Combined management report

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BASIC PRINCIPLES OF THE GROUP

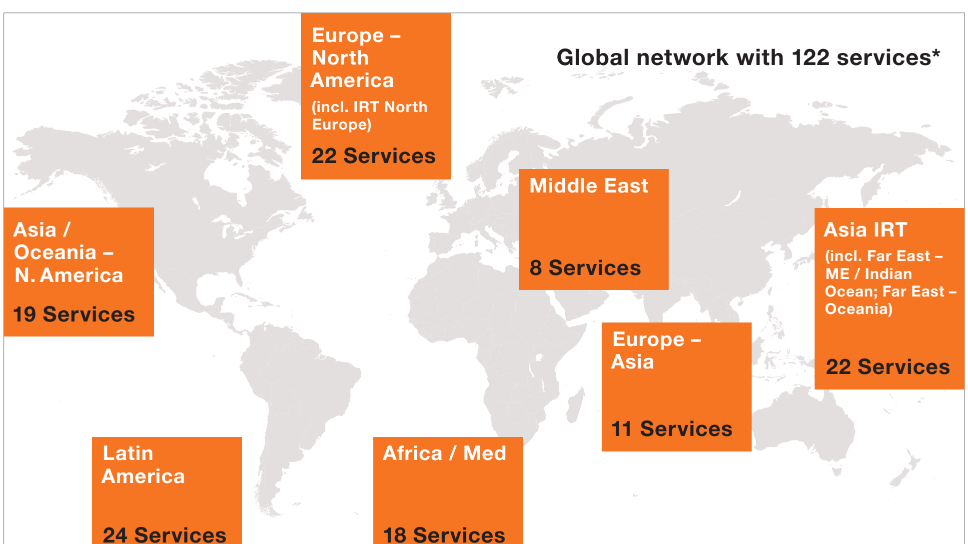
The management report of Hapag-Lloyd AG and the Group management report have been combined in accordance with section 315 sub-section 5 in conjunction with section 298 sub-section 2 of the German Commercial Code (HGB). The disclosures specific to Hapag-Lloy AG are presented in the chapter „Notes on the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

OPERATING ACTIVITIES

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

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

Network of Hapag-Lloyd services



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

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

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

GROUP STRUCTURE AND SHAREHOLDERS

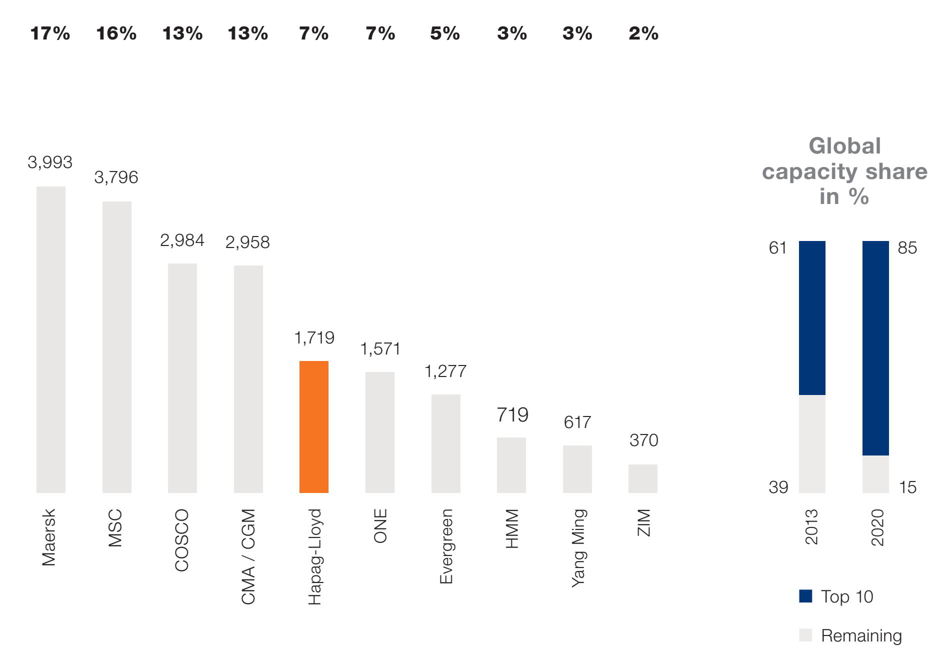
The controlling company of the Hapag-Lloyd Group, Hapag-Lloyd AG, is also the largest single operating company within the Group. In terms of operations, the Group structure of Hapag-Lloyd AG is currently as follows:

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

BUSINESS AND COMPETITIVE ENVIRONMENT

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

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



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

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

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

Capacity share of alliances in East–West trades

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

Source: Alphaliner (January 2021)

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

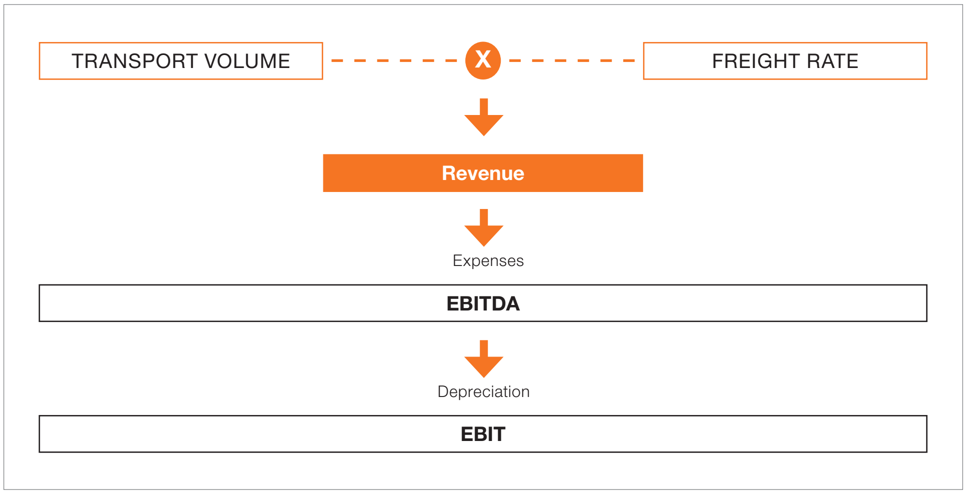
Legal framework

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

CORPORATE MANAGEMENT

Key performance indicators

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



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

Material influencing factors

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

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

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

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

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

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

PRINCIPLES AND PERFORMANCE INDICATORS

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

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

Return on invested capital

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

Calculation of return on invested capital on a Group basis

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

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

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

IMPORTANT NON-FINANCIAL PRINCIPLES

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

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

Fleet and capacity development

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

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

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

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

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

Structure of Hapag-Lloyd's ship and container fleets

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

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

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

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

Bunker consumption of the Hapag-Lloyd Group

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

Efficient transport services

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

Imbalances in the world’s biggest trades

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

Source: Seabury (November 2020), Figures rounded

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

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

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

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

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

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

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

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

Customers and customer orientation

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

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

Transport volume by product category in 2020

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

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

RESEARCH AND DEVELOPMENT

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

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

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

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

EMPLOYEES

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

Number of employees

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

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

SHAREHOLDER STRUCTURE AND DIVIDEND

Shareholder structure of Hapag-Lloyd AG

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

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

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

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

Dividend policy and dividend proposal

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

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

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

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

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

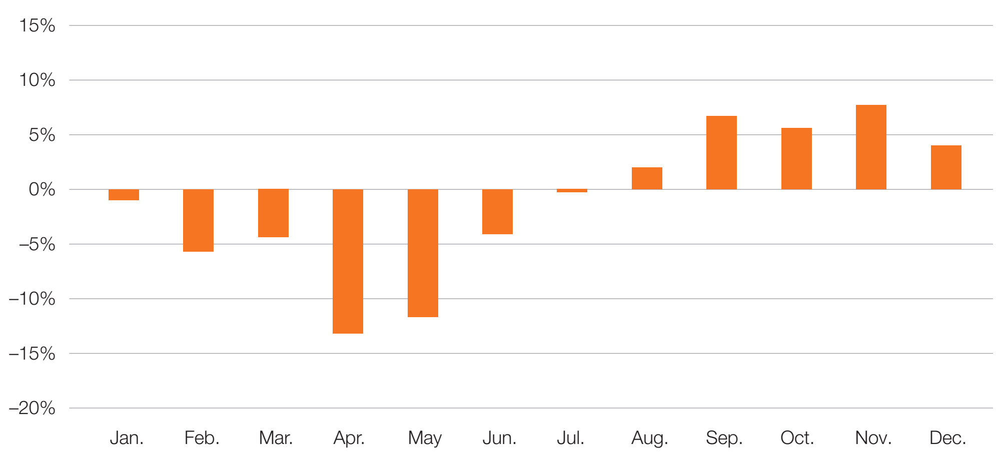
To reduce the economic impact of the COVID-19 pandemic, more than 190 countries as well as national and supranational central banks have adopted fiscal and monetary measures. The US Federal Reserve and the European Central Bank have cut their key interest rates and increased their bond purchasing. Fiscal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

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

SECTOR-SPECIFIC CONDITIONS

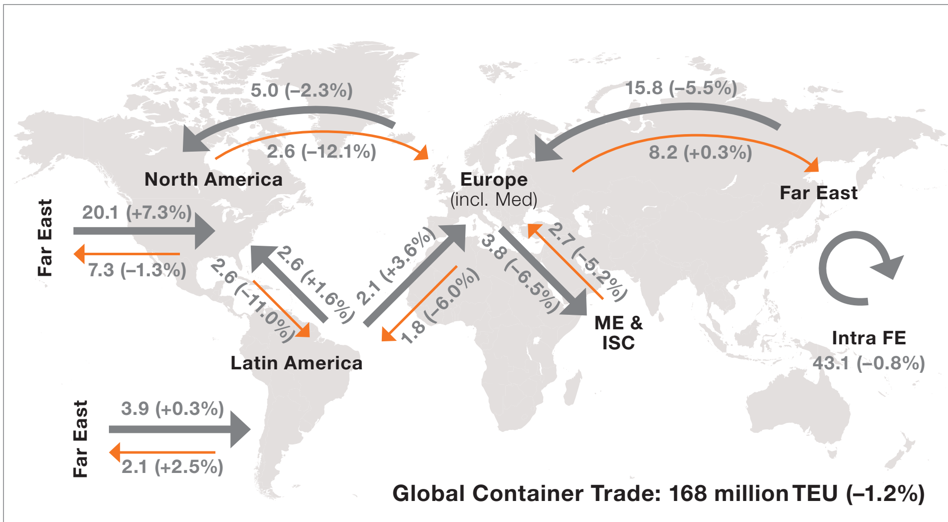
Global container transport volumes varied wildly over the course of the year. As a consequence of the measures introduced worldwide to combat the COVID-19 pandemic, global container shipments contracted sharply in April and May 2020, by 13% and 12% respectively, before demand began to recover gradually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

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



Source: CTS (February 2021)

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



Source: CTS (February 2021)

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

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

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

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

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

IMPACT OF THE COVID-19 PANDEMIC ON BUSINESS DEVELOPMENT

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

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

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

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

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

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

EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

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

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

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

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

Consolidated income statement

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

Transport volume per trade

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

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

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

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

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

Freight rates per trade

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

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

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

Revenue per trade

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

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

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

Operating expenses

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

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

Transport expenses

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

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

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

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

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

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

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

Personnel expenses

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

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

Depreciation, amortisation and impairment

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

Other operating result

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

Share of profit of equity-accounted investees

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

Operating result

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

Key earnings figures

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

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

Interest result

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

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

Income taxes

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

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

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

GROUP FINANCIAL POSITION

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

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

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

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

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

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

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

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

Issuer ratings

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

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

Financing

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

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

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

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

Financing and investing activities

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

Containers

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

Vessels

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

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

Miscellaneous

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

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

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

Net debt

Financial solidity

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

[1] Ratio of net debt to equity

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

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

Liquidity analysis

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

Statement of cash flows and capital expenditure

Condensed statement of cash flows

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

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

Cash flow from operating activities

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

Cash flow from investing activities

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

Cash flow from financing activities

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

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

Developments in cash and cash equivalents

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

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

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

Capital expenditure and off-balance-sheet obligations

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

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

GROUP NET ASSET POSITION

Changes in the asset structure

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

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

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

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

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

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

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

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

ACCURACY OF FORECAST

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

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

EXECUTIVE BOARD'S STATEMENT ON OVERALL ECONOMIC PERFORMANCE

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

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

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

OUTLOOK-, RISK- AND OPPORTUNITY REPORT

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

OUTLOOK

General economic outlook

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

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

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

Source: IMF (January 2021)

Sector-specific outlook

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

Development of container transport volume

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

Source: Seabury (November 2020)

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

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

Expected development of global container fleet capacity

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

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

Expected business development of Hapag-Lloyd

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

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

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

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

Key benchmark figures for the 2021 Outlook

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

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

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

RISK AND OPPORTUNITY REPORT

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

OPPORTUNITIES

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

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

RISK MANAGEMENT

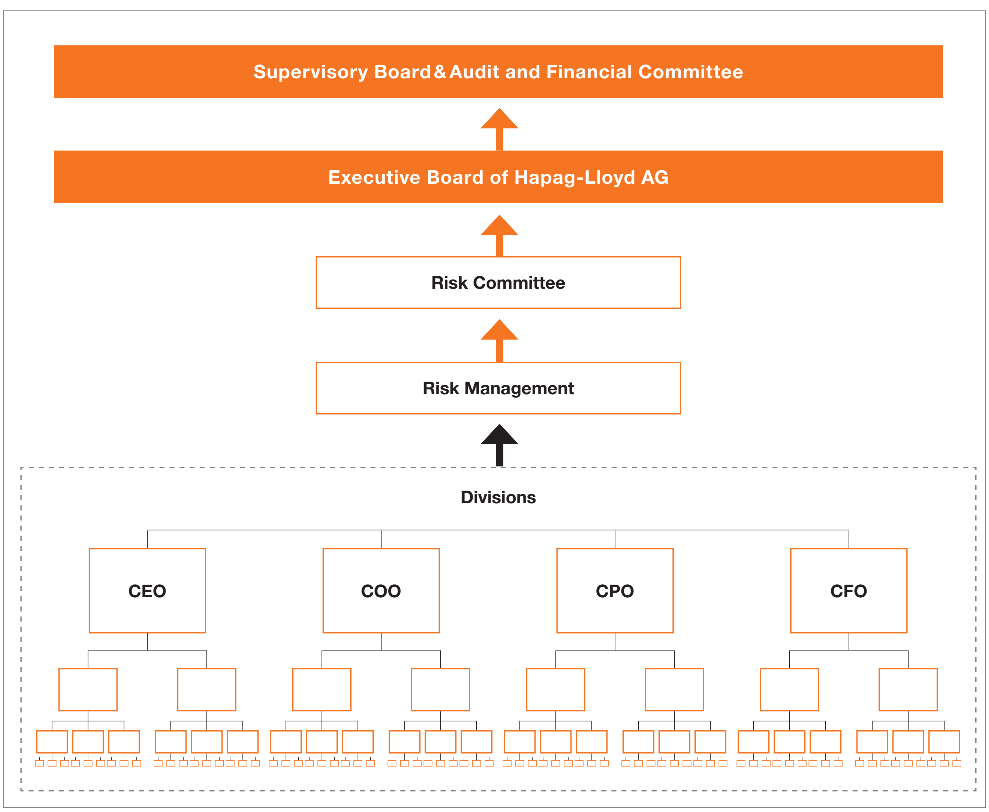
The objective of risk management is to recognise and analyse risks at an early stage and to develop and implement adequate risk responses to lower the risk to an acceptable risk level and therefore secure the achievement of Hapag-Lloyd's business objectives. Thanks to monitoring and control systems installed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

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

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

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

Hapag-Lloyd risk management system



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

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

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

Concept and objectives

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

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

Organisation and significant processes in accounting and consolidation

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

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

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

General internal control activities

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

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

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

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

ICS verification process

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

RISKS AND OPPORTUNITIES

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

Economic risks and opportunities

General economic development

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

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

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

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

Trade flows and changes in general political conditions

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

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

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

Sector- and company-specific risks and opportunities

Fluctuation in average freight rate and transport volume

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

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

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

Fluctuation in bunker consumption price

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

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

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

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

Fluctuation in charter rates

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

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

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

Risks from capacity bottlenecks at ports and in regional logistics chains

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

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

Information technology and security

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

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

Risks from the operation of ships

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

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

Risks arising from the loss of the US flag business

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

Financial risks and opportunities

Management of financial risks

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

US dollar exchange rate fluctuations

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

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

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

Liquidity and access to capital markets

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

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

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

Risks arising from the impairment of goodwill and other intangible assets

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

Risks arising from investments

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

Credit default risks

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

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

Interest rate fluctuations

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

Legal risks and opportunities

Legal and regulatory frameworks

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

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

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

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

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

Tightening of climate and environmental protection regulations

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

Legal disputes as well as tax and customs regulations

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

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

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

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

SUMMARISED OVERVIEW OF CORPORATE RISKS AND OPPORTUNITIES

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

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

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

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

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

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

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

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

Key risks and opportunities

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

OVERALL ASSESSMENT OF RISKS AND OPPORTUNITIES

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

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

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

GENERAL PRINCIPLES / PRELIMINARY REMARKS

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

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

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

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

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

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

ECONOMIC REPORT

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

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

Earnings, financial and net asset position

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

Earnings position

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

Notes to the income statement

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

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

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

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

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

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

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

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

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

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

Financial and net asset position

Changes in the asset structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OUTLOOK, RISK AND OPPORTUNITY REPORT

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

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

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

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

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

REPORT BY THE EXECUTIVE BOARD ON RELATIONSHIPS WITH AFFILIATED COMPANIES

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

REMUNERATION REPORT

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

1. PRINCIPLES AND OBJECTIVES / GENERAL PRINCIPLES

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

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

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

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

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

1.1 Changes to the Executive Board

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

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

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

2. MAIN REMUNERATION COMPONENTS

The main remuneration components are broken down as follows:

2.1 Non-performance-related components

a) Fixed annual remuneration

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

b) Non-cash remuneration and other fringe benefits

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

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

2.2 Performance-related components

a) Short-term variable remuneration

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

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

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

b) Long-term variable remuneration

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Allotment for 2019 financial year (2019 tranche)

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

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

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

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

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

c) Possible additional remuneration in cash (discretionary bonus)

The Executive Board contracts also stipulate that the Supervisory Board may grant additional remuneration in special circumstances or for extraordinary activities.

2.3 Company pension

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

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

2.4 Regulations in the event that Executive Board activities end

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

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

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

b) Post-contractual non-compete restrictions

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

c) Change-of-control clause

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

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

2.5 Remuneration of the Executive Board in the 2020 financial year

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

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

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

Remuneration of the Executive Board

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

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

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

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

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

With regard to pension commitments, the following obligations exist:

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

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

1 The figures disclosed include amounts resulting from commitments prior to appointment to the Executive Board (cf. the explanations in section 2.3).
2 The 2019 total s included the pension plan of Anthony J. Firmin who left the Executive Board on 30 June 30 2019. Consequently, the 2019 total s in this table differ from the totals in the same table in the 2019 Remuneration Report.

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

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

Amounts granted for the financial year

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

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

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

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

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

Amounts paid for the financial year

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

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

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

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

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

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

3. REMUNERATION OF THE SUPERVISORY BOARD

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

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

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

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

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

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

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

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

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

OTHER DISCLOSURES

DISCLOSURES AND NOTES RELEVANT TO THE TAKEOVER

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

1. Composition of subscribed capital

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

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

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

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

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

3. Shareholdings that exceed 10% of the voting rights

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Holders of shares with special rights

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

5. Type of voting right control for employee investments

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

6. Rules on appointing and discharging members of the Executive Board and on amending the articles of association

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

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

7. Powers of the Executive Board, in particular regarding the option of issuing or buying back shares

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hamburg, 2 March 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese | Dr Maximilian Rothkopf | Joachim Schlotfeldt


www.hapag-lloyd.com