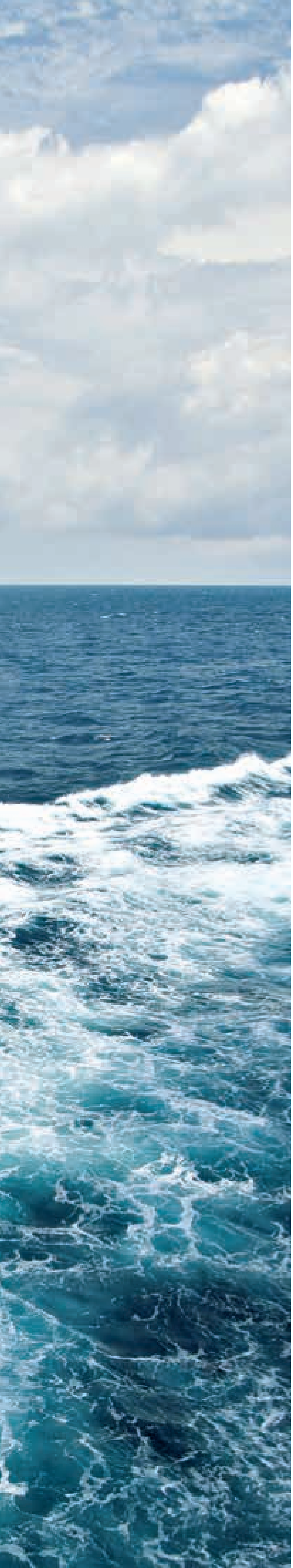
Consolidated financial statements



CONSOLIDATED INCOME STATEMENT

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 31 December 2020

ASSETS

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

EQUITY AND LIABILITIES

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

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

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

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

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

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

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

New accounting standards

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

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

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

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

Standards that were not yet mandatory in the financial year

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

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

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

EU endorsement has been given

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

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

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

EU endorsement still pending

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

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

Amendments to IFRS 3: Reference to the Conceptual Framework

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

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

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

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

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

Consolidation principles and methods

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

Subsidiaries

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

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

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

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

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

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

Joint arrangements

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

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

Associated companies and joint ventures

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

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

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

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

Group of consolidated companies

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

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

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

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

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

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

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

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

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

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

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

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

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

Exchange rates of significant currencies:

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

Accounting and measurement

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

Goodwill

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

Other intangible assets

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Impairment testing

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

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

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

To optimise the vessel portfolio, there are plans to replace 5 of the container vessels in the fleet, and to sell these vessels in the near future. The recoverable amount for each of these vessels was calculated at the end of the financial year on the basis of the fair value less costs of disposal. These vessels were each tested individually for impairment as at 31 December 2020. As the recoverable amounts were lower than the carrying amounts, impairments were recognised. For details of how the fair value was determined and the amount of the impairments, please refer to Note (11) Property, plant and equipment.Goodwill is tested for impairment at least once a year. Impairment testing is also conducted if events or circumstances occur that indicate that it may no longer be possible to recover the carrying amount. Goodwill is tested for impairment at the level of the cash-generating unit "container shipping".

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

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

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

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

Leases

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

Lessee

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

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

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

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

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

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

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

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

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

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

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

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

Lessor

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

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

Sale and leaseback transactions

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

Financial instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Primary financial assets

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

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

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

Primary financial liabilities

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

Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired. If a review of changes in contractual conditions using quantitative and qualitative criteria leads to the assessment that both contracts are substantially the same, the old liability will continue to exist subject to the new conditions, by adjusting the carrying amount in profit or loss. The new carrying amount of the liability is calculated on the basis of the present value of the modified cash flows, which are discounted using the original effective interest rate.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at their fair values on the day the agreement was concluded. Subsequent measurement is also carried out at the fair value applicable on the respective reporting date. The method used to record gains and losses depends on whether the derivative financial instrument is designated as a hedge and on the type of hedging relationship.

Derivative financial instruments are classified either as fair value hedges of assets or liabilities, or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or highly probable future transactions. Hedging relationships in accordance with IFRS 9 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review.

Upon conclusion of the transaction in accordance with IFRS 9, the hedging relationships between the hedging instrument and the hedged item and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the beginning of the hedging relationship and on a continual basis as to the extent to which the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the hedged items.

The effective portion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in the reserve for cash flow hedges in other comprehensive income. The ineffective portion of such changes in fair value is recognised immediately in profit or loss. The non-designated portion of the derivative is recognised in a separate reserve for hedging costs under other comprehensive income. In the Hapag-Lloyd Group, the changes in the time values of commodity options and the changes in the value of the forward component of currency forward contracts are excluded from the hedging relationship.

If the hedged transaction later leads to the recognition of a non-financial item, the accumulated amount recognised under equity is reclassified from the separate equity component and is recognised with the initial costs or other carrying amount for the hedged asset or hedged liability as a basis adjustment.

For all other cash flow hedges, however, the accumulated amount recognised under equity for the period or periods where the hedged cash flows affect profit and loss (P&L) is reclassified as reclassification amounts in profit and loss.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in other comprehensive income and is not recognised with effect on the consolidated income statement until the transaction occurs. If the future transaction is no longer expected to occur, the cumulative gains or losses recognised outside the scope of the consolidated income statement must immediately be recognised through profit or loss.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting, including embedded derivatives which must be separated, are recognised directly through profit or loss in the consolidated income statement.

Inventories

Inventories consist primarily of raw materials, consumables and supplies, and particularly of fuel supplies. They are recognised at their acquisition or production cost, or the lower net realisable value as at the reporting date, which is itself determined on the basis of the sales market. The Hapag-Lloyd Group applies the floating average method to measure acquisition and production costs.

A devaluation on inventories is recorded at the reporting date if the market price is below the carrying amount.

Pensions and similar obligations

The valuation of defined benefit plans from pension obligations and other post-employment benefits upon termination of the employment position (e.g., healthcare benefits) is carried out in accordance with IAS 19 Employee Benefits using the projected unit credit method. The actuarial obligation (defined benefit obligation, DBO) is calculated annually by an independent actuarial expert. The present value of the DBO is calculated by discounting the expected future outflows at the interest rate of first-rate corporate bonds. The corporate bonds are issued in the currency of the payment to be made and have matching maturities with the pension obligations.

Differences between the assumptions made and the actual developments, as well as changes in the actuarial assumptions for the valuation of defined benefit pension plans and similar obligations, lead to actuarial gains and losses. As with the difference between calculated interest income and the actual return on plan assets, these are reported in full in other comprehensive income, i.e. not in the consolidated income statement.

If the benefits accruing from a plan are changed or cut, both the part of the change in benefits which relates to previous periods (past service cost) and the gains or losses arising from the plan cuts are immediately recognised through profit or loss. Gains or losses arising from a defined benefit plan being cut or paid out are recognised at the time at which the cut or payment is made.

If individual pension obligations are financed using external assets (e.g. through qualified insurance policies), provisions for pension benefits and similar obligations which match the present value of defined benefit obligations on the reporting date are recorded after deducting the fair value of the plan assets.

A negative net pension obligation resulting from advance payments for future contributions is included as an asset only insofar as it leads to a reimbursement from the plan or a reduction in future contributions.

With defined benefit contribution plans, the Group makes contributions to statutory or private pension insurance plans on the basis of a legal, contractual or voluntary obligation. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are recorded as personnel expenses when they fall due.

Other provisions

Provisions are recognised for all legal or constructive obligations resulting from a past event and impending losses from pending transactions insofar as their utilisation is probable and their amount and date can be reliably determined. Provisions are recorded at the best commercial estimate of their repayable amount and take account of cost and price increases. The present value is assessed for provisions with terms exceeding 1 year. Over the course of time, the provisions are adjusted on the basis of new knowledge gained.

Releases of provisions are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant releases of provisions, which are recorded under other operating result.

If there are many similar obligations, the probability of utilisation is determined on the basis of this group of obligations. A provision is also recognised even if the probability of a charge is low in relation to an individual obligation contained within this group.

A provision is recognised for transports not yet completed at the end of the reporting period which are associated with onerous contracts. The amount to be provisioned is calculated taking into consideration the variable costs allocable to the transports as well as the pro rata fixed costs. Before a provision is recognised, an impairment loss will be recognised for the assets associated with the contract.

Provisions for guarantee, warranty and liability risks are created on the basis of existing or estimated future damages. Provisions for restructuring measures are created if a detailed formal restructuring plan was prepared and a justified expectation existed among the affected parties.

Contract liabilities

A contract liability reflects the performance obligation still required as at the end of the reporting period in connection with unfinished voyages. The performance obligation is determined based on the unconditional right to payment of the transport price and will be recognised starting from the handover of the goods to the transport agent, in line with the related trade account receivable.

The contract liability will subsequently be released pro rata in accordance with performance progress, against revenue.

Put options on non-controlling interests

Put options written involving a commitment to buy non-controlling interests when exercised are recognised as a financial liability in the amount of the present value of the exercise price pursuant to IAS 32. This entails application of the anticipated acquisition method which is founded on the assumption that acquisition of the non-controlling interests has already occurred: a financial obligation to acquire own equity instruments is carried as a liability. The non-controlling interests are derecognised in equity and the difference between the non-controlling interests and the likely purchase price is recognised in the remaining equity. Subsequent changes in the value of the financial liability are recognised through profit or loss in the interest result.

The anticipated acquisition of non-controlling interests was disclosed separately in the statement of changes in equity.

Share-based payments

The share-based payment plans used by the Group are payment plans which are settled in cash. The debt incurred by the Group as a result is recognised in expenses at fair value at the time when the service is rendered by the eligible party (pro rata allocation). Until the end of the performance period, the fair value of the debt is remeasured at every reporting date. Any changes in the fair value are recognised in profit or loss. Long-term variable remuneration was last provided in the 2019 financial year, in the form of share-based payment. The long-term remuneration plans adopted from the 2020 financial year onwards constitute "other benefits due to employees" as defined in IAS 19. In relation to these remuneration plans, the Group recognises liabilities and expenses on the basis of a formula that takes fulfillment of certain KPIs into account. The liability accounted for as at the relevant reporting date includes benefits previously vested.

Realisation of income and expenses

Realisation of revenue

In the Hapag-Lloyd Group, revenue is mainly generated in connection with transport services within the scope of revenue resulting from contracts with customers. Under IFRS 15, there is one performance obligation per shipment, which is rendered on a period-related basis, i. e. for the duration of transport. Combining several shipments on a single voyage produces essentially the same results with regard to the amount of revenue recognised and when it is recognised as are produced when the revenue is recognised on the basis of a single shipment. Revenue is recognised in accordance with the input-oriented method for measurement of performance progress.

Other realisation of income and expenses

Operating expenses are recognised in profit or loss when the service has been utilised or at the time of its occurrence.

Please refer to Note (26) Financial instruments for details of the recording of gains and losses from derivative financial instruments used.

Dividends from non-equity-accounted investees are recorded when the legal claim to them has arisen.

Interest income and expenses are recognised pro rata using the effective interest method.

Earnings per share

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year. In both the 2020 financial year and the previous year, basic earnings per share were the same as diluted earnings per share.

Taxes

As a liner shipping company, Hapag-Lloyd AG, the largest company in the Hapag-Lloyd Group, has opted for taxation in accordance with tonnage. Tax liability for tonnage taxation is not calculated using the actual profits, but rather depends on the net tonnage and the operating days of the Company's fleet. All profits in direct connection with the operating of merchant vessels in international trade are essentially subject to tonnage tax. Income from capital and equity investments is taxed according to the normal rules. The same applies to vessels that do not meet the requirements of tonnage taxation. Current income taxes for the reporting period and for previous periods are measured as the amount at which their payment to or rebate from the tax authority is anticipated. They are calculated on the basis of the company's tax rates as at the reporting date, but do not include interest payments, refunds of interest or penalties for late tax payments. In the event that the amounts recognised in the tax returns are unlikely to be realised (e.g. for uncertain tax positions), tax liabilities are recorded. The relevant amount is calculated on the basis of the best available estimate of the expected tax payment (i.e. the expected value and/or the most likely value for the uncertain tax position). Tax demands arising from uncertain tax positions are recorded in the statement of financial position when it is overwhelmingly likely (and thus sufficiently certain) that they can be realised. The exception to this rule is where there are tax losses carried forward, in which case no current tax liabilities or tax demands are recorded in the statement of financial position for these uncertain tax positions. Instead, the deferred tax assets for the still unused tax losses carried forward are adjusted accordingly. Income tax liabilities are netted against the corresponding tax rebate claims if they apply in the same fiscal territory and are of the same type and maturity.

Deferred taxes are recognised using the balance sheet liability method in accordance with IAS 12. They result from temporary differences between the recognised amounts of assets and liabilities in the consolidated statement of financial position and those in the tax balance sheet.

Expected tax savings from temporary differences or from the use of tax loss carry-forwards are capitalised if they are estimated to be recoverable in the future. In their valuation, time limitations on the loss carry-forwards are taken into account accordingly. In order to evaluate whether deferred tax assets from tax loss carry-forwards can be used, i.e. recovered, the tax-related budget of the Group is consulted. The tax-related budget is based on the medium-term budget for 2021 to 2025, which has been extended to ten years for tax purposes.

Deferred taxes are charged or credited directly to other comprehensive income if the tax relates to items likewise recognised directly in other comprehensive income.

Their valuation takes account of the respective national income tax rates prevailing when the differences are recognised.

Deferred tax claims (tax assets) and deferred tax debts (tax liabilities) are netted insofar as the Company has the right to net current income tax assets and liabilities against each other and if the deferred tax assets and liabilities relate to current income taxes.

Fair value

A number of accounting and valuation methods require that the fair value of both financial and non-financial assets and liabilities be determined. The fair value is the price that independent market participants would pay on the relevant day under normal market conditions if the asset were sold or the liability were transferred.

Fair value is measured using a three-level hierarchy based on the measurement parameters used.

Level 1:
Unchanged adoption of quoted prices on active markets for identical assets or liabilities.

Level 2:
Use of valuation parameters whose prices are not the listed prices referred to in Level 1, but which can be observed either directly or indirectly for the asset or liability in question.

Level 3:
Use of factors not based on observable market data for the valuation of the asset or liability (non-observable valuation parameters).

Every fair value measurement is set at the lowest level of the hierarchy based on the valuation parameter, provided that this is a key valuation parameter. If the method of determining the fair value of assets or liabilities to be measured on a regular basis changes, resulting in the need to assign them to a different hierarchy level, such reclassification is performed at the end of the reporting period.

More details regarding the relevant fair values can be found in Note (26) Financial instruments.

Government assistance

Hapag-Lloyd receives various performance-related grants (i. e. grants linked to expenses or income) from government. The grants received are systematically deducted from the subsidised expenditure in the consolidated income statement, provided that there is an appropriate level of certainty that the conditions attached to these grants are met, and that the grants will indeed be paid. If there are no related future expenses, such as with immediate assistance, that can be periodically offset with grant earnings, or if expenses / losses have already been incurred, the grants are recognised immediately as income and / or recorded for the period in which the relevant claim occurs. Further information on the nature of this assistance may be found in Note (27) Government assistance.

Significant assumptions and estimates
The preparation of consolidated financial statements in accordance with IFRS requires estimates and assumptions in order to determine the assets, liabilities and provisions shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the reporting date, and the recognised income and expenses for the reporting period. Estimates and assumptions are continuously re-evaluated and are based on historical experience and expectations regarding future events which seem reasonable in the given circumstances.

This specifically applies to the following cases:

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

Review of useful lives and residual values for intangible assets and property, plant and equipment
Useful lives and residual values for intangible assets and property, plant and equipment are estimated on the basis of past experience. The management regularly reviews the estimates for individual assets or groups of assets with similar characteristics based on changes in the quality of maintenance programmes, amended environmental requirements and technical developments. In the case of significant changes it adjusts the useful lives and residual values.

The estimation of residual values of container vessels is affected by uncertainties and fluctuations due to the long useful life of vessels, the uncertainties regarding future economic developments and the future price of steel, which is a significant parameter for determining the residual values of container vessels. As a rule, the residual value of a container vessel or a class of container vessels is determined by its scrap value. The scrap value is calculated on the basis of a container vessel's empty weight and the average price of steel. Adjustments are made to the residual value of a container vessel based on its longevity if it is expected that (long-term) market fluctuations will exist until the end of the vessel's useful operating life.

Details of estimated useful lives and changes made to these estimates in the course of the financial year can be found in the "Accounting and measurement" section. The carrying amounts of intangible assets and property, plant and equipment are shown in Notes (10) Intangible assets and (11) Property, plant and equipment.

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

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

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

For further information, please see the "Accounting and measurement" section as well as Note (30) Leases.

Measurement of the expected credit losses on receivables and other financial assets

The measurement of expected credit losses on receivables and other financial assets includes assessments and evaluations of individual receivables and groups of receivables which are based on the credit standing of the relevant customer, geographic region, analysis of ageing structures and historical defaults as well as future economic conditions. In case of adjustments to receivables balances, a determination of whether credit losses or transaction price changes are applicable will be made based on the relevant facts and circumstances.

See also the details in the "Accounting and measurement" section, as well as Note (13) Trade accounts receivable and other assets.

Recognition of deferred tax assets on loss carry-forwards

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (8) Income tax expenses.

Specification of parameters for measuring pension provisions

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated future increases in salaries and pensions and mortality tables. These assumptions may diverge from the actual figures due to changes in external factors such as economic conditions or the market situation as well as mortality rates.

The Heubeck RT 2018 G mortality tables are used for measurement of the pension obligations.

For more detailed information, please see Note (21) Provisions for pensions and similar obligations.

Recognition and measurement of other provisions

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must sometimes make assumptions on the basis of past experience regarding the likelihood of the realisation of the obligation or future developments, e.g. the costs to be estimated for the measurement of obligations. These may be subject to estimation uncertainties, particularly in the case of non-current provisions.

Provisions are made within the Group if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. Due to the uncertainties associated with this valuation, the actual losses may deviate from the original estimates and the respective provision amount. For provisions for guarantee, warranty and liability risks, there is particular uncertainty concerning the estimate of future damages.

For detailed explanations, see Note (22) Other provisions.

Determination of the demurrage and detention to be recognised

As a rule, demurrage and detention for containers are recognised once the contractually stipulated free times for a container are exceeded. Determination of the demurrage and detention to be recognised requires estimates concerning the expected amount of the receivable as well as the question of whether it is highly probable that the revenue recognised will not be subject to any significant correction in future. These estimates are based on past experience.

Determination of the non-manifested discounts recognised during the year
Non-manifested discounts are estimated monthly based on individually specified discount conditions and deducted from the transaction price, thereby reducing revenue. In the subsequent year, the amount of the discounts is calculated based on actual circumstances and is paid accordingly. This payment may be paid during the current financial year on a quarterly or semi-annual basis. Further explanations of non-manifested discounts are given in Note (1) Revenue.

Classification of present liabilities as contingent liability
Present liabilities based on past events will not be recognised if fulfilment of the relevant obligation is not probable. The management will assess whether the fulfilment of an obligation is probable or not based on judgements made by lawyers and tax advisers.

For detailed information on the contingent liabilities resulting from tax risks which are not classified as probable, please see Note (29) Legal disputes.

Risks and uncertainties
Influencing factors which can result in deviations from expectations comprise not only macroeconomic factors such as exchange rates, interest rates and bunker prices, but also the future development of container shipping.

Measures taken in connection with the COVID-19 pandemic
Business development in the 2020 financial year was significantly influenced by the global outbreak of the COVID-19 pandemic. In the first half of the 2020 financial year, a comprehensive package of measures was developed as part of a project entitled the Performance Safeguarding Program (PSP). This project aims to maintain profitability and liquidity. The package includes cost-saving measures and steps to increase the liquidity framework.

Detailed descriptions of the way measures taken under the PSP were implemented, as well as the current effects of the COVID-19 pandemic on business activity, are set out in the combined management report. Potential risks for Hapag-Lloyd Group arising from the COVID-19 pandemic are discussed in the risk report.

SEGMENT REPORTING

The Hapag-Lloyd Group is managed by the Executive Board as a single, global business unit with one sphere of activity. The primary performance indicators are freight rates and transport volume by geographic region, as well as EBIT and EBITDA at the Group level.

The allocation of resources (use of vessels and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all of the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world throughout its entire liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities, EBIT and EBITDA, as the key performance indicators, can be allocated to different trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container liner shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

Transport volume per trade

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

Freight rates per trade

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

Revenue per trade

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

The item for revenue not assigned to trades mainly comprises income from demurrage and detention for containers, as well as compensation payments for shipping space. At the same time, revenue for pending voyages already generated is recognised under revenue not assigned to trades.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were calculated on the basis of earnings before interest and taxes (EBIT) as presented in the following table. Earnings before taxes (EBT) and the share of profits of the segment's equity-accounted investees corresponded to those of the Group (see Note (12)).

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**2,700.4**	**1,985.8**
Depreciation and amortisation	–1,385.2	–1,174.4
EBIT	**1,315.2**	**811.4**
Earnings before taxes (EBT)	**981.3**	**416.3**
Share of profit of equity-accounted investees	**32.1**	**35.5**

Non-current assets

million EUR	31.12.2020	31.12.2019
Goodwill	1,466.8	1,600.7
Other intangible assets	1,459.1	1,716.9
Property, plant and equipment	9,300.6	10,064.9
Investments in equity-accounted investees	329.2	333.6
Total	**12,555.6**	**13,716.1**
thereof domestic	10,046.6	10,765.9
thereof foreign	2,509.0	2,950.2
Total	**12,555.6**	**13,716.1**

When assessing the cash-generating unit (CGU), non-current assets cannot be broken down by region due to their shared use. As a result, these have primarily been assigned to the parent company in Germany. The non-current assets held abroad are attributable to the United Arab Emirates with an amount of EUR 2,364.0 million (previous year: EUR 2,777.6 million).

There was no dependency on individual customers in the 2020 financial year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

Revenue streams

The Hapag-Lloyd Group's services comprise the shipping of containers by sea as well as associated hinterland transport for customers, thus providing transport services from door to door. As a result, the Hapag-Lloyd Group primarily generates revenue from sea freight, inland container transport and terminal handling charges.

Revenue is broken down by trade in the Hapag-Lloyd Group. This breakdown can be found in the "Segment reporting" section.

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

This was primarily due to a increase in average freight rates of 4.0% compared with the previous year. Adjusted for exchange rate movements, revenue would have risen by approximately EUR 0.4 billion, or 3.3%. However, a 1.6% decrease in the average transport volume compared with the previous year softened the impact of the increased freight rate on overall revenue.

Contract balances

Contract liabilities essentially comprise the remaining performance obligation as at the reporting date in connection with shipments on voyages not yet completed. The revenue recorded in the reporting period and included in the balance of contract liabilities at the start of the 2020 financial year came to EUR 372.9 million (previous year: EUR 260.3 million).

Hapag-Lloyd also has contracts with customers with terms of more than 1 year in accordance with IFRS 15. However, if one considers the recognition of the associated revenue over the course of time, it can be seen that the terms of the contracts have no effect on the time-related recognition of revenue within 1 year. The reason for this is that the maximum duration of a ship voyage is less than 1 year. This means that the recognition of revenue for an individual shipment will not exceed a period of 1 year. With regard to the recognition of income, the Hapag-Lloyd Group therefore only has contracts with a short-term perspective of less than 1 year. On this basis, in accordance with IFRS 15.121 (a) in conjunction with IFRS 15.122, no further information is provided on transaction costs attributable to remaining performance obligations.

Performance obligations and methods for recognising revenue
The Hapag-Lloyd Group measures revenue based on the consideration specified in a contract with a customer. The revenue is recognised by the Hapag-Lloyd Group when the transport service is rendered. The performance obligation is fulfilled and the revenue is recognised in the period when the transport service is rendered by the Hapag-Lloyd Group, i.e. they are period-based.

The recognition of revenue is determined by performance progress. To determine the performance progress in connection with shipments on voyages not yet completed as at the reporting date, Hapag-Lloyd uses the input-based method while taking account of the expenses incurred up until the reporting date. Due to the transport-related expenses allocated over the itinerary, the procedure is considered reliable and suitable. The percentage of completion / transport progress is therefore determined on the basis of the ratio of expenses incurred to expected total expenses.

Payment terms at Hapag-Lloyd vary at the local level. The payment term predominantly used by the Group constitutes payment within 30 days of receipt of the outgoing invoice.

Transaction price and transaction price components
With regard to the rendering of transport services in accordance with a customer's shipment contract, Hapag-Lloyd has a performance obligation as per IFRS 15.22 (a), as the commitment made to the customer only comprises a distinguishable service. This is the commitment to transport goods from a specific origin to an agreed destination. A fixed transaction price is agreed for the transport service as part of a contract. The transaction price also includes variable components such as demurrage and detention for containers. These are recorded based on past experience as soon as the lease period of a container exceeds the agreed period in the contract.

Other transaction price components in the Hapag-Lloyd Group include discounts of any kind, e.g. cash payment discounts, volume discounts or special discounts. This pertains to both manifested and non-manifested discounts. The latter are deducted from the transaction price on a monthly basis, thereby reducing revenue, and are based on set discount conditions, which make sure that the variable consideration is limited. They therefore lead to a reduction in the transaction price. Since the discount is granted afterwards by means of a payment to the customer, a trade account payable (refund liability) is recognised on a monthly basis for the expected utilisation. For manifested discounts, on the other hand, the discount is granted earlier, when the receivables are booked. As a result, the revenue recognised has already been reduced by the amount of the discounts.

(2) Transport expenses

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Transport expenses for finished voyages	9,089.6	9,721.1
Bunker	1,407.3	1,625.6
Handling and haulage	4,716.7	4,922.7
Equipment and repositioning [1]	1,134.7	1,205.0
Vessel and voyage (excluding bunker) [1]	1,830.8	1,967.8
Change in transport expenses for pending voyages [2]	50.6	–14.0
Total	**9,140.2**	**9,707.0**

[1] Including lease expenses for short-term leases.

[2] The amounts presented as transport expenses for pending voyages represent the difference between the transport expenses for pending voyages for the current period and the transport expenses for pending voyages for the previous period. The transport expenses for pending voyages recognised in the previous period are presented in the current financial year as incurred transport expenses.

In the 2020 financial year, transport expenses fell by EUR 566.9 million to EUR 9,140.2 million (prior year period: EUR 9,707.0 million). This represents a drop of 5.8%. This decline was primarily due to the volume-related decrease in expenses, the lower average bunker consumption price compared with the previous year and active cost management under the PSP programme. In addition, the weaker US dollar against the euro led to a reduction in transport expenses. Adjusted for exchange rate movements, transport expenses would have fallen by approximately EUR 0.4 billion, or around 4.0%.

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

Hapag-Lloyd's bunker consumption price of 379 USD/t in the 2020 financial year was down 37 USD/t (–8.9%) on the figure for the corresponding prior year period, which was 416 USD/t. While prices for low-sulphur bunker fuel at the beginning of the reporting period remained at a very high level (MFO 0.5%, FOB Rotterdam, 560 USD/t approx.), they fell during the first half of 2020 as a result of a worldwide drop in demand and a simultaneous dispute among major oil-producing countries on the issue of supply levels. At the end of April, prices were briefly recorded at approximately 135 USD/t (MFO 0.5%, FOB Rotterdam). However, bunker prices subsequently rose again and remained at a relatively stable level of around 300 USD/t from the third quarter of 2020. The price increased slightly towards the end of the year, with low-sulphur fuel costing approximately 367 USD/t at the end of December (MFO 0.5%, FOB Rotterdam). The decrease in the bunker consumption price was partly offset by the requirement to use the more expensive low-sulphur fuel from 1 January 2020 following the implementation of IMO 2020.

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

The fall in container and repositioning expenses of EUR 70.2 million to EUR 1,134.7 million was essentially due to active cost management under the PSP programme and the resulting decline in expenses associated with loading and unloading empty containers at the terminals. Efforts to optimise container utilisation on voyages from Europe to Asia in the fourth quarter of 2020 also played a significant role.

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

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

(3) Personnel expenses

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Wages and salaries	563.4	562.8
Social security costs, pension costs and other benefits	119.5	119.7
Total	**683.0**	**682.5**

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

Pension costs include, among other things, expenses for defined benefit and defined contribution pension obligations. A detailed presentation of pension commitments is provided in Note (21) Provisions for pensions and similar obligations. Personnel expenses were reduced by government assistance in the form of grants amounting to EUR 11.9 million (previous year EUR 10.4 million), which were recognised in profit and loss. For further details, please refer to Note (27) Government assistance.

The average number of employees was as follows:

	1.1.–31.12.2020	1.1.–31.12.2019
Marine personnel	2,007	2,026
Shore-based personnel	10,857	10,655
Apprentices	221	225
Total	**13,085**	**12,905**

(4) Depreciation, amortisation and impairment

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Scheduled amortisation/depreciation	1,286.3	1,174.4
Amortisation of intangible assets	131.7	99.6
Depreciation of property, plant and equipment	1,154.7	1,074.7
Impairment	98.8	–
Impairment of property, plant and equipment	98.8	–
Total	**1,385.2**	**1,174.4**

The amortisation of intangible assets largely concerned brands and the customer base. For further details regarding the increase in amortisation concerning brands, please refer to the “Accounting and measurement” section.

The scheduled depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers. The year-on-year increase in depreciation and amortisation resulted essentially from depreciation associated with the recognition of vessel retrofittings due to IMO 2020, as well as from a rise in the percentage of vessels chartered in on a medium-term basis and the resulting increase in rights of use. The scheduled amortisation of rights of use relating to leased assets (essentially vessels, containers, buildings) led to amortisation of EUR 528.1 million (prior year period: EUR 459.2 million). A break-down of depreciation and amortisation can be found in the Notes to the respective balance sheet item.

Impairment on property, plant and equipment amounting to EUR 98.8 million resulted from the impairment of 5 vessels. For details of impairment testing and how impairment losses are measured, please refer to the “Accounting and measurement” section and Note (11) Property, plant and equipment.

(5) Other operating result

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Other operating income	**69.1**	**81.2**
Income from the reversal of provisions	13.8	11.4
Gains and losses from disposal of assets	13.1	20.2
Income from own cost capitalized	9.7	6.8
Miscellaneous operating income	32.5	42.8
Other operating expenses	**348.8**	**350.0**
IT & Communication expenses	175.9	155.7
Office & Administration expenses	33.8	41.8
Charges, fees, consultancy and other professional services	32.7	35.8
Training and other personnel expenses	20.1	26.9
Exchange rate gains/losses	15.4	10.2
Other taxes	12.6	12.5
Car and Travel expenses	6.4	19.4
Bank charges	5.9	8.3
Miscellaneous operating expenses	46.0	39.4
Total	**–279.7**	**–268.8**

Miscellaneous operating income comprises items that cannot be allocated to any of the items mentioned above. This includes, among other things, income from cost transfers for services provided.

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

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

(6) Interest result

The interest result was as follows:

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Interest income	**17.0**	**8.5**
Other interest and similar income	17.0	8.5
Interest expenses	**343.8**	**428.9**
Net interest expenses from the valuation of pensions and similar obligations	3.7	5.4
Interest expenses for lease liabilities	69.6	72.6
Other interest and similar expenses	270.5	350.9
Effects from the result of embedded derivatives	**–3.7**	**23.6**
Total	**–330.5**	**–396.7**

Other interest and similar income relates in particular to income from the completion of financing arrangements for 2 vessels and income from interest on bank balances. Other interest and similar expenses mainly comprise interest for bonds and loans as well as interest from other financial debt. The decrease in interest expenses compared with the previous year was primarily due to the reduction in interest expenses for the early repayment of the bond in February and June 2019 and the partial repayment of the bond in November 2020 in the amount of EUR 22.2 million. In addition, further reductions in interest expenses in relation to bank financing in the amount of EUR 61.0 million which were primarily due to the past repayment of debt helped to improve the other interest result.

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

For information on the interest expenses in relation to lease liabilities, please refer to Note (30) Leases.

(7) Other financial items

Other financial items of EUR –3.5 million essentially comprise realised and unrealised exchange rate effects from the foreign currency translation of financial debt including the associated hedging effects.

(8) Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income taxes. As in the previous year, corporate entities based in Germany are subject to a corporate income tax rate of 15.0% and a solidarity surcharge of 5.5% of the corporate income tax owed. Additionally, these companies are subject to trade earnings tax, which for the years 2020 and 2019 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. The combined income tax rate for domestic companies is therefore 32.3%. Furthermore, comparable actual income taxes are disclosed for foreign subsidiaries. In the Group, the tax rates ranged from 6.0% to 39.0% in 2020 (previous year: between 6.0% and 39.0%).

In addition, deferred taxes are recognised in this item for temporary differences in carrying amounts between the statement of financial position prepared in accordance with IFRS and the tax balance sheet as well as on consolidation measures and, where applicable, realisable loss carry-forwards in accordance with IAS 12 Income Taxes.

Income taxes were as follows:

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Actual income taxes	34.0	40.4
thereof domestic	4.5	5.9
thereof foreign	29.5	34.5
Deferred tax income / expenses	11.8	2.5
thereof from temporary differences	2.9	2.0
thereof from loss carry-forwards	8.9	0.5
Total	**45.8**	**42.9**

The increase in income taxes by EUR 2.9 million from EUR 42.9 million in the previous year to EUR 45.8 million is primarily due to exchange rate-related effects on deferred taxes as well as income from higher deferred tax assets from loss carryforwards arising in 2019. The increase was offset by a decrease in current income taxes of EUR 6.4 million.

Domestic income taxes include tax expenses amounting to EUR 4.5 million, which are attributable to the tonnage taxation (prior year period: EUR 4.3 million). In addition, the reported domestic tax expense is reduced by EUR 1.8 million (prior year period: EUR –0.3 million) exchange rate effect resulting from the translation of tax assets and liabilities from the functional currency US dollar to the reporting currency Euro.

Prior-period tax expenses in the amount of EUR 1.5 million are included in the actual income taxes (prior year period: income of EUR 5.6 million).

As Hapag-Lloyd AG has opted for tonnage taxation, temporary measurement differences do not affect taxation, with the result that no deferred taxes are calculated. For domestic income which is not subject to tonnage taxation, a combined income tax rate of 32.3% was used both in 2020 and 2019 to calculate the deferred taxes.

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates applied for foreign-based companies in 2020 ranged from 8.3% to 34.0% (previous year: between 8.3% and 34.9%).

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

Reconciliation statement

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Earnings before taxes	981.3	416.3
thereof under tonnage tax	723.5	176.8
thereof under regular income tax	257.8	239.5
Expected income tax expense (+) / income (–) (tax rate 32.3%)	**83.2**	**77.3**
Difference between the actual tax rates and the expected tax rates	–43.5	–24.9
Changes in tax rate or tax law	–	0.2
Effects of income not subject to income tax	–1.2	–0.4
Non-deductible expenses and trade tax additions and reductions	10.4	4.1
Effects from reassessments	–1.9	–4.5
Effective tax expenses and income relating to other periods	1.5	–5.6
Tax effect from equity-acounted investees	–10.5	–11.4
Exchange rate differences	0.4	0.6
Other differences	2.9	3.3
Income tax expense under regular income tax	**41.3**	**38.7**
Income tax expense under tonnage tax base	4.5	4.2
Reported income tax expenses (+)/income (–)	**45.8**	**42.9**

Effects due to deviating tax rates for domestic and foreign taxes from the income tax rate of Hapag-Lloyd AG are disclosed in the above reconciliation statement under the difference between the actual tax rates and the expected tax rates.

Effects from reassessments include income of EUR 1.0 million (prior year period: EUR 4.3 million) from changes in unrecognised corporate income tax loss carry-forwards both at home and abroad. A further EUR 0.8 million (prior year period: EUR 0.8 million) relates to the reduction of actual income taxes due to the use of tax losses previously not recognised.

The other differences include EUR 2.8 million in foreign withholding taxes for dividends, which are non-deductible (prior year period: EUR 3.2 million).

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

	31.12.2020		31.12.2019	
million EUR	Asset	Liabillity	Asset	Liabillity
Recognition and measurement differences for property, plant and equipment and other non-current assets	1.0	11.9	1.3	7.0
Recognition differences for receivables and other assets	2.0	0.6	2.6	0.6
Measurement of pension provisions	7.2	0.4	6.4	0.7
Recognition and measurement differences for other provisions	4.2	–	4.5	–
Other transactions	9.1	1.1	7.6	2.1
Capitalised tax savings from recoverable loss carry-forwards	9.1	–	19.0	–
thereof utilised by tonnage tax base	2.7	–	2.7	–
Netting of deferred tax assets and liabilities	–3.9	–3.9	–1.7	–1.7
Balance sheet recognition	**28.7**	**10.1**	**39.7**	**8.7**

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

million EUR	As per 1.1.2019	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2019
Recognition and measurement differences for property, plant and equipment and other non-current assets	–1.9	–3.7	–	–0.1	–5.7
Recognition differences for receivables and other assets	1.4	0.6	–	–	2.0
Measurement of pension provisions	4.4	–1.0	2.2	0.1	5.7
thereof recognised directly in equity	4.4	–	2.2	–	6.6
Recognition and measurement differences for other provisions	4.3	0.2	–	–	4.5
Other transactions	3.4	1.9	–	0.2	5.5
Capitalised tax savings from recoverable loss carry-frowards	19.1	–0.5	–	0.4	19.0
Balance sheet recognition	**30.7**	**–2.5**	**2.2**	**0.6**	**31.0**

million EUR	As per 1.1.2020	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	As per 31.12.2020
Recognition and measurement differences for property, plant and equipment and other non-current assets	–5.7	–6.1	–	0.8	–11.0
Recognition differences for receivables and other assets	2.0	–0.3	–	–0.2	1.5
Measurement of pension provisions	5.7	0.3	0.8	–	6.8
thereof recognised directly in equity	6.6	–	0.8	–0.2	7.2
Recognition and measurement differences for other provisions	4.5	0.1	–	–0.4	4.2
Other transactions	5.5	3.1	–	–0.6	8.0
Capitalised tax savings from recoverable loss carry-frowards	19.0	–8.9	–	–1.0	9.1
Balance sheet recognition	**31.0**	**–11.8**	**0.8**	**–1.4**	**18.6**

Deferred tax liabilities of EUR 0.3 million (previous year: EUR 0.3 million) were recognised for temporary differences between the net assets and the carrying amount of subsidiaries for tax purposes, whereby the reversal of the temporary differences is likely in the foreseeable future.

No deferred tax liabilities were recognised for the remaining taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 53.3 million (previous year: EUR 64.8 million), as Hapag-Lloyd is able to steer how the temporary differences are reversed over time and no reversal of the temporary differences is likely in the near future.

Deferred tax assets and liabilities are classified as non-current in the statement of financial position in accordance with IAS 1, irrespective of their expected realisation date.

Deferred tax assets are recognised for temporary differences and tax loss carry-forwards if their realisation seems certain in the near future. The loss carry-forwards not recognised relate primarily to foreign subsidiaries that are not covered by tonnage taxation. The amounts of unutilised tax losses and the capacity to carry forward the tax losses for which no deferred tax assets were recognised are as follows:

million EUR	31.12.2020	31.12.2019
Loss carry-forwards for which deferred tax assets were recognised	**29.6**	**67.6**
Loss carry-forwards for which no deferred tax assets were recognised	**1,171.0**	**1,282.6**
thereof loss carry-forwards forfeitable in more than 5 years	1.0	1.0
Non-forfeitable loss carry-forwards	1,170.0	1,281.6
Total of unutilised loss carry-forwards	**1,200.6**	**1,350.2**

(9) Earnings per share

	1.1.–31.12.2020	1.1.–31.12.2019
Profit/loss attributable to shareholders in million EUR	926.8	362.0
Weighted average number of shares	175.8	175.8
Basic earnings per share in EUR	**5.27**	**2.06**

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year.

There were no dilutive effects in the 2020 financial year or in the previous year.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(10) Intangible assets

million EUR	Goodwill	Customer base	Brand	Software	Payments on account and assets under construction	Total
Historical cost						
As at 1.1.2019	1,568.8	1,803.9	301.6	128.4	3.8	3,806.5
Additions	–	–	–	0.4	6.8	7.2
Disposals	–	–	–	0.1	–	0.1
Exchange rate differences	31.9	36.6	6.1	2.6	0.1	77.3
As at 31.12.2019	**1,600.7**	**1,840.6**	**307.7**	**131.3**	**10.6**	**3,891.0**
Accumulated amortisation						
As at 1.1.2019	–	325.7	20.5	118.3	–	464.5
Additions	–	82.8	10.4	6.5	–	99.6
Exchange rate differences	–	6.4	0.4	2.5	–	9.3
As at 31.12.2019	**–**	**415.0**	**31.3**	**127.2**	**–**	573.4
Carrying amounts 31.12.2019	**1,600.7**	**1,425.6**	**276.4**	**4.2**	**10.6**	**3,317.6**
Historical cost						
As at 1.1.2020	1,600.7	1,840.6	307.7	131.3	10.6	3,891.0
Additions[1]	3.4	–	–	3.8	9.0	16.2
Disposals	–	–	77.7	13.2	–	90.9
Transfers	–	–	–	1.0	–1.0	–
Exchange rate differences	–137.3	–157.9	–20.9	–8.9	–1.5	–326.5
As at 31.12.2020	**1,466.8**	**1,682.7**	**209.1**	**114.0**	**17.2**	**3,489.8**
Accumulated amortisation						
As at 1.1.2020	–	415.0	31.3	127.2	–	573.4
Additions	–	81.2	46.9	3.5	–	131.7
Disposals	–	–	77.7	13.2	–	90.9
Exchange rate differences	–	–41.3	–0.5	–8.5	–	–50.3
As at 31.12.2020	**–**	**454.9**	**–**	**109.1**	**–**	**563.9**
Carrying amounts 31.12.2020	**1,466.8**	**1,227.8**	**209.1**	**5.0**	**17.2**	**2,925.9**

[1] The addition to goodwill results from changes in the group of consolidated companies.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,466.8 million (previous year: EUR 1,600.7 million) and the Hapag-Lloyd brand in the amount of EUR 209.1 million (previous year: EUR 228.7 million).

At the end of the 2020 financial year, an impairment test of goodwill and intangible assets that are not subject to amortisation was carried out for the entire cash-generating unit “container shipping”. The recoverable amount was calculated based on the fair value less costs of disposal. Measurement was based on level 1 inputs (unadjusted use of the quoted share price of Hapag-Lloyd AG and of a bond price) and on level 2 inputs (use of observable market price quotations that are not level 1 to measure the remaining financial debt). With regard to the fundamental measurement assumptions, please refer to the section “Accounting and measurement principles”. As a whole, the fair value of the cash-generating unit “container shipping” should be assigned to level 2, as this level corresponds to the lowest input factor that is significant for overall measurement.

As at the reporting date, the fair value less costs of disposal was higher than the carrying amounts of the cash-generating unit “container shipping”, with the result that it was not necessary to recognise an impairment.

The brands “UASC” and “CSAV” were completely amortised in the financial year, and derecognised as at 31 December 2020. For further details, please see the “Accounting and measurement” section.

Research and development expenses in the financial year totalled EUR 39.7 million (prior year period: EUR 25.5 million). Investments in internally generated intangible assets requiring capitalisation in 2020 amounted to EUR 9.6 million (previous year: EUR 6.8 million). These are presented under software and as payments on account and assets under construction.

(11) Property, plant and equipment

million EUR	Vessels	Containers, chassis	Property, buildings and other equipment	Payments on account and assets under construction	Total
Historical cost					
As at 1.1.2019	9,323.5	2,620.5	232.0	6.4	12,182.3
First-time application of IFRS 16[1]	374.3	394.7	89.2	–	858.2
Adjusted as at 1.1.2019	9,697.8	3,015.1	321.2	6.4	13,040.5
Additions	461.7	439.6	36.5	62.3	1,000.0
Disposals	6.0	100.4	5.7	–	112.1
Transfers	3.6	–	–1.7	–3.6	–1.8
Exchange rate differences	195.7	60.4	5.0	–0.1	261.1
As at 31.12.2019	**10,352.8**	**3,414.7**	**355.2**	**65.0**	**14,187.7**
Accumulated depreciation					
As at 1.1.2019	2,182.1	785.6	94.9	–	3,062.6
Additions	649.0	387.4	38.3	–	1,074.7
Disposals	6.0	65.2	2.8	–	73.9
Transfers	–	–	–0.6	–	–0.6
Exchange rate differences	42.7	15.2	2.1	–	60.0
As at 31.12.2019	**2,867.9**	**1,123.0**	**132.0**	**–**	**4,122.9**
Carrying amounts 31.12.2019	**7,484.9**	**2,291.7**	**223.3**	**65.0**	**10,064.9**
Historical cost					
As at 1.1.2020	10,352.8	3,414.7	355.2	65.0	14,187.7
Additions[2]	653.3	625.7	54.3	58.9	1,392.2
Disposals	211.6	100.2	9.2	–	321.1
Transfers	44.4	–	–0.3	–44.5	–0.3
Exchange rate differences	–921.6	–329.8	–20.1	–6.6	–1,278.2
As at 31.12.2020	**9,917.2**	**3,610.4**	**379.9**	**72.9**	**13,980.4**
Accumulated depreciation					
As at 1.1.2020	2,867.9	1,123.0	132.0	–	4,122.9
Additions	726.2	385.3	43.2	–	1,154.7
Impairments	98.8	–	–	–	98.8
Disposals	210.9	67.6	2.5	–	281.0
Transfers	–	–	–0.3	–	–0.3
Exchange rate differences	–289.0	–118.7	–7.6	–	–415.3
As at 31.12.2020	**3,193.0**	**1,322.0**	**164.8**	**–**	**4,679.9**
Carrying amounts 31.12.2020	**6,724.2**	**2,288.3**	**215.1**	**72.9**	**9,300.6**

1 As a result of the first-time application of IFRS 16 in the 2019 financial year, acquisition and production costs are shown net (taking account of accumulated depreciation).
2 Additions amounting to EUR 4.3 million relate to changes in the group of consolidated companies.

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 5,667.5 million as at the reporting date (previous year: EUR 7,620.0 million). Restrictions of ownership exist in the form of mortgages for container vessels and in the form of collateral for financed vessels and containers transferred by way of security.

Changes in the rights of use for each asset class in the financial year are presented in Note (30) Leases.

As described in the “Accounting and measurement” section under “Impairment testing”, impairments were recognised for 5 container vessels as at the end of the financial year. These vessels were tested individually for impairment, and their recoverable amounts were estimated by an independent expert on the basis of the fair values less costs of disposal as at 31 December 2020. In its entirety, the fair value measurement was categorised as Level 3 of the fair value hierarchy, and was calculated by the expert taking into account current sales transaction data for the most comparable vessels, as well as ongoing sales negotiations and asking prices for such vessels and the market reactions to these prices. The measurement assumes that the vessels are for sale on the basis of immediate, charter-free delivery in return for a cash payment, and that they are sold under normal trading terms as part of a transaction between a willing seller and a willing buyer. The valuation is based on the additional assumptions that the vessels have been fully maintained, are free of recommendations, and that they are undamaged, fully-equipped and in working order. As the recoverable amounts determined in this way (totaling EUR 28.5 million), were below the carrying amounts, impairments of EUR 98.8 million were recognised as an expense in the item “Depreciation, amortisation and impairment”.

(12) Equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2020.

Name of the company	Registered office	Proportion of ownership in the group (in %) 2020	2019
Joint venture			
Consorcio Naviero Peruano S.A.[1]	San Isidro	47.93	47.93
Texas Stevedoring Services LLC[3]	Wilmington	50.00	50.00
Associated companies			
Hapag-Lloyd Lanka (Pvt) Ltd[1]	Colombo	40.00	40.00
HHLA Container Terminal Altenwerder GmbH[2]	Hamburg	25.10	25.10
Djibouti Container Services FZCO[1]	Djibouti	19.06	19.06

1 Ship agents and local liner shipping companies
2 Container terminals
3 Service company at the container terminal

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

Proportionate cumulative losses for equity-accounted joint ventures of EUR 1.8 million (prior year period: EUR –0.5 million) were not taken into consideration in the financial year. No impairment losses are included in the proportionate equity result.

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

	HHLA Container Terminal Altenwerder GmbH	
million EUR	2020	2019
Statement of comprehensive income		
Revenues	284.4	300.5
Annual result	75.5	99.3
Dividend payments to Hapag-Lloyd Group	–35.2	–28.6
Balance sheet		
Current assets	100.6	97.3
Non-current assets	83.9	75.2
Current liabilities	38.5	34.0
Non-current liabilities	65.6	58.1
Net assets	**80.4**	**80.4**
Group share in net assets	20.2	20.2
Goodwill	276.8	276.8
Pro-rata share of current financial year's profit	30.7	34.0
Profit related to other period	–1.2	–
Carrying amount of the participation at the end of the financial year	**326.5**	**331.0**

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

	HHLA Container Terminal Altenwerder GmbH		Non-material associated companies		Joint Venture	
million EUR	2020	2019	2020	2019	2020	2019
Participation 1.1.	**331.0**	**325.6**	**2.1**	**2.0**	**0.6**	**0.5**
Pro-rata share of earnings after taxes	30.7	34.0	1.2	1.3	0.2	0.1
Dividend payments	–35.2	–28.6	–1.3	–1.3	–	–
Exchange rate differences	–	–	–	0.1	–0.1	–
Participation 31.12.	**326.5**	**331.0**	**2.0**	**2.1**	**0.7**	**0.6**

(13) Trade accounts receivable and other assets

	31.12.2020		31.12.2019	
million EUR	Total	Remaining term more than a year	Total	Remaining term more than a year
Financial assets				
Trade accounts receivable	1,362.6	–	1,239.8	–
from third parties	1,362.6	–	1,239.8	–
Other assets	217.5	14.6	257.2	12.5
Investments and securities	7.7	7.7	8.5	8.5
Receivables relating to offset or advanced payments	108.3	–	146.8	–
Receivables from loans and other financial receivables	14.9	4.1	5.1	2.7
Receivables from insurance compensation	52.3	–	53.8	–
Receivables from deposits and prepayments	11.2	2.6	15.5	1.0
Other assets	23.2	0.2	27.5	0.3
Total	**1,580.1**	**14.6**	**1,497.0**	**12.5**
Non-financial assets				
Other assets	100.9	7.8	113.4	11.2
Claims arising from the refund of other taxes	62.9	0.7	61.1	0.7
Commitment fees for loans	9.1	6.0	7.8	3.4
Prepaid expenses	21.6	0.1	27.4	0.3
Other assets	7.3	0.9	17.1	6.8
Total	**100.9**	**7.8**	**113.4**	**11.2**

As at 31 December 2020, in relation to vessel financing there were assignments on earnings of a type customary on the market for trade accounts receivable resulting from revenue.

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

Credit risks

The gross carrying amounts of trade accounts receivable and other financial assets that fall within the scope of impairments under IFRS 9 amounted to EUR 1,600.0 million as of 31 December 2020 (previous year:EUR 1,517.4) and are mostly exposed to a low to medium credit risk. As of the reporting date, gross carrying amounts of EUR 108.6 million (previous year: EUR 123.4 million) were credit-impaired or exposed to high credit risk. EUR 251.5 million. (previous year: EUR 282.4 million) were collateral backed.

Along with the risk categorisation presented above, the following table provides information about the age structure of trade accounts receivable and other financial assets that fall within the scope of impairments under IFRS 9:

million EUR	31.12.2020	31.12.2019
Trade account receivables and other financial assets		
Not overdue	1,408.8	1,288.0
Overdue up to 30 days	120.6	142.5
Overdue between 31 and 90 days	30.9	38.6
Overdue for more than 90 days	39.7	48.3
Gross carrying amount	**1,600.0**	**1,517.4**
Loss allowance	–27.6	–28.9
Carrying amount	**1,572.4**	**1,488.4**

Loss allowances

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

million EUR	2020	2019
Loss allowances on trade account receivables and other financial assets		
Loss allowances as of 1.1.	**28.9**	**31.6**
Utilisation	8.0	7.4
Impairment losses	9.2	4.0
Change of translation reserve	–2.5	0.7
Loss allowances as of 31.12.	**27.6**	**28.9**

Loss allowances as of 31 December 2020 are EUR 27.6 million, of which EUR 22.5 million are attributable to credit-impaired receivables (previous year: EUR 27.0 million).

(14) Derivative financial instruments

	31.12.2020		31.12.2019	
million EUR	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Receivables from derivative financial instruments	36.0	21.6	42.1	27.6
thereof derivatives in hedge accounting [1]	14.5	–	14.8	0.3
thereof derivatives not included in hedge accounting	21.6	21.6	27.3	27.3

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

Derivative financial instruments are shown at fair value (market value). They serve to hedge both the future operating business and the currency risks and interest rate risks in the area of financing. This item also contains embedded derivatives in the form of buy-back options for issued bonds. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (see Note (26)).

(15) Inventories

The inventories were as follows:

million EUR	31.12.2020	31.12.2019
Raw materials and supplies	172.3	247.2
Prepayments	–	1.3
Total	**172.3**	**248.5**

Raw materials, consumables and supplies primarily comprised fuel inventories, which fell from EUR 233.0 million in the previous year to EUR 160.9 million.

Expenses of EUR 1,606.2 million for fuels were recognised in the reporting period (previous year: EUR 1,625.6 million). Impairments for fuel inventories in the amount of EUR 0.4 million were also recognised as expenses in the financial year (previous year: EUR 0.5 million). No write-backs were recognised.

(16) Cash and cash equivalents

million EUR	31.12.2020	31.12.2019
Cash at bank	675.7	490.6
Cash in hand and cheques	5.6	21.0
Total	**681.3**	**511.6**

As at 31 December 2020, a sum totalling EUR 7.9 million with a term of up to 3 months was deposited in pledged accounts (previous year: EUR 10.0 million) and was therefore subject to a limitation on disposal.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 5.5 million (previous year: EUR 2.3 million) at individual subsidiaries. These funds are not readily available to Hapag-Lloyd AG or its other subsidiaries for general use.

(17) Subscribed capital and capital reserves

As at 31 December 2020, Hapag-Lloyd AG's subscribed capital was divided into 175.8 million no-par registered shares with equal rights, as in the previous year. As in the previous year, each individual share represents EUR 1.00 of the share capital.

Authorised capital

The Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to EUR 23.0 million in the period to 30 April 2022 by issuing up to 23 million new no-par registered shares in exchange for cash and/or non-cash contributions (Authorised Share Capital 2017). As a general rule, subscription rights must be granted to the shareholders. The new shares can also be taken up by one or more banks, with the obligation to offer them to the shareholders for subscription. Under certain circumstances and subject to the approval of the Supervisory Board, the Executive Board is authorised to exclude the subscription rights of the shareholders in order to exclude fractional amounts from the subscription right.

Even after partial utilisation in previous years, the Authorised Share Capital still amounted to EUR 11.3 million as at reporting date of 31 December 2020.

(18) Retained earnings

Retained earnings essentially comprise earnings from the financial year and previous years as well as reclassifications from the capital reserves. In the previous financial years, a total of EUR 1,682.3 million was withdrawn from the capital reserves in the individual financial statements under German commercial law and reclassified accordingly in the consolidated financial statements as retained earnings.

Dividend distribution 2020

On 10 June 2020, a dividend of EUR 1.10 per dividend-eligible individual share was paid out to the shareholders of Hapag-Lloyd AG, amounting to a total payment of EUR 193.3 million.

Use of retained earnings

In accordance with the German Stock Corporation Act (AktG), the Annual General Meeting passes resolutions regarding use of the retained earnings reported in the annual financial statements prepared according to the German Commercial Code. Taking into account retained earnings of EUR 238.4 million carried forward from 2019, the annual financial statements of Hapag-Lloyd AG reported retained earnings of EUR 1,247.0 million. A proposal will be made at the Annual General Meeting that the retained earnings be used to pay a dividend of EUR 3,50 per dividend-eligible share, and that the retained earnings of EUR 631.8 million remaining after the distribution totalling EUR 615.2 million be carried forward to the subsequent year.

(19) Cumulative other equity

Cumulative other equity comprises the reserve for remeasurements from defined benefit pension plans, the reserve for cash flow hedges, the translation reserve and the reserve for put options on non-controlling interests.

The reserve for remeasurements from defined benefit pension plans (31 December 2020: EUR –208.6 million; 31 December 2019: EUR –173.3 million) contains gains and losses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the measurement of pension obligations and the associated fund assets. The effect of remeasuring pension obligations and the associated plan assets recognised in other comprehensive income in the 2020 financial year resulted in an increase of EUR 36.0 million in the negative reserve (prior year period: EUR 60.8 million).

The reserve for cash flow hedges contains changes in the intrinsic value of commodity options, changes in the cash component of currency forward contracts and changes in the market value of interest rate and commodity swaps that are recognised in other comprehensive income and amounted to EUR –12.4 million as at 31 December 2020 (31 December 2019: EUR –14.0 million). In the 2020 financial year, the resulting gains and losses totalling EUR 50.3 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR –31.7 million), while gains and losses of EUR –45.7 million (prior year period: EUR 18.5 million) were reclassified and recognised through profit or loss.

The reserve for costs of hedging contains changes in the fair value of commodity options and in the forward component of currency forward contracts that are recognised in other comprehensive income and amounted to EUR –1.9 million as at 31 December 2020 (31 December 2019: EUR –10.2 million). In the 2020 financial year, the resulting gains and losses totalling EUR –40.1 million were recognised in other comprehensive income (previous year: EUR –40.9 million), while gains and losses of EUR 11.8 million (previous year: EUR 27.0 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR –42.4 million (31 December 2019: EUR 560.5 million) includes differences from currency translation. The differences from currency translation of EUR –603.7 million recognised in other comprehensive income in the 2020 financial year (previous year: EUR 121.2 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. Currency translation differences are recognised in the statement of comprehensive income under the items that are not reclassified and recognised through profit or loss, because the currency translation effects of subsidiaries with the same functional currency as the parent company cannot be recycled.

(20) Non-controlling interests

The non-controlling interests within the Hapag-Lloyd Group are not material from a quantitative or qualitative perspective. There were no material changes in non-controlling interests in the 2020 financial year.

(21) Provisions for pensions and similar obligations

Defined benefit pension plans

Hapag-Lloyd AG maintains domestic and foreign defined benefit pension plans.

Provisions for domestic benefit obligations and similar obligations are primarily made due to benefit commitments for pensions, survivorship annuities and disability benefits. The amount of the benefit depends on which benefit group the employees belong to based on years of service, and therefore on the total number of years of service. The monthly pension payable corresponds to the balance of the benefit account of the employee when pension payments begin. The balance of the benefit account is zero when employment begins. It increases by the increment set for the benefit group for every year of eligible service. After the 25th year of service, the annual amount increases by a fifth of the increment applicable to the benefit group. There is no obligation for employees to participate in the pension plan by way of paying contributions.

Furthermore, there are individually agreed pension commitments with entitlements to pension, survivorship annuity and disability benefits, the amount of which is specified in the corresponding agreements. A small number of people also have the option of forgoing their bonuses in favour of a company pension.

Pension commitments are provided to former Executive Board members based on a separate defined benefit plan. These also include entitlements to pension, survivorship annuity and disability benefits, the amount of which is based on an individually specified percentage of the pensionable emoluments. In some cases, they are also secured by plan assets in the form of reinsurance policies. Active Executive Board members do not receive any commitments for a company pension, with one exception. For one Executive Board member, there is a commitment for pension, survivorship annuity and disability benefits, the amount of which is determined by a fixed amount. Retirement benefits are paid out in the form of monthly pension payments.

Foreign defined benefit pension plans primarily relate to plans in the United Kingdom, the Netherlands and Mexico. These likewise include entitlements to pension, survivorship annuity and disability benefits. The amount of the benefits corresponds to a defined percentage together with the eligible years of service and emoluments. The net income generated from the amounts paid in is also taken into account. Plan assets exist for these plans. Contributions to the foreign plans are paid by Hapag-Lloyd and its employees. In Mexico, the contributions are paid solely by the employer. Benefits abroad are usually paid out in the form of monthly pension payments. However, in Mexico employees have the option of choosing between ongoing pension payments and one-time payments. The additional employee benefits mainly comprise statutory claims for employee termination benefits.

The Company is exposed to a variety of risks associated with defined benefit pension plans. Aside from general actuarial and financial risks such as longevity risks and interest rate risks, the Company is exposed to currency risk and investment / capital market risk.

Financing status of the pension plans

million EUR	31.12.2020	31.12.2019
Domestic defined benefit obligations		
Net present value of defined benefit obligations	306.1	273.9
Less fair value of plan assets	10.0	10.2
Deficit (net liabilities)	**296.1**	**263.7**
Foreign defined benefit obligations		
Net present value of defined benefit obligations	217.7	208.0
Less fair value of plan assets	128.6	131.5
Deficit (net liabilities)	**89.1**	**76.5**
Total	**385.2**	**340.2**

Composition and management of plan assets

The Group's plan assets are as follows:

million EUR	31.12.2020	31.12.2019
Equity instruments		
with quoted market price in an active market	36.5	37.7
without quoted market price in an active market	1.3	1.7
Government bonds		
with quoted market price in an active market	30.4	38.4
Corporate bonds		
with quoted market price in an active market	20.9	17.3
Other debt instruments		
(other) asset-backed securities		
with quoted market price in an active market	5.3	5.0
Derivatives		
with quoted market price in an active market	8.7	6.2
without quoted market price in an active market	5.9	5.1
Pension plan reinsurance	10.0	10.2
Real estate	2.1	9.3
Cash and cash equivalents	0.7	1.2
Other	16.8	9.7
Fair value of plan assets	**138.6**	**141.7**

The plan assets have been entrusted to independent external financial service providers for investment and management. The plan assets contain neither the Group's own financial instruments nor real estate used by the Group itself. All bonds in the plan assets had a rating of at least AA as at the reporting date.

Committees (trustees) exist in the United Kingdom and Mexico to manage the foreign plan assets; these consist of plan participants and representatives of Hapag-Lloyd management.

When plan assets are invested in these countries, legally independent financial service providers are called in to provide advice and support. They make a capital investment proposal to the respective committee, complete with risk and success scenarios. The committee is then responsible for taking the investment decision in close consultation with Hapag-Lloyd AG; their decisions tally with their respective investment strategy. The investment strategy first and foremost focuses on reducing the interest rate risk and on safeguarding liquidity and optimising returns. To this end, the anticipated pension payments, which will be incurred in a specific time frame, are aligned with the maturity of the capital investments. In the case of maturities from 8 to 12 years, low-risk investment forms are chosen, e. g. fixed-interest or index-linked government and corporate bonds. For any other obligations falling due, investments are made in forms with a higher risk, but which have a greater expected return.

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

The financing conditions in the United Kingdom are set by the regulatory body for pensions together with the corresponding laws and regulations. Accordingly, a valuation is carried out in line with local regulations every 3 years, which usually leads to a greater obligation compared to measurement pursuant to IAS 19. Based on the most recent technical valuation, the defined benefit plan in the United Kingdom has a financing deficit. The Company and trustees have agreed on a plan to reduce the deficit, which includes additional annual payments for a limited period.

Development of the present value of defined benefit obligations

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

million EUR	2020	2019
Net present value of defined benefit obligations as at 1.1.	**481.9**	**399.8**
Current service cost	12.8	10.9
Interest expenses	6.3	9.0
Remeasurements:		
Gains (–)/losses (+) from changes in demographic assumptions	–0.1	0.6
Gains (–)/losses (+) from changes in financial assumptions	45.3	75.8
Gains (–)/losses (+) from changes due to experience	–1.7	–3.5
Past service cost	0.6	–0.3
Plan reductions	–	–1.9
Plan settlements	–	–2.1
Contributions by plan participants	0.5	0.3
Benefits paid	–12.5	–12.5
Exchange rate differences	–8.4	5.7
Disposals from change in the group of consolidated companies	–1.0	–
Net present value of defined benefit obligations as at 31.12.	**523.8**	**481.9**

The weighted average maturity of defined benefit obligations was 20.1 years as at 31 December 2020 (previous year: 20.7 years).

Development of the fair value of the plan assets

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

million EUR	2020	2019
Fair value of plan assets as at 1.1.	**141.7**	**126.3**
Interest income	2.6	3.7
Return and losses on plan assets (excluding interest income)	4.4	10.6
Employer contributions	2.8	2.9
Contributions by plan participants	0.1	0.1
Plan settlements	–	–1.1
Benefits paid	–6.3	–5.2
Exchange rate differences	–5.6	4.4
Disposals from change in the group of consolidated companies	–1.1	–
Fair value of plan assets as at 31.12.	**138.6**	**141.7**

Net pension expenses

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

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Current service cost	12.8	10.9
Interest expenses	6.3	9.0
Interest income	–2.6	–3.7
Past service cost	0.6	–0.3
Plan settlements / plan reductions	–	–4.0
Net pension expenses	**17.1**	**12.0**

The expenses incurred in connection with pensions and similar obligations are contained in the following items in the consolidated income statement:

million EUR	1.1.–31.12.2020	1.1.–31.12.2019
Personnel expenses	13.4	6.7
Interest expenses (+) / interest income (–)	3.7	5.4
Total	**17.1**	**12.0**

Actuarial assumptions

The valuation date for pension provisions and plan assets is generally 31 December. The valuation date for current net pension expenses is generally 1 January. The parameters established for the calculation of the pension provisions and the interest rate to determine interest income on plan assets to be reported in the consolidated income statement vary in accordance with the prevailing market conditions in the currency region in which the pension plan was set up.

The 2018 G mortality tables devised by Heubeck served as the demographic basis for calculating the domestic pension provisions. The following significant financial and actuarial assumptions were also used:

percentage points	2020	2019
Discount factors	0.50	0.90
Expected rate of pension increases	1.80	1.80

Demographic assumptions based on locally generally applicable guidance tables were used to measure the significant foreign pension provisions. The following financial and actuarial assumptions were also used:

percentage points	2020	2019
Discount factors for pension obligations		
United Kingdom	1.45	2.05
Netherlands	0.50	0.90
Mexiko	7.21	7.48
Expected rate of pension increases		
United Kingdom	2.76	2.13
Netherlands	2.00	2.00
Mexiko	3.50	3.50

The discount factors for the pension plans are determined annually on the basis of first-rate corporate bonds with maturities and values matching those of the pension payments. An index based on corporate bonds with relatively short terms is used for this purpose. The resultant interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk premium, and the discounting rate is determined in accordance with the duration of the obligation.

Remeasurements

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR 36.8 million before tax as at 31 December 2020 for the 2020 financial year (previous year: EUR –63.1 million) and can be broken down as follows:

million EUR	31.12.2020	31.12.2019
Actuarial gains (+)/losses (–) from		
Changes in demographic assumptions	0.1	–0.6
Changes in financial assumptions	–45.3	–75.8
Changes from experience	1.7	3.5
Return on plan assets (excluding interest income)	4.4	10.6
Exchange rate differences	2.3	–0.7
Remeasurements	**–36.8**	**–63.1**

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR –208.6 million as at 31 December 2020 (previous year: EUR –173.4 million).

Future contribution and pension payments

For 2021, the Group plans to make payments to its pension fund totalling EUR 2.1 million (previous year: EUR 2.0 million). Payments for unfunded pension plans, including employee termination costs, are anticipated in the amount of EUR 6.2 million in 2021 (previous year: EUR 5.5 million).

Sensitivity analyses

An increase or decrease in the significant actuarial assumptions would have the following effects on the present value of pension provisions as at 31 December 2020:

million EUR	Δ Present value 31.12.2020	Δ Present value 31.12.2019
Discount factor 0.8% points higher	–77.8	–69.4
Discount factor 0.8% points lower	99.7	88.4
Expected rate of pension increase 0.2% higher	13.6	11.2
Expected rate of pension increase 0.2% lower	–13.0	–10.8
Life expectancy 1 year longer	21.2	18.4

The sensitivity calculations are based on the average maturity of pension provisions determined as at 31 December 2020. In order to present the effects on the present value of pension provisions as at 31 December 2020 separately, the calculations for the key actuarial parameters were performed individually. Correlations between the effects and valuation assumptions were not considered either. Given that sensitivity analyses are based on the average duration of the anticipated pension provisions and, as a result, the expected payout date is not considered, they only provide approximate information and indications of trends.

Defined contribution pension plans

At Hapag-Lloyd, the expenses for defined contribution pension plans relate predominantly to the contributions to the statutory retirement pension system. In the period from 1 January to 31 December 2020, expenses incurred in connection with defined contribution pension plans totalled EUR 33.2 million (previous year: EUR 27.8 million).

Hapag-Lloyd has two defined contribution pension plans operated by multiple employers. Specifically, these plans are a healthcare plan for the USA and the Merchant Navy Officer's Pension Fund (MNOPF), which is registered in the United Kingdom and was set up for officers of the British Merchant Navy around the world.

As the joint plans do not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, these plans have been recognised as contribution plans since then.

The two pension plans operated by multiple employers are not significant for the Hapag-Lloyd Group in either quantitative or qualitative terms.

(22) Other provisions

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

million EUR	As per 1.1.2019	Reclassi-fication	Utilisa-tion	Release	Addition	Exchange rate differ-ences	As per 31.12.2019
Risks from pending transactions and lawsuits	156.1	–30.7	120.5	–	164.5	2.4	171.8
Personnel costs	111.9	–	81.1	3.9	101.2	1.4	129.5
Guarantee, warranty and liability risks	69.9	–	40.2	2.9	59.0	1.4	87.1
Restructuring	16.1	–	5.6	2.0	9.5	0.3	18.3
Insurance premiums	13.4	–	3.3	–	2.3	0.3	12.7
Provisions for other taxes	9.3	–	0.6	–	1.4	0.2	10.3
Other provisions	42.4	–	7.6	13.1	13.3	0.3	35.3
Other provisions	**419.1**	**–30.7**	**258.9**	**22.0**	**351.2**	**6.3**	**464.9**

million EUR	**As per 1.1.2020**	Reclassi-fication	Utilisa-tion	Release	Addition	Exchange rate differ-ences	**As per 31.12.2020**
Risks from pending transactions and lawsuits	171.8	–	161.6	0.1	139.2	–13.2	136.2
Personnel costs	129.5	–	81.6	9.0	100.8	–8.6	131.1
Guarantee, warranty and liability risks	87.1	–	16.5	1.7	33.1	–8.5	93.5
Restructuring	18.3	–	8.6	3.2	4.7	–1.0	10.1
Insurance premiums	12.7	–	4.4	3.4	3.0	–0.7	7.1
Provisions for other taxes	10.3	–	4.0	–	4.4	–1.3	9.4
Other provisions	35.3	–	10.8	8.8	40.9	–1.6	54.9
Other provisions	**464.9**	**–**	**287.5**	**26.3**	**326.1**	**–35.0**	**442.2**

The risks from pending transactions and legal disputes primarily relate to existing performance obligations in connection with transport orders for unfinished voyages.

Provisions for personnel costs comprise provisions for bonuses not yet paid, leave not yet taken, severance compensation, anniversary payments and share-based payment agreements which are part of the Executive Board's variable remuneration. Details of the long-term incentive plans are outlined in Note (32). Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Group.

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo. Other assets were capitalised for associated, virtually secure recourse claims against insurance agencies with an amount of EUR 41.5 million.

Miscellaneous provisions comprise items that cannot be allocated to any of the items already mentioned and include in particular provisions for country-specific risks and archiving provisions.

The maturities of the other provisions are as follows:

	31.12.2020				31.12.2019			
	Remaining terms				Remaining terms			
million EUR	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Risks from pending transactions and lawsuits	136.2	135.2	1.1	–	171.8	170.4	1.5	–
Personnel costs	131.1	103.5	15.6	12.0	129.5	97.0	21.4	11.1
Guarantee, warranty and liability risks	93.5	56.2	35.1	2.1	87.1	68.5	14.3	4.3
Restructuring	10.1	10.1	–	–	18.3	18.3	–	–
Insurance premiums	7.1	7.1	–	–	12.7	12.7	–	–
Provisions for other taxes	9.4	9.4	–	–	10.3	10.3	–	–
Other provisions	54.9	47.7	0.2	6.9	35.3	22.2	4.8	8.3
Other provisions	**442.2**	**369.2**	**52.0**	**21.0**	**464.9**	**399.3**	**42.0**	**23.7**

(23) Financial debt and lease liabilities

	31.12.2020				31.12.2019			
	Remaining terms				Remaining terms			
million EUR	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Financial debt	3,735.9	505.9	2,052.3	1,177.7	5,203.8	758.7	3,089.0	1,356.1
Liabilities to banks[1]	2,533.5	377.5	1,401.8	754.1	4,292.9	678.5	2,433.3	1,181.1
Bonds	306.0	6.8	299.2	–	458.3	10.2	448.1	–
Other financial debt	896.4	121.6	351.3	423.5	452.6	70.1	207.6	175.0
Lease liabilities	1,400.3	459.8	789.6	150.9	1,193.4	482.4	604.3	106.6
Total	**5,136.2**	**965.7**	**2,841.9**	**1,328.5**	**6,397.2**	**1,241.2**	**3,693.3**	**1,462.7**

[1] This includes liabilities which result from sale and leaseback transactions that are accounted for as loan financing in accordance with IFRS 16 in conjunction with IFRS 15, insofar as the liabilities are to banks or special purpose entities, which are established and financed by banks.

Financial debt by currency exposure

million EUR	31.12.2020	31.12.2019
Denoted in USD (excl. transaction costs)	4,698.1	5,472.9
Denoted in EUR (excl. transaction costs)	409.4	736.1
Denoted in SAR (excl. transaction costs)	–	152.0
Denoted in other currencies (excl. transaction costs)	56.0	56.6
Interest liabilities	17.7	32.5
Transaction costs	–45.1	–52.9
Total	**5,136.2**	**6,397.2**

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

Liabilities to banks and other financial debt

Liabilities to banks mainly comprise loans to finance the existing fleet of vessels and containers.

Significant elements of the liabilities to banks are collateralised with vessel mortgages. Additional collateral exists in the form of land charges in connection with the Ballindamm property and securitised trade accounts receivable amounting to EUR 479.9 million (previous year: EUR 456.4 million).

In the 2020 financial year, Hapag-Lloyd conducted 7 container sale and leaseback transactions (previous year: 7) to refinance investments in reefer and standard containers. These transactions comprised 6 Japanese operating leases (JOLs), (previous year: 7), and 1 Chinese lease (previous year: 0). The lease agreements associated with the JOL transactions include substantial purchase options that entitle Hapag-Lloyd to repurchase the containers after 7 or 8 years. The Chinese lease transaction includes a requirement for Hapag-Lloyd to repurchase the containers after 12 years. As a result, the transactions are recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume amounts to a total of EUR 293.8 million (previous year: EUR 290.9 million). The liabilities arising from the JOL transactions are included in liabilities to banks, as these liabilities are to special purpose entities, which are established and financed externally by banks. The liability arising from the Chinese lease transaction is included under “other financial debt”, since this liability is to a special purpose entity set up and financed by a leasing company without any direct involvement on the part of any banks.

In addition, Hapag-Lloyd also undertook 6 container sale and leaseback transactions (previous year: 0) in order to refinance used standard containers (referred to as Japanese operating leases, or JOLs). The lease agreements include substantial purchase options that entitle Hapag-Lloyd to repurchase the containers after 3 years. As a result, the transactions are likewise recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume has a total amount of EUR 84.8 million. The liabilities are assigned to the category “other financial debt”, as the liabilities are to special purpose entities which are financed exclusively through equity without the involvement of banks.

In addition, sale and leaseback transactions were carried out in order to refinance 9 container vessels (previous year: 2 container vessels). These 9 transactions included 8 Chinese leases and 1 Japanese operating lease (JOL). The previous financing was repaid early (outstanding loan amount on the repayment date: EUR 296.7 million (previous year: EUR 115.3 million). The lease agreements include substantial purchase options that grant an entitlement to repurchase the container vessels. In one case, Hapag-Lloyd is under an obligation to re-acquire the vessel concerned. As a result, the transactions are likewise recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The refinancing volumes associated with these transactions total EUR 549.2 million (previous year: EUR 168.8 million). The liabilities arising from the Chinese lease transactions are assigned to the category “other financial debt”, as the liabilities are to special purpose entities which are established and financed by a leasing company without the direct involvement of banks. The liability arising from the JOL transaction is included in liabilities to banks, as these liabilities are to special purpose entities, which are established and financed externally by banks.

Overall, transactions of this kind resulted in liabilities to banks totalling EUR 1,427.0 million as at the reporting date (previous year: EUR 1,293.7 million) and other financial debt totalling EUR 804.6 million (previous year: EUR 443.3 million). Interest totalling EUR 85.0 million was recognised in interest expenses in the 2020 financial year (previous year: EUR 75.6 million).

The expansion of the ABS programme, which was completed at the beginning of the year as part of the PSP programme, was reclaimed in full over the course of the reporting year. Following renewed payments into the ABS programme, the combined carrying amount for liabilities to banks as at 31 December 2020 was EUR 81.5 million (31 December 2019: EUR 108.8 million).

Bonds

On 16 November 2020, it was decided to make a partial repayment of EUR 150.0 million against the EUR 450.0 million bond. As at 30 November 2020, the euro bond, which has a coupon rate of 5.125% and matures in 2024, was partially repaid at the agreed repayment rate of 102.563%.

The previous year, a repayment of a bond worth EUR 450.0 million, which was due to mature in 2022 and had a coupon rate of 6.75%, was made at a repayment rate of 103.375%.

Lease liability

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

Credit facilities

The credit lines which were utilised at the beginning of the year under the PSP programme were repaid in full at the end of the third quarter of 2020. The Hapag-Lloyd Group had total unused credit lines of EUR 476.5 million as at 31 December 2020 (31 December 2019: EUR 521.3 million).

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

	Financial debt				Liabilities (+)/assets (–) from derivative financial instruments in hedge accounting		
million EUR	Liabilities to banks	Bonds	Other finacial liabilities	Lease liabilities	Forward exchange contracts	Interest rate swaps	**Total**
As at 1 January 2019	**4,483.5**	**923.7**	**511.7**	**99.0**	**62.4**	**8.0**	**6,088.3**
First-time application of IFRS 16	–	–	–	947.6	–	–	947.6
Adjusted as at 1 January 2019	4,483.5	923.7	511.7	1,046.6	62.4	8.0	7,035.9
Changes of liabilities from financing cash flows							
Payments received from raising financial debt	924.3	–	–	–	–	–	924.3
Payments made for redemption of financial debt	–1,206.3	–456.8	–70.2	–	–	–	–1,733.2
Payments made for redemption of lease liabilities	–	–	–	–456.7	–	–	–456.7
Payments received (+)/made (–) from hedges for finacial debt	–	–	–	–	–98.4	–5.3	–103.7
Payments made for interest and fees	–234.5	–62.3	–27.7	–72.6	–	–	–397.1
Total changes of liabilities from financing cash flows	**–516.5**	**–519.1**	**–97.9**	**–529.3**	**–98.4**	**–5.3**	**–1,766.5**
Effect of changes in exchange rates	85.6	7.3	10.5	20.0	1.4	0.1	124.9
Changes in fair value	–	–	–	–	45.7	19.7	65.4
Other changes	240.3	46.4	28.2	656.1	–	–	971.0
As at 31 December 2019	**4,292.9**	**458.3**	**452.5**	**1,193.4**	**11.1**	**22.5**	**6,430.7**

million EUR	Financial debt: Liabilities to banks	Financial debt: Bonds	Financial debt: Other finacial liabilities	Lease liabilities	Liabilities (+)/assets (–) from derivate financial instruments in hedge accounting: Foward exchange contracts	Liabilities (+)/assets (–) from derivate financial instruments in hedge accounting: Inetrest rate swaps	Total
As at 1 January 2020	**4,292.9**	**458.3**	**452.5**	**1,193.4**	**11.1**	**22.5**	**6,430.8**
Changes of liabilities from financing cash flows							
Payments received from raising financial debt	979.9	–	614.0	–	–	–	1,593.8
Payments made for redemption of financial debt	–2,492.6	–157.5	–92.2	–	–	–	–2,742.3
Payments made for redemption of lease liabilities	–	–	–	–514.3	–	–	–514.3
Payments received (+)/made (–) from hedges for finacial debt	–	–	–	–	27.4	–11.3	16.1
Payments made for interest and fees	–182.9	–29.8	–33.3	–69.6	–	–	–315.6
Total changes of liabilities from financing cash flows	**–1,695.6**	**–187.3**	**488.4**	**–583.9**	**27.4**	**–11.3**	**–1,962.3**
Effect of changes in exchange rates	–244.3	6.9	–75.3	–129.4	0.2	–3.0	–444.9
Changes in fair value	–	–	–	–	–43.4	27.2	–16.2
Other changes[1]	180.5	28.1	30.7	920.2	–	–	1,159.5
As at 31 December 2020	**2,533.5**	**306.0**	**896.4**	**1,400.3**	**–4.7**	**35.4**	**5,166.9**

[1] The other changes to lease liability can be attributed primarily to current income from IFRS 16 amounting to EUR 847.0 million as well as changes in the group of consolidated companies.

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

	31.12.2020				31.12.2019			
	Remaining terms				Remaining terms			
million EUR	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Financial liabilities								
Trade accounts payable	1,748.1	1,748.1	–	–	1,779.4	1,779.4	–	–
thereof to third parties	1,748.1	1,748.1	–	–	1,779.4	1,779.4	–	–
Other liabilities	93.1	91.3	1.6	0.2	105.6	103.8	1.7	0.2
Other liabilities to employees	3.3	3.2	–	0.2	9.0	8.8	–	0.2
Liabilities from offsetting or overpayment	28.5	28.5	–	–	26.4	26.4	–	–
Put option	1.6	–	1.6	–	1.6	–	1.6	–
Other liabilities	59.6	59.6	–	–	68.6	68.6	–	–
Total	**1,841.2**	**1,839.4**	**1.6**	**0.2**	**1,885.0**	**1,883.2**	**1.7**	**0.2**
Non-financial liabilities								
Contract liabilities	545.7	545.7	–	–	372.9	372.9	–	–
Other liabilities	26.4	23.3	3.1	0.1	26.4	22.9	3.4	0.1
Other liabilities as part of social security	11.4	10.1	1.2	0.1	13.7	12.0	1.7	0.1
Other liabilities from other taxes	11.8	10.6	1.2	–	9.0	9.0	–	–
Prepaid income	2.9	2.2	0.7	–	3.5	1.8	1.7	–
Other liabilities	0.3	0.3	–	–	0.1	0.1	–	–
Total	**572.1**	**569.0**	**3.1**	**0.1**	**399.2**	**395.7**	**3.4**	**0.1**

(25) Derivate financial instruments

million EUR	31.12.2020 Total	31.12.2020 Remaining term more than 1 year	31.12.2019 Total	31.12.2019 Remaining term more than 1 year
Liabilities from derivative financial instruments	35.5	35.5	34.4	22.8
thereof derivatives in hedge accounting[1]	22.7	22.7	26.4	14.9
thereof derivatives not included in hedge accounting	12.8	12.8	8.0	8.0

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

Liabilities from derivative financial instruments are solely the result of interest rate swaps. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (see Note (26)).

(26) Financial instruments

Financial risks and risk management

Risk management principles

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

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

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

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

Market risk

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

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

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

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

Currency risk

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

The Hapag-Lloyd Group's functional currency is the US dollar. Currency risks mainly result from incoming or outgoing payments in currencies other than the US dollar and from financial debt taken on in euros. Apart from the euro, the Chinese renminbi (CNY), Hong Kong dollar (HKD), Canadian dollar (CAD), Singapore dollar (SGD) and Indian rupee (INR) are also significant currencies for the Group.

If necessary, currency hedges are conducted, while taking account of internal guidelines. The Group hedges a portion of its operating cost exposure denominated in CAD by using currency forward contracts on a 13-week basis with the aim of limiting currency risks. The hedging quota for costs denominated in CAD is up to 80%.

The repayment of euro-denominated financial debt is hedged up to as much as 100%. The risks are hedged by making use of derivative financial instruments in the form of currency forward contracts and instruments that have a natural hedging effect (e. g. euro money market investments). As a rule, forward contracts used to hedge euro-denominated debt generally mature within less than 1 year.

In addition, pension obligations denominated in euros are hedged in full. Currency forward contracts and euro-denominated money market deposits are also used for hedging purposes in the same way as euro-denominated financial debt.

Hapag-Lloyd only designates the spot price element of the currency forward contracts. The change in the forward component is recorded in the reserve for hedging costs within equity.

An economic relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged items as a result of a change in a common risk factor, and not when it simply results from a purely statistical correlation.

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

- Timing differences between the hedged items and the hedging instrument.
- Designation of currency forward contracts which already have a market value (off-market derivatives).

The following sensitivity analysis contains the Hapag-Lloyd Group's currency risks in relation to primary and derivative financial instruments. It reflects the risk that arises in the event that the US dollar as the functional currency appreciates or depreciates by 10% against the major Group currencies (EUR, CNY, HKD) at the reporting date. The analysis is depicted on the basis of a posted foreign currency exposure of USD –514.8 million.

	31.12.2020		31.12.2019	
million USD	Effect on earnings	Reserve for cost of hedging (equity)	Effect on earnings	Reserve for cost of hedging (equity)
USD / EUR				
+10%	10.7	–	22.3	0.1
–10%	–10.7	–	–22.3	–0.1
USD / CNY				
+10%	–8.8	–	n/a	n/a
–10%	8.8	–	n/a	n/a
USD / HKD				
+10%	–5.2	–	n/a	n/a
–10%	5.2	–	n/a	n/a

Risks at the level of Hapag-Lloyd AG's consolidated financial statements arise from the translation of the US dollar consolidated financial statements into the reporting currency, the euro (translation risk). This risk has no impact on the Group's cash flow; instead, it is reflected in equity and is not currently hedged.

Fuel price risk

As a result of its operating activities, the Hapag-Lloyd Group is exposed to a market price risk for the procurement of bunker fuel.

The risk management's basic objective is securing up to 80% of the forecast bunker requirements. Derivative financial instruments in the form of commodity options and swaps are used to hedge against price fluctuations.

Hapag-Lloyd only designates the intrinsic value of the option. The change in the fair value is recorded in the reserve for hedging costs within equity.

An economic relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged items as a result of a change in a common risk factor, and not when it simply results from a purely statistical correlation. Due to the IMO 2020 regulation, since 1 January 2020 the Hapag-Lloyd Group has been using mainly low-sulphur fuel (VLSFO 0.5%). In light of the fact that, until the beginning of 2020, liquidity and the level of price transparency on the financial market for derivative financial instruments in respect of the underlying VLSFO 0.5% were both inadequate, fuel price hedging was initially implemented by using gas oil options 0.1% (marine gas oil) as a proxy for VLSFO 0.5%. Since April 2020, only commodity options and swaps on the underlying VLSFO 0.5% have been concluded.

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

- Differences in payment dates between the hedged items and the hedging instrument.
- Change in the correlation between quoted bunker prices worldwide.

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was performed, with an implied hypothetical market price change of +/–10%. The consequent effects on other comprehensive income resulting from the market price changes of the derivative financial instruments used are shown in the following table.

	31.12.2020		31.12.2019	
million EUR	10%	–10%	10%	–10%
Reserve for cash flow hedges	3.8	–3.7	–	–
Reserve for cost of hedging	1.5	–0.2	36.6	–12.0

Interest rate risk

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

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

An economic relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged items as a result of a change in a common risk factor, and not when it simply results from a purely statistical correlation. As a rule, the nominal volume, benchmark interest rate and interest rate fixing dates of the hedged items and the hedging instrument are matched.

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

- Differences in payment dates between the hedged items and the hedging instrument.
- Designation of interest rate swaps which already have a market value (off-market derivatives).

In order to present the interest rate risks pursuant to IFRS 7, a sensitivity analysis was performed and used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2020 was increased or decreased by +/–100 basis points. Taking into account the low interest rate level, hypothetical, negative changes in interest rates were only made up to a maximum of 0. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 1,854.9 million that existed at the reporting date (previous year: EUR 3,042.2 million), the fair value of interest rate swaps of EUR –35.4 million (previous year: EUR –22.5 million) and the market value of embedded derivatives totalling EUR 21.6 million (previous year: EUR 27.3 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

million EUR	31.12.2020		31.12.2019	
Change in variable interest rate	+100 base points	–100 base points	+100 base points	–100 base points
Reserve for cash flow hedges	23.1	–24.3	12.5	–13.0
Earnings before taxes	–19.3	3.8	–39.5	40.2

As part of the IBOR reform, the existing reference interest rates (interbank offered rates – IBOR) are to be replaced by alternative risk-free interest rates by the end of 2021. To ensure that hedging relationships can still be recognised in financial statements, Hapag-Lloyd has adopted the resulting changes to IFRS 9, IAS 39 and IFRS 7 since 1 January 2020. In the Hapag-Lloyd Group, only the hedging relationships for interest rate risks are directly affected by these amendments. The reference interest rate that the hedged variable cash flows are based on is the USD LIBOR. As at 31 December 2020, the nominal volume of the financial instruments in a hedging relationship for hedging interest rate risks was USD 1,014.6 million.

The Hapag-Lloyd Group is currently examining the effects of the alternative reference interest rates on existing IBOR-based agreements and preparing relevant IT systems, where possible, so that they can reproduce the financing agreements and the hedging instruments based on the new reference interest rates. There is a high level of uncertainty in the market about how the alternative reference interest rates are calculated, when they will be ready and therefore also about how they will affect existing and new financing agreements and hedging instruments in particular. However, Hapag-Lloyd assumes that the replacement of the reference interest rates in the hedged item and hedging instrument and the associated contractual changes will occur at the same time. As a result, there will be no incongruence between the hedged item and the hedging instrument, thereby ensuring that the existing hedging relationships remain effective. With regard to further developments relating to alternative reference interest rates, Hapag-Lloyd is in regular contact with its international bank partners.

Credit risk

In addition to the market risks described above, the Hapag-Lloyd Group is exposed to credit risks. Credit risk constitutes the risk that a contract partner will be unable to meet its contractual payment obligations. It refers to both the Hapag-Lloyd Group’s operating activities and the counterparty risk vis-à-vis external banks.

Generally, a risk of this kind is minimised by the creditworthiness requirements which the respective contracting partners are required to fulfil. With regard to its operating activities, the Group has an established credit and receivables management system at area, regional and head office level which is based on internal guidelines. Payment periods for customers are determined and continuously monitored within the framework of a credit check. This process takes account of both internal data based on empirical values and external information on the respective customer’s creditworthiness and rating. In addition, collective factors such as country risks are taken into account. In reaction to the COVID-19 pandemic, receivable balances and credit risk have been subjected to increased monitoring by means of even more frequent reporting between regions and head office. There are also credit insurance arrangements and bank guarantees in place at the reporting date which provide protection against credit risk.

The Hapag-Lloyd Group is not exposed to major default risk from an individual counterparty. The concentration of the default risk is limited due to the broad and heterogeneous customer base.

Analyses of the maturity structure of trade accounts receivable and other assets and information on the impairment allowances recorded against these financial assets is provided in Note (13) and in the description of accounting and measurement methods for primary financial instruments.

The portfolio of primary financial assets is reported in the statement of financial position. The carrying amounts of the financial assets correspond to the maximum default risk.

With regard to derivative financial instruments, all the counterparties must have a credit rating or alternatively, for non-rated counterparties, a corresponding internal credit assessment determined according to clear specifications. The maximum risk corresponds to the sum total of the positive market values as at the reporting date, as this is the extent of the loss that would have to be borne.

For the derivative financial instruments with positive fair values totalling EUR 14.5 million (previous year: EUR 14.8 million) and negative fair values totalling EUR –35.5 million (previous year: EUR –34.4 million), there is the potential to offset financial assets and financial liabilities in the amount of EUR 3.0 million (previous year: EUR –5.3 million), taking into account the German Master Agreement for Financial Derivatives and the ISDA Framework Agreement. The market values of embedded derivatives linked to the buy-back option of issued bonds totalling EUR 21.6 million (previous year: EUR 27.3 million) were not taken into account here.

Liquidity risk

Generally, liquidity risk constitutes the risk that a company will be unable to meet its obligations resulting from financial liabilities. Permanent solvency is ensured and refinancing costs are continuously optimised as part of central financial management.

To ensure solvency at all times, the liquidity requirements are determined by means of multi-year financial planning and a monthly rolling liquidity forecast and are managed centrally. Liquidity needs were covered by liquid funds and confirmed lines of credit at all times over the past financial year.

The bonds issued entail certain limitations with regard to possible payments to the shareholders and subordinated creditors. In addition, there are termination clauses which are customary in the market relating to much of the financial debt in the event that more than 50% of the Company’s shares are acquired by a third party.

Further explanatory notes regarding the management of liquidity risks are included in the risk and opportunity report of the combined management report.

Current undiscounted contractually fixed cash flows from both primary financial liabilities (interest and redemption) and derivative financial instruments are as follows:

Cash flows of financial instruments (31.12.2019)

	Cash inflows and outflows				
million EUR	2020	2021	2022–2024	from 2025	**Total**
Primary financial liabilities					
Liabilities to banks	–839.9	–736.8	–2,202.6	–1,159.3	–4,938.6
Bonds	–23.1	–23.1	–519.2	–	–565.3
Lease liabilities	–522.3	–290.1	–357.4	–108.2	–1,278.0
Other financial liabilities	–91.8	–96.1	–169.6	–192.4	–549.8
Trade accounts payable	–1,779.4	–	–	–	–1,779.4
Other liabilities	–103.8	–	–	–0.2	–104.0
Liabilities from put options	–	–	–2.5	–	–2.5
Total primary financial liabilities	**–3,360.3**	**–1,146.1**	**–3,251.3**	**–1,460.0**	**–9,217.6**
Total derivative financial liabilities	**–18.3**	**–7.2**	**–9.8**	**–**	**–35.3**

Cash flows of financial instruments (31.12.2020)

	Cash inflows and outflows				
million EUR	2021	2022	2023–2025	from 2026	**Total**
Primary financial liabilities					
Liabilities to banks	–463.0	–585.3	–1,092.5	–696.1	–2,836.9
Bonds	–15.4	–15.4	–330.8	–	–361.5
Lease liabilities	–514.3	–366.3	–511.8	–164.5	–1,557.0
Other financial liabilities	–152.3	–115.7	–331.0	–477.4	–1,076.3
Trade accounts payable	–1,748.1	–	–	–	–1,748.1
Other liabilities	–91.3	–	–	–0.2	–91.4
Liabilities from put options	–	–	–3.1	–	–3.1
Total primary financial liabilities	**–2,984.4**	**–1,082.7**	**–2,269.1**	**–1,338.1**	**–7,674.4**
Total derivative financial liabilities	**–14.6**	**–12.8**	**–9.5**	**–**	**–36.9**

In principle, it is not expected that the cash outflows in the maturity analysis will occur at points in time that differ significantly or in amounts that differ significantly.

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2020 were included. Amounts in foreign currencies were translated at the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the reporting date were used for the following periods as well.

The cash outflows from the put options resulted from the undiscounted expected strike price of the put option.

The cash outflows from derivative financial instruments include the estimated net payments of the interest rate swaps used, on the basis of the yield curve applicable on the reporting date.

The cash outflows associated with the liability contained in other financial debt to reflect a contingent consideration payable for a business combination result from the undiscounted expected payments which are dependent on the development of the volumes of the agency acquired.

Derivative financial instruments and hedging relationships

Derivative financial instruments are generally used to hedge existing or planned hedged items and serve to reduce foreign currency risks, fuel price risks and interest rate risks, which occur in day-to-day business activities and in the context of investment and financial transactions.

Currency risks are currently hedged by means of currency forward contracts. Commodity options and swaps are used as hedges for fuel price risks. Interest rate swaps are used to hedge interest rate risks.

Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

The positive and/or negative fair values of derivative financial instruments are shown as follows:

	31.12.2020		31.12.2019	
million EUR	Positive market values	Negative market values	Positive market values	Negative market values
Hedging instruments acc. to IFRS 9 (Hedge accounting)				
Commodity options	9.0	–	13.5	–
Currency forward contracts	5.4	–	1.0	–11.6
Interest rate swaps	–	–22.7	0.3	–14.9
Hedges [1]	**14.5**	**–22.7**	**14.8**	**–26.4**
Derivative financial instruments (FVTPL)				
Interest rate swaps	–	–12.8	–	–8.0
Embedded derivatives	21.6	–	27.3	–
Other derivative financial instruments	**21.6**	**–12.8**	**27.3**	**–8.0**
Total	**36.0**	**–35.5**	**42.1**	**–34.4**

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

The fair value determined for the derivative financial instruments is the price at which a contracting party would assume the rights and / or obligations of the other contracting party.

The market values of commodity options are calculated using the modified Turnbull & Wakeman model and are based on current commodity prices and commodity price volatility, as well as forward prices. Currency forward contracts are measured on the basis of their market-traded forward price as at the reporting date. The fair value of the commodity and interest rate swaps is calculated at the present value of the anticipated future cash flows. Estimates of future commodity price payments are based on forward prices associated with the underlying quoted commodity prices. The estimates of future cash flows from variable interest payments are based on quoted swap rates and interbank interest rates. The estimate of the fair value is adjusted by the credit risk of the Group and the counterparty.

An analysis of the host contracts conducted on the bonds issued by Hapag-Lloyd resulted in the identification of embedded derivatives in the form of early buy-back options. These are presented at their fair values as separate derivatives independently of the host contract. The market value of the embedded derivatives is calculated using the Hull-White model in combination with a trinomial decision tree based on current market values.

Hedging relationships in accordance with IFRS 9 in the reporting period wholly consist of cash flow hedges.

The following table shows the nominal values and the average prices or spot rates of the hedging instruments by risk category:

	31.12.2020			31.12.2019		
	Remaining terms			Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
Currency risk						
Hedged nominal in million EUR	377.7	–	377.7	649.1	–	649.1
Hedged nominal in million CAD	57.5	–	57.5	52.5	–	52.5
Average hedged rate USD/EUR	1.21	–	1.21	1.16	–	1.16
Average hedged rate USD/CAD	0.77	–	0.77	0.76	–	0.76
Fuel price risk						
Hedged nominal in million USD	72.4	–	72.4	539.9	–	539.9
Average hedged price in USD	361.61	–	361.61	647.94	–	647.94
Interest rate risk						
Hedged nominal in million USD	–	1,014.6	1,014.6	–	561.3	561.3
Average fixed interest rate	–	1.52%	1.52%	–	2.77%	2.77%

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

	31.12.2019				
Hedge of cash flows	Nominal amount	Carrying amount asset in million EUR[1]	Carryig amount liability in million EUR[1]	Line item in the statement of financial position	Change in fair value used as measurment of the ineffective-ness in the reporting period in million EUR
Currency risk					
Currency forward contracts (USD/EUR)	EUR 649.1 million	0.5	11.6	Derivative financial instruments	–1.4
Currency forward contracts (USD/CAD)	CAD 52.5 million	0.5	–	Derivative financial instruments	0.5
Fuel price risk					
Commodity options	833,250 mt	13.5	–	Derivative financial instruments	–
Interest rate risk					
Interest rate swaps	USD 561.3 million	0.3	14.9	Derivative financial instruments	–14.6

	31.12.2020				
Hedge of cash flows	Nominal amount	Carrying amount asset in million EUR[1]	Carryig amount liability in million EUR[1]	Line item in the statement of financial position	Change in fair value used as measurment of the ineffective-ness in the reporting period in million EUR
Currency risk					
Currency forward contracts (USD/EUR)	EUR 377.7 million	4.7	–	Derivative financial instruments	5.1
Currency forward contracts (USD/CAD)	CAD 57.5 million	0.7	–	Derivative financial instruments	0.7
Fuel price risk					
Commodity options	75,000 mt	0.2	–	Derivative financial instruments	–
Commodity swaps	125,000 mt	8.8	–	Derivative financial instruments	8.8
Interest rate risk					
Interest rate swaps	USD 1,014.6 million	–	22.7	Derivative financial instruments	–22.6

[1] The changes in market value of the non-designated time values and forward components which are recognised in the reserve for costs of hedging are also included.

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

Hedge of cash flows million EUR	31.12.2019 Change in value used as measurement of the ineffectiveness	Reserve for cash flow hedges
Currency risk		
Repayment of financial debt in EUR	1.4	–
Operational costs in CAD	–0.5	0.2
Fuel price risk		
Bunker purchases	–	–
Interest rate risk		
Interest payments of variable rate loans	14.6	–14.1

Hedge of cash flows million EUR	**31.12.2020** Change in value used as measurement of the ineffectiveness	Reserve for cash flow hedges
Currency risk		
Repayment of financial debt in EUR	–5.0	–
Repayment of pension obligations in EUR	–0.1	–
Operational costs in CAD	–0.7	0.2
Fuel price risk		
Bunker purchases	–8.8	8.8
Interest rate risk		
Interest payments of variable rate loans	22.6	–21.4

The hedging relationships described above have the following effect on the Group's income statement or other comprehensive income:

Hedge of cash flows million EUR	31.12.2019 Hedging gains or losses recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Line item in the income statement	Amount reclassified from the other comprehensive income into profit or loss	Line item in the income statement
Currency risk					
Repayment of financial debt in EUR	–17.3	–	–	17.3	Other financial items
Operational costs in CAD	1.5	–	–	–0.9	Transport expenses / other operating result
Fuel price risk					
Bunker purchases	–	–	–	–	–
Interest rate risk					
Interest payments of variable rate loans	–15.8	2.2	Interest expenses	2.1	Interest expenses

Hedge of cash flows million EUR	31.12.2020 Hedging gains or losses recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Line item in the income statement	Amount reclassified from the other comprehensive income into profit or loss	Line item in the income statement
Currency risk					
Repayment of financial debt in EUR	53.7	–	–	–53.7	Other financial items
Repayment of pension obligations in EUR	0.1	–	–	–0.1	Other financial items
Operational costs in CAD	0.6	–	–	–0.6	Transport expenses / other operating result
Fuel price risk					
Bunker purchases	13.7	–	–	–	–
Interest rate risk					
Interest payments of variable rate loans	–17.9	–	–	8.8	Interest expenses

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

Cash flow hedges million EUR	2020 Reserve for cash flow hedges	2020 Reserve for cost of hedging	2019 Reserve for cash flow hedges	2019 Reserve for cost of hedging
Balance at 1.1.	**–14.0**	**–10.2**	**–0.8**	**–7.7**
Change in fair value:	50.3	–40.1	–31.7	–40.9
Currency risk [1]	54.5	–10.5	–15.9	–28.6
Fuel price risk [2]	13.7	–29.6	–	–12.3
Interest rate risk	–17.9	–	–15.8	–
Reclassification into profit or loss:	–45.7	11.8	18.5	27.0
Currency risk [1]	–54.5	11.8	16.4	27.0
Interest rate risk	8.8	–	2.1	–
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	–4.2	36.2	–	11.7
Fuel price risk [2]	–4.2	36.2	–	11.7
Currency translation differences:	1.2	0.3	–	–0.2
Fuel price risk [2]	–0.7	0.3	–	–0.2
Interest rate risk	1.9	–	–	–
Balance at 31.12.	**–12.4**	**–1.9**	**–14.0**	**–10.2**

1 The currency risk shown in the reserve for cost of hedging includes only amounts in connection with forward components in currency forward contracts which are used to hedge against primarily time-period related hedged items.
2 The fuel price risks shown in the reserve for cost of hedging includes only amounts in connection with the time values of commodity options to hedge against transaction related hedged items.

Financial instruments – additional disclosures, carrying amounts and fair values

The fair value of a financial instrument is the price that would be received for an asset or that would be paid for the transfer of a liability on the relevant day in the course of a normal transaction between market participants.

Where financial instruments are quoted in an active market, as with bond issues in particular, the fair value of the financial instrument corresponds to the respective market price on the reporting date.

The carrying amounts of cash and cash equivalents, trade accounts receivable, trade accounts payable and significant portions of other assets and other liabilities are a suitable approximation of the fair values.

For liabilities to banks and other non-current financial liabilities, the fair value is determined as the net present value of the future cash flows taking account of yield curves and the relevant credit spreads. Traded bonds are measured at the market price as at the reporting date.

The securities in the "fair value through profit or loss" category which are included in other assets are measured at their quoted market price. The financial instruments in the "fair value through profit or loss" category also contain investments not listed on a stock exchange for which there are no market prices listed on an active market. As there is insufficient information available to determine the fair values of these investments, they are measured at cost of acquisition as the best possible estimate of their fair values. A disposal of the investments is not planned at present.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2019

million EUR	Classi-fication category according to IFRS 9	**Carrying amount 31.12.2019** Total	Amount recognised in the balance sheet under IFRS 9 Amortised acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss	Amount recognised in the balance sheet under IFRS 16	Amount recognised in the balance sheet under IFRS 15	Fair value of financial instruments
Assets								
Other assets	AC	248.7	248.7	–	–	–	–	248.7
	n/a[3]	113.4	–	–	–	–	–	–
	FVTPL	8.5	–	–	8.5	–	–	8.5
Derivative financial instruments								
Derivatives (FVTPL)	FVTPL	27.3	–	–	27.3	–	–	27.3
Hedges (Hedge accounting)[1]	n/a[3]	14.8	–	14.8	–	–	–	14.8
Trade accounts receivable	AC	1,239.8	1,239.8	–	–	–	–	1,239.8
Cash and cash equivalents	AC	511.6	511.6	–	–	–	–	511.6
Liabilities								
Financial debt	FLAC	5,203.2	5,203.2	–	–	–	–	5,277.2
	FVTPL	0.6	–	–	0.6	–	–	0.6
Lease liabilities	n/a[3]	1,193.4	–	–	–	1,193.4	–	–
Other liabilities	FLAC	104.0	104.0	–	–	–	–	104.0
	n/a[3]	26.4	–	–	–	–	–	–
Liabilities from put options[2]	FLAC	1.6	1.6	–	–	–	–	1.8
Derivative financial liabilities								
Derivatives (FVTPL)	FVTPL	8.0	–	–	8.0	–	–	8.0
Hedges (Hedge accounting)[1]	n/a[3]	26.4	–	26.4	–	–	–	26.4
Trade accounts payable	FLAC	1,779.4	1,779.4	–	–	–	–	1,779.4
Contract liabilities	n/a[3]	372.9	–	–	–	–	372.9	–
Thereof aggregated according to IFRS 9 classification category								
Financial Assets measured at Amortized Cost (AC)		2,000.0	2,000.0	–	–	–	–	–
Financial Assets and Liabilities measured at Fair Value through Profit and Loss (FVTPL)		44.4	–	–	44.4	–	–	–
Financial Liabilities measured at Amortized Cost (FLAC)		7,088.3	7,088.3	–	–	–	–	–

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for costs of hedging, are also included.
2 Part of other liabilities.
3 n/a means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2020

million EUR	Classi-fication category according to IFRS 9	Carrying amount 31.12.2020 Total	Amount recognised in the balance sheet under IFRS 9: Amortised acquisition cost	Amount recognised in the balance sheet under IFRS 9: Fair value with no effect on profit or loss	Amount recognised in the balance sheet under IFRS 9: Fair value through profit and loss	Amount recognised in the balance sheet under IFRS 16	Amount recognised in the balance sheet under IFRS 15	Fair value of financial instruments
Assets								
Other assets	AC	209.8	209.8	–	–	–	–	209.8
	n/a[3]	100.9	–	–	–	–	–	–
	FVTPL	7.7	–	–	7.7	–	–	7.7
Derivative financial instruments								
Derivatives (FVTPL)	FVTPL	21.6	–	–	21.6	–	–	21.6
Hedges (Hedge accounting)[1]	n/a[3]	14.5	–	14.5	–	–	–	14.5
Trade accounts receivable	AC	1,362.6	1,362.6	–	–	–	–	1,362.6
Cash and cash equivalents	AC	681.3	681.3	–	–	–	–	681.3
Liabilities								
Financial debt	FLAC	3,734.9	3,734.9	–	–	–	–	3,838.3
	FVTPL	1.0	–	–	1.0	–	–	1.0
Lease liabilities	n/a[3]	1,400.3	–	–	–	1,400.3	–	–
Other liabilities	FLAC	91.4	91.4	–	–	–	–	91.4
	n/a[3]	26.4	–	–	–	–	–	–
Liabilities from put options[2]	FLAC	1.6	1.6	–	–	–	–	2.4
Derivative financial liabilities								
Derivatives (FVTPL)	FVTPL	12.8	–	–	12.8	–	–	12.8
Hedges (Hedge accounting)[1]	n/a[3]	22.7	–	22.7	–	–	–	22.7
Trade accounts payable	FLAC	1,748.1	1,748.1	–	–	–	–	1,748.1
Contract liabilities	n/a[3]	545.7	–	–	–	–	545.7	–
Thereof aggregated according to IFRS 9 classification category								
Financial Assets measured at Amortized Cost (AC)		2,253.7	2,253.7	–	–	–	–	–
Financial Assets and Liabilities measured at Fair Value through Profit and Loss (FVTPL)		43.1	–	–	43.1	–	–	–
Financial Liabilities measured at Amortized Cost (FLAC)		5,576.1	5,576.1	–	–	–	–	–

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for costs of hedging, are also included.
2 Part of other liabilities.
3 n/a means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

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

The following table shows the classification of the financial instruments measured at fair value in the 3 levels of the fair value hierarchy. In addition to the fair value of the financial instruments that are recognised at fair value under IFRS 9, the table also includes financial instruments that are recognised at amortised cost and whose fair value differs from this.

million EUR	Classification category according to IFRS 9	31.12.2019 Level 1	Level 2	Level 3	Total
Assets					
Securities / investments	FVTPL	1.9	–	6.6	8.5
Derivative financial instruments (Hedge accounting)	n/a[2]	–	14.8	–	14.8
Derivative financial instruments (Trading)	FVTPL	–	27.3	–	27.3
Liabilities					
Derivative financial instruments (Hedge accounting)	n/a[2]	–	26.4	–	26.4
Derivative financial instruments (Trading)	FVTPL	–	8.0	–	8.0
Financial debt	FVTPL	–	–	0.6	0.6
Financial debt	FLAC	472.8	4,804.4	–	5,277.2
Liabilities from put options[1]	FLAC	–	–	1.8	1.8

million EUR	Classification category according to IFRS 9	31.12.2020 Level 1	Level 2	Level 3	Total
Assets					
Securities / investments	FVTPL	1.7	–	6.0	7.7
Derivative financial instruments (Hedge accounting)	n/a[2]	–	14.5	–	14.5
Derivative financial instruments (Trading)	FVTPL	–	21.6	–	21.6
Liabilities					
Derivative financial instruments (Hedge accounting)	n/a[2]	–	22.7	–	22.7
Derivative financial instruments (Trading)	FVTPL	–	12.8	–	12.8
Financial debt	FVTPL	–	–	1.0	1.0
Financial debt	FLAC	308.0	3,530.3	–	3,838.3
Liabilities from put options[1]	FLAC	–	–	2.4	2.4

1 Part of other liabilities
2 n/a means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

Net earnings

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

	31.12.2020			31.12.2019		
million EUR	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
Financial assets measured at amortised cost	3.3	30.1	33.4	5.1	–18.2	–13.1
Financial liabilities measured at amortised cost	–235.2	–79.0	–314.2	–312.7	16.5	–296.2
Financial assets and liabilities measured at fair value through profit or loss	–13.0	–4.1	–17.2	17.4	0.2	17.7
Total	**–244.9**	**–53.0**	**–298.0**	**–290.2**	**–1.5**	**–291.7**

In addition to interest expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of financial assets and liabilities as well as the realised and unrealised result from derivative financial instruments that are not part of an effective hedging relationship as set out in IFRS 9.

Capital management

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth, measured on the basis of the developments in transport volume, the key performance indicators EBITDA and EBIT as well as the return on invested capital (ROIC) as an indicator of the performance within a period. The aim is to generate a return on invested capital at least equal to the weighted average cost of capital (WACC) of the Group across one economic cycle in the medium term. To facilitate comparison with other international shipping companies, the return on invested capital is calculated and presented exclusively on the basis of the functional currency, the US dollar.

The Hapag-Lloyd Group strives to achieve an adequate financial profile in order to guarantee the continuation of the Company and its financial flexibility and independence. The goal of its capital management is to safeguard the capital base over the long term. It intends to achieve this with a healthy balance of financing requirements for the desired profitable growth.

Covenant clauses of a type customary on the market have been arranged for existing financing. These clauses primarily concern certain equity and liquidity indicators of the Group along with loan-to-value ratios. As at 31 December 2020, these covenants were fulfilled for the existing financing. Based on current planning, the Executive Board expects that these covenants will also be adhered to during the subsequent period.

OTHER NOTES

(27) Government assistance

The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 9.6 million in 2020 (prior year period: EUR 9.7 million) according to the guideline for lowering indirect labour costs in the German marine industry. Overall, the Group received assistance and subsidies of EUR 11.9 million in the reporting year (prior year period: EUR 10.4 million), which was recognised through profit and loss as a deduction from personnel expenses.

In addition, Hapag-Lloyd USA, a wholly owned subsidiary of HLAG, receives government funding as part of the Maritime Security Program (MSP). Government grants in the 2020 financial year totalled EUR 22.2 million (prior year period: EUR 25.0 million). These grants have been recognised through profit and loss as a deduction from transport expenses.

The Hapag Lloyd AG received subsidies totalling EUR 2.1 million (prior year period: EUR 0.0 million) in the context of the COVID-19 pandemic. Hapag Lloyd Singapore, a wholly-owned subsidiary of Hapag Lloyd AG, received subsidies totalling EUR 1.8 million with a view to protecting jobs from the effects of the COVID-19 pandemic (prior year period: EUR 0.0 million). These subsidies have been recognised through profit and loss under other operating result.

(28) Contingencies

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

As at 31 December 2020, there were no sureties or guarantees requiring disclosure.

(29) Legal disputes

Hapag-Lloyd AG and several of its foreign subsidiaries are involved in legal proceedings. These encompass a range of topics, such as disputes with foreign tax authorities, claims asserted by departed employees and disputes arising from contractual relationships with customers, former agents and suppliers.

Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2020. Such payment obligations will not have any significant influence on the Group's net asset, financial and earnings position. As at the reporting date, there was EUR 7.6 million in contingent liabilities from legal disputes not classified as probable (previous year: EUR 9.1 million).

Hapag-Lloyd is subject to regular tax audits in various countries where the Group conducts large-scale business activities (e.g. Germany, India, USA). These tax audits may lead to the payment of tax arrears. In addition, Hapag-Lloyd regularly analyses and assesses potential tax risks within the Group (e.g. in the area of transfer pricing). To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions. As at the reporting date, there was also EUR 45.7 million in contingent liabilities from tax risks not classified as probable (previous year: EUR 48.5 million).

(30) Leases

Lessee

As a lessee, Hapag-Lloyd rents container vessels, containers, office buildings, office space and parking spaces as well as other business equipment.

Charter agreements for container vessels are nearly always structured as time charter contracts, i.e. in addition to the capital costs, the charterer bears all of the vessel operating costs, which are reimbursed as part of the charter rate. Non-lease components which are included in the price structure of the charter rates are not part of the lease liability. These costs are recognised in the (consolidated) income statement based on the time at which they are incurred. A portion of the charter agreements includes renewal options. These options allow Hapag-Lloyd to react flexibly to changes on the market and to secure the use of the container vessels. Exercising these options to extend would give rise to potential lease payments amounting to EUR 0.5 billion (prior year period: EUR 0.5 billion). The potential lease payments have not previously been included as part of the lease liability.

The structure of the container lease contracts varies. Many of the contracts contain mutual rights of termination. These rights of termination allow Hapag-Lloyd to react quickly and flexibly to changes on the market. If these rights of termination are not exercised, this could give rise to potential lease payments amounting to EUR 0.1 billion per year (prior year period: EUR 0.1 billion). The potential lease payments have not yet been recognised as part of the lease liability.

The market conditions as of the reporting date, which were influenced in particular by the COVID-19 pandemic, were taken into account by reassessing and extending the terms of both the charter contracts for container ships and the container rental contracts with a mutual right of termination and short-term residual terms.

The structure of lease contracts for office buildings, office space and parking space also varies. Many of the lease contracts contain unilateral rights of termination.

For further details of the way leases are recognised within the Hapag-Lloyd Group in accordance with IFRS 16, please refer to the “Accounting and measurement” section.

The lease contracts for the aforementioned asset classes have terms ranging from 1 year (e.g. vessels) to 26 years (e.g. buildings).

Hapag-Lloyd has leases in place for rented container vessels, rented office buildings, office space and parking spaces, rented vehicles and other business equipment, with terms of less than 12 months. No rights of use and no lease liabilities are recognised in the consolidated statement of financial position for these short-term leases. In addition, the Company has leases for other business equipment for which the underlying asset is of low value. No rights of use and no lease liabilities are recognised in the consolidated statement of financial position for these low-value leases either.

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

The table below shows the development of rights of use for each asset class in the 2020 financial year:

million EUR	Chartered Vessels	Rented containers	Rented office buildings, grounds and parking slots	Rented Vehicles	Rented fixtures, fittings, tools and other office equipment	Total
Adjusted carrying amount right of use as at 1.1.2019	**458.3**	**482.7**	**85.0**	**4.1**	**0.1**	**1,030.2**
Depreciation in prior year period	–241.5	–192.6	–22.9	–2.1	–	–459.2
Additions right of use in prior year period	429.3	159.5	22.0	1.9	–	612.8
Disposals right of use in prior year period	–	–13.9	–0.8	–	–	–14.8
Transfers	–81.2	–3.0	–0.8	–0.4	–	–85.4
Exchange rate differences	8.8	9.9	1.7	0.1	–	20.5
Carrying amounts right of use as at 31.12.2019	**573.8**	**442.5**	**84.3**	**3.7**	**–**	**1,104.3**
Carrying amounts right of use as at 1.1.2020	**573.8**	**442.5**	**84.3**	**3.7**	**–**	**1,104.3**
Depreciation in reporting period	–315.5	–184.0	–25.9	–2.7	–	–528.1
Additions right of use in reporting period[1]	558.9	305.1	27.7	4.4	–	896.2
Disposals right of use in reporting period	–	–19.2	–3.5	–	–	–22.7
Transfers	17.8	–3.1	–0.0	–	–	14.6
Exchange rate differences	–67.6	–45.1	–7.0	–0.3	–	–120.0
Carrying amounts right of use as at 31.12.2020	**767.4**	**496.2**	**75.5**	**5.1**	**–**	**1,344.2**

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

The rights of use for the asset classes listed are reported under the item “property, plant and equipment”.

The remaining terms of the lease liabilities as at 31 December 2020 are presented in the table on financial debt in Note (23) Financial debt and lease liabilities.

The following table shows the effects of IFRS 16 Leases on the consolidated income statement in the 2020 financial year:

million EUR	**1.1.–31.12.2020**	1.1.–31.12.2019
Transport expenses	9,140.2	9,707.0
Expenses from short term leases	244.3	297.0
Expenses from leases of low value assets	0.2	0.2
Depreciation, amortisation and impairment	1,385.2	1,174.4
Depreciation of right of use	528.1	459.2
Interest expenses and similar expenses	69.6	72.6

Total cash outflows for leases came to EUR 1.0 billion in the 2020 financial year (prior year period: EUR 0.9 billion).

As at 31 December 2020, future commitments under short-term leases totalled EUR 73.7 million (prior year period: EUR 98.6 million).

For disclosures on future cash outflows from leases which Hapag-Lloyd has already entered into but which have not commenced yet, please refer to Note (31) Other financial obligations.

For details of the sale and leaseback transactions carried out in the 2020 financial year, please refer to Note (23) Financial debt and lease liabilities.

Lessor

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. In the 2020 financial year, an insignificant number of chartered container vessels were let short-term as part of operating lease contracts.

(31) Other financial obligations

The Hapag-Lloyd Group's other financial obligations as at 31 December 2020 essentially comprised purchase obligations (nominal values)

- for investments in six large container vessels amounting to EUR 811.1 million,
- for investments in exhaust gas cleaning systems (EGCS) on container vessels amounting to EUR 4.2 million,
- for investments in containers amounting to EUR 165.9 million,
- for investments in conversion to the use of liquid gas on container vessels amounting to EUR 3.5 million,
- for investments in equipment for ballast water treatment on container vessels amounting to EUR 1.5 million,
- for investments in the use of low sulphur fuel on container vessels amounting to EUR 0.1 million,
- for further investments on container vessels totalling EUR 6.4 million.

The future cash outflow from leases which Hapag-Lloyd has already entered into but which have not commenced yet, amounting to EUR 139.2 million at the reporting date.

The Hapag-Lloyd Group's other financial obligations as at 31 December 2019 were composed primarily of purchase obligations for investments in containers amounting to EUR 34.0 million as well as investments in exhaust gas cleaning systems (EGCS) on container vessels with an amount of EUR 33.3 million.

(32) Share-based payment

Executive Board members

The long-term variable remuneration paid to Executive Board members was changed with effect from 1 January 2020 as part of the Long-Term Incentive Plan 2020 (LITP 2020). The amended long-term variable remuneration is recognised in accordance with the provisions of IAS 19. For a full description of the amended long-term variable remuneration paid to Executive Board members, please refer to Section 2.2 of the remuneration report, which is itself an integral part of the combined management report.

Despite these changes, the existing conditions continue to apply unaltered to long-term variable remuneration granted up to the 2019 financial year. With this in mind, the long-term variable remuneration granted up to the 2019 financial year under the Long-Term Incentive Plan 2015 (LTIP 2015), which is recognised according to IFRS 2, is described below.

As part of the Company's IPO, long-term variable remuneration was introduced for Executive Board members in the form of virtual shares. Under the LITP 2015, a specified euro amount (allocation amount), which was contractually agreed on an individual basis, was allocated to each Executive Board member at the start of every calendar year. This amount reflected performance in the current financial year and the following three financial years (performance period).

This allocation amount was converted into virtual shares in the Company based on the average price of the Hapag-Lloyd AG share over the 60 trading days preceding the day on which the shares were granted. For the second tranche after the IPO, which was granted on 4 January 2016, there was a different calculation for the share price conversion. This share price was based on the average of the 60 trading days that followed the 30th trading day after the IPO.

The virtual shares are divided equally into performance share units and retention share units.

Entitlements under the long-term incentive plan take effect on a pro rata basis when the performance period ends. The retention share units automatically become non-forfeitable when the performance period expires. They therefore depend entirely on the Executive Board member's length of service.

The number of performance share units relevant for the payment is dependent on a performance factor. This factor is calculated by comparing the performance of the Hapag-Lloyd share (total shareholder return – TSR) with a specific, industry-based reference index – the DAXglobal Shipping index – over the 4-year performance period. The number of performance share units can be a maximum of 1.5 times and a minimum of 0, as measured by a performance factor, when the performance period ends. If the performance factor is 0, all of the performance share units are forfeited.

When the performance period ends and the performance share units have been calculated, payments under the LTIP 2015 are automatically made. The number of non-forfeitable virtual shares is converted into a euro amount by multiplying the non-forfeitable virtual retention and performance shares by the relevant share price. This share price is equal to the average share price over the last 60 trading days before the performance period ends.

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

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

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

The measurement of the virtual shares at the time they are granted is based on the allocation amount. A single Executive Board member was granted virtual shares under the LTIP 2015 for the last time in the 2020 financial year (7,230 shares, with a fair value amounting to EUR 0.5 million). In the 2019 financial year, the Executive Board members were granted a total of 86,800 virtual shares under the LTIP 2015, with a fair value amounting to EUR 2.6 million. As at 31 December 2020, there were 153,503 virtual shares (previous year: 312,988 shares) with a fair value of EUR 9.8 million (previous year: EUR 21.6 million).

In the reporting period, EUR 1.6 million (previous year: EUR 4.2 million) was recognised for share-based payments to Executive Board members through profit or loss. The provision for share-based payments to Executive Board members amounted to EUR 3.8 million as at 31 December 2020 (previous year: EUR 6.4 million).

Upper management levels

The long-term variable remuneration paid to upper management levels was also changed with effect from 1 January 2020 as part of the Long-Term Incentive Plan 2020 (LITP 2020). The significant provisions regarding the amendments to long-term variable remuneration for upper-level managers are in line with the provisions governing the long-term variable remuneration paid to Executive Board members. The amended long-term variable remuneration paid to staff at upper management levels is recognised in accordance with the provisions of IAS 19.

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

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

This grant amount was converted into virtual shares in the Company based on the average price of the Hapag-Lloyd AG share over the 60 trading days preceding the day on which the shares are granted. As a basic principle, the virtual shares are subject to a 3-year vesting period which begins on 1 January of the calendar year in which the virtual shares are granted and ends on 31 December of the third subsequent year (vesting period).

When the vesting period expires, the virtual shares automatically become non-forfeitable and the LTIP becomes due for payment. The number of non-forfeitable virtual shares is converted into a euro amount by multiplying them by the relevant share price. This share price is equal to the average share price over the last 60 trading days before the vesting period ends.

The amount calculated in this way is paid to the respective plan participant as a gross amount on 31 March of the year following the end of the vesting period. The maximum payment amount is equal to 1.5 times the grant amount.

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

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

The measurement of the virtual shares at the time they are granted is based on the grant amount. During the 2019 financial year, 149,653 virtual shares were granted in total, with a fair value of EUR 4.5 million. These were the last virtual shares to be granted under the previous system. As at 31 December 2020, there were 237,880 individual virtual shares (previous year: 275,016 shares) with a fair value of EUR 15.3 million (previous year: EUR 19.0 million).

In the reporting period, EUR 0.0 million (previous year: EUR 9.0 million) was recognised for share-based payments to upper management level through profit or loss. The provision for share-based payments to upper management levels amounted to EUR 11.2 million as at 31 December 2020 (previous year: EUR 12.6 million).

(33) Utilisation of Section 264 (3) of the German Commercial Code (HGB) and of S479A of the Companies Act 2006

The following corporate entities, which are affiliated consolidated companies of Hapag-Lloyd AG and for which the consolidated financial statements of Hapag-Lloyd AG are the exempting consolidated financial statements, utilise the exempting option provided by Section 264 (3) of the German Commercial Code (HGB):

- Hapag-Lloyd Grundstücksholding GmbH, Hamburg
- Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Hamburg-Amerika Linie GmbH, Hamburg

Hapag-Lloyd (UK) Ltd. (registered number: 00309325) has claimed exemption from the requirement to audit under S479A of the Companies Act 2006. As an affiliated fully consolidated company of Hapag-Lloyd AG, it is included in the consolidated financial statements of Hapag-Lloyd AG.

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

In the 2020 financial year, the following fees were paid to the auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network, in accordance with Section 314 of the German Commercial Code (HGB) and Institute of Public Auditors in Germany (IDW) RS HFA 36:

	1.1.–31.12.2020		1.1.–31.12.2019	
million EUR	Total	Domestic	Total	Domestic
Fees for annual audit	3.2	2.0	3.5	2.1
Fees for other assurance services	0.2	0.1	0.0	0.0
Fees for tax consultancy	0.0	–	0.0	–
Fees for other services	0.1	0.0	0.0	0.0
Total	**3.5**	**2.1**	**3.5**	**2.1**

The fee for audit services rendered by KPMG AG Wirtschaftsprüfungsgesellschaft related primarily to the audit of the consolidated financial statements and the annual financial statements of Hapag-Lloyd AG including legal contractual amendments and audits of the financial statements of subsidiaries. Activities integral to the audit were also performed in relation to audit reviews of interim financial statements.

Other attestation services relate primarily to services provided in connection with audit reviews of parts of the internal audit system, Comfort letter issuance activities, agreed investigatory activity relating to financial covenants, and EMIR audits in accordance with Section 32 of the German Securities Trading Act (WpHG).

Other services relate to support services for safeguarding quality.

(35) Related party disclosures

In carrying out its ordinary business activities, Hapag-Lloyd AG maintains direct and indirect relationships with related parties as well as with its own subsidiaries included in the consolidated financial statements.

In the 2020 financial year, CSAV Germany Container Holding GmbH (CSAV) increased its stake in Hapag-Lloyd from 27.8% to 30.0%, while Kühne Maritime GmbH, together with Kühne Holding AG (Kühne), increased its stake from 29.6% to 30.0%. The share of Qatar Holding Germany GmbH decreased from 14.5% to 12.3%. Apart from that, Hapag-Lloyd's shareholder structure remained virtually unchanged. As at 31 December 2020, CSAV, HGV and Klaus-Michael Kühne (including companies attributable to him, in particular through Kühne Maritime) therefore together held around 74% of the share capital of Hapag-Lloyd.

In the following disclosures on transactions with shareholders, the relationships with Kühne and CSAV and their respective related parties are outlined. During the reporting period, Hapag-Lloyd mainly conducted legal transactions within the scope of its ordinary activities with Kühne and CSAV and their respective related parties. These comprise terminal and transport services in particular. Performance and consideration have been agreed on the basis of normal market conditions.

With regard to HGV and its shareholder, the Free and Hanseatic City of Hamburg, as well as its Group companies, the Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. This relates mainly to port and terminal services as well as inland transport services.

Voting rights

in %	2020	2019
Kühne Holding AG / Kühne Maritime GmbH	30.0	29.6
CSAV Germany Container Holding GmbH	30.0	27.8
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	13.9	13.9
Qatar Holding Germany GmbH	12.3	14.5
Public Investment Fund of the Kingdom of Saudi Arabia	10.2	10.2
Free float	3.6	4.0
Total	**100.0**	**100.0**

Transactions with related parties (excluding management in key positions):

	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
million EUR	1.1.–31.12. 2020	1.1.–31.12. 2019	1.1.–31.12. 2020	1.1.–31.12. 2019
Shareholders	608.1	537.5	90.7	93.6
Affiliated non-consolidated companies	–	–	0.1	–
Associated companies and Joint Ventures	9.4	8.3	236.4	260.2
Total	**617.5**	**545.8**	**327.2**	**353.8**

	Receivables		Liabilities	
million EUR	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Shareholders	47.8	45.0	5.2	9.4
Affiliated non-consolidated companies	0.2	–	0.6	0.2
Associated companies and Joint Ventures	–	–	26.3	30.6
Total	**48.0**	**45.0**	**32.2**	**40.2**

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 617.5 million; previous year: EUR 545.8 million).

Of the expenses shown above, EUR 326.7 million result from (transport-related) operating services (previous year: EUR 353.0 million) and EUR 0.5 million are from other services (previous year: EUR 0.8 million).

Remuneration of key management personnel

The remuneration of key management personnel in the Group to be disclosed under IAS 24 encompasses the remuneration paid to the current members of the Executive Board and Supervisory Board of Hapag-Lloyd AG. The basic features of the remuneration system and the amount of remuneration for the Executive Board and Supervisory Board are presented and explained in more detail in the remuneration report. The remuneration report is part of the combined management report.

The active members of the Executive Board and the Supervisory Board were remunerated as follows:

	Executive Board		Supervisory Board	
million EUR	2020	2019	2020	2019
Short-term benefits	5.7	4.8	2.3	2.0
Other long-term employee benefits	1.1	–	–	–
Post-employment benefits	0.2	0.3	–	–
Share based benefits	1.6	4.2	–	–
Total	**8.6**	**9.3**	**2.3**	**2.0**

In the 2020 financial year, the employee representatives on the Supervisory Board received EUR 0.6 million (previous year: EUR 0.6 million) as part of their employment contracts, in addition to their Supervisory Board emoluments. These are included in the remuneration for members of the Supervisory Board pursuant to IAS 24.

Additional disclosures concerning total remuneration pursuant to Section 315e of the German Commercial Code (HGB)

	Executive Board		Supervisory Board	
million EUR	2020	2019	2020	2019
Active board members	8.4	7.4	1.6	1.4
Former board members	1.0	0.9	–	–
Total	**9.4**	**8.3**	**1.6**	**1.4**

Over the previous year, the active Executive Board members were granted share-based payments with a fair value of EUR 2.6 million at the time they were granted. The active Executive Board members were granted 86,800 virtual shares in the 2019 financial year for the last time. An exception to this applied to one Executive Board member, who was granted virtual shares (7,230 shares) in 2020 for the last time.

A total of EUR 31.8 million was allocated to pension provisions for former Executive Board members as at 31 December 2019 (previous year: EUR 30.4 million).

As in the previous year, no loans or advance payments were granted to members of the Executive Board and Supervisory Board in the year under review.

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

The declaration required under Section 161 of the German Stock Corporation Act (AktG) was issued by the Executive Board and Supervisory Board in March 2020 and has been made permanently available to shareholders on the Company’s website www.hapag-lloyd.com in the “Investor Relations” section under “Corporate Governance” at https://www.hapag-lloyd.com/en/ir/corporate-governance/compliance-statement.html

(37) Significant transactions after the balance sheet date

There were no transactions after the reporting date which had a material effect on the net asset, financial and earnings position of the Hapag-Lloyd Group.

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

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Affiliated consolidated companies			
Head office			
Hamburg-Amerika Linie GmbH	Hamburg	EUR	100.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	EUR	94.90
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
North Europe			
CMR Container Maintenance Repair Hamburg GmbH	Hamburg	EUR	100.00
Hapag-Lloyd (Austria) GmbH	Vienna	EUR	100.00
Hapag-Lloyd (France) S.A.S.	Asnières-sur-Seine	EUR	100.00
Hapag-Lloyd (Ireland) Ltd.	Dublin	EUR	100.00
Hapag-Lloyd (Schweiz) AG	Basel	CHF	100.00
Hapag-Lloyd (Sweden) AB	Gothenburg	SEK	100.00
Hapag-Lloyd (UK) Ltd.	Barking	GBP	100.00
Hapag-Lloyd Polska Sp.z.o.o.	Gdansk	PLN	100.00
Hapag-Lloyd Special Finance DAC	Dublin	USD	100.00
Oy Hapag-Lloyd Finland AB	Helsinki	EUR	100.00
UASAC (RUS) LLC	St. Petersburg	RUB	100.00
South Europe			
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	TRY	65.00
Hapag-Lloyd (Egypt) Shipping S.A.E.	Alexandria	EGP	49.00[4]
Hapag-Lloyd (Italy) S.R.L.	Assago	EUR	100.00
Hapag-Lloyd Portugal LDA	Lisboa	EUR	100.00
Hapag-Lloyd Spain S.L.	Barcelona	EUR	90.00
Norasia Container Lines Ltd.	Valletta	USD	100.00
United Arab Shipping Agency Company (Denizcilik Nakliyat) A.S.	Istanbul	TRY	100.00
Asia			
CSAV Group (China) Shipping Co. Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Australia) Pty. Ltd.	Pyrmont	AUD	100.00
Hapag-Lloyd Business Services (Suzhou) Co. Ltd.	Suzhou	CNV	100.00
Hapag-Lloyd Business Services (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd (Cambodia) Co., Ltd.	Phnom Penh	KHR	100.00
Hapag-Lloyd (China) Ltd.	Hong Kong	HKD	100.00
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Japan) K.K.	Tokyo	JPY	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Hapag-Lloyd (Korea) Ltd.	Seoul	KRW	100.00
Hapag-Lloyd (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd (New Zealand) Ltd.	Auckland	NZD	100.00
Hapag-Lloyd Pte.Ltd.	Singapore	USD	100.00
Hapag-Lloyd (Taiwan) Ltd.	Taipei	TWD	100.00
Hapag-Lloyd (Thailand) Ltd.	Bangkok	THB	49.90
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00
UASC (Thailand) Ltd.	Bangkok	THB	74.97
United Arab Shipping Agency Co. (Asia) Pte Ltd.	Singapore	USD	100.00
United Arab Shipping Co. (Asia) Pte. Ltd.	Singapore	SGD	100.00
Middle East			
Aratrans Transport and Logistics Service LLC	Dubai	AED	49.00[1]
Hapag-Lloyd Africa (PTY) Ltd.	Durban	ZAR	100.00
Hapag-Lloyd Bahrain Co. WLL	Manama	BHD	49.00
Hapag-Lloyd Business Services LLP	Mumbai	INR	100.00
Hapag-Lloyd (Ghana) Ltd.	Tema	GHS	65.00
Hapag-Lloyd Global Services Pvt. Ltd.	Thane	INR	100.00
Hapag-Lloyd India Private Ltd.	Mumbai	INR	100.00
Hapag- Lloyd (Jordan) Private Limited Company (formerly United Arab Shipping Agencies Company Private Shareholding Company)	Amman	JOD	50.00
Hapag-Lloyd Kenya Ltd	Nairobi	KES	100.00
Hapag-Lloyd Middle East Shipping LLC	Dubai	AED	49.00[1]
Hapag-Lloyd Nigeria Shipping Limited	Lagos	NGN	100.00
Hapag-Lloyd Pakistan (Pvt.) Ltd.	Karachi	PKR	100.00
Hapag-Lloyd Qatar WLL	Doha	QAR	49.00
Hapag-Lloyd Quality Service Center Mauritius	Ebène	MUR	100.00
Hapag-Lloyd Saudi Arabia Ltd.	Jeddah	SAR	60.00
Hapag-Lloyd Shipping Company – State of Kuwait (K.S.C.C.)	Kuwait City	KWD	49.00[1]
Middle East Container Repair Company LLC	Dubai	AED	49.00[2]
United Arab Shipping Agencies Co. LLC	Dubai	USD	49.00[1]
United Arab Shipping Company Ltd.	Dubai	USD	100.00
United Arab Shipping Company for Maritime Services LLC	Baghdad	IQD	100.00
United Arab Shipping Company Services DMCCO	Dubai	AED	100.00
North America			
Florida Vessel Management LLC	Wilmington	USD	75.00
Hapag-Lloyd (America) LLC	Wilmington	USD	100.00
Hapag-Lloyd (Canada) Inc.	Montreal	CAD	100.00
Hapag-Lloyd USA LLC	Wilmington	USD	100.00
Latin America			
Agencias Grupo CSAV Mexico S.A. de C.V.	Mexico City	MXN	100.00
Andes Operador Multimodal Ltda.	São Paulo	BRL	100.00
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	UYU	100.00

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
CSAV Austral SpA	Santiago de Chile	USD	49.00
CSAV Ships S.A.	Panama City	USD	100.00
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	ARS	100.00
Hapag-Lloyd Bolivia S.R.L.	Santa Cruz de la Sierra	BOB	100.00
Hapag-Lloyd Chile SpA	Valparaíso	USD	100.00
Hapag-Lloyd Colombia Ltda.	Bogotá	COP	100.00
Hapag-Lloyd Costa Rica S.A.	San José	CRC	100.00
Hapag-Lloyd Ecuador S.A.	Guayaquil	USD	45.00
Hapag-Lloyd Guatemala, S.A.	Guatemala City	GTQ	100.00
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	MXN	100.00
Hapag-Lloyd (Peru) S.A.C.	Lima	USD	60.00
Hapag-Lloyd Quality Service Center Bogotá S.A.S.	Bogotá	COP	100.00
Hapag-Lloyd Uruguay S.A.	Montevideo	UYU	100.00
Hapag-Lloyd Venezuela C.A.	Caracas	VEF	100.00
Libra Serviços de Navegação Limitada	São Paulo	BRL	100.00
Norasia Alya S.A.	Panama City	USD	100.00
Rahue Investment Co. S.A.	Panama City	USD	100.00
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	MXN	100.00
Other			
Afif Ltd.	Majuro	USD	100.00
Ain Esnan Ltd.	Valletta	EUR	100.00
Al Dahna Ltd.	Valletta	EUR	100.00
Al Dhail Ltd.	Majuro	USD	100.00
Al Jasrah Ltd.	Majuro	USD	100.00
Al Jmeliyah Ltd.	Majuro	USD	100.00
Al Jowf Ltd.	Valletta	USD	100.00
Al Madinah Ltd.	George Town	USD	100.00
Al Mashrab Ltd.	Majuro	USD	100.00
Al Murabba Ltd.	Majuro	USD	100.00
Al Mutanabbi Ltd.	George Town	USD	100.00
Al Nasriyah Ltd.	Majuro	USD	100.00
Al Nefud Ltd.	Valletta	EUR	100.00
Al Oyun Ltd.	George Town	USD	100.00
Al Qibla Ltd.	Valletta	USD	100.00
Al Riffa Ltd.	Valletta	EUR	100.00
Al Wakrah Ltd.	George Town	USD	100.00
Al Zubara Ltd.	Valletta	EUR	100.00
Barzan Ltd.	Valletta	EUR	100.00
Busaiteen	George Town	USD	100.00
CSBC Hull 900 Ltd.	Douglas	USD	100.00
Dhat Al Salasil Ltd.	George Town	USD	100.00
Hira Ltd.	George Town	USD	100.00
Hull 1975 Co. Ltd.	Majuro	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Hull 1976 Co. Ltd.	Majuro	USD	100.00
Jebel Ali Ltd.	Valletta	EUR	100.00
Linah Ltd.	Majuro	USD	100.00
Manamah Ltd.	George Town	USD	100.00
Sajid Ltd.	Majuro	USD	100.00
Salahuddin Ltd.	Majuro	USD	100.00
Ship Management (No. 1) Ltd.	Dubai	USD	99.80
Ship Management (No. 2) Ltd.	Dubai	USD	99.80
Tihama Ltd.	Valletta	EUR	100.00
UASC Ships (No. 1) Ltd.	Dubai	USD	100.00
UASC Ships (No. 4) Ltd.	Dubai	USD	100.00
UASC Ships (No. 5) Ltd.	Dubai	USD	100.00
UASC Ships (No. 7) Ltd.	Dubai	USD	100.00
UASC Ships (No. 8) Ltd.	Dubai	USD	100.00
Umm Qarn Ltd.	Majuro	USD	100.00
Umm Salal Ltd.	Valletta	EUR	100.00
Joint Venture			
Consorcio Naviero Peruano S.A.	Lima	USD	47.93[5]
Texas Stevedoring Services LLC	Wilmington	USD	50.00
Associated companies			
Djibouti Container Services FZCO	Djibouti	DJF	19.06[3]
Hapag-Lloyd Lanka (Private) Ltd.	Colombo	LKR	40.00
HHLA Container Terminal Altenwerder GmbH	Hamburg	EUR	25.10
Affiliated non-consolidated companies			
Al Muraykh Ltd.	Valletta	EUR	100.00
Alula Ltd.	Valletta	EUR	100.00
Ash-Shahaniyah Ltd.	George Town	USD	100.00
Brunswick Investment Co. Inc.	Nassau	USD	100.00
Chacabuco Shipping Ltd.	Majuro	USD	100.00
CSBC Hull 898 Ltd.	Douglas	USD	100.00
Hamburg-Amerikanische-Packetfahrt-Gesellschaft mbH	Hamburg	EUR	100.00
Hapag-Lloyd Container (No. 3) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Ships (No. 2) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Ships Ltd.	Barking	EUR	100.00
Hull 1794 Co. Ltd.	Majuro	USD	100.00
Hull 2082 Co. Ltd.	Majuro	USD	100.00
Malleco Shipping Co. S.A.	Panama City	USD	100.00
Maule Shipping Co. S.A.	Panama City	USD	100.00
Norddeutscher Lloyd GmbH	Bremen	EUR	100.00
Onayzah Ltd.	Valletta	EUR	100.00
Palena Shipping Ltd.	Majuro	USD	100.00
Qurtuba Ltd.	George Town	USD	100.00
Servicios de Procesamiento Naviero S.R.L. i.L.	Montevideo	USD	100.00
Tayma Ltd.	Valletta	EUR	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
UASAC Uruguay (S.A.)	Montevideo	UYU	94.00
United Arab Shipping Agency Co. (Egypt) S.A.E	Alexandria	EGP	49.00[1]
United Arab Shipping Agency Company (Hong Kong) Ltd.	Hong Kong	HKD	100.00
UASC Holding (Thailand) Ltd.	Bangkok	THB	49.95
United Arab Shipping Agency Company (Thailand) Ltd.	Bangkok	THB	49.00
United Arab Shipping Agency Company (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00

1 A further 51.00 % is held by a trustee on behalf of the Hapag-Lloyd Group.
2 A further 5.64 % is held by a trustee on behalf of the Hapag-Lloyd Group.
3 A further 2.19 % is held by a trustee on behalf of the Hapag-Lloyd Group.
4 A further 16.00 % is held by a trustee on behalf of the Hapag-Lloyd Group.
5 A further 2.07 % is held by a trustee on behalf of the Hapag-Lloyd Group.

Hamburg, 2 March 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

RESPONSIBILITY STATEMENT PURSUANT TO SECTION 297 (2) AND SECTION 315 (1) OF THE GERMAN COMMERCIAL CODE (HGB)

We confirm that, to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements of Hapag-Lloyd AG give a true and fair view of the net asset, financial and earnings position of the Group and that the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 2 March 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

INDEPENDENT AUDITOR'S REPORT

To Hapag-Lloyd Aktiengesellschaft, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of Hapag-Lloyd Aktiengesellschaft, Hamburg, and its subsidiaries (the Group), which comprise the consolidated income statement, the consolidated balance sheet as at 31 December 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020 and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of Hapag-Lloyd Aktiengesellschaft and the Group (combined management report) for the financial year from 1 January to 31 December 2020.

In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

In our opinion, based on the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying combined management report provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions
We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No. 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Accounting for unfinished voyages

For further information on the accounting policies applied, please refer to the disclosures in the notes to the consolidated financial statements under "Fundamental accounting principles – Realisation of income and expenses" and "Notes to the consolidated income statement – (1) Revenue".

The financial statement risk
Revenue for unfinished voyages is recorded by Hapag-Lloyd by reference to the voyage progress as at the reporting date. In determining voyage progress, the ratio of expenses incurred up to the reporting date to the expected total expenses per voyage is relevant. Determining the transport costs incurred in connection with the unfinished voyages as at the reporting date and the margins underlying revenue recognition is a highly complex process.

There is the risk for the financial statements that revenue for unfinished voyages is not accurately recognised in respect to the cut-off reporting date.

Our audit approach

We assessed the design, implementation and effectiveness of the controls to ensure accurate recognition cut-off of revenue as at the reporting date. We assessed the accounting policies applied by Hapag-Lloyd for revenue recognition in terms of their compliance with the requirements of IFRS 15. In addition, we assessed whether the policies defined by Hapag-Lloyd for recognition cut-off are appropriately structured to ensure the recognition of revenue is on an accrual basis. We assessed the reliability of the analyses from the accounting system on an accrual basis by examining representative samples of the underlying documents and the actual voyage data. We assessed the method of calculating the margins for revenue recognition and the required cut-off procedures at the reporting date and inspected the model for computational accuracy.

Our observations

Hapag-Lloyd's approach with respect to revenue recognition cut-off is appropriate.

Completeness, accuracy and measurement of the right-of-use assets and lease liabilities according to "IFRS 16 Leases" in relation to ships and containers

With respect to the accounting methods used, please refer to the information in the notes to the consolidated financial statements in the following sections: "Significant accounting policies – Leasing", "Significant assumptions and estimates – Determining the term of leases with extension and termination options as well as the mutual right to terminate" and "Explanatory notes on the consolidated statement of financial position – (30) Leasing".

The financial statement risk

Right-of-use assets of EUR 1,344 million and lease liabilities of EUR 1,400 million were recognised in the consolidated financial statements of Hapag-Lloyd AG as at 31 December 2020. Right-of-use assets and lease liabilities account in each case for 9% of total assets and, thus, have a material effect on the Group's financial position and financial performance.

Due to the high volume of leases and the resulting transactions, the Company set up group-wide processes and controls for the full and appropriate recognition of leases. The determination of the lease term, the amount of the lease payments and the incremental borrowing rate used as the discount rate may require judgement and be based on estimates.

There is the risk for the consolidated financial statements that the lease liabilities and right-of-use assets are not recorded in full in the consolidated statement of financial position. In addition, there is the risk that lease liabilities and right-of-use assets are not recognised and measured correctly.

Our audit approach

First, we gained an understanding of the process used to recognise and measure leases. We assessed the appropriateness, setup and effectiveness of the controls established by Hapag-Lloyd to ensure the full and correct determination of the data to measure and determine the carrying amounts of the lease liabilities and right-of-use assets. Where IT processing systems were used to calculate and collect relevant data, we tested – with the involvement of our IT specialists – the effectiveness of the rules and procedures that relate to the relevant IT applications and support the effectiveness of application controls.

As part of our test of detail involving leases, we used contract documents, in some cases based on representative samples and in others on the basis of risk-oriented elements, to check whether the relevant data was correctly and fully determined. To the extent that accounting judgements were made for determining the lease term, we examined whether – in light of the prevailing market conditions and risks in the industry – the underlying assumptions are comprehensible and consistent with other assumptions made in the financial statements as at the reporting date.

With the involvement of our valuation experts, we compared the assumptions and data underlying the incremental borrowing rates with our own assumptions and publicly available information. We also assessed the calculation model for the interest rate in terms of appropriateness.

Our observations

Hapag-Lloyd has established appropriate procedures to recognise leases for the purposes of IFRS 16. The assumptions and data used to measure the lease liabilities and right-of-use assets are overall appropriate.

Other information

The Executive Board and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following parts of the combined management report, whose content was not audited:

- the separate combined non-financial report of the Company and the Group referred to in the combined management report, but which will probably not be provided to us until after the date of this audit opinion and
- the combined corporate governance statement for the Company and the Group referred to in the combined management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the information in the combined management report audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of the Executive Board and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The Executive Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Board is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Executive Board is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Executive Board is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. The Executive Board is also responsible for such arrangements and measures (systems) as considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements and to be able to provide sufficient and appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and for the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.
- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the Executive Board in the combined management report. On the basis of sufficient and appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the Executive Board as a basis for the prospective information and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

We have performed an assurance engagement in accordance with Section 317 (3b) HGB to obtain reasonable assurance about whether the electronic reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the file that can be downloaded by the issuer from the electronic client portal with access protection, "hapaglloydag–2020–12–31.zip" (SHA 256-Hashwert: 326d88d947307a-8a79e737729815c273080f50ecc 3fb319bed 4f03d9cf16e756) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance engagement only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance conclusion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January to 31 December 2020, contained in the "Report on the Audit of the Consolidated Financial Statements and of the Combined Management Report" above.

We conducted our assessment of the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3b) HGB and the Exposure Draft of the IDW Assurance Standard: Assurance in accordance with Section 317 (3b) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (ED IDW AsS 410). Accordingly, our responsibilities are further described below. Our audit firm has applied the IDW Standard on Quality Management 1: Requirements for Quality Management in Audit Firms (IDW QS 1).

The Company's Executive Board is responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the Company's Executive Board is responsible for the internal controls it considers necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Company's Executive Board is also responsible for the submission of the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the German Federal Gazette [Bundesanzeiger].

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.
- Obtain an understanding of internal control relevant to the assessment of the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of Commission Delegated Regulation (EU) 2019/815 on the technical specification for this electronic file.
- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.
- Evaluate whether tagging the ESEF documents with Inline XBRL technology (iXBRL) provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on 5 June 2020. We were engaged by the Chairperson of the Audit and Finance Committee of the Supervisory Board on 11 September 2020. We have been the group auditor of Hapag-Lloyd Aktiengesellschaft, Hamburg, without interruption since the financial year 2015.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the Audit Committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Hamburg, 5 March 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

Madsen	Dr. Röhricht
Wirtschaftsprüfer	Wirtschaftsprüferin
[German Public Auditor]	[German Public Auditor]

FINANCIAL CALENDAR

12 MAY 2021
Publication of quarterly financial report Q1 2021

28 MAY 2021
Annual general meeting

12 AUGUST 2021
Publication of quarterly financial report H1 2021

12 NOVEMBER 2021
Publication of quarterly financial report 9M 2021

IMPRINT

Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg

Investor Relations
Phone: +49 40 3001 – 2896
Email: ir@hlag.com

Corporate Communications
Phone: +49 40 3001 – 2529
Email: presse@hlag.com

Consulting, concept and layout
Hapag-Lloyd Corporate Communications
Silvester Group, Hamburg
www.silvestergroup.com

www.hapag-lloyd.com