries and regions from Korn Ferry Hay Group. We subsequently weighted the wage profile of Korn Ferry Hay Group according to Hapag-Lloyd's approximate country-specific workforce profile to compare the personnel cost development with market expectations.

The forecast personnel expenses of Hapag-Lloyd include expected synergies from personnel reduction. To compare the growth rates to market expectations we have therefore eliminated the

synergy effects. This allows for a comparison of the wage development. The derived personnel expenses growth rate of Hapag-Lloyd from 2016 to 2020 is slightly above the market forecasts. Overall, forecast personnel expenses appear plausible.

i) Other revenues, other operating income and other operating expenses

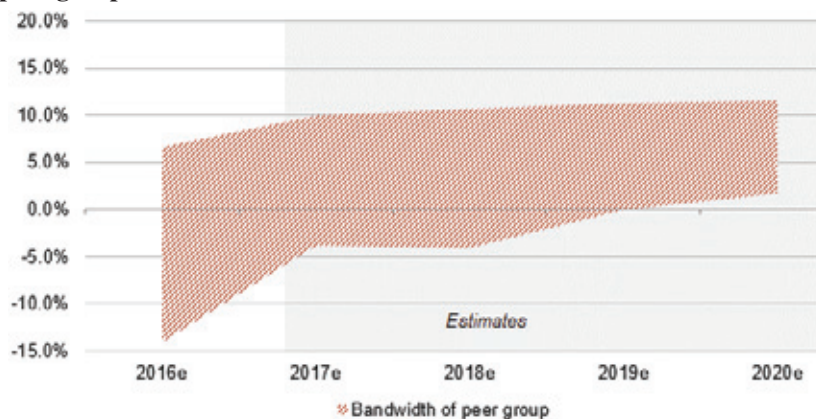
Other revenues are primarily determined by detention and demurrage revenues, financial benefits from previous synergy programmes as well as other external earnings. Hapag-Lloyd expects a moderate increase in the level of other revenues, which can be explained with the synergy programme OCTAVE 2 and increased collections of demurrage and detention revenues. Other operating income is expected to remain roughly constant from 2017 to 2020, slightly below 2016 level. According to management, the development can be explained with foreign currency effects. Overall, we consider the expected development of other revenues and other operating income to be appropriate.

Other operating expenses are expected to decrease in 2017. According to Hapag-Lloyd management, other operating expenses are primarily determined by foreign exchange valuation as well as other general and administrative costs like office costs, IT costs and travel expenses, which are not fully TEU related. We consider the expected development of other operating costs to be comprehensible and appropriate.

j) EBITDA and EBIT margin

The Earnings Before Interest, Taxes, Depreciation and Amortization (‘EBITDA’) constitutes the central input parameter for a valuation of the vessel portfolio. Since the share of owned vessel has increased significantly after the acquisition of UASC and deviates to a certain extent from other companies in the industry, a plausibility assessment based on EBITDA margins of peer group companies is not appropriate. In addition to assessing the plausibility of each key factor influencing container vessel earnings (as laid out above), we have therefore performed a separate analysis of the overall EBIT margin.

EBIT margin of peer group



Source: Analyst consensus

To do so, we have applied a twofold approach. In a first step, we used the forecast of financial analysts who cover Hapag-Lloyd to determine the expected EBIT in the near-term future. We then compared the EBIT margin with the management assumptions. The analysts’ forecasts are roughly in line with Hapag-Lloyd projections in the near-term future.

In the second step, we have compiled a peer group of major container shipping companies that have or have had analyst coverage in the recent past, and compared the current average analyst estimates of EBIT margins to the projected margin of Hapag-Lloyd.

The peer group consists of 8 companies in total, which are among the largest companies (by transport capacity) operating in the container shipping sector. For the medium-term, analysts project increasing margins from 2017 onwards for the peer group.

Regarding the projected EBIT margin of Hapag-Lloyd, average analyst estimates for the peer group are at a more conservative level.

To reflect the results of the peer group comparison of analyst estimates and the prevailing uncertainty of the market development of the key performance drivers (freight rates, transport volume, operating costs) on EBIT margins of Hapag-Lloyd, we derived three alternative scenarios for valuation purposes (base case, high case, low case). These scenarios are further described in section 5.6.

k) Currency fluctuation

Fluctuations in currency exchange rates could have material adverse effects on the business, financial condition and results of operations. As Hapag-Lloyd operates on a worldwide basis, the Company is exposed to currency exchange rate fluctuations as a result of differences in the currency mix of revenue, transport and other expenses. In particular, Hapag-Lloyd incurs higher expenses in euro as compared to the revenue that the Company generates in euro. Therefore, Hapag-Lloyd has a significant net exposure to the euro. This imbalance has and may continue to negatively impact the results of operations when the euro appreciates against the US dollar.

l) Capital expenditure (Dry-Docking)

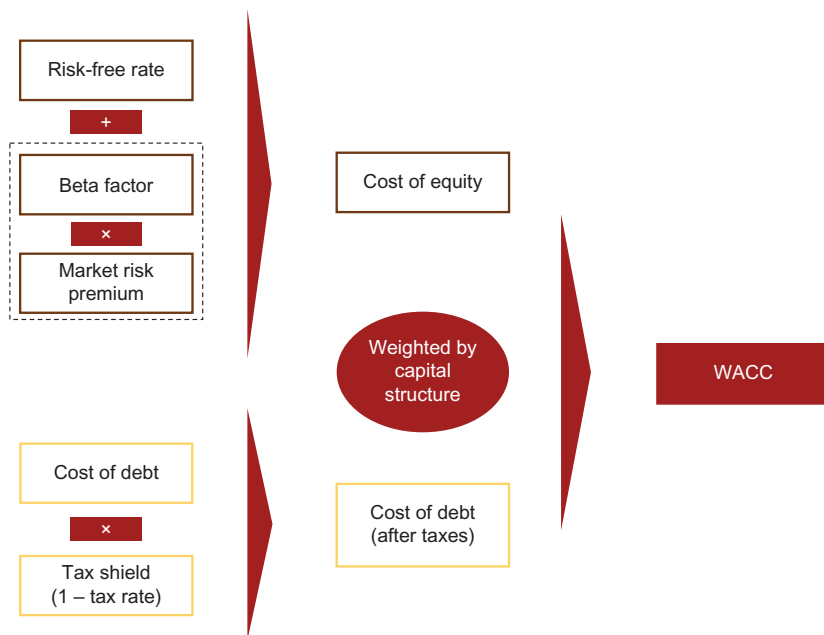
In addition to the EBITDA estimates, for vessel portfolio valuation purposes, capital expenditure has to be considered. Since the valuation object consists of currently owned vessels only, capital expenditure relevant for the valuation primarily comprises expenses for dry-docking. Dry-docking refers to capital expenditure, which are necessary for frequent revision of owned vessels every 5 years while being in dry dock.

In our plausibility assessment of the dry-docking plan, we compared the historical and the projected dry-docking expenses. It can be seen that, after accounting for the expected inflation in the dry-docking estimates, both items are, on average, roughly at the same level, with marginally higher expense projections than historical values. The planning of dry-docking expenses and thus the projected capital expenditure for the currently owned vessel fleet, therefore, appears to be conservative to realistic.

5.4. Derivation of the discount rate

To value the vessel portfolio, cash flows need to be discounted to the valuation date.

The discount rate is based on the Weighted Average Cost of equity and debt Capital ('WACC'). Hereby, the weighting reflects the relative percentages of equity and debt in the Company's capital structure. For functional purposes, the WACC should be broken down into the components, cost of equity and cost of debt capital, when it was being determined.



While determining asset values, the alternative investment and the corresponding yield are generally characterised by an investment in a bundle of publicly listed corporate shares (stock portfolio) adjusted to incorporate the risk structure of the asset to be valued.

Risk-free rate

We have determined year-specific risk-free rates for a period from one year to thirty years using the yield curve of a US government bond (US Treasury Bond).

Risk premium

We applied a market risk premium of 6.0%, which is consistent with recommendations by the IDW.

We used capital market data taken from the financial information service provider S&P Capital IQ, New York ('Capital IQ') to derive the beta factor of comparable listed companies.

For peer group definition, it is generally recommended to compare companies in the same industry.

International, stock-listed container shipping companies were chosen as a peer group. At this point, it is important to note that no company is fully comparable to another.

Discrete stock returns on a monthly base over a period of five years (60 data points) were used for calculating raw beta factors for the individual peer companies. The Morgan Stanley Capital International ('MSCI') World served as a regression index for the beta derivation.

Considering the capital structures of the comparable companies as at the last respective reporting date, we derived unlevered beta factors (beta factor of a debt-free company) from historical monthly data for five years. On the basis of our analysis, we therefore considered an unlevered beta factor of 0.6 to be appropriate for this valuation.

Peer group - derivation of the beta factor

Companies	Country	Index	Raw beta	R ²	T-Test	Equity ratio	Beta (unlevered)
A.P. Møller - Mærsk A/S ...	Denmark	MSCI World Index	1.0	0.2	3.6	76.0%	0.8
Evergreen Marine Corporation (Taiwan) Ltd	Taiwan	MSCI World Index	1.0	0.2	3.8	50.2%	0.5
Kawasaki Kisen Kaisha, Ltd.	Japan	MSCI World Index	1.1	0.2	3.2	41.1%	0.5
Nippon Yusen Kabushiki Kaisha	Japan	MSCI World Index	1.0	0.2	3.8	36.8%	0.4
Wan Hai Lines Ltd.	Taiwan	MSCI World Index	0.8	0.1	2.3	89.5%	0.7
Orient Overseas (International) Limited	Hong Kong	MSCI World Index	1.0	0.1	2.6	69.2%	0.7
Regional Container Lines Public Company Limited	Thailand	MSCI World Index	1.6	0.1	2.8	57.4%	0.9
Mitsui O.S.K. Lines, Ltd.	Japan	MSCI World Index	1.4	0.2	4.0	34.2%	0.5
Average			1.1			56.8%	0.6

Source: Capital IQ

We adapted the unlevered beta factor by the expected future capital structure to derive a levered beta. The mean of the peer group was considered as the anticipated capital structure. This approach yielded a re-levered beta of 1.1.

Cost of debt

The cost of debt were derived from market yields of representative corporate bonds denominated in USD, with an average rating of 'B+', derived from the peer group.

Tax rate and tax shield

Interest payments are generally tax-deductible. That means it is used to offset other revenue, thus reducing the taxes that companies have to pay. The WACC formula considers this tax-shield effect. Hapag-Lloyd has opted for its container shipping business to be taxed under the tonnage tax regime. Therefore, we do not consider income taxes for the WACC calculations. For more details, please refer to section 4.3.

Derivation of WACC

The derivation of year-specific discount rates (WACC) is shown in the table below:

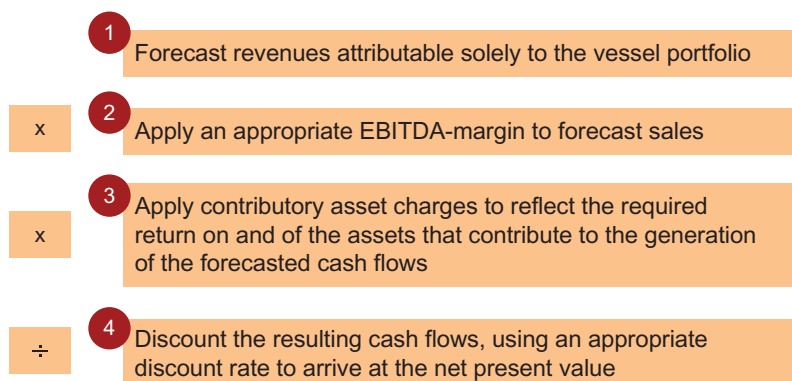
Period specific WACC as of March 31, 2017

	1 yr	5 yr	10 yr	15 yr	17 yr	20 yr
Risk free rate	1.0%	1.9%	2.4%	2.7%	2.7%	2.8%
Market risk premium	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Beta (unlevered)	0.6	0.6	0.6	0.6	0.6	0.6
Beta (re-levered)	1.1	1.1	1.1	1.1	1.1	1.1
Cost of equity	7.5%	8.4%	8.9%	9.1%	9.2%	9.3%
Average corporate bond yield (pre-tax)	2.9%	4.8%	6.1%	6.9%	7.0%	7.1%
Cost of debt (post-tax)	2.9%	4.8%	6.1%	6.9%	7.0%	7.1%
Capital structure						
Equity as % of total capital	57%	57%	57%	57%	57%	57%
Debt as % of total capital	43%	43%	43%	43%	43%	43%
Weighted cost of equity	4.2%	4.8%	5.1%	5.2%	5.2%	5.3%
Weighted cost of debt (post-tax)	1.3%	2.1%	2.6%	3.0%	3.0%	3.1%
WACC	5.5%	6.8%	7.7%	8.2%	8.2%	8.3%

Source: CapitalIQ, Bloomberg, PwC Analysis

As the average remaining useful life for the owned and finance leased vessels is 16.6 years, a WACC of 8.2% is applied in the vessel portfolio valuation (please refer to section 5.5).

5.5. Vessel portfolio value



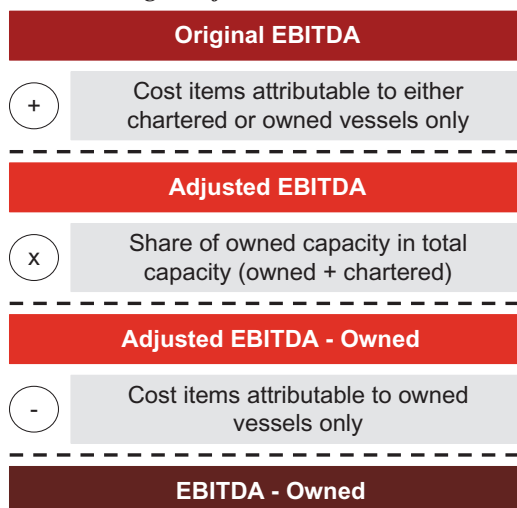
For the valuation of the vessel portfolio, we applied the multi-period excess earnings method. The MEEM is a form of the income approach. The principle behind this method is to isolate the net earnings attributable to the vessel portfolio as the value of the asset is equal to the present value of cash flows attributable to the asset only. The valuation analysis involves the following steps:

Step I – forecast revenues attributable solely to the vessel portfolio

The valuation of the vessel portfolio starts with an estimate of the expected revenues. For 2017–2020, the revenues are based on the combined business plan, which has been reviewed for plausibility

by PwC as presented in section 5.3. To calculate the relevant revenues generated by the 119 owned vessels, we split the total revenues projected in the business plan. For the allocation, the cumulated TEU volume of the owned vessel portfolio is being set in relation to the total TEU volume of the fleet contributing to the projected revenues. The total TEU represents the capacity of the fleet as of March 31, 2017 supplemented by the order book vessels in Q2-Q4 2017. Based on an expected economic life for vessels of 22.5 years – this assumption of PwC is in line with market expectations of 20 to 25 years and conservatively deviates from Hapag-Lloyd’s assumption of 25 years – the calculation includes all revenues per vessel considering the individual remaining useful life. Besides the period-specific capacity of the vessel portfolio, we included a revenue growth rate for the period after 2020 that declines on a linear basis from 2.0% (based on the expected US inflation rate) to an expected long-term increase of 1.0% p.a. starting 2031. The derived relevant revenues constitute the basis for the valuation.

Step II – apply an appropriate EBITDA margin to forecast sales



Deviating from the usual industry comparison on EBIT levels, as mentioned in 5.3 (j), the MEEM approach requires the derivation of an appropriate EBITDA margin. Since the valuation object consists of owned vessels only, the ‘original EBITDA’ demonstrated in the combined business plan has to be adjusted by any P&L effects not attributable to these vessels. For this purpose, we have pursued a two-step approach. In the first step, we have adjusted the original EBITDA figures by any revenue or cost items that belong to owned or chartered vessels only using planned and historical figures, which in particular comprise time charter expenses and operating expenses of owned vessels. Since the resulting earnings metric (in the table called ‘adjusted EBITDA’) does not account for revenues or cost positions attributable solely to either owned or chartered vessels, it can be separated on a per-TEU basis between owned and chartered vessels by multiplying the total adjusted EBITDA with the share of owned/chartered capacity. After deriving the share of owned vessels in the total adjusted EBITDA for the respective years in the same procedure, in a second step, we once again deducted all cost positions solely attributable to owned vessels to arrive at the EBITDA line for the owned vessel portfolio.

Step III – apply contributory asset charges to reflect the required return on and of the assets that contribute to the generation of the forecast cash flows

The principle behind a contributory asset charge is that the vessel portfolio ‘leases’ all the assets required to produce the cash flows resulting from its operations from a market participant. Contributory asset charges are considered for all assets, including implied goodwill, that contribute to the realisation of cash flows. The contributory asset charges are then deducted from the cash flows to obtain the residual or ‘excess earnings’ attributable solely to the vessel portfolio.

The return or charge for each asset should be based on comparable market rates, which reflect the amount market participants would charge for the use of the asset (i.e. a ‘market-derived rent’).

The vessel portfolio operates in combination with the following tangible and intangible assets to generate income (based on a combined view, i.e. including former assets of CCS and assets of UASC). Below, we summarise the key characteristics about determining the fair values and a 'market-derived' rent:

<u>Asset / Liability</u>	<u>Description</u>	<u>Valuation methodology / Key assumptions</u>
Implied goodwill	Goodwill is that part of business value over and above the value of identifiable business assets. It reflects the synergy among various assets used by the business to produce income: in a well-run business, the whole is greater than the sum of the parts. Synergies at Hapag-Lloyd are mainly attributable to the integration of UASC business. OCTAVE II is a cost project building on the previously executed cost efficiency programme OCTAVE and aims at further operational short-term profit improvements. Management targets the expected net synergies from the UASC acquisition to USD 435m from 2019 onwards. Approximately 60% of the net synergies can be allocated to the network. In terms of OCTAVE II, management expects high double-digit USD million cost savings by 2017 being primarily attributable to the vessel portfolio.	Comparable Approach Valuation of goodwill from an economical point of view, based on expected synergies/ cost savings and a multiple based on peer group-companies (bandwidth of 9 to 10). Remaining useful life: 20 years
Customer relationships	Hapag-Lloyd's customer base (consisting of HL, former CCS and UASC customers) is determined by long-term customer relationships which are either based on contracts or refer to historical business relationships on a regular basis. The customer base consists of direct customers, like exporters and importers, and of freight-forwarding companies, acting on behalf of exporter and importers.	Multi-period Excess Earnings Method ('MEEM') Remaining useful life: 30 years
Trademarks	Hapag-Lloyd operates its container business under the brand 'Hapag-Lloyd'. It owns the trademark for the business field cargo logistics (container and cargo shipping) and any potential related future business areas, excluding air freight.	Relief from Royalty Royalty rate: 0.25% Remaining useful life: indefinite
Container leasing contracts	Hapag-Lloyd leases container units on a long-term basis. The underlying contracts were analysed with respect to favourable or unfavourable conditions compared to market conditions.	Incremental Cash Flow Method <u>Unfavourable contracts:</u> Remaining useful life: 4 years <u>Favourable contracts:</u> Remaining useful life: 7 years
Vessel charter contracts	Hapag-Lloyd charters vessels on a short- to mid-term basis. The underlying contracts were analysed with respect to favourable or unfavourable conditions compared to market conditions.	Incremental Cash Flow Method <u>Unfavourable contracts:</u> Remaining useful life: 3 years <u>Favourable contracts:</u> Remaining useful life: 1 year (charter-in) /2 years (charter-out)

<u>Asset / Liability</u>	<u>Description</u>	<u>Valuation methodology / Key assumptions</u>
Software	Hapag-Lloyd uses self-developed software for performing its business operations, which is highly specified for the container-liner business.	Cost Approach Reconstruction time: 7 years
Workforce	An assembled workforce is an important resource that contributes to the realisation of expected future cash flows and growth of a business.	Cost Approach Costs to hire/train a comparable assembled workforce and to bring them to full efficiency
Owned containers	Approximately 55% of the containers in use are owned by Hapag-Lloyd.	Market approach based on resale prices provided by Harrison Consulting.
Real estate	Material real estate owned by Hapag-Lloyd is the headquarters building in Hamburg and three former UASC buildings in Atlanta, Fujairah and Jebel Ali.	We received a current external valuation on the value of the headquarters. For the former UASC buildings, estimates of current market prices for comparable buildings provided by UASC's management were applied.
Order book vessels	As of March 31, 2017, the order book comprised one vessel with a capacity of 10,500 TEU scheduled for delivery in H1 2017 and two vessels each with a capacity of 15,000 TEU scheduled for delivery in H2 2017.	Based on our analysis, there is no material difference between the purchase price and the fair value of vessels ordered.
Net working capital	Net working capital comprises current non-interest-bearing assets and liabilities.	There is no material indication that book values as of March 31, 2017 do not reflect fair value.

Step IV – discount the resulting net cash flows, using an appropriate discount rate to arrive at the net present value

The net cash flows remaining after the deduction of contributory asset charges are attributable to the vessel portfolio. For 2017 to 2020, the EBITDA margin incorporated in the business plan is applied. The projected revenues and EBITDA margins for the following periods are based on a sustainable EBIT margin of 6.75% according to peer group assumptions, which corresponds to an EBITDA margin of 12.75% after adding back expected depreciation. In addition to the cash flows based on operating performance, the scrap value of vessels at the end of their expected economic life are added to the cash flows, whereas expenses for dry docking and reconstruction are subtracted. These excess cash flows are then discounted to a net present value. The underlying applied WACC amounts to 8.2% and is based on the average remaining useful life for the vessels (also, please refer to section 5.4).

The discounted cash flows lead to a value of USD 8,708m in the 'base case' scenario as presented below:

<u>Base case scenario (in USDm)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2028</u>	<u>2039</u>
Cash flows	<u>448</u>	<u>826</u>	<u>1,054</u>	<u>1,200</u>	<u>876</u>	<u>518</u>	<u>133</u>
WACC	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
Present value factors	<u>0.97</u>	<u>0.91</u>	<u>0.84</u>	<u>0.77</u>	<u>0.71</u>	<u>0.19</u>	<u>0.17</u>
Present value of cash flows	<u>435</u>	<u>748</u>	<u>882</u>	<u>928</u>	<u>626</u>	<u>96</u>	<u>23</u>
Value	<u>8,708</u>						

5.6. Determination of the range of values

Container shipping is significantly dependent on the general prevailing global economic conditions. Changing market conditions and price fluctuations have a strong effect on the industry and may affect the profitability of the business. The development of freight rates and transport volume has a significant influence on Hapag-Lloyd's earnings and particularly depends on the market development. Fuel cost, which is mostly influenced by the bunker price, constitutes a substantial cost factor for Hapag-Lloyd. As described in section 5.3, we derived three alternative scenarios (base case, high case, low case) to reflect the uncertainty of the market development of the key performance drivers (freight rates, transport volume, operating costs) on EBITDA margins of Hapag-Lloyd resulting in a bandwidth for the value of the vessel portfolio.

Each scenario considers the expected EBITDA margins for 2017 to 2020 as presented in the business plan of Hapag-Lloyd, adjusted by any P&L effects not attributable to these vessels. For the periods 2021 et seq., we adjusted the EBITDA margins with respect to an upside and downside case. The presented base case includes margins that correspond to average analyst estimates for major peer group companies and is therefore in line with market expectations. In the high case, the parameter rises to a sustainable EBITDA margin of 13.75%. The higher margins are based on the assumption of positive market developments whereas a negative development is considered in the low case. In this third scenario, the sustainable EBITDA margin decreases to 11.75% showing the resulting impacts of increasing costs or declining freight rates. Moreover, we reduced the expected revenue growth rate. For the years 2021 et seq., the underlying growth is based on the projected US inflation rate that declines on a linear basis from 2.0% to an expected long-term increase of 1.0% p.a. starting 2031 as presented in the 'base case'. Instead of declining assumptions for the following years, the 'low case' considers a long-term growth rate of 1.0% starting in 2021. It shall be maintained that the low case is not to be understood as a downside threshold of the value of the vessel portfolio. Given the volatility and uncertainty of the key performance indicator development, the adverse change of a valuation parameter could lead to even lower values.

Based on the scenarios derived, we forecast the cash flows for the owned vessel portfolio.

The 'low case' scenario leads to a value of USD 8,243m for the vessel portfolio.

<u>Low case scenario (in USDm)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	//	<u>2038</u>	<u>2039</u>
Cash flows	473	857	1,086	1,233	810		497	128
WACC	8.2%	8.2%	8.2%	8.2%	8.2%		8.2%	8.2%
Present value factors	0.97	0.91	0.84	0.77	0.71		0.19	0.17
Present value of cash flows	460	776	908	953	579	//	93	22
Value	8,243							

According to the 'high case' scenario, the value accounts for USD 9,044m.

<u>High case scenario (in USDm)</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	//	<u>2038</u>	<u>2039</u>
Cash flows	428	799	1,026	1,170	942		532	136
WACC	8.2%	8.2%	8.2%	8.2%	8.2%		8.2%	8.2%
Present value factors	0.97	0.91	0.84	0.77	0.71		0.19	0.17
Present value of cash flows	416	724	858	904	673	//	99	24
Value	9,044							

The assumptions and results for each scenario are presented below:

<u>Scenario calculation</u>	<u>Assumptions for the EBITDA margins</u>	<u>Revenue growth rate</u>	<u>Value of the vessel portfolio</u>
Low case	Sustainable margin: 11.75% (below market expectation)	2021 et seq.: 1.0%, starting in 2021	USD 8,243m
Base case	Sustainable margin: 12.75% (equal to market expectation)	2021 et seq.: 2.0%, declining to a long-term growth rate of 1.0%, starting in 2031	USD 8,708m
High case	Sustainable margin: 13.75% (above market expectation)	2021 et seq.: 2.0%, declining to a long-term growth rate of 1.0%, starting in 2031	USD 9,044m

Based on the scenarios, the discounted cash flows lead to a bandwidth for the vessel portfolio of USD 8,243m to USD 9,044m.

5.7. Vessel value – valuation result

Since an allocation of cash flows independent of other assets to individual vessels is not possible, to assign a value to Hapag-Lloyd's 119 individual vessels of its vessel portfolio, a scoring method is applied. The scoring method is a multi-criteria analysis that involves identifying non-monetary criteria such as capacity, useful life and equipment that are relevant to determine the vessel value. Scores are allocated to each of these criteria by reflecting the characteristics of the vessels. The result is a total score for each vessel, which is used to indicate and compare the vessel value in non-monetary terms. The value per vessel is assigned by taking the total scores per vessel and relating them to the total score of all vessels and the vessel portfolio value.

Value driver	high	moderate	low
Year of delivery	●		
Capacity (TEU)	●		
Reefer capacity (TEU)		●	
Energy Efficiency Design Index ("EEDI")		●	
Electronic controlled main engine			●
Lifting equipment			●
Shaft generator			●
Ice class			●

Source: Pw C Analysis

A detailed breakdown of values between assets is as follows:

Scoring model - Vessel portfolio⁽¹⁾

#	Vessel	Low case scenario	Base case scenario	High case scenario
1	Ain Snan	99	105	109
2	Al Abdali	7	7	7
3	Al Bahia	27	28	29
4	Al Dahna	139	147	153
5	Al Dhail	121	128	132
6	Al Farahidi	7	7	7
7	Al Hilal	27	28	29
8	Al Jasrah	121	128	132
9	Al Kharj	27	28	29
10	Al Manamah	27	28	29
11	Al Mashrab	121	128	132
12	Al Murabba	115	122	127
13	Al Murayhk	139	147	153
14	Al Nasryah	115	122	127
15	Al Nefud	139	147	153
16	Al Qlibla	99	105	109
17	Al Rain	7	7	7
18	Al Rawdah	27	28	29
19	Al Riffa	99	105	109
20	Al Safat	25	26	27
21	Al Zubara	139	147	153
22	Alula	99	105	109
23	Antofagasta Express	45	47	49
24	Antwerpen Express	115	121	126
25	Asir	7	7	7
26	Barzan	139	147	153
27	Basle Express	110	116	120
28	Berlin Express	84	88	92
29	Bremen Express	86	91	95
30	Budapest Express	97	102	106
31	Callao Express	113	119	124
32	Cartagena Express	113	119	124
33	Cauquenes	84	89	92
34	Cautin	84	89	92
35	Chacabuco	24	25	26
36	Charleston Express	25	26	27
37	Chicago Express	86	91	95
38	Cisnes	84	89	92
39	Cochrane	84	89	92
40	Colombo Express	86	91	95
41	Copiapo	84	89	92
42	Corcovado	84	89	92
43	Coyhaique	84	89	92
44	Dalian Express	84	88	92
45	Dallas Express	38	40	41
46	Deira	7	7	7
47	Dublin Express	38	40	42
48	Düsseldorf Express	21	23	24
49	Essen Express	115	121	126
50	Fowairet	7	7	7
51	Frankfurt Express	97	102	106
52	Glasgow Express	38	40	42
53	Guayaquil Express	113	119	124

#	Vessel	Low case scenario	Base case scenario	High case scenario
54	Hamburg Express	110	116	120
55	Hanover Express	86	91	95
56	Hong Kong Express	115	121	126
57	Jazan	27	28	29
58	Jebel Ali	99	105	109
59	Kobe Express	21	23	24
60	Kuala Lumpur Express	86	91	95
61	Kyoto Express	86	91	95
62	Leverkusen Express	115	121	126
63	Limari	27	29	30
64	Linah	115	122	127
65	Lisbon Express	12	13	13
66	Liverpool Express	38	40	42
67	London Express	21	23	24
68	Ludwigshafen Express	115	121	126
69	Maipo	38	40	42
70	Malik Al Ashtar	99	105	109

Scoring model - Vessel portfolio⁽²⁾

#	Vessel	Low case scenario	Base case scenario	High case scenario
71	Mapocho	8	8	9
72	Mayssan	27	28	29
73	Mehuin	38	40	42
74	Milan Express	11	12	12
75	Mississauga Express	12	13	13
76	Montreal Express	27	29	30
77	Nagoya Express	97	102	106
78	Najran	7	7	7
79	New York Express	110	116	120
80	Ningbo Express	84	88	92
81	Osaka Express	86	91	95
82	Ottawa Express	12	13	13
83	Palena	24	25	26
84	Philadelphia Express	25	26	27
85	Prague Express	97	102	106
86	Quebec Express	27	29	30
87	Rotterdam Express	38	40	41
88	Sabya	7	7	7
89	Sajir	115	122	127
90	Sakaka	7	7	7
91	Salahuddin	115	122	127
92	San Antonio Express	42	45	46
93	Seoul Express	38	40	41
94	Shanghai Express	115	121	126
95	Sofia Express	97	102	106
96	St. Louis Express	25	26	27
97	Sudair	7	7	7
98	Tayma	99	105	109
99	Tempanos	79	83	87
100	Teno	79	83	87
101	Tihama	144	152	158
102	Tirua	79	83	87
103	Tokyo Express	38	40	41
104	Tolten	79	83	87
105	Toronto Express	27	29	30

#	Vessel	Low case scenario	Base case scenario	High case scenario
106	Torrente	79	83	87
107	Tsingtao Express	86	91	95
108	Tubul	79	83	87
109	Tucapel	79	83	87
110	Ulsan Express	115	121	126
111	Umm Qarn	121	128	132
112	Umm Salal	99	105	109
113	Unayzah	99	105	109
114	Valencia Express	8	8	9
115	Valparaiso Express	113	119	124
116	Vienna Express	97	102	106
117	Washington Express	25	26	27
118	Yantian Express	84	88	92
119	Yorktown Express	30	31	33
	Vessel portfolio value	8,243	8,708	9,044

The determination of the vessel value using the discounted cash flow approach is based on the information provided to us until the end of our valuation work. The values should be adjusted accordingly, if events should occur during the period between the end of our valuation work and the date of this prospectus.

Hamburg, 07.07.2017

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Christian Wulff

ppa. Tim Dieckmann

Appendices

Appendix 1 Glossary of terms and abbreviations

AG	Aktiengesellschaft
BoY	Beginning of the year
CAGR	Compound Annual Growth Rate
Capital IQ	S&P Global Market Intelligence LLC (previously S&P Capital IQ), division of S&P Global Inc., New York City, USA
CESR	Committee of European Securities Regulators'
Clarksons	Clarkson Research Services Limited, London, UK
CCS	Container shipping activities of CSAV
CSAV	Compañía Sudamericana de Vapores S.A., Santiago de Chile, Chile
DCF	Discounted Cash Flow
Drewry	Drewry Shipping Consultants Ltd., London, UK
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBT	Earnings Before Taxes
ECA	Emission Control Area
EEDI	Energy Efficiency Design Index
ESMA	European Securities and Market Authority, Paris, France
EUR (€)	Euro
FTE	Full Time Equivalent
FY	Fiscal year
GDP	Gross Domestic Product
GmbH	Gesellschaft mit beschränkter Haftung (limited liability company)
Hapag-Lloyd	Hapag-Lloyd AG, Hamburg, Germany
HGV	Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg
IAS	International Accounting Standard
IDW	Institut der Wirtschaftsprüfer in Deutschland e.V., Düsseldorf, Germany
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
K-Line	Kawasaki Kisen Kaisha Ltd., Tokyo, Japan
m	Million
MDO	Marine Diesel Oil
MEEM	Multi-period Excess Earnings Modell
MFO	Marine Fuel Oil
MOL	Mitsui O.S.K. Lines Ltd. Tokyo, Japan
MSCI	Morgan Stanley Capital International, New York City, USA
MSI	Maritime Strategies International Ltd., London, Great Britain
mt	Mercantile

NYK	Nippon Yusen Kabushiki Kaisha Lines, Tokyo, Japan
OPEX	Operating Expenses
P&L	Profit and Loss Statement
PIF	Public Investment Fund of Saudi Arabia
PwC	PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt, Germany
QH	Qatar Holding
SSEFC	Shanghai Shipping Freight Exchange Co., Shanghai, China
TEU	Twenty-foot equivalent units
TTEU/TEU k	Thousand twenty-foot equivalent units
UAE	United Arab Emirates
UASC	United Arab Shipping Company (S.A.G.), Dubai
ULCV	Ultra Large Container Vessels
USD	US Dollar
USDm	USD million
WACC	Weighted Average Cost of Capital

Appendix 2 List of sources

Sources

The audited annual financial statements of Hapag-Lloyd for the fiscal years 2013 to 2015 and the interim reports for the periods H1 2017 (unaudited)

Business plan of Hapag-Lloyd for the fiscal years 2017 to 2020 including a detailed breakdown of the P&L positions (version as of May 31, 2017)

Overview of the planning assumptions for business plan (version as of May 31, 2017)

Pro forma financial information for the periods 2015 to 3M 2017

Book values of the vessel portfolio of Hapag-Lloyd and UASC as of March 31, 2017

Overview of personnel costs and assumptions for the workforce

Boreas Management presentation as of October 20, 2016

Investor Presentation of 2016 Results as of April 10, 2017

Roadshow Presentation February 7, 2017

Project Aeolos Synergy Report of Roland Berger Strategy Consultants, Munich as of October 2016

Boreas Prospectus Drafts (latest version received from Hapag-Lloyd as of July 5, 2017)

List of owned vessels as of March 31, 2017 for Hapag-Lloyd and UASC (latest versions as of April 25, and May 8, 2017)

Latest land and building appraisals for Hapag-Lloyd and UASC buildings (latest version as of May 8, 2017)

Management information regarding the order book of Hapag-Lloyd and UASC as of March 31, 2017

Management information regarding the bunker inventory and consumption during 2016 and Q1 2017 as of March 31, 2017

Valuation of vessels as of March 31, 2017 based on Howe Robinson and VesselsValue as well as BRS values and reports as of June 23, 2017

List of Dry Docking expenses as of March 31, 2017

Drewry-Reports Q1 2017, Drewry Shipping Consultants Ltd., London / UK ('Drewry')

MSI Forecast for Q1 2017 charter rates, Maritime Strategies International Ltd., London / UK ('MSI')

Bloomberg Database, Bloomberg Research Systems, Inc, New York City, NY / USA ('Bloomberg')

List of owned containers of Hapag-Lloyd and UASC as of March 31, 2017

List of container leasing contracts of Hapag-Lloyd and UASC as of March 31, 2017

List of charter contracts of Hapag-Lloyd and UASC as of March 31, 2017

Sample of charter contracts of Hapag-Lloyd and UASC as of March 31, 2017

Analyst reports of peer group companies, various banks

MDS Transmodal Ltd, Chester / UK ('MDS Transmodal')

Clarkson plc, London ('Clarksons')

Alphaliner, AXSMarine S.A., France

S&P Capital IQ, New York / USA ('Capital IQ')

E. I. du Pont de Nemours and Company, Wilmington / USA ('DuPont')

World Economic Outlook Database (July 2015) , International Monetary Fund, Washington / USA

Shanghai Shipping Freight Exchange Co., Shanghai / China

CME Group, London / UK

23. GLOSSARY OF SELECTED TERMS USED IN THIS PROSPECTUS

2M Alliance (2M)	Vessel sharing agreement between Maersk and MSC, including about 185 vessels with a capacity of approx. 2.1 million TEU. Commenced its operations in January 2015.
AESM	Anglo Eastern (Germany) GmbH
Alliance	An integrated consortium in container liner shipping.
APL	American President Lines Ltd.
Bareboat charter	A form of charter, in which the ship owner provides only the vessel, while the carrier is responsible for the crew, insurance, maintenance, bunker fuel and all other operating expenses.
Berenberg	Joh. Berenberg, Gossler & Co. KG
Break-bulk	Loose, non-containerized cargo (e.g., iron rods, metal sheets, sawn timber, logs, etc.).
Break-Bulk Cargo	Packaged but non-containerized cargo.
Bulk cargo	Cargo that is transported unpackaged in large quantities, such as ores, coal, grain and liquids.
Bulk container carrier	Vessel specially designed to transport unpackaged Bulk Cargo.
Bunker fuel	A maritime term referring to fuel used aboard the ship.
Cabotage	Law or policy protecting transporters of goods within a country from competition from foreign carriers.
CAGR	Compounded Annual Growth Rate; the year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.
Capacity	The maximum number of containers as measured in TEU that could theoretically be loaded onto a container ship without taking into account operational constraints (including, but not limited to, the actual weight of any loaded containers); with reference to a fleet, a carrier or the container shipping industry, capacity is the total TEU nominal capacity of all ships in the fleet, the carrier or the industry, as applicable.
Carrier	A company providing container shipping services.
CC Co	CSAV Germany Container GmbH.
CCS Activities	CSAV including, among others, the related container vessel financings and certain corporate financings.
CCS Activities BCA	Business Combination Agreement between CSAV, HGV, Kühne Maritime and CG Hold Co as amended and acceded by Tollo.
Cellular container vessels	Specially designed vessels for the efficient storage of freight containers one on top of other with vertical bracings at the four corners.
CG Hold Co	CSAV Germany Container Holding GmbH.
Charter	The hire of a vessel for a specified period of time or a specific voyage, from loading to discharging port, for a fixed fee.
Charterer	The entity hiring the vessel from the ship owner.
CKYHE Alliance	A global container shipping alliance comprising Cosco, K-Line, Yang Ming, Hanjin and Evergreen, successor of CKYH Alliance (without Evergreen).

Classification societies	Organizations that establish and administer standards for the design, construction and operational maintenance of vessels. As a practical matter, vessels cannot operate unless they meet these standards.
CMA CGM	CMA CGM S.A.
Container (Shipping)	A reusable transport and storage unit for moving products and raw materials between locations or countries.
Container Terminal	Facility where cargo containers are transhipped between different transport vehicles for onward transportation.
Container-per-diem costs	All the costs, on average, that a container of a specific type requires during the entire period of its utilization, e.g., capital costs, repair costs etc., recalculated on a per diem (per day) basis.
Cosco	Cosco Container Lines Co. Ltd.
Crude oil	Mixture of naturally occurring (unprocessed) hydrocarbons that is refined into inter alia diesel, gasoline, heating oil, jet fuel and kerosene.
CSAV	Compañía Sud Americana de Vapores S.A.
CSCL	China Shipping Container Lines.
CTA	HHLA Container Terminal Altenwerder GmbH.
Dangerous/Hazardous goods	Dangerous/Hazardous goods are solids, liquids, or gases that can harm people, other living organisms, property, or the environment. Often subject to regulations.
Deep-sea service	A service between continents or on long distances as opposed to a feeder service; same as Main service.
Degree of containerization	Share of containerized cargo based on total containerizable cargo (excluding bulk).
Demurrage	A fee charged by the terminal at the discharging port or inland yard for a delayed takeover of boxes by the customer.
Detention	A penalty charge to the customers for exceeding agreed times for returning (merchant's haulage) or stuffing/stripping (carrier's haulage) the container(s).
Direct customer/direct shipper	A customer who is a producer of the goods to be shipped or an exporter or importer of such goods, in each case, with whom we have a direct contractual relationship. In contrast, with respect to an indirect customer, we only have a contractual relationship with a freight forwarder who acts as agent for the producer, importer or exporter of the goods to be shipped.
Dominant leg	The direction of shipping on a particular trade with the higher transport volumes. The opposite direction of shipping is called the "non-dominant" leg.
Door-to-door container shipment services	Service including maritime legs and land legs.
Dry-docking	An out-of-service period during which planned repairs and maintenance are carried out, including all underwater maintenance such as external hull painting. During the dry-docking, mandatory classification society inspections are carried out and relevant certifications issued.
East-West trades	The East-West trades consist of the Atlantic (Europe-North America), the Transpacific (Asia-North America) and the Far East (Europe-Asia) trades.
EBIT	Abbreviation for earnings before interest and tax.

EBITDA	Abbreviation for earnings before interest, tax, depreciation and amortization.
EBITDA margin	EBITDA divided by total revenue.
e-Business	Our e-business solutions include electronic interaction with our customers and suppliers via bilateral EDI formats, our homepage, multi-ocean carrier portals, such as INTTRA, and our email system.
ECA	Emission Control Areas are sea areas in which stricter controls were established to minimize airborne emissions (SOx, NOx, ODS, VOC) from ships as defined by Annex V of the 1997 MARPOL Protocol which came into effect in May 2005.
EEA	Abbreviation for European Economic Area.
EEDI	The “Energy Efficiency Design Index” by the IMO for new ships is the most important technical measure and aims at promoting the use of more energy efficient (less polluting) equipment and engines. The EEDI requires a minimum energy efficiency level per capacity mile (e.g. tonne mile) for different ship type and size segments.
EMAO	Trade within Europe, Mediterranean and to/from Africa and Oceania.
EU	Abbreviation for European Union.
Evergreen	Evergreen Marine Corp. (Taiwan) Ltd.
Fair value	Valuation according to IFRS, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
FAK	Freight all kind.
Feeder services	Services that support main services by connecting hub ports with one or more smaller ports.
Feeder ships	Mostly small tonnage vessels which provide a linkage between ports and long haul vessels or main hub ports and smaller facility ports which may be inaccessible to larger vessels.
Flag State	Country, in which a vessel is registered in.
Freight Forwarder	Also known as a non-vessel operating common carrier (NVOCC), is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. Forwarders contract with a carrier to move the goods.
Freight Rate	Price at which a certain cargo is delivered from one point to another.
FTE	Full-time equivalents.
G6 Alliance (G6)	Until March 31, 2017, 2017, one the largest global operating container shipping alliance based on transport capacity comprising Hapag-Lloyd AG, American President Lines Ltd. (“ APL ”), Hyundai Merchant Marine Co., Ltd. (“ HMM ”), Mitsui O.S.K. Lines (“ MOL ”), Nippon Yusen Kaisha (“ NYK ”) and Orient Overseas Container Line Limited (“ OOCL ”).
GDP	Gross domestic product.
Global carrier	A carrier who generally deploys significant capacity and operates extensive networks of services in the major markets.
Goldman Sachs	Goldman Sachs International, London, United Kingdom.

Grand Alliance	A global container shipping alliance comprising Hapag-Lloyd AG, Orient Overseas Container Line Limited (“OOCL”) and Nippon Yusen Kaisha (“NYK”). The Grand Alliance no longer has any active services, although the Grand Alliance has not been terminated as of the date of this prospectus.
Hamburg Süd	Hamburg Süd S.A. Group.
Hanjin	Hanjin Shipping Co., Ltd.
HanseMerkur	Hanse-Merkur Krankenversicherungs AG, HanseMerkur Lebensversicherungs AG and HanseMerkur Holding AG together.
Hapag	Hamburg-Amerikanische-Packetfahrt-Actien-Gesellschaft.
Hapag-Lloyd	Hapag-Lloyd Aktiengesellschaft, together with its consolidated subsidiaries; also: the Group or Hapag-Lloyd Group.
Hardtop container	Container with a removable solid roof, allowing loading of heavy or oversized cargo by crane. With its roof, it can also be used as a general purpose container.
Hedging	A risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, or securities.
HGV	HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement GmbH.
HHLA	Hamburger Hafen und Logistik AG.
HLAG	Trading symbol of Hapag-Lloyd Aktiengesellschaft.
HMM	Hyundai Merchant Marine Co.
HSH	HSH Nordbank AG.
Hull	Watertight body of a ship.
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the EU.
Imbalances	Difference in volumes in trade between dominant and non-dominant leg.
IMO	International Maritime Organization, a specialized agency of the United Nations responsible for regulating shipping.
International Maritime Organization (IMO)	A United Nations agency that issues international trade security and environmental standards for shipping.
ISL	Institute for Shipping Economics and Logistics, Universitätsallee 11-13, 28359 Bremen, Germany.
K-Line	Kawasaki Kisen K.K.
Knots	A unit of speed equal to one nautical mile (1.852 km) per hour.
KPI (Key Performance Indicators)	A type of performance measurement which a company uses to evaluate its success, or to evaluate the success of a particular activity in which it is engaged.
KPMG	KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Ludwig-Erhard- Straße 11-17, 20459 Hamburg, Germany.
Kühne	Kühne Maritime GmbH and Kühne Holding AG, together.
Lay-up	A vessel that is temporarily taken out of service due to lack of employment and awaiting its next assignment.

Liner carrier	Carrier, which operates regularly scheduled services to a series of ports, using a number of ships per week along each service, and transship cargo at their scheduled ports of call on smaller feeder ships, which carry the cargo on to the destination port.
Liner Services	Scheduled service provided by a carrier.
Listing Agent	Joh. Berenberg, Gossler & Co. KG
Loan to value (LTV)	A financial term used to express the ratio of a loan to the value of an asset purchased.
Locks	A lock is a device used for raising and lowering boats, ships and other watercraft between stretches of water of different levels on river and canal waterways.
Loop	A service operating with a fixed number of ships on a continuous rotation.
Maersk	A.P. Møller-Maersk A/S.
Main line vessels	Vessels on the Main Services.
Main services	Main services are the services that we offer on our intercontinental routes as opposed to feeder services.
Manifest	Transport document that serves as a tally-sheet, and gives a detailed summary of all bills of lading issued by a carrier (or its agent) for a particular voyage of a particular vessel. For cargo carrying vessels, a manifest lists its consignor, consignee, number, origin, destination, value, and other such information primarily for use by the customs authorities.
Marine Diesel Oil (MDO)	Type of fuel oil. Blend of gasoil and heavy fuel oil, with less gasoil than intermediate fuel oil used in the maritime field.
Maritime leg	Part of the transport of goods which takes place solely on the ocean/ sea.
Maritime lien	The right of a particular individual to compel the sale of a ship because he or she has not been paid a debt owed to him or her on account of such vessel. The retaining of possession of the vessel is not necessary before asserting a claim.
MARPOL	“The Convention for the Prevention of Pollution from Ships” was developed by the International Maritime Organization in an effort to minimize pollution of the oceans and seas, including dumping, oil and air pollution and is considered to be one of the most important international marine environmental conventions. It is divided into six Annexes.
MFO	Marine Fuel Oil
MOL	Mitsui O.S.K. Lines.
Moody’s	Moody’s Investors Service.
MSC	MSC Mediterranean Shipping Company S.A.
NDL	Norddeutscher Lloyd.
Net book value	The value of an asset as it is carried on the company’s books. Net book value is calculated by subtracting accumulated depreciation from the original cost of the asset.
Niche carrier	A carrier who, like a regional carrier, generally focuses on a number of smaller routes within the major markets, or within other markets and tends to offer direct services to a wider range of ports within a

particular market than a global carrier. Niche carriers are usually smaller than regional carriers in their capacity and cover fewer and smaller markets.

Non-dominant leg	The direction of shipping on a particular trade with the lower transport volumes. The opposite direction of shipping is called the “dominant” leg.
NYK	Nippon Yusen Kaisha Lines.
Ocean 3 (O3)	Cooperation between CMA CGM, CSCL and UASC.
Ocean leg	The shipping of a container from base port to base port.
ODPR	Oldenburg-Portugiesische Dampfschiffs-Reederei GmbH.
On carriage	Any inland movement activity that takes place after the container is discharged at a port of discharge.
One-stop-shop service	Offering of multiple services, so that customers can get all they need in just “one stop”.
OOCL	Orient Overseas Container Line Limited.
Open top container	A container fitted with a tarpaulin roof so the container can be loaded or unloaded from the top.
Order book	Entirety of vessels that are on order or that are being built.
Out of gauge cargo	Cargo, which exceeds the internal dimensions of a container by length, width or height.
Panama Canal	A 77.1-kilometre ship canal in Panama that connects the Atlantic Ocean (via the Caribbean Sea) to the Pacific Ocean. The canal cuts across the Isthmus of Panama and is a key conduit for international maritime trade. There are locks at each end to lift ships up to Gatun Lake, an artificial lake created to reduce the amount of excavation work required for the canal, 26 meters (85 ft.) above sea level. The current locks are 33.5 meters (110 ft.) wide. A third, wider lane of locks opened in June 2016, allowing the passage of vessels with a size of up to 14,000 TEU. The new locks are 49 meters wide.
Panamax Vessel	Panama class vessels. Special class of vessels, which have a special design for the old Panama Canal layout (up to 5,300 TEU).
Panamax, new	Panama class vessels designed for the expanded Panama Canal which has opened in June 2016 (size up to 14,000 TEU).
Peak season	Time of the year during which shipping demand is highest.
PIF	The Public Investment Fund of the Kingdom of Saudi Arabia.
Plugs	Electrical outlet for reefer containers that ties into the ship’s power generation.
Port, terminal & canal costs	Costs charged by the ports, canal charges for passages especially through the Suez and Panama Canal as well as terminal handling and loading charges. The port and canal costs are largely fixed cost components, whereas terminal costs are considered to be fully variable and directly linked to the individual transport. In relation to terminal costs, port and canal costs account for only a small portion of the overall cost position.
Pre-carriage	Any inland movement activity that takes place prior to the container being loaded at a port of loading.
PwC	PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft, New-York-Ring 13, 22297 Hamburg, Germany.
Qatar Holding	Qatar Holding LLC.

Reefer Cargo	Shipment requiring controlled-temperature environment, especially perishable goods, pharmaceuticals and healthcare products.
Refrigerated (“reefer”) container	The generic name for a temperature controlled container with a refrigeration plant built into the rear of the container. The containers, which are insulated, are specifically designed to allow temperature controlled air circulation within the container.
Regional carrier	A carrier who generally focuses on a number of smaller routes within the major markets, or within other markets, such as Australasia (between Australia and Asia) and Africa, and tends to offer direct services to a wider range of ports within a particular market than global carriers.
Roll-on/roll-off	A method of ocean cargo service using a vessel with ramps, which allows wheeled vehicles to be loaded and discharged without cranes.
Rotterdam Rules	Treaty comprising international rules that revises the legal and political framework for maritime carriage of goods.
Scrapping	Scrapping is the process by which, at the end of its life, a vessel is sold to a shipbreaker who strips the ship and sells the steel as “scrap”.
SEEMP	The Ship Energy Efficiency Management Plan (SEEMP) is an operational measure that establishes a mechanism to improve the energy efficiency of a ship in a cost-effective manner.
Services	A service refers to a specific route for shipping cargo between sea ports.
Ship Broker	Shipbroking is a financial service, which forms part of the global shipping industry. Shipbrokers are specialist intermediaries/negotiators (<i>i.e.</i> , brokers) between ship owners and charterers who use ships to transport cargo, or between buyers and sellers of vessels.
Short Sea Shipping	Coastal trade, coastal shipping, coasting trade and coastwise trade, which encompass the movement of cargo mainly by sea along a coast, without crossing an ocean.
“short-term” charters, “medium-term” charters, “long-term” charters	Charters for a term of (i) up to twelve months, (ii) including twelve months and through 36 months and (ii) more than 36 months, respectively.
Signal Iduna	Signal Iduna Gruppe.
Slot	The space required for one TEU on board a vessel.
Slot charter agreement	An arrangement under which one container shipping company will rent container space on one of its vessels to another container shipping company.
Slot swap/slot exchange agreement	An agreement under which carriers exchange slots on each other’s vessels.
Slow steaming	The reduction in the ships’ average operational speed.
Special equipment	Equipment necessary for special cargo business, e.g. flat racks, open tops, hard tops.
SSA	Shareholder Support Agreement between Hapag-Lloyd AG, UASC Limited, CG Hold Co, HGV, Kühne Maritime, Qatar Holding and PIF.
SSM	Southern Ship Management.
Standard & Poor’s	Standard & Poor’s Rating Services.

Stevedore	A terminal operator who is designated to facilitate the operation of loading and discharging vessels and various other related operating activities.
Terminal handling charge	Charges collected by terminal authorities at each port against handling equipment and maintenance.
TEU	A 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry. TTEU refers to 1,000 TEU.
THB	TUI-Hapag Beteiligungs GmbH.
THE Alliance	Cooperation between Hapag-Lloyd, Mitsui O.S.K. Lines, Nippon Yusen Kaisha Lines, Kawasaki Kisen K.K. and Yang Ming Marine Transport Corp., which became operational in April 2017.
Time charter	A form of charter where the vessel owner provides a manned and fully equipped vessel to the charterer, and the charterer employs the vessel during the contractual period for the agreed service against payment of hire. All voyage costs are paid by the charterer.
Tollo	Tollo Shipping Co. S.A.
Trade	A trade combines liner services between two land masses. The global container shipping market is typically divided into the East-West trades, the North-South trades and several other trades, including the Intra-Asia trade, the Middle East trade and the Indian trade.
Trade flow	Buying and selling of goods and services between countries. Trade flows measure the balance of trade.
Trade lane	The direction of trade, e.g. United States to Europe.
TUI	TUI Aktiengesellschaft.
UASC	The United Arab Shipping Company Limited (formerly United Arab Shipping Company (S.A.G.)) and its subsidiaries.
UASC BCA	Business Combination Agreement between Hapag-Lloyd AG and UASC Limited
UASC Limited	The United Arab Shipping Company Limited (formerly United Arab Shipping Company (S.A.G.)).
Ultra-large container vessels (ULCV) ..	Segment of container vessels with a capacity of 14,000 TEU or higher.
Valuation Report	Special report needed for shipping companies according to Article 23 Prospectus Directive, Annex XIX and CESR recommendations 140.
VDAs	Voluntary Discussion Agreements.
Vessel	A nautical term for all kinds of craft designed for transportation on water, such as ships, boats or submarines.
Vessel costs	Costs which are primarily determined by charter expenses, maintenance and repair costs as well as bunker fuel expenses.
Vessel time charter agreement	An agreement, under which a vessel is provided by a ship owner to a container carrier for a fixed period of time with the vessel owner typically also providing the vessel's crew, insurance and maintenance.
VSA	Vessel sharing agreement.
WACC	Weighted Average Cost of equity and debt Capital.
Yang Ming	Yang Ming Marine Transport Corp.

24. RECENT DEVELOPMENTS AND OUTLOOK

24.1 Recent Developments

On May 24, 2017, the UASC Business Combination was completed by way of a contribution-in-kind by all entities holding UASC shares to the Company against the issuance of 45,932,023 new ordinary registered shares of the Company with no par value and a pro rata amount of the share capital attributable to each ordinary registered share of € 1.00 (the “**New Shares**”) by utilizing the Company’s authorized capital 2016 that was resolved by the ordinary shareholders’ meeting of the Company on August 26, 2016 and under the exclusion of the Company’s existing shareholders’ statutory subscription rights regarding the New Shares. The consummation of the capital increase was registered with the commercial register and the New Shares were issued on May 24, 2017.

In May 2016, we announced the founding of THE Alliance, which became our new main shipping alliance as of April 2017 and replaced our current alliance, the G6 Alliance, entirely. The G6 Alliance will cease its operations upon completion of the last voyages in July 2017. Besides us, THE Alliance consists of Mitsui O.S.K. Lines (“**MOL**”), Nippon Yusen Kaisha Lines (“**NYK**”), Kawasaki Kisen K.K. (“**K-Line**”) and Yang Ming Marine Transport Corp. (“**Yang Ming**”). UASC, as part of Hapag-Lloyd, became part of THE Alliance on May 24, 2017.

On July 18, 2017, the Company issued € 450 million 5.125% senior notes due 2024 under an indenture dated July 18, 2017 among the Company, Deutsche Bank AG, London Branch, Deutsche Bank Luxembourg S.A. and Deutsche Trustee Company Limited.

There has been no significant change in the financial or trading position of the Group since March 31, 2017.

24.2 Outlook

According to the latest International Monetary Fund (“**IMF**”) survey, global economic growth will reach 3.4% in 2017, as compared to 3.1% in 2016 (IMF, World Economic Outlook, October 2016; IMF, World Economic Outlook Update, January 2017). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 3.8% in 2017 compared to 1.9% in 2016. This means that the growth in global trade will outpace that of the global economy in 2017. Global container shipping volume is expected to increase by 3.7% to approximately 137 million TEU in 2017 (2016: 2.5%) (*source*: IHS Global Insight, February 2017). As such, the expected rise in worldwide transport volumes in container shipping for 2017 would be in line with the rate of growth for global trade.

Following a rise in transport capacities of approximately 0.2 million TEU to 19.7 million TEU in 2016, a nominal increase in transport capacities of up to approximately 1.5 million TEU for 2017 is expected (*source*: Drewry Maritime Research, Q1 2017). The further growth in supply capacity could make it difficult once again to push through freight rate increases in 2017.

Based on unchanged optimism about the general economic and sector-specific conditions, we (excluding the integration of UASC’s business activities) expect our transport volume to increase moderately. A significant rise in the average bunker consumption price and a moderate improvement in the average freight rate are anticipated in 2017.

These expectations have not been reviewed, audited or subjected to any testing by any third party. A wide range of factors, many of which are outside our control, may affect our actual results, including those described under 3 “*Risk Factors*”, such as general economic conditions, industry-specific factors and competition. Hence, our results of operations may not be as favorable as described above.

25. SIGNATURE PAGE

Hamburg, July 19, 2017

Hapag-Lloyd Aktiengesellschaft

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