http://www.oblible.com

Offering Memorandum

Hapag-Lloyd Aktiengesellschaft

€300,000,000 2.50% Sustainability-Linked Senior Notes due 2028

Hapag-Lloyd Aktiengesellschaft, incorporated as a public stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany ("**Hapag-Lloyd AG**," the "**Company**" or the "**Issuer**"), is offering (the "**Offering**") €300,000,000 aggregate principal amount of its 2.50% Sustainability-Linked Senior Notes due 2028 (the "**Notes**"). The Issuer will pay interest on the Notes semi-annually on each April 15 and October 15, commencing October 15, 2021. The Notes will initially bear interests at a rate of 2.50% per annum. From and including October 15, 2025, the interest rate shall be increased by 0.25% to 2.75% (the "**Target Step-Up**"), unless the Issuer has notified the Trustee (as defined herein) in writing no later than July 31, 2025, that it has determined that the Issuer has attained the Sustainability Performance Target (as defined herein) and received an Assurance Letter (as defined herein). Prior to April 15, 2024, the Issuer will be entitled, at its option, to redeem all or a portion of the Notes by paying the relevant applicable premium. Some or all of the Notes may also be redeemed at any time on or after April 15, 2024 at the redemption prices set forth in this offering memorandum (the "**Offering Memorandum**"). In addition, prior to April 15, 2024, the Issuer may redeem at its option up to 40% of the Notes with the net proceeds from certain equity offerings. If the Issuer undergoes a change of control or sells certain of its assets, the Issuer may be required to make an offer to purchase the Notes. In the event of certain developments affecting taxation, the Issuer may redeem all, but not less than all, of the Notes.

The Notes will be senior debt of the Issuer and will rank *pari passu* in right of payment to all of the Issuer's existing and future senior indebtedness and will be effectively subordinated to the Issuer's existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The Notes will effectively be subordinated to all existing and future obligations of subsidiaries of the Issuer. This Offering Memorandum includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions.

This Offering Memorandum constitutes a prospectus for purposes of Part IV of the Luxembourg law on prospectus securities dated July 16, 2019 and includes information on the terms of the Notes, including redemption and repurchase prices, covenants and transfer restrictions. Application has been made to the Luxembourg Stock Exchange (the "**LxSE**") in its capacity as market operator of the Euro MTF market (the "**Euro MTF**") under the Luxembourg Act relating to prospectuses for securities (*loi relative aux prospectus pour valeurs mobilières*) to list the Notes on the Euro MTF. The Euro MTF is a multilateral trading facility for the purposes of Directive 2014/65/EU of May 15, 2014 on markets in financial instruments, as amended ("**MiFID II**").

Investing in Notes involves a high degree of risk. See "Risk Factors" beginning on page 22

Price for the Notes 100.00% plus accrued interest, if any, from the issue date.

We expect that the Notes will be delivered in book-entry form through Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**") on or about April 6, 2021 (the "**Issue Date**").

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or the laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act) in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act ("Rule 144A") and to certain persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act ("Regulation S"). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See "Notice to Investors" and "Plan of Distribution" for additional information about eligible offerees and restrictions on transfers of the Notes.

Joint Global Coordinators, Joint Bookrunners and Sustainability-Linked Bond Structuring Advisors

Berenberg | **Deutsche Bank** | **Goldman Sachs Bank Europe SE**

Joint Bookrunners and Sustainability-Linked Bond Structuring Advisors

Crédit Agricole CIB | **DZ BANK AG** | **Société Générale**

The date of this Offering Memorandum is April 6, 2021.

http://www.oblible.com

NOTICE TO INVESTORS

You should rely only on the information contained in this Offering Memorandum. Neither the Issuer nor the Initial Purchasers listed on the cover page (and defined below) has authorized anyone to provide you with any information or represent anything about the Issuer, its financial results or this Offering that is not contained in this Offering Memorandum. If given or made, any such other information or representation should not be relied upon as having been authorized by the Issuer or the Initial Purchasers. Neither the Issuer nor the Initial Purchasers is offering the Notes in any jurisdiction where this Offering is not permitted. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the cover page of this Offering Memorandum.

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS REGISTERED UNDER THE U.S. SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT IS AVAILABLE. SEE "PLAN OF DISTRIBUTION" AND "TRANSFER RESTRICTIONS." INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A UNDER THE U.S. SECURITIES ACT.

No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offering Memorandum, and, if given or made, any such information or representation must not be relied upon as having been authorized by the Issuer, any of its affiliates or Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, Joh. Berenberg, Gossler & Co. KG, Crédit Agricole Corporate Investment Bank, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main or Société Générale (together, the "**Initial Purchasers**"). This Offering Memorandum does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Offering Memorandum nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date of this Offering Memorandum or that the information contained in this Offering Memorandum is correct as of any time subsequent to that date.

By receiving this Offering Memorandum, investors acknowledge that they have had an opportunity to request for review, and have received, all additional information they deem necessary to verify the accuracy and completeness of the information contained in this Offering Memorandum. Investors also acknowledge that they have not relied on the Initial Purchasers in connection with their investigation of the accuracy of this information or their decision whether to invest in the Notes. The contents of this Offering Memorandum are not to be considered legal, business, financial, investment, tax or other advice. Prospective investors should consult their own counsel, accountants and other advisors as to legal, business, financial, investment, tax and other aspects of a purchase of the Notes. In making an investment decision, investors must rely on their own examination of the Issuer and its affiliates, the terms of the Notes and the merits and risks involved.

This Offering is being made in reliance upon exemptions from registration under the U.S. Securities Act for an offer and sale of securities that does not involve a public offering. The Notes have not been registered with, recommended by or approved by the U.S. Securities and Exchange Commission (the "**SEC**") or any other U.S. federal, state or foreign securities commission or regulatory authority, nor has any such commission or regulatory authority reviewed or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offense.

This Offering Memorandum is being provided for informational use solely in connection with the consideration of the purchase of the Notes (1) to QIBs as defined in Rule 144A under the U.S. Securities Act, and (2) to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

The Initial Purchasers reserve the right to withdraw this Offering at any time and to reject any commitment to subscribe for the Notes, in whole or in part. The Initial Purchasers also reserve the right

to allot less than the full amount of Notes subscribed by investors. The Initial Purchasers and certain related entities may acquire a portion of the Notes for their own account.

The laws of certain jurisdictions may restrict the distribution of this Offering Memorandum. Furthermore, the Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the U.S. Securities Act and any other applicable federal, state or foreign securities laws pursuant to registration or exemption therefrom. Persons into whose possession this Offering Memorandum or any of the Notes come must inform themselves about and observe any such restrictions. None of the Issuer, the Initial Purchasers or their respective representatives is making any representation to any offeree or any purchaser of the Notes regarding the legality of any investment in the Notes by such offeree or purchaser under applicable investment or similar laws or regulations. For a description of certain restrictions on the offering and sale of the Notes and the distribution of this Offering Memorandum, see "*—Notice to Certain European Investors,*" "*—Notice to Certain Other Investors*" and "*Transfer Restrictions.*"

To purchase the Notes, investors must comply with all applicable laws and regulations in force in any jurisdiction in which investors purchase, offer or sell the Notes or possess or distribute this Offering Memorandum. Investors must also obtain any consent, approval or permission required by such jurisdiction for investors to purchase, offer or sell any of the Notes under the laws and regulations in force in any jurisdiction to which investors are subject. None of the Issuer, its affiliates or the Initial Purchasers will have any responsibility therefore.

No action has been taken by the Initial Purchasers, the Issuer or any other person that would permit an offering of the Notes or the circulation or distribution of this Offering Memorandum or any offering material in relation to the Issuer or its affiliates or the Notes in any country or jurisdiction where action for that purpose is required.

The Issuer accepts responsibility for the information contained in this Offering Memorandum. To the best of the knowledge and belief of the Issuer (having taken reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts in all material respects and does not omit anything likely to affect the import of such information in any material respect. The Issuer accepts responsibility accordingly.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AKTIENGESELLSCHAFT (THE "**STABILIZING MANAGER**") (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 CALENDAR DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.

NOTICE TO PROSPECTIVE U.S. INVESTORS

None of the U.S. Securities and Exchange Commission, any state securities commission or any other regulatory authority has approved or disapproved of the Notes, and none of the foregoing authorities have passed upon or endorsed the merits of the Offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary could be a criminal offense in certain jurisdictions.

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Memorandum under "*Notice to Investors*" and "*Transfer Restrictions.*" The Notes have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any note may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "*Notice to Investors*" and "*Transfer Restrictions.*"

NOTICE TO CERTAIN EUROPEAN INVESTORS

European Economic Area

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (the "**EEA**," and each, a "**Relevant State**") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the Notes. This Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation.

Accordingly any person making or intending to make an offer of Notes in a Relevant State which are the subject of the offering contemplated in this Offering Memorandum may only do so in circumstances in which no obligation arises for the Issuer or any of the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the Initial Purchasers to publish a prospectus for such offer. The expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129, as amended.

Prohibition of Sales

The Notes are not intended to be offered, distributed, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. No key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared. Selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

MiFID II Product Governance / Target Market

Solely for the purposes of the product approval process of the manufacturer, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"), and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (each, a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels. For the avoidance of doubt, the Issuer is not a MiFID II regulated entity and does not qualify as a distributor or a manufacturer under the MiFID II product governance rules.

Switzerland

The Notes may not be publicly offered or sold, directly or indirectly, in or from Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Offering Memorandum nor any other offering or marketing material relating to the offering nor the Issuer nor the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes are not subject to the supervision by any Swiss regulatory authority, *e.g.*, the Swiss Financial Market Supervisory Authority FINMA, and investors in the Notes will not benefit from protection or supervision by such authority.

NOTICE TO CERTAIN OTHER INVESTORS

Australia

No prospectus or other disclosure document (as defined in the Corporations Act 2001 of Australia ("**Australian Corporations Act**")) in relation to the Notes has been or will be lodged with the Australian Securities and Investments Commission ("**ASIC**"). Each Initial Purchaser has represented and agreed, and each further Initial Purchaser will be required to represent and agree, that it:

(a) has not offered or invited applications, and will not offer or invite applications, for the issue sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any draft, preliminary or definitive prospectus, offering memorandum, disclosure document, advertisement or other offering material relating to the Notes in Australia, unless

   (i) the aggregate consideration payable by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies, but disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Australian Corporations Act;

   (ii) the offer or invitation is not made to a person who is a "retail client" within the meaning of section 761G of the Australian Corporations Act;

   (iii) such action complies with all applicable laws, regulations and directives in Australia; and

   (iv) such action does not require any document to be lodged with ASIC.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Initial Purchaser has represented and agreed, and each further Initial Purchaser appointed will be required to represent and agree, that the Notes to be issued have not been and will not be offered, sold or publicly promoted or advertised by it in the U.A.E. other than in compliance with any laws applicable in the U.A.E. governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Initial Purchaser has represented and agreed, and each further Initial Purchaser appointed will be required to represent and agree, that it has not offered and will not offer the Notes to be issued to any person in the Dubai International Financial Centre unless such offer is:

(a) an "Exempt Offer" in accordance with the Markets Rules 2012 of the Dubai Financial Services Authority (the "**DFSA**"); and

(b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this Offering.

Hong Kong

Each Initial Purchaser has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities (except for Securities which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

United Kingdom

Prohibition of Sales to UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

UK MIFIR Product Governance

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Other Regulatory Restrictions

This Offering Memorandum has not been approved by an authorized person in the United Kingdom. This Offering Memorandum is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"); (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; (iii) are outside the United Kingdom, or (iv) are

persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. Recipients of this Offering Memorandum are not permitted to transmit it to any other person. Persons distributing this Offering Memorandum must satisfy themselves that it is lawful to do so. The Notes are not being offered to the public in the United Kingdom.

Furthermore, each of the Initial Purchasers has warranted that it (i) has only invited or will only invite participation in investment activities in connection with the Offering or the sale of the Notes within the meaning of section 21 of the FSMA, and has only initiated or will only initiate such investment activities to the extent that section 21(1) of the FSMA does not apply to the Company; and (ii) has complied and will comply with all applicable provisions of FSMA with respect to all activities already undertaken by each of them or will undertake in the future in relation to the Notes in, from, or otherwise involving the United Kingdom.

THIS OFFERING MEMORANDUM CONTAINS IMPORTANT INFORMATION, WHICH YOU SHOULD READ BEFORE YOU MAKE ANY DECISION WITH RESPECT TO AN INVESTMENT IN THE NOTES.

FORWARD LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "ongoing," "plan," "potential," "predict," "projected," "seek," "should," "targets" or "will" or the negative of such terms or other variation or comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Offering Memorandum. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Offering Memorandum, those results or developments may not be indicative of results or developments in subsequent periods. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- declines in demand for container shipping and related services, including declines due to global or regional economic downturns;
- cyclical fluctuations in container vessel charter rates;
- increase of container ship capacities leading to oversupply in the market and congestion in certain ports;
- the significant time lag between the ordering and the delivery of new vessels;
- oil and gas prices, and the cost and availability of raw materials, including bunker fuel;
- competitive forces, including downward pressures on freight rates, duration of our contracts with customers and our ability to retain market share in the face of competition from existing and new market entrants;
- the loss of, or deterioration of our relationship with, any significant customers;
- changing trading patterns and sharpening trade imbalances;
- our ability to keep pace with technological changes;
- operating hazards, including marine disasters, oil spills or leaks, environmental damage, death or property damage and business interruptions caused by weather, peril of the sea, mechanical failures, war or other hostilities, piracy or hijackings, explosions, fires or human error;
- acts of piracy and terrorism;
- uncertainties inherent in operating internationally, including economic and political instability, boycotts or embargoes, labor unrest, changes in foreign governmental regulations, corruption and currency fluctuations;
- future developments, such as further delays or disruptions of operations as a result of the actions taken to contain COVID-19 or treat its impact, particularly to the extent that the COVID-19 pandemic continues or worsens;
- changes in governmental laws and regulations, including our ability to receive or renew applicable permits or licenses and ability to comply with requirements imposed by classification societies;
- risks relating to environmental, social, and corporate governance ("**ESG**") principles;

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

The risks described in the "*Risk Factors*" section of this Offering Memorandum are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our business, financial condition and results of operations. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all such risks; nor can we assess the impact of all such risks on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We urge you to read carefully the sections of this Offering Memorandum entitled "*Risk Factors*," "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*," "*Industry and Market Data*" and "*Our Business*" for a more complete discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not be accurate or occur at all.

Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made (and in any case no later than the date of this Offering Memorandum). In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

DEFINTIONS

Unless otherwise specified or the context requires otherwise in this Offering Memorandum (and except as otherwise defined in "*Description of the Notes*" and "*Description of Certain Financing Arrangements*" for purposes of those sections only):

- references to "**we**," "**us**," "**our**" and the "**Hapag-Lloyd Group**" are to Hapag-Lloyd AG, together with its consolidated subsidiaries;
- references to "**capacity**" are to the maximum number of containers as measured in TEU that could theoretically be loaded onto a container ship without taking into account operational constraints (including, but not limited to, the actual weight of any loaded containers); with reference to a fleet, a carrier or the container shipping industry, capacity is the total TEU nominal capacity of all ships in the fleet, the carrier or the industry, as applicable;
- references to "**carrier**" are to a company providing container shipping services;
- references to the "**CCS Activities**" are to CSAV's container shipping activities, which were carved out of CSAV's business as part of the corporate merger of the CCS Activities with those of Hapag-Lloyd AG completed on December 2, 2014;
- references to "**CG Hold Co**" are CSAV Germany Container Holding GmbH;
- references to the "**Company**," the "**Issuer**" or "**Hapag-Lloyd AG**" are to Hapag-Lloyd Aktiengesellschaft excluding its consolidated subsidiaries;
- references to "**Consortium**" are to Hamburgische Seefahrtsbeteiligung "Albert Ballin" GmbH & Co. KG, a consortium which (prior to its dissolution by shareholder resolution in 2013) consisted of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH ("**HGV**"), an investment holding company of the City of Hamburg; Kühne Maritime GmbH ("**Kühne Maritime**"); SIGNAL IDUNA GRUPPE ("**Iduna**"); HSH Nordbank AG ("**HSH**"); HanseMerkur Krankenversicherung AG and HanseMerkur Lebensversicherung AG (together "**HanseMerkur**") and M.M.Warburg & CO. KGaA ("**M.M.Warburg**");
- references to "**Container Revolving Credit Facility**" are to an original US$135,000,000 (subsequently increased to US$210,000,000 and, upon the effectiveness of the last amendment, further increased to US$230,000,000) senior secured revolving credit facility available under the Container Revolving Credit Facility Agreement;
- references to "**Container Revolving Credit Facility Agreement**" are to an original US$135,000,000 (subsequently increased to US$210,000,000 and, upon the effectiveness of the last amendment, further increased to US$230,000,000) senior secured revolving loan agreement originally dated August 6, 2015 relating to the (re)financing of a portfolio of new containers and certain existing containers between, *amongst others*, Hapag-Lloyd AG as borrower and beneficial owner of the containers, Hapag-Lloyd Container (No. 3) Ltd. as legal owner of the containers, ING Bank N.V. and ABN AMRO Bank N.V. as arrangers, ING Bank N.V. as agent and security agent, ING Bank Belgium SA/NV and ABN AMRO Bank N.V. and Crédit Industriel et Commercial as lenders and ING Belgium SA/NV as original hedging bank, as amended from time to time;
- references to "**CSAV**" are to Compañía Sud Americana de Vapores S.A.;
- references to "**CTA**" are to HHLA Container Terminal Altenwerder GmbH;
- references to "**CTA Revolving Credit Facility**" are to an originally US$360,000,000 (reduced to US$95,000,000, subsequently increased to US$200,000,000 and, upon the effectiveness of the last amendment, further increased to US$360,000,000) revolving credit facility available under the CTA Revolving Credit Facility Agreement;
- references to "**CTA Revolving Credit Facility Agreement**" are to an originally US$360,000,000 (reduced to US$95,000,000, subsequently increased to US$200,000,000 and, upon the effectiveness of the last amendment, further increased to US$360,000,000) secured revolving facility agreement originally dated October 1, 2010 for Hapag-Lloyd AG as borrower with, *amongst others*, Credit Suisse AG, London Branch, Deutsche Bank Luxembourg S.A. and Goldman Sachs International as mandated lead arrangers and UniCredit Bank AG as facility agent and security agent, certain banks and financial institutions, as amended from time to time;

- references to the “**Existing Notes**” are to the Issuer’s €300,000,000 aggregate principal amount of its 5.125% Senior Notes due 2024 which will be redeemed with the proceeds of the Offering;
- references to “**HL BCA Controlling Shareholders**” are to CG Hold Co, HGV and Kühne Maritime;
- references to “**HMM**” are to Hyundai Merchant Marine Co;
- references to “**Kühne**” are to Kühne Maritime and Kühne Holding AG, together;
- reference to “**Kühne Maritime**” are to Kühne Maritime GmbH, a wholly owned subsidiary of Kühne Holding AG;
- references to “**Offering**” are to the offering of €300,000,000 sustainability-linked senior notes due 2028 on the date hereof;
- references to “**PIF**” are to The Public Investment Fund of the Kingdom of Saudi Arabia;
- references to “**Qatar Holding**” are to Qatar Holding LLC;
- references to “**Qatar Holding Germany**” are to Qatar Holding Germany GmbH;
- references to “**Shareholders’ Agreement**” are to a shareholders’ agreement among CG Hold Co, HGV and Kühne Maritime dated April 16, 2014 (as amended and acceded to by CSAV and Tollo on November 17, 2014 and as further amended from time to time);
- references to “**short-term**” charters, “**medium-term**” charters and “**long-term**” charters are to charters for a term of (i) up to twelve months, (ii) including twelve months and through 36 months and (ii) more than 36 months, respectively;
- references to “**Tollo**” are to Tollo Shipping Co. S.A.;
- references to “**UASC**” are to UASC Limited together with its subsidiaries;
- references to “**UASC BCA**” are to the business combination agreement entered into by the Issuer and the UASC Limited on July 15, 2016;
- references to the “**UASC Business Combination**” are to the combination of the Issuer and UASC Limited of all activities, assets, liabilities, contractual relationships and employees of UASC Limited and its subsidiaries (together, “**UASC**”) with Hapag-Lloyd AG;
- references to “**UASC Limited**” are to United Arab Shipping Company Limited (formerly United Arab Shipping Company (S.A.G.)) excluding its subsidiaries; and
- references to the “**U.S.**” or the “**United States**” are to the United States of America.

We present the capacity of our ships as the total nominal capacity in TEU, which is based on the maximum available space, assuming an optimal distribution of containers. Capacity by TEU presented for the ships owned or operated by us may not be comparable to similarly titled measures used by other companies. Additionally, we present certain information in relation to the transport volumes in TTEU, which refers to 1,000 TEU.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical Financial Information

In this Offering Memorandum, the selected historical financial information of the Hapag-Lloyd Group as of and for the financial years ended December 31, 2020, 2019 and 2018 (the "**financial year 2020**," "**financial year 2019**" and "**financial year 2018**," respectively, and together the "**Reporting Period**"), (i) if presented as "audited," is taken from the audited consolidated financial statements of the Issuer as of and for the financial years 2020 and 2019 (including comparative figures for the financial year ended December 31, 2018) (together, the "**Audited Consolidated Financial Statements**") and, (ii) if presented as "unaudited," is either derived from our Audited Consolidated Financial Statements or from our accounting records or management reporting or is based on calculations of these figures. The Audited Consolidated Financial Statements were prepared by the Issuer in accordance with the International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"), and the supplementary accounting provisions of German commercial law pursuant to Section 315a (1) German Commercial Code (*Handelsgesetzbuch*).

The Audited Consolidated Financial Statements were audited by KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Fuhlentwiete 5, 20355 Hamburg, Germany ("**KPMG**"), who issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) thereon as included in this Offering Memorandum. The audits of the Audited Consolidated Financial Statements were each conducted in accordance with Section 317 German Commercial Code (*Handelsgesetzbuch*) and German generally accepted standards for the audit of financial statements of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*).

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*" are calculated using the numerical data in each of the Audited Consolidated Financial Statements of the Issuer or the tabular presentation of other information (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof.

IFRS differs in certain material respects from generally accepted accounting principles in the United States of America ("**U.S. GAAP**"). As a result, the results of operations and financial condition derived from the financial statements that are included in this Offering Memorandum may differ substantially from the results of operations and financial condition derived from financial statements prepared in accordance with U.S. GAAP. The Issuer has not prepared a reconciliation of its financial information to U.S. GAAP or a summary of significant accounting differences in the accounting and valuation methods of IFRS and U.S. GAAP nor has it otherwise reviewed the impact the application of U.S. GAAP would have on its financial reporting. Accordingly, in making an investment decision, investors must rely on their own examination of the Issuer's financial information.

Non-IFRS Financial Measures

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

Pro Forma Financial Information

We present in this Offering Memorandum certain *pro forma* financial information for the Issuer as of and for the financial year ended December 31, 2020, which is based on the consolidated financial information of the Issuer (as described above under "*—Historical Financial Statements*"), on an as adjusted basis to reflect certain effects of the Offering and the application of the use of proceeds therefrom on the indebtedness, cash position and interest expense of the Hapag-Lloyd Group. See "*Summary—Summary Consolidated Financial and Other Information—Key Figures from Our Other and Pro Forma Financial Information.*" This adjusted financial information as of and for the financial year ended December 31, 2020 has been prepared for illustrative purposes only and does not represent what our actual interest expense would have been had the Offering and the application of the use of proceeds therefrom occurred on January 1, 2020 or what our actual cash position or indebtedness would have been had the Offering and the application of the use of proceeds therefrom occurred on December 31, 2020, nor does it purport to project our indebtedness, cash position or interest expense at any future date.

The adjusted financial information has not been prepared in accordance with the requirements of Regulation S-X under the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the adjustments nor the resulting adjusted financial information have been audited in accordance with any generally accepted auditing standards.

PRESENTATION OF INDUSTRY AND MARKET DATA

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

The following sources were used in the preparation of this Offering Memorandum:

- Alphaliner Monthly Monitor, January 2021
- Clarksons Research, February 2021
- Clarksons Research, July 2020
- Clarksons Research, June 2020
- Clarksons Research, December 2019
- Drewry Maritime Research, December 2020
- Drewry Maritime Research, Q4 2020
- Drewry Maritime Research, Q4 2019
- International Monetary Fund, World Economic Outlook Database, January 2021
- International Monetary Fund, World Economic Outlook Database, October 2020
- MDS Transmodal, January 2021
- MDS Transmodal, July 2015
- MDS Transmodal, January 2013
- MDS Transmodal, February 2006
- OECD study on Impact of Mega-Ships based on Dynamar 2015
- Seabury, November 2020
- World Liner Data Ltd / Container Trades Statistics Ltd

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

To the extent that information has been sourced from third parties, this information has been accurately reproduced in this Offering Memorandum and, as far as we are aware and able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, market studies and analyses are frequently based on information and assumptions that may not be accurate or technically correct, and their methodology is, by nature, forward-looking and speculative.

Neither we nor the Initial Purchasers have independently verified the figures, market data and other information used by third parties in their studies, publications and financial information, or the external sources on which our estimates are based. We and the Initial Purchasers therefore assume no liability for and offer no guarantee of the accuracy of the data from studies and third-party sources contained in this Offering Memorandum and/or for the accuracy of data on which the our estimates are based, other than its accurate reproduction.

Elsewhere in this Offering Memorandum, statements regarding the shipping industry, our position in the industry, our market share and the market shares of various industry participants are based solely on our experience, our internal studies and estimates, and our own investigation of market conditions.

We cannot assure that any of the assumptions underlying these statements are accurate or correctly reflect our position in the industry and none of our internal surveys or information have been verified by any independent sources. Other market participants may use different methods of calculating market share, or may base their calculations upon different base figures, which would likely lead to differing results. We and the Initial Purchasers do not make any representation or warranty as to the accuracy or completeness of this information.

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

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

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

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

In this Offering Memorandum, all references to "**euro**" "**EUR**" or "**€**" are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time and all references to "**U.S. dollar,**" "**U.S. dollars**" and "**US$**" are to the lawful currency of the United States of America.

The following table shows, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate expressed as U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The rates may differ from the actual rates used in the preparation of the Audited Consolidated Financial Statements and other financial information appearing in this Offering Memorandum. Neither the Issuer nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

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

The Bloomberg Composite Rate between the US$ and the € on March 24, 2021 was US$ 1.1813 per € 1.00.

	High	**Low**	**Average**	**Period End**
		US$ per € 1.00		
Year				
2016	1.1532	1.0389	1.1070	1.0520
2017	1.2036	1.0406	1.1303	1.2005
2018	1.2509	1.1218	1.1808	1.1469
2019	1.1543	1.0900	1.1193	1.1214
2020	1.2298	1.0688	1.1420	1.2216
Monthly				
January 2021	1.2327	1.2077	1.2172	1.2248
February 2021	1.2175	1.1964	1.2095	1.2075
March 2021 (through March 24, 2021)	1.1813	1.1813	1.1940	1.1813

SUSTAINABILITY-LINKED BOND FRAMEWORK AND SECOND PARTY OPINION

We have established a framework to support the future issuance of sustainable financing instruments, including green sustainability-linked bonds (the "**Sustainability-Linked Bond Framework**") in order to support our Strategy 2023 as set out under "*Our Business—Our Strategy—Being an environmentally responsible organization by continuously improving the efficiency of our fleet*." The Sustainability-Linked Bond Framework also includes key performance indicators, which were selected for the purposes of the Notes and for supporting potential further sustainability-linked financing instruments in the future. The Sustainability-Linked Bond Framework has been developed in alignment with the Sustainability-Linked Bond Principles 2020, as developed and published by the International Capital Markets Association ("**ICMA**"), its members and further market participants and market observers. For the Notes, we selected the Average Efficiency Ratio ("**AER**") which measures the carbon intensity of the owned fleet. AER is the industry standard for measuring carbon intensity, and uses parameters of fuel consumption, distance travelled and deadweight tonnage and is reported in unit grams of CO_2 per tonne-mile (gCO2/dwt-nm).

SUMMARY

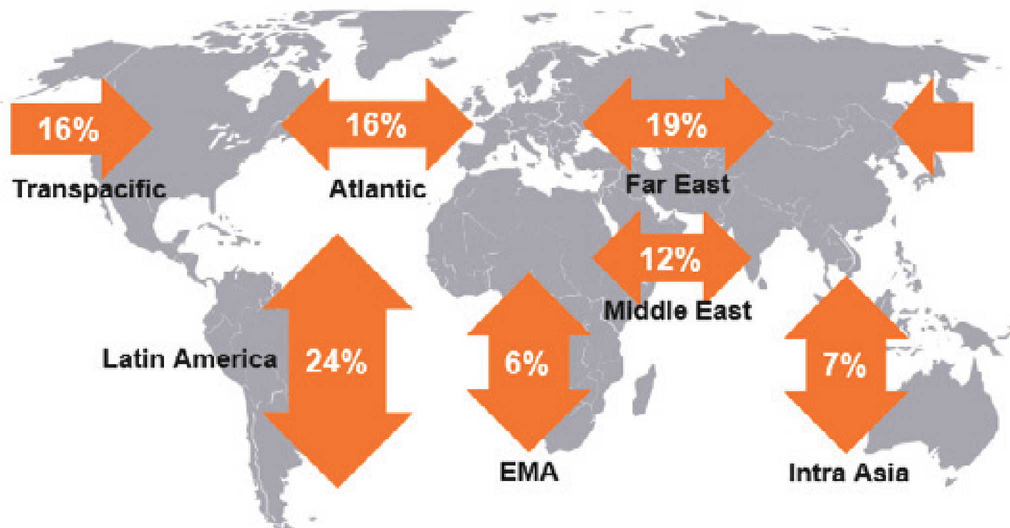
This summary highlights selected information about us and the Offering contained in this Offering Memorandum. This summary is not complete and does not contain all the information prospective investors should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including the Audited Consolidated Financial Statements. All references to "we," "us," "our" and the "Hapag-Lloyd Group" are to Hapag-Lloyd AG and its consolidated subsidiaries, unless specifically mentioned otherwise. Prospective investors should read carefully the entire Offering Memorandum to understand our business, the terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the caption "Risk Factors" and "Forward-Looking Statements."

Overview

We are a leading global container liner shipping company. Measured by the capacity of our fleet, we are the fifth largest container shipping line in the world (*source*: MDS Transmodal, January 2021). We offer our customers a comprehensive range of services through an extensive network of 125 liner services worldwide, combined with the support of strong local presence with around 395 sales offices (including agents) in 129 countries as of December 31, 2020. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet our customers' transport service requirements.

We aim to maintain a well-balanced portfolio of trades distributed among our main markets. We have a strong presence, *inter alia*, in the Latin American and the Atlantic (Europe-North America) trade as well as in the Far East (Europe-Asia) and Transpacific (Asia-North America) trades. In addition, the Middle East and EMA (Europe-Mediterranean-African) trades as well as the Intra-Asia trade contribute to our overall transport volume. Our extended service network ensures that we are well positioned to benefit from an increase in trade flows around the globe. We have a strong position both in the high-volume East-West trades, which accounted for 63% of our total transport volume in the financial year ended December 31, 2019 (Atlantic, Transpacific, Far East and Middle East represented 16%, 16%, 19% and 12%, respectively) and in our other trades, which accounted for 37% of our total transport volumes during the same period (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively). In the financial year ended December 31, 2020, our East-West trades accounted for 63% (Atlantic, Transpacific, Far East and Middle East represented 15%, 16%, 19% and 12%, respectively) and our North-South trades represented 37% (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively) of our total transport volume for the period.

The chart below shows the Hapag-Lloyd Group's transport volumes by trade for the financial year ended December 31, 2020.



Our fleet is the fifth largest container ship fleet globally (*source*: MDS Transmodal, January 2021). As of December 31, 2020, we had a fleet of 237 container ships with a total transport capacity of 1.7 million TEU (TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot, or 6.05 m, x 8 foot or 2.43 m, x 8 foot 6 inches or 2.59 m), the standard unit of measurement of volume used in the container shipping industry), of which we owned 112 (including long-term leases) and chartered 125 vessels. As of December 31, 2020, the corresponding fleet capacity of owned and chartered vessels stood at 1.05 million TEU and 0.67 million TEU, respectively. Furthermore, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023. As of the date of this Offering Memorandum, we are in advanced negotiations to place orders for three new container vessels, each with a capacity of approximately 13,300 TEU, which would be expected to be delivered between August 2022 and March 2023, and furthermore, to charter three vessels, each with a capacity of approximately 13,300 TEU, on a long-term basis, the charters of which would be expected to commence between October 2022 and May 2023. Subject to the outcome of the respective negotiations, we will enter into any or all of the aforementioned transactions in the near future.

As of December 31, 2020, we managed a fleet of 1.6 million containers with a total transport capacity of 2.7 million TEU, approximately 55% of which we owned with the remainder being rented.

In May 2016, we announced the founding of THE Alliance, which became our new main shipping alliance as of April 2017 and replaced our previous alliance, the G6 Alliance, entirely. Besides us, THE Alliance consists of Ocean Network Express (Singapore) ("**ONE**") (jointly owned by Kawasaki Kisen Kaisha Ltd. ("**K Line**"), Mitsui O.S.K. Lines Ltd. ("**MOL**") and Nippon Yusen Kabushiki Kaisha Ltd. ("**NYK**")), Yang Ming Marine Transport Corp. (Taiwan) ("**Yang Ming**") and, as of April 1, 2020, the South Korean liner shipping company Hyundai Merchant Marine (South Korea) ("**HMM**"). In addition, we maintain cooperation arrangements with other carriers.

Arrangements, such as THE Alliance and other cooperation arrangements, allow us to optimize fleet utilization by sharing vessels and to provide a range and geographic scope of network services that would not be possible if we relied solely on our own fleet of vessels. Our ability to coordinate our route planning with our partners enables us to use capacity more efficiently and benefit from cost savings and lower capital expenditures. In addition, we have entered into a cooperation arrangement with ONE, HMM and MSC Mediterranean Shipping Company SA ("**MSC**"), offering new products between Asia and the western and eastern coasts of Latin America. This reflects our ongoing efforts to further strengthen our global coverage of trades, expand our product offering (*e.g.*, reefer products) between Asia and the West and the East coast of Latin America and enhance our cost and operational efficiency.

We have entered into contractual arrangements to use terminal facilities in each of the ports called by our fleet and have strategic shareholdings in a container terminal in Hamburg, Germany. We currently own a 25.1% interest in HHLA Container Terminal Altenwerder GmbH ("**CTA**") in the Port of Hamburg, which we believe is one of the most modern container terminal facilities in the world. In addition, in 2019, we acquired a 10% stake in the Container Terminal 3 ("**TC3**") of Port Tanger Med 2, which was commissioned at the beginning of 2021. Located in Morocco on the Strait of Gibraltar, this is a port strategically important for global container traffic and we believe that TC3 may enable us to further expand our global network and strengthen our position in the trending African market.

The Hapag-Lloyd Group is headquartered in Hamburg, Germany. As of December 31, 2020, we had 13,117 total employees worldwide. In the financial year ended December 31, 2020, we generated revenue of €12,772.4 million (2019: €12,607.9 million; 2018: €11,617.5 million), and EBITDA of €2,700.4 million (2019: €1,985.8 million; 2018: €1,138.6 million).

Our Strengths

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

One of the market leaders with a strong global footprint and exposure to attractive niche businesses.

Over the last 20 years, we have increased our global market share, by transport capacity, in the container liner sector from 3% in 2000 to about 11% as of December 31, 2020 (excluding Intra-Asia)

(*source*: Seabury, November 2020). We achieved this by expanding our service network and through successfully integrating Compańía Sud Americana de Vapores S.A.'s ("**CSAV**") container shipping activities ("**CCS Activities**") in 2014, the CP Ships Ltd. acquisition in 2005 and the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company Limited and its subsidiaries (together, "**UASC**") (the "**UASC Business Combination**") in 2017. We are one of the largest container liner shipping companies worldwide with an extensive network comprising 122 services worldwide.

We possess a competitive position, evidenced by our market shares, computed as transported TEU volumes in 2020, of approximately 24%, 17%, 16%, 11% and 7% on the Atlantic, Latin America, Middle East, Far East and Transpacific trades, respectively (*source*: Seabury, November 2020, Company data). We are ranked among the five largest container liner shipping companies globally measured by capacity (*source*: MDS Transmodal, January 2021). We believe that we are well positioned to benefit from growth trends in the attractive niche businesses such as reefer, project cargo and dangerous goods businesses, where we have a long-standing and well-recognized expertise. With our fleet of state-of-the-art reefers with a capacity of approximately 233,000 TEU as of December 31, 2020, to transport temperature-sensitive cargo such as fruit, vegetables, meat and fish as well as high value reefer cargo such as pharmaceuticals and healthcare products, we believe that we possess one of the largest reefer container fleets in the industry.

In addition to our expertise in the reefer business, we have a dedicated department for the organization and monitoring of oversized cargo with many years of expertise in handling the transport of out of gauge, break-bulk and project cargo, offering one-stop-shop service to our customers. Our fleet of special containers allows for the carriage of oversized and especially heavy goods, catering to all kinds of cargo, even high value and sensitive cargo. Furthermore, we are constantly developing and constructing our own equipment capabilities in the fields of security and stability. In the dangerous cargo business, we believe we have a competitive edge, which is strongly supported by our dangerous goods department and dangerous goods experts located in Hamburg, New Jersey, Singapore, Dubai and Valparaíso). We have also established a new team of specialists based in Gdańsk, Poland, dedicated to review bookings involving dangerous goods. In addition, our specialist software (Cargo Patrol) enables us to continuously and systematically scan all the bookings placed globally, using intelligently linked criteria, to identify dangerous goods and a large variety of other sensitive cargo which have been declared incorrectly or which have not been declared at all. With this loss prevention tool in place we have significantly reduced the risks posed to our crews, our vessels, the environment and other cargo. These factors underscore our expertise and experience in the dangerous cargo business, which enables us to capitalize on the transportation of sensitive goods, whose transportation may be prohibited by other carriers due to their internal rules.

Furthermore, we are actively exploring further value adding market niches—we are certified to carry U.S. governmental cargo with five of our six vessels sailing under U.S. flag.

We believe that these businesses combined with our specialist knowledge and expertise position us well to exploit opportunities for further growth.

Well-balanced route mix and exposure to attractive markets strongly supported by our membership in THE Alliance and through several cooperation agreements.

As of December 31, 2020, we had 395 sales offices in 129 countries and 125 liner services, supported by our cooperation within THE Alliance and arrangements with several other carriers. As a result, we maintain a portfolio of trades (a trade combines liner services between two land masses) which we believe to be more balanced than that of any other liner, covering all major markets and regions. We are one of the few leading carriers with an almost equal exposure both to the high-volume East-West trades, which accounted for 63% of our total transport volume in the financial year ended December 31, 2019 (Atlantic, Transpacific, Far East and Middle East represented 16%, 16%, 19% and 12%, respectively) and our other trades, which accounted for 37% of our total transport volumes during the same period (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively). In the financial year ended December 31, 2020, our East-West trades accounted for 63% (Atlantic, Transpacific, Far East and Middle East represented 15%, 16%, 19% and 12%, respectively) and our North-South trades represented 37% (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively) of our total transport volume for the period.

Through our membership in THE Alliance and other cooperation agreements we share capacity with other carriers on the major East-West trades as well as the North-South trades which enable us to maintain favorable utilization rates of our vessel and container fleet, consistently extend the range as well as the geographic scope of our services, and offer our customers improved services, shorter transit times, more frequent sailings and more direct port calls which will further benefit our perception and position in the market. As a member of THE Alliance, we focus on the coordination of THE Alliance members' respective landside/terminal operations in order to generate additional cost benefits. We believe that the degree of integration in THE Alliance is therefore higher when compared to the Ocean Alliance and the 2M. Our ability to coordinate our services with other alliance members also allows us to use capacity more efficiently, entailing cost savings and lower capital expenditures. In addition, our use of cooperation arrangements facilitates our entrance into new markets by lowering our entry costs through, for example, allowing us to use our partners' vessels.

As a result, together with our THE Alliance partners we have a strong market position in the East-West trades (Atlantic, Far East and the Transpacific trades) and, together with our cooperation partners are one of the market leaders in the Europe—Latin America trade. In addition, through UASC's established presence in the Middle East we strengthened our operations in the region. Our enhanced service network ensures that we are well positioned to benefit from an increase in trade flows around the globe while our balanced trade lane portfolio enables us to be more resilient to adverse market developments on any one trade lane.

Competitive and modern fleet with a balanced ownership structure providing operational flexibility through the cycle.

The composition of our fleet provides us with a significant degree of flexibility in our operations. We are able to swiftly deploy our vessels on our different trade lanes and actively manage and control the optimal use of the vessels depending on the respective demand and slot allocation. As of December 31, 2020, our entire fleet comprised 237 container vessels, of which we owned 112 (including long-term leases) and chartered 125.

In line with our market position on high-volume trades, approximately 45% of our capacity consisted of vessels with a capacity in excess of 9,999 TEU as of December 31, 2020. We focus on owning larger vessels, resulting in the average size of our entire vessel fleet being 7,252 TEU as of December 31, 2020 compared to an average of 6,314 TEU among the top 10 carriers (*source*: MDS Transmodal, January 2021, Company information). As of December 31, 2020, the average age of our fleet was 9.5 years, of which 63% comprised vessels less than ten years of age, compared to an average among the top 10 carriers of 9.6 years (*source*: MDS Transmodal, January 2021; Company information). Our Valparaiso Express class vessels are equipped with an increased number of reefer slots to take advantage of the increasing demand for the transport of foodstuffs, especially on the North-South trade. Foodstuffs and beverages represented about 16% and 17% of our transport volume in the financial years ended December 31, 2019 and 2020, respectively. Together with our THE Alliance partners and our other cooperation partners, we are able to allocate ships to services which best fit the specific needs of each service.

Overall, the larger size vessels and the homogenous structure within the different classes of our fleet in terms of design and furnishings provide benefits, such as lower operating and voyage unit costs, fuel, port and canal fees as well as manning, repairs, insurance and ship management costs. We also maintain a high degree of flexibility in our fleet to meet changing market demand by using a combination of short-term, mid-term and long-term vessel charters along with our owned and finance leased vessels. Short-term charters, mid-term charters and long-term charters are for a period of up to twelve months, up to 36 months and more than 36 months, respectively. Short-term and mid-term charters allow us to adjust our capacity and cost structure rapidly in response to changes in demand. In addition to our vessel fleet, our stock of a wide variety of containers, which enables us to cater towards our customers' needs and specifications, complements our flexible and competitive fleet structure.

Highly diversified and solid customer base with long-term and close customer relationships based on operational excellence and technological know-how that allows for better imbalance management.

We have a track record of long-term and close relationships with a broad range of blue-chip customers. Our top customers (by volume) include direct shippers, such as IKEA, ExxonMobil, Sabic,

BASF and Nestle, and freight forwarders, such as Kuehne+Nagel, DB Schenker, DHL, DSV and Expeditors. Moreover, we have been successful in acquiring and retaining key account customers. For example, 19 of our top 20 customers by volume in 2018 continued to count among our top 20 customers by volume as of December 31, 2020. We believe that our close relationship with large direct customers gives us better visibility on future container liner shipping transport volumes while our relationships with large freight forwarders, which originate cargo in many locations worldwide, help us to optimize our trade flows. In the financial years ended December 31, 2019 and 2020, we provided our services to approximately 30,600 customers and 30,400 customers, respectively. These customers were diverse in both geography and industry, with no single customer representing more than 4.8% of our total transport volume for these periods.

We believe that our long-term and close customer relationships are supported by our industry-leading container liner shipping information management system. We have developed and are continuously enhancing a globally integrated and self-developed IT system to support our business and operating processes. This allows us to maintain our high levels of efficiency and productivity throughout our global operations by reducing costs and increasing the speed, quality and reliability of operational information. Our IT systems are highly scalable and a key enabler of inorganic growth, allowing us to efficiently integrate acquired operations. Our operational excellence is linked to the quality of our system which has been in operation and running reliably for over 20 years and consistently kept up-to-date regarding architecture, security and user experience, including state-of-the art web-based graphical user interfaces. We have also implemented a standardized organizational model that we use in our operations worldwide called Blueprint Organization ("**Blueprint**") and a "one-file-per-shipment" data structure throughout our operations and IT system architecture. Our IT system runs on a standardized platform that links all of our regional headquarters, areas and offices. We believe that the combination of our integrated IT system with Blueprint is an industry-leading innovation, which cannot be easily reproduced by our competitors. This system enables decentralized decision-making within our global network and provides us with significant advantages over our competitors as we can continuously monitor and improve our productivity by comparing and benchmarking processes throughout the organization. In particular, our self-developed freight information system ("**FIS**") provides us with real-time information allowing us to assess at the point of sale the contribution levels that may be achieved by an individual transaction, after taking into account costs, such as the cost of associated relocations of empty containers and inland transportation costs.

Our system particularly enables us to better manage structural imbalances in the container liner shipping business by optimizing container shipments, when compared to the market. Through our yield management, we achieve a significantly higher share of full container moves on the non-dominant leg of a trade route compared to the overall industry, resulting in fewer empty containers requiring repositioning and thereby considerably reducing our repositioning costs. During 2020, for every ten full containers we carried on the dominant legs of the Transpacific, Atlantic and Far East-Europe trades, we carried approximately 4.3, 6.9 and 4.9 full containers on the non-dominant legs of these trades, respectively, comparatively higher than the industry average of 4.2, 5.6 and 4.7 full containers, respectively (*source*: Seabury November 2020, Company Information). This results in fewer empty containers requiring repositioning and considerably reduces our repositioning costs.

Proven track record on efficiency improvements through organic and inorganic growth, comprehensive cost savings programs and deleveraging.

We believe that we are one of the most profitable container liner companies in the world demonstrated by a significantly improved EBIT margin (calculated as EBIT divided by revenue) of 10.3% in the financial year ended December 31, 2020 (2019: 6.4%, 2018: 3.8%), resulting in an average EBIT margin of 6.8% over the last three financial years. In recent years we were able to achieve above industry average margins and capital returns and to generate substantial free cash flow. As a consequence, we were able to significantly reduce our leverage in terms of reported net debt to EBITDA from 6.6x in 2013 to 1.8x as of December 31, 2020 (based on the ratio of our Net Debt as of December 31, 2020 to our EBITDA for the financial year ended December 31, 2020).

As we have demonstrated with the successful acquisitions of our competitors CSAV in 2014 and UASC in 2017, our operational structure is set up to efficiently integrate and grow acquired businesses. As a direct result, we have been and continue to be able to generate significant economies of scale. In

connection with the merger with CSAV in 2014, we implemented extensive synergy-, cost-saving and efficiency-programs such as CUATRO, OCTAVE I and II and Close the Cost Gap. These programs had successfully been implemented by the end of the first quarter of 2017 and laid the foundations for generating annual synergies, efficiency improvements and cost savings totaling approximately US$600 million against the comparable cost base in the 2014 financial year (and assuming that external factors remain unchanged). The merger with UASC in 2017 has contributed cumulative savings in an amount of approximately US$435 million annually from the financial year 2019 onwards. By continuing to leverage our large and modern fleet, we believe we have positioned ourselves as one of the most competitive container liner companies in the world in terms of route network and unit cost.

At the time of launching our Strategy 2023 in 2018, we expected to achieve annual cost savings of between US$350 and US$400 million by 2021, in particular by improving cost structures. A large proportion of the planned savings have already been realized in the financial year 2019. As a result, efforts were made to expand the cost savings program for the financial year 2020.

In order to safeguard our successful operating performance we have launched a further efficiency program in April 2020 in response to the economic downturn due to COVID-19. Measures that had already been agreed as part of the Strategy 2023 cost savings program were combined with additional short-term savings. The so-called Performance Safeguarding Program ("**PSP**") sets a clear focus on short-term measures within 2020. Ongoing efforts were bundled in a comprehensive project approach based on four building blocks: (i) Cost saving measures (reduce cost across categories, stabilize result); (ii) investment prioritization (reduce capex (vessel, container, other), optimize leasing/charter portfolio); (iii) financial contingency (focus on working capital, enhance financing levers, keep cash); and (iv) evaluation of government support schemes (subsidies (*e.g.* labor related)), guarantees, liquidity support, tax benefits). The PSP enabled us to reduce transport and overhead cost, implement measures to increase available liquidity and realize cost savings of approximately US$500 million in the financial year 2020. See "*–Our Strategy.*"

Experienced management team and supportive anchor shareholders.

We have a strong and experienced senior management team consisting of our four executive board members, the heads of our global regions (North America, South America, Northern Europe, Southern Europe, Middle East and Asia) and our central functions (Trade Management, Yield Management & Network) The team is dedicated to further strengthen our competitive position as a leading container liner shipping company. On average, our senior management team members have more than 15 years of relevant industry experience.

We believe the experience of our management team gives us a competitive advantage and positions us favorably for future growth and profitability. Over the last 20 years, we have increased our global market share, by transport capacity, in the container liner sector from 3% in 2000 to around 11% as of December 31, 2020 (excluding Intra-Asia) (*source*: Seabury, November 2020). This was achieved by expanding the service network and the successful integration of UASC in 2017, the CCS Activities in 2014 and the Canadian container liner shipping company CP Ships Ltd. in 2005.

In addition, we have highly committed principal shareholders including the three anchor shareholders CSAV Germany Container Holding GmbH ("**CG Hold Co**") (30.0%), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH ("**HGV**") (13.9%) and Kühne Maritime GmbH and Kühne Holding AG (together, "**Kühne**") (30.0%) (Kühne Maritime GmbH, together with CG Hold Co and HGV, the "**HL BCA Controlling Shareholders**") and our other key shareholders Qatar Holding Germany GmbH ("**Qatar Holding Germany**") (12.3%) and the Public Investment Fund of the Kingdom of Saudi Arabia ("**PIF**") (10.2%). We believe that the commitment of our shareholders is evidenced, among others, by the fact that they have participated in capital increases with a volume over €1 billion since 2014.

Furthermore, due to the commitment of the HL BCA Controlling Shareholders in 2014 to pool a large part of their voting rights for ten years, we believe that we are in a favorable position to focus on the mid to long term strategic development of our company.

Our Strategy

We have developed a defined strategy to ensure our continued existence as a global player by focusing in particular on quality leadership and profitable growth ("**Strategy 2023**") based on continuous and consistent cost and revenue management, the improvement of internal processes and the exploitation of technological opportunities such as digitalization and automation.

The three core objectives of our Strategy 2023 are:

- Become number one for quality;
- Remain a global player;
- Ensure profitability throughout the entire economic cycle.

The core of our Strategy 2023 is the clear differentiation from competitors through the following measures, key strategic objectives and unique selling points:

Become number one for quality by improving internal processes and strengthening organization efficiency.

Following a period of intense consolidation, unit costs and economies of scale no longer solely determine the container shipping industry. Instead, service quality and reliability have emerged as decisive competitive factors. Accordingly, our Strategy 2023 focuses in particular on quality leadership. As a part of our aim of setting industry standards with regard to quality, we have specified a set of ten quality promises as the foundation of our partnership with our customers.

Starting in 2019, we initially focused on establishing the structures, processes and databases needed to record and report in detail on quality-related parameters in order to ensure the implementation of the specified quality promises communicated externally to customers from 2020 onwards. We believe that this will enable us to quickly identify weaknesses and problems as they arise and to implement quality-related improvements.

Five of these promises, which we intend to implement on a gradual basis, were as of the date of this Offering Memorandum. The promises include the pledge of timely and accurate documentation (*e.g.* quick confirmation of bookings, quick and accurate issue of bills of lading, accurate invoicing), the pledge that cargo will be transported on the booked voyage in at least 95% of cases and the pledge that volume agreements entered into with our customers will be honored.

In the interest of transparency and measurability of our success, our quality promises will set forth precise terms regarding the number of cases handled and timing thereof (*e.g.* booking confirmation within one business hour in 85% of cases; bill of lading within four business hours in 80% of cases and within eight business hours in 95% of cases). A corresponding methodology to record and measures performance in relation to pre-defined punctuality promises will enable us to measure improvement in reliability and punctuality. In further pursuit of our Strategy 2023, we intend to formulate promises relating to, *inter alia*, reliable transport, booking and loading as well as expedient problem-resolution. Customers can access information about how the quality pledges are met using the new "Customer Dashboard."

In addition, we founded various new Quality Service Centers ("**QSCs**") in 2019 to further increase and standardize the quality of customer service. The QSCs are located in Atlanta (USA), Suzhou (China), Kuala Lumpur (Malaysia), Mumbai (India), Bogotá (Colombia), Viña del Mar (Chile) and Santos (Brazil). In 2020, we opened QSCs in Hamburg (Germany), Gdańsk (Poland) and one in Mauritius for the African market. As we continue to pursue the core objective of our Strategy 2023 of becoming the number one quality service provider, we intend to implement additional QSCs in order to strengthen our delivery consistency and organization efficiency throughout all regions.

Further develop our land-side capabilities.

A carrier is sometimes only responsible for the maritime leg of the delivery, with customers or intermediaries arranging the inland transport. Some other carriers emphasize maritime services, while others focus on offering door-to-door services. Most carriers, including ourselves, offer both maritime and door-to-door services. Our core business is currently the shipping of containers by sea, but also encompasses transport services from door to door. This cargo type requires additional services that we

offer customers resulting in higher revenue and additional earnings. In 2020, the share of cargo transported with an inland component was approximately 31%. As a part of our Strategy 2023, we aim to increase the percentage of door-to-door business to over 40% by 2023 and refine our land-side capabilities.

Focus on attractive selective markets and niches.

During the fourth quarter of the financial year 2020, our market share in terms of transported TEU volumes (excluding Intra-Asia) was 11% (*source*: Seabury, November 2020, Company data). We intend to maintain our global market share by transport capacity (excluding Intra-Asia) of around 10%. We plan to grow with the market and thereby retain our market share. For example, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023. We expect to deploy these vessels on the Europe-Far East routes as part of THE Alliance in order to increase our competitiveness on this trade. As of the date of this Offering Memorandum, we are in advanced negotiations to place orders for three new container vessels, each with a capacity of approximately 13,300 TEU, which would be expected to be delivered between August 2022 and March 2023, and furthermore, to lease three vessels, each with a capacity of approximately 13,300 TEU, on a long-term basis, the leases of which would be expected to commence between October 2022 and May 2023. Subject to the outcome of the respective negotiations, we will enter into any or all of the aforementioned transactions in the near future. We believe that additional vessels could allow us to reduce slot costs while contributing towards the modernization of our fleet and the reduction of our environmental impact. In addition, we will continue to expand into attractive growth markets and simultaneously continue to grow in the area of special container transports. This includes the transportation of reefer containers, which we already see as an area of strength today (see "*Business—Our Strengths—One of the market leaders with a strong global footprint and exposure to attractive niche businesses*"). As of December 31, 2020, our share of the global reefer transport market (excluding Intra-Asia) by volume was 9.1% (*source*: Company data based on Seabury, November 2020). We intend to further increase our market share in this segment to around 10%. In 2020, we ordered and acquired 12,875 new reefer containers as a measure to achieve our target.

As a further element of our Strategy 2023, we have identified attractive growth markets in which we intend to strengthen our position by launching new services. At the end of 2018, we introduced the East Africa Service 2 (EAS2) and the Dakar Express (DEX), which further enhanced our offering in East and West Africa. In January 2019, we introduced the New Caribbean Express Service (CES) to further strengthen and optimize our presence in the Caribbean and Central America with special focus on serving the reefer segment. In 2019, we continued to establish additional new services in Africa, India and South East Asia. For example, in October 2019, we launched new services from South and West Africa to the Middle East and India (MIAX) and from South East India to Europe. In August 2020, we increased our comprehensive Africa service portfolio by launching the new China-Kenya-Express (CKX).

Furthermore, we increased our presence in Africa by opening an office in Ghana in April 2019, in Nigeria in September 2020 and in Kenya in March 2021. In further pursuit of the goals of our Strategy 2023, we intend to continue to expand our presence in these niche markets in order to increase our market share.

Continue to develop and enhance our best-in-class web channel.

With our Strategy 2023, we have set clear goals for our business success, which we intend to achieve by focusing on digitizing our work. By using digital solutions, we can automate processes, further improve the quality of our services and strengthen customer satisfaction through more efficient interfaces and thus simplify shipping by innovating across the whole supply chain.

With Quick Quotes, we have automated the process of generating quotes and booking online. In 2020, the share of containers booked via the web channel was approximately 11.1% (2019: 7.9%). Accordingly, approximately 1.4 million TEU were booked via Quick Quotes, an increase of 40% from approximately 1.0 million TEU in 2019. We are continuously developing the web channel to further improve the user experience. During the fourth quarter of the financial year 2020, 13.8% of containers

were booked via the web channel, the highest percentage since implementation of the Quick Quotes process. To measure the success of our digitalization strategy, we have set a goal of increasing the volume booked via the web channel to 15% of the total volume by 2023.

Continuous cost management and excellence in revenue management.

We have already launched a number of projects to ensure that our cost structure is competitive. At the time of launching our Strategy 2023 in 2018, we expected to achieve annual cost savings of between US$350 and US$400 million by 2021 by improving cost structures. A large proportion of the planned savings have already been realized in the financial year 2019. As a result, efforts were made to expand the cost savings program for the financial year 2020.

Due to the collapse in demand associated with the COVID-19 pandemic, which required further significant reductions to the cost base, measures that had already been agreed as part of Strategy 2023 were combined with additional, short-term savings. As a result, the PSP led to a reduction in transport and overhead cost of approximately US$500 million in the financial year 2020. We intend to perpetuate a portion of these PSP savings in 2021.

The key levers for optimization of revenue management have also already been identified and initial measures have been introduced. In 2019, revenue management focused on the implementation of the new standardized and transparent marine fuel recovery (MFR) surcharge in preparation for the rising bunker costs as a result of the new exhaust gas regulations of the International Maritime Organization ("**IMO**") to reduce sulfur emissions, which came into effect on January 1, 2020 ("**IMO 2020**"). Efforts were also made to optimize the cargo mix, to increase income from secondary sources, and to increase automation for price quotations, including by use of the Quick Quotes channel. We continuously develop our revenue management capabilities further to ensure a successful implementation.

Becoming an agile organization by enhancing our technology and exploiting technological opportunities such as digitalization and automation.

The development of our organization towards increased agility is a key factor for the success of our Strategy 2023. The aim is to make quicker and better commercial decisions with the help of data-based analysis tools. Among others, this will enable a bespoke and highly flexible response to market changes in supply and demand. We believe that we are well equipped in the area of digitalization and automation as new technologies and digitalization and automation are expected to contribute to a continuous improvement of internal processes and systems, and thus reduce time-consuming manual tasks. Our self-developed "single operating system" forms the backbone of our efficient operating processes and is continuously being improved and enhanced by a dedicated in-house IT team. As a result, we believe we are in a good position to implement and take advantage of new technologies, as demonstrated with the introduction and continuous enhancement of the web channel, for example (see "*Business—Continue to develop and enhance best-in-class Web Channel*").

With Quick Quotes, we have automated the process of generating quotes and booking online. To secure additional IT expertise and strengthen the development of new digital products, a new IT department for product innovation was established in Gdańsk (Poland) in 2019. As a part of our Strategy 2023, we will continue to invest more in digitalization and automation.

Being an environmentally responsible organization by continuously improving the efficiency of our fleet.

According to the IMO Greenhouse Study, the commercial shipping industry as a whole is responsible for around 3% of annual greenhouse gas emissions. We are working with international organizations, including the IMO, to make shipping more environmentally friendly. From 2008 to 2019, we have reduced CO_2 emissions per TEU-km by approximately 50%. We continuously work to further reduce greenhouse gas emissions, including by testing alternative fuels. In the financial year 2020, we became the first company in the world to retrofit a large vessel to run on liquefied natural gas ("**LNG**"). LNG offers a number of environmental advantages over conventional oil-based fuels, in particular reducing CO_2 emissions by 15% to 25%.We envisage to commence tests of the new system in the first half of 2021.

Additionally, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and

December 2023. These vessels will be equipped with modern and fuel-efficient high-pressure dual-fuel engines that can run on both LNG and conventional fuel.

Furthermore, we intend to conceptualize and roll out a comprehensive sustainability strategy in 2021. The sustainability strategy is aimed to expand and add detail to the "Environmental Responsibility" element of the existing Strategy 2023.

In light of the IMO's regulations aimed at reducing emissions of sulfur dioxide, which came into force in 2020, we used low sulfur fuel for the majority of our operations during the financial year 2020. Additionally, a small number of container ships were successfully equipped with exhaust gas cleaning systems (EGCS) to clean up their emissions.

Achieve profitability over the entire economic cycle and strengthening our balance sheet structure.

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth measured on the basis of developments in transport volume as well as the key performance indicators EBITDA and EBIT. As part of our Strategy 2023, further medium-term financial targets were also defined. We aim to achieve profitability over the entire economic cycle, *i.e.* a return on invested capital (ROIC) at least equal to our weighted average cost of capital (WACC). This significant improvement is almost entirely driven by a substantial improvement of our operational results while the invested capital remained almost unchanged. As a result, the return on invested capital (ROIC) in 2020 is above the weighted average cost of capital (WACC) for the first time since the ratio has been reported in 2015. In the financial year ended December 31, 2020, we generated a return on invested capital (ROIC) of 10.6% (2019: 6.1%). The weighted average cost of capital was 6.0% as of December 31, 2020 (2019: 6.8%). The main reason for the decrease in the weighted average cost of capital is a lower risk-free base interest rate.

In addition to an adequate return on invested capital, we continue to prioritize the strengthening of our balance sheet structure. We intend to further improve the balance sheet structure by increasing equity, reducing debt and maintaining an adequate liquidity reserve.

In the framework of Strategy 2023, the Hapag-Lloyd Group aims to achieve an equity ratio of over 45% by retaining the profits generated. As of December 31, 2020, the equity ratio rose to 44.3% (2019: 40.9%) due to the improved earnings performance.

Debt reduction and the achievement of an optimal gearing ratio constitute a priority for us. Since the acquisition of UASC in May 2017, the dynamic gearing ratio, measured by the ratio of net debt to EBITDA (in US$), has been continuously reduced by reducing debt and increasing earnings. Accordingly, the gearing ratio improved from 5.7x as of December 31, 2017 to 1.8x as of December 31, 2020 (2019: 3.0x). We aim to maintain the ratio of Net Debt to EBITDA at or below 3.0x on a sustainable basis.

Simultaneously, we aim to maintain a liquidity reserve of at least US$1.1 billion. As a precautionary measure for the impact of the COVID-19 pandemic, liquidity was significantly increased in the first half of 2020 through the extended use of the receivables securitization program, the drawing of credit lines and the refinancing of ships and containers. In addition, the investment budget was continuously reviewed and investments prioritized. Due to a business recovery that was better than expected at the outbreak of the COVID-19 pandemic, liquidity was reduced again from the second half of 2020 in favor of further debt reduction. As of December 31, 2020, liquidity reserves stood at €1.2 billion (compared to €1.0 billion at the end of 2019).

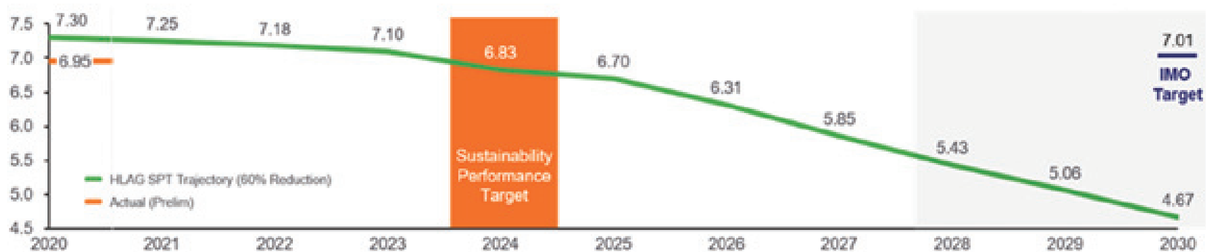
The significant improvement in the balance sheet ratios was rewarded by two international rating agencies in the financial year 2020. On March 23, 2021, the rating agencies Standard & Poor's Global Ratings ("**Standard & Poor's**") and Moody's Investor Service ("**Moody's**") raised their credit ratings for Hapag-Lloyd from "BB-" to "BB" and from "Ba3" to "Ba2", respectively.

Sustainability-Linked Bond Features

Our aim is to keep our impact on the environment and climate as low as possible. We have implemented high environmental standards for this purpose and therefore use cutting-edge technology

as one method of ensuring compliance with them. Our activities focus on reducing our energy consumption and the CO_2 emissions of our fleet. We review the efficiency of our measures through internal and external audits. We also implemented various preventive measures in order to protect people, the environment, cargo, and property plant and equipment. These include audits according to International Organization for Standardization ("**ISO**") standards, the implementation of the safety management system on all our ships and the inclusion of environmental protection in the emergency manual. The high standards that we set ourselves also apply to our suppliers and subcontractors. Together with our business partners, we continually seek solutions for improved sustainability in our transport chain.

In 2008, our owned fleet had an average efficiency ratio ("**AER**") of 11.68. We aim to reduce carbon intensity by 60% by 2030 as shown by the chart below. This target is beyond the IMO goal of 40% compared to the 2008 benchmark.



In 2020, we reduced the carbon intensity of our owned fleet by 40% relative to 2008 based on the AER. This reduction was a result of continued improvements in operating efficiencies and ship system modernization. We aim to achieve the 60% carbon intensity reduction by 2030 through a combination of new and more efficient vessels, phasing out of old vessels, alternative fuels plus additional emission reduction measures.

In March 2021, we adopted our Sustainability-Linked Bond Framework to support our Strategy 2023 through the issuance of sustainable financing instruments. We have selected key performance indicators ("**KPIs**") and calibrate sustainable performance targets ("**SPT**") in this context.

To measure the carbon intensity of our owned fleet we will use the AER as a KPI. A carbon intensity metric appears to be more appropriate than an absolute emission measure, as the latter is ill-suited for comparison of emissions and decarbonization at the level of individual vessels or a group of vessels. AER is the industry standard for measuring carbon intensity. AER uses parameters of fuel consumption, distance travelled and deadweight tonnage and is reported in unit grams of CO_2 per ton-mile (gCO2/dwt-nm). We use the following formula for calculating AER based on the calendar year:

$$AER = \frac{\sum_i C_i}{\sum_i dwtD_i}$$

Where (i) C_i is the carbon emissions for voyage i, using the fuel consumption and carbon factor of each type of fuel; (ii) dwt is the deadweight ton at scantling draft of the vessel; and (iii) D_i is the distance travelled on voyage i.

We must report an AER performance lower than or equal to the applicable SPT(s) for the calendar year 2024 no later than July 31, 2025 (the "**Sustainability Performance Target**").

From and including October 15, 2025, the interest rate shall be increased by 0.25% (the "**Target Step-Up**"), unless the Issuer has notified the Trustee in writing no later than July 31, 2025 that it has determined that the Issuer has attained the Sustainability Performance Target and received an Assurance Letter as defined under "*Description of the Notes*."

We will report annually on our performance with respect to our KPIs and SPTs in the preceding calendar year. This report will be separate from, and in addition to, the reporting required under the indenture governing the Notes. Our Sustainability-Linked Bond Framework can be found on our website at www.hapag-lloyd.com. Notwithstanding anything in this Offering Memorandum to the contrary, neither our sustainability reports (including our Sustainability-Linked Bond Framework) nor any other information on our website is incorporated by reference in this Offering Memorandum.

Recent Developments

New Vessel Orders

As of the date of this Offering Memorandum, we are in advanced negotiations to place orders for three new container vessels, each with a capacity of approximately 13,300 TEU, which would be expected to be delivered between August 2022 and March 2023, and furthermore, to charter three vessels, each with a capacity of approximately 13,300 TEU, on a long-term basis, the charters of which would be expected to commence between October 2022 and May 2023. Subject to the outcome of the respective negotiations, we will enter into any or all of the aforementioned transactions in the near future.

Proposed Dividend

On February 26, 2021, the executive board proposed, and on March 17, 2021, the supervisory board resolved to a dividend distribution of €3.50 per share to the annual general meeting 2021. The proposed dividend makes up in total €615.2 million. The annual general meeting 2021 is expected to take place on May 28, 2021.

Purchase of NileDutch

On March 17, 2021, the Company signed a sale and purchase agreement to acquire all shares of the Dutch container shipping company Nile Dutch Investments B.V. ("**NileDutch**"). NileDutch is one of the leading providers of container services from and to West Africa. NileDutch is present in 85 locations across the world and has 16 own offices, 10 liner services, around 35,000 TEU of transport capacity and a container fleet of around 80,000 TEU. The transaction forms part of our strategy to strengthen our own presence in the growing African market. The completion of the transaction is subject to the approval of the responsible antitrust authorities and is expected to close at the of the second quarter of 2021.

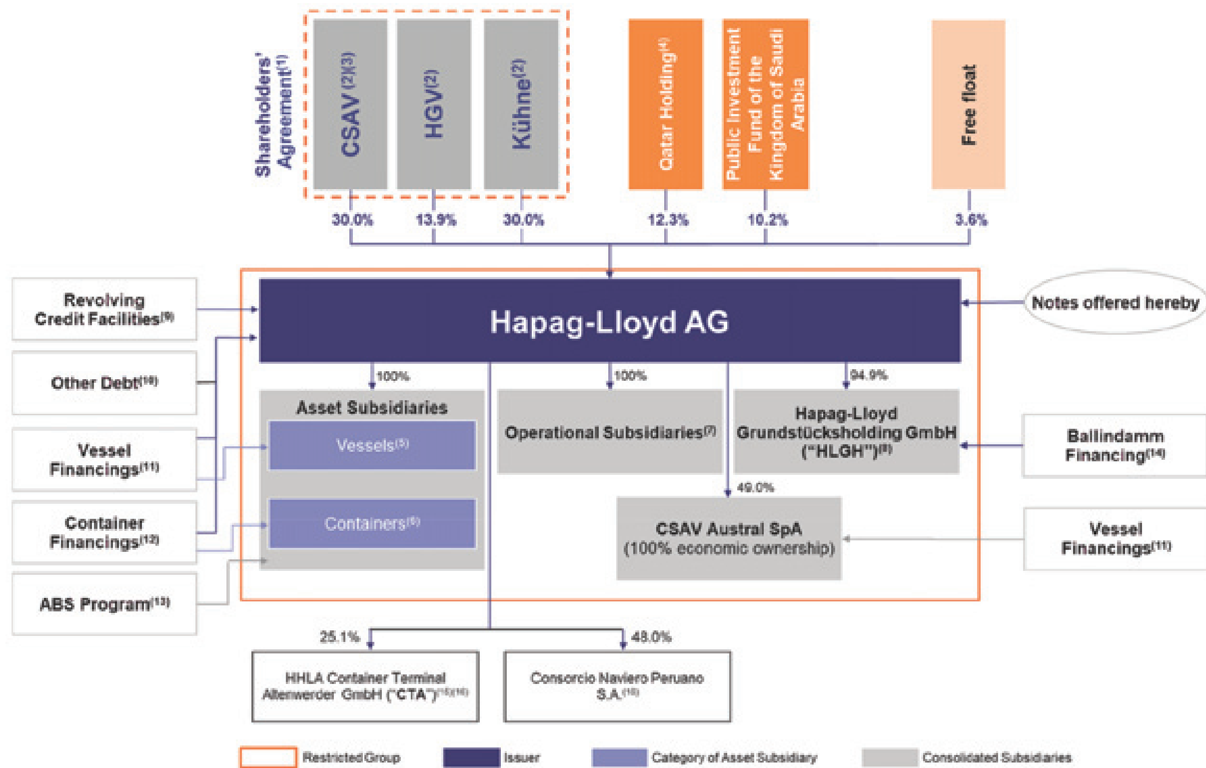
Trading Update and Outlook

Due to a strong demand for container transports and the resulting increase in freight rate levels, we expect our EBITDA and EBIT for the three months ending March 31, 2021 to significantly increase compared to our EBITDA and EBIT for the three months ended March 31, 2020. We expect our EBITDA to be at least US$1.8 billion (at least €1.5 billion) for the three months ending March 31, 2021 compared to US$517 million (€469 million) for the three months ended March 31, 2020. We further expect our EBIT to be at least US$1.5 billion (at least €1.25 billion) for the three months ending March 31, 2021 compared to US$176 million (€160 million) the three months ended March 31, 2020. We expect that the current situation will normalize over the rest of the year 2021 and that our EBITDA and EBIT for the financial year ending December 31, 2021 will both be clearly above the prior-year levels and that, unlike in previous years, a large proportion of our 2021 earnings will already be generated in the first one or two quarters of the year.

The foregoing financial information is based on internal unaudited consolidated monthly accounts and projections for the three months ending March 31, 2021 and the three months ended March 31, 2020, respectively, which were prepared by and are the responsibility of our management. This financial information has not been audited or reviewed by our independent auditors or any other audit firm and no opinion nor any other form of assurance is expressed with respect thereto. The foregoing financial information is inherently subject to modification during the preparation of our financial statements as of and for the three months ending March 31, 2021. The presented financial information is not representative of any three-month period and should not be regarded as an indication, forecast or representation by us or any other person regarding our future financial performance for the six months ending June 30, 2021 or the financial year ending December 31, 2021. See "Forward-looking Statements" and "Risk Factors" for a more complete discussion of certain factors that could affect our future performance and results of operations. In particular, the foregoing financial information is subject to considerable uncertainty due to a number of factors, including the above-average volatility of freight rates, operational challenges caused by existing infrastructural bottlenecks and the inability to predict the further course or economic impacts of the COVID-19 pandemic.

CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum, adjusted to give effect to the Offering. The chart does not include all our subsidiaries, or all the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled "*Description of the Notes,*" "*Description of Certain Financing Arrangements*" and "*Capitalization.*"



(1) The Shareholders' Agreement has been entered into by CG Hold Co, HGV, Kühne Maritime, CSAV and Tollo. Kühne Holding AG is not a signatory to the Shareholders' Agreement.

(2) CG Hold Co, HGV and Kühne Maritime have agreed to uniformly exercise any and all voting rights pertaining to the shares held by them in Hapag-Lloyd AG, representing approximately 73.9% of the shares issued by Hapag-Lloyd AG as of the date of this Offering Memorandum, by issuing a common voting proxy and binding instructions to an agent. See "*Principal Shareholders—Shareholders' Agreement.*"

(3) CSAV holds its 30.0% share indirectly through CG Hold Co.

(4) Qatar Holding holds its 12.3% share indirectly through Qatar Holding Germany.

(5) All vessels are economically owned by the Issuer and its international as well as German subsidiaries except for vessels which are registered in the United States. Five vessels are economically and legally owned by a subsidiary of the Issuer in the United States. Vessels registered in Chile, Liberia, the Marshall Islands, Malta and Bermuda are legally owned by subsidiaries of the Issuer. Twenty-five vessels are legally owned by group-external special purpose vehicles owned by certain financing parties, while economic ownership remains within the Hapag-Lloyd Group.

(6) All containers are indirectly economically and legally owned by the Issuer and its international as well as German subsidiaries, except for some containers which are legally owned by the lessor under container lease agreements.

(7) Nearly all operational subsidiaries are wholly owned by Hapag-Lloyd AG. The group of consolidated companies includes 126 subsidiaries as of December 31, 2020 and 5 companies were consolidated under the equity method.

(8) Owner of the property at Ballindamm, Hamburg (asset subsidiary).

(9) Revolving credit facilities consist of our CTA Revolving Credit Facility and our Container Revolving Credit Facility (in each case as defined under "*Description of Certain Financing Arrangements*").

(10) Other debt includes our corporate debt, including amounts outstanding under the Gulf Bank Facility Agreement, as defined under "*Description of Certain Financing Arrangements.*"

(11) For a description of our various vessel financings, including secured vessel financings and capital leases, see "*Description of Certain Financing Arrangements.*"

(12) For a description of our various container financings, including secured container financings and capital leases, see "*Description of Certain Financing Arrangements.*"

(13) For a description of our asset backed securities program, see "*Description of Certain Financing Arrangements.*"

(14) As of December 31, 2020, the carrying amount for Ballindamm Financing as defined under "*Description of Certain Financing Arrangements*" was €73.7 million, which was encumbered in the form of liens on land (*Grundschulden*) in relation to our premises on Ballindamm.

(15) Remaining stake owned by Hamburger Hafen und Logistik AG ("**HHLA**").

(16) CTA and Consorcio Naviero Peruano S.A. are considered associated companies of the Issuer. They will not be considered restricted subsidiaries unless and until they meet the requirements of a "subsidiary" as defined in the "*Description of the Notes.*"

SUMMARY OF THE OFFERING

The following is a brief summary of certain terms of the Offering. It may not contain all the information that is important to you. For a more complete understanding of the Notes, including the definitions of terms used in this summary, please see "*Description of the Notes.*"

Issuer	Hapag-Lloyd AG, incorporated as a public stock corporation (*Aktiengesellschaft*) under the laws of the Federal Republic of Germany (Legal Entity Identifier: HD52L5PJVBXJUUX8I539).
Notes Offered	€300,000,000 aggregate principal amount of its 2.50% Sustainability-Linked Senior Notes due 2028 (the "**Notes**").
Issue Date	April 6, 2021.
Issue Price	100.00% (plus accrued and unpaid interest from the Issue Date).
Maturity Date	April 15, 2028.
Interest Rate and Payment Dates	The Notes will initially bear interest at a rate of 2.50% per annum, payable semi-annually in arrears on April 15 and October 15 of each year, beginning on October 15, 2021. Interest on the Notes will accrue from the Issue Date.
Subsequent Rate of Interest	From and including October 15, 2025, the interest rate shall be increased by 0.25% to 2.75% (the "**Target Step-Up**"), unless the Issuer has notified the Trustee in writing no later than July 31, 2025, that it has determined that the Issuer has attained the Sustainability Performance Target and received an Assurance Letter.
Form of Denomination	The Notes will be issued in global form in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, maintained in book-entry form. The Notes will be issued in registered form.
Ranking of the Notes	The Notes will be senior debt of the Issuer and: • rank *pari passu* in right of payment with any existing and future indebtedness of the Issuer that is not subordinated in right of payment to the Notes; • rank senior in right of payment to any existing and future indebtedness of the Issuer that is subordinated in right of payment to the Notes; • will effectively be subordinated in right of payment to any existing and future secured indebtedness of the Issuer to the extent of the value of the assets securing such indebtedness; and • be structurally subordinated to all existing and future obligations of the subsidiaries of the Issuer.
Use of Proceeds	We will use the gross proceeds from the Offering to refinance the Existing Notes. See "*Use of Proceeds.*"
Additional Amounts; Tax Redemption	Any payments made with respect to the Notes will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. If such taxes are required by law to be withheld or deducted with respect to a payment, made with respect to the Notes, the Issuer will pay the additional amounts necessary so that the net amount received after the withholding is not less than the amount that would have been received in the absence of the withholding, subject to certain exceptions. See "*Description of the Notes—Additional Amounts.*"

	If certain changes in the law of any relevant taxing jurisdiction become effective that would impose withholding taxes or other deductions on the payments on the Notes, the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption upon Changes in Withholding Taxes.*"
Optional Redemption	At any time prior to April 15, 2024, the Issuer may redeem all or part of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the applicable premium set forth in this Offering Memorandum, plus accrued and unpaid interest, if any. See "*Description of the Notes—Optional Redemption.*" In addition, on or prior to April 15, 2024, the Issuer may redeem up to 40% of the original principal amount of each of the Notes with the net cash proceeds from specified equity offerings at a redemption price equal to 102.50% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the redemption date provided that at least 60% of the original principal amount of the Notes remains outstanding after the redemption. See "*Description of the Notes—Optional Redemption.*" The Issuer may redeem the Notes on or after April 15, 2024, in whole or in part, at the Issuer's option at the redemption prices set forth under the caption "*Description of the Notes—Optional Redemption*," plus accrued and unpaid interest, if any. In connection with any tender offer or other offer to purchase all of the Notes, if holders of not less than 90% of the aggregate principal amount of the then outstanding Notes validly tender and do not validly withdraw such Notes in such tender offer or other offer to purchase, all of the holders of the Notes will be deemed to have consented to such tender offer or other offer, and accordingly the Issuer will have the right to redeem all Notes that remain outstanding. See "*Description of the Notes—Post-Tender Redemption.*"
Change of Control	Upon the occurrence of certain change of control events, the Issuer will be required to offer to repurchase the Notes at 101% of their aggregate principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of the purchase. See "*Description of the Notes—Purchase of Notes upon a Change of Control.*"
Certain Covenants	The indenture governing the Notes (the "**Indenture**") will contain certain covenants that restrict, among other things, our ability to: • incur additional indebtedness; • pay dividends on, redeem or repurchase our capital stock; • make certain restricted payments and investments; • create certain liens; • impose restrictions on the ability of subsidiaries to pay dividends or make other payments; • transfer or sell assets; • merge or consolidate with other entities;

- enter into transactions with affiliates; and
- provide guarantees of other debt.

	Each of the covenants is subject to a number of important exceptions and qualifications. See "*Description of the Notes—Certain Covenants.*"
Transfer Restrictions	The Notes have not been registered under the U.S. Securities Act or the securities laws of any other jurisdiction and will not be so registered. The Notes are subject to restrictions on transferability and resale. See "*Transfer Restrictions.*" Holders of the Notes will not have the benefit of any exchange or registration rights.
No Prior Market	Although application has been made to admit the Notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF Market in accordance with its rules, the Notes will be new securities for which there is no market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, we cannot assure you that an active trading market for the Notes will develop or be maintained.
Governing Law	The Notes and the Indenture will be governed by New York law.
Trustee	Deutsche Trustee Company Limited.
Registrar, Transfer Agent and Listing Agent	Deutsche Bank Luxembourg S.A.
Paying Agent	Deutsche Bank AG, London Branch.
Risk Factors	Investing in the Notes involves substantial risks. Prospective investors should carefully consider all the information in this Offering Memorandum, and, in particular, should evaluate the specific risk factors set forth in the "*Risk Factors*" section in this Offering Memorandum before making a decision whether to invest in the Notes.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables presents our summary financial information and should be read in conjunction with our audited consolidated financial statements as of and for the financial years ended December 31, 2020 and 2019 (including comparative figures for the financial year ended December 31, 2018), which are reproduced elsewhere in this Offering Memorandum and the section entitled "Management's Discussion and Analysis of Financial Conditions and Results of Operations." The summary financial information provided below was primarily derived from the Audited Consolidated Financial Statements. These financial statements were prepared in accordance with IFRS. Our published consolidated financial statements as of and for the years ended December 31, 2020 and 2019 (including comparative figures for the financial year ended December 31, 2018) were audited by KPMG which issued an unqualified audit opinion for each financial year. The information below is not necessarily indicative of the results of future operations.

Key Figures from Our Consolidated Income Statement Information

	For the financial year ended December 31,		
	2018(*)	2019	2020
		(in € million) **(audited)**	
Revenue	11,617.5	12,607.9	12,772.4
Transport expenses(1)	9,586.4	9,707.0	9,140.2
Personnel expenses	645.0	682.5	683.0
Depreciation, amortization and impairment	695.1	1,174.4	1,385.2
Other operating result	(290.9)	(268.8)	(279.7)
Operating result	**400.1**	**775.2**	**1,284.4**
Share of profit of equity-accounted investees	30.7	35.5	32.1
Result from investments and securities	12.7	0.7	(1.2)
Earnings before interest and income taxes (EBIT)	**443.5**	**811.4**	**1,315.2**
Interest income and similar income	15.8	12.2	17.0
Interest expenses and similar expenses	381.0	408.9	347.5
Other financial items	(0.5)	1.6	(3.5)
Earnings before income taxes	**77.8**	**416.3**	**981.3**
Income taxes	31.8	42.9	45.8
Profit/loss	**46.0**	**373.4**	**935.4**

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

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

	For the financial year ended December 31,		
	2018(*)	2019	2020
		(in € million) **(audited)**	
Transport expenses for finished voyages	9,565.8	9,721.1	9,089.6
Thereof:			
Bunker	1,585.3	1,625.6	1,407.3
Handling & haulage	4,744.0	4,922.7	4,716.7
Equipment and repositioning	1,229.8	1,205.0	1,134.7
Vessel & voyage (excluding bunker)	2,006.6	1,967.8	1,830.8
Change in transport expenses for pending voyages(**)	20.6	(14.0)	50.6
Transport expenses	**9,586.4**	**9,707.0**	**9,140.2**

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

(**) The amounts shown as transportation expenses for unfinished voyages represent the difference between the expenses for unfinished voyages in the current period and the expenses for unfinished voyages in the previous period. For example, the transportation expenses for unfinished voyages recorded in the financial year 2018 are shown in the financial year 2019 as transportation expenses for finished voyages within the expense items bunker, handling & haulage, equipment and repositioning as well as vessel & voyages (excluding bunker).

Key Figures from Our Consolidated Balance Sheet Information

	As of December 31,		
	2018(*)	2019	2020
	(in € million) **(audited, except as noted)**		
Property, plant and equipment	9,119.7	10,064.9	9,300.6
Thereof Right of Use	—	1,104.3	1,344.2
Non-current assets	**12,845.0**	**13,811.8**	**12,633.0**
Cash and cash equivalents	657.1	511.6	681.3
Current assets	**2,456.3**	**2,388.6**	**2,551.2**
Total assets	**15,301.3**	**16,200.4**	**15,184.3**
Equity	6,259.3	6,620.6	6,722.7
Non-current liabilities	5,665.3	5,586.2	4,668.7
Current liabilities	3,376.7	3,993.6	3,792.9
Total equity and liabilities	**15,301.3**	**16,200.4**	**15,184.3**
Working capital(1)	(318.3)	(291.1)	(213.2)
Financial debt and lease liabilities	6,017.9	6,397.2	5,136.2

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

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

	As of December 31,		
	2018	2019	2020
	(in € million) **(audited, except as noted)**		
Inventories	238.1	248.5	172.3
Trade accounts receivable	1,217.7	1,239.8	1,362.6
Trade accounts payable	(1,774.1)	(1,779.4)	(1,748.1)
Working Capital (unaudited)	**(318.3)**	**(291.1)**	**(213.2)**

Key figures from Our Consolidated Cash Flow Statement Information

	For the financial year ended December 31,		
	2018(*)	2019	2020
	(in € million) **(audited)**		
Cash and cash equivalents at the beginning of period	**604.9**	**657.1**	**511.6**
Cash inflow/(outflow) from operating activities	1,072.9	2,028.2	2,897.9
Cash inflow/(outflow) from investing activities	(104.3)	(369.5)	(477.6)
Cash inflow/(outflow) from financing activities	(945.6)	(1,817.6)	(2,192.1)
Net change in cash and cash equivalents	**23.0**	**(158.9)**	**228.2**
Cash and cash equivalents at the end of period(1)	**657.1**	**511.6**	**681.3**

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

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

Key Figures from Our Other and Pro Forma Financial Information

	As of and for the financial year ended December 31,		
	2018(*)	2019	2020
	(in € million) (unaudited)		
EBITDA(1)	1,138.6	1,985.8	2,700.4
Net Debt(2)	5,354.4	5,885.6	4,454.9
Pro Forma Net Debt(3)	—	—	4,460.1
Pro Forma Cash and Cash Equivalents(4)	—	—	665.4
Pro Forma Interest Result(5)	—	—	322.6
Ratio of Pro Forma Net Debt(3) to EBITDA(1)	—	—	1.7x
Ratio of EBITDA(1) to Pro Forma Interest Result(5)	—	—	8.4x

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

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

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

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

	For the financial year ended December 31,		
	2018(*)	2019	2020
	(in € million) (audited, except as noted)		
Profit/(loss)	**46.0**	**373.4**	**935.4**
Income taxes	31.8	42.9	45.8
Other financial items	0.5	(1.6)	3.5
Interest result	365.2	396.7	330.5
Earnings before interest and income taxes (EBIT)	**443.5**	**811.4**	**1,315.2**
Depreciation, amortization and impairment	695.1	1,174.4	1,385.2
EBITDA (unaudited)	**1,138.6**	**1,985.8**	**2,700.4**

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

(2) We define Net Debt as total financial debt less cash and cash equivalents and restricted cash (which is cash held in trust as security for existing financial debt and, due to its maturity, is reported under other assets). The following table shows the reconciliation of Net Debt:

	As of December 31,		
	2018(*)	2019	2020
	(in € million) (audited, except as noted)		
Financial debt and lease liabilities	**6,017.9**	**6,397.2**	**5,136.2**
Cash and cash equivalents	657.1	511.6	681.3
Restricted cash	6.4	—	—
Net Debt (unaudited)	**5,354.4**	**5,885.6**	**4,454.9**

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

(3) *Pro Forma* Net Debt is calculated as Net Debt as if the Offering and the application of the use of proceeds therefrom occurred on December 31, 2020. See also "*Use of Proceeds*" and "*Capitalization.*"

(4) *Pro Forma* Cash and Cash Equivalents is calculated as cash and cash equivalents as if the Offering and the application of the use of proceeds therefrom occurred on December 31, 2020. See also "*Use of Proceeds*" and "*Capitalization.*"

(5) *Pro Forma* Interest Result is calculated as interest result as if the Offering and the application of the use of proceeds therefrom occurred on January 1, 2020. *Pro Forma* Interest Result has been presented for illustrative purposes only and does not purport to represent what our interest result would have actually been had the Offering and the application of the use of proceeds therefrom occurred on the date assumed, nor does it purport to project our interest result for any future period or our financial condition at any future date.

Key Figures from Our Operational Information

	As of and for the financial year ended December 31,		
	2018	2019	2020
		(unaudited)	
Volumes transported (1,000 TEU)[(1)]	11,874	12,037	11,838
Total fleet capacity (1,000 TEU)[(2)]	1,643	1,707	1,717
Number of vessels[(2)]	227[(5)]	239[(5)]	237[(6)]
Container fleet (1,000 TEU)	2,559	2,540	2,704
Freight rate (US$/TEU)[(3)]	1,044	1,072	1,115
Bunker price (US$/t)[(4)]	421	416	379
Exchange rate (average €/US$)[(5)]	1.1815	1.1195	1.1413

(1) TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot (6.05 m) in length x 8-foot (2.43 m) in width x 8-foot, 6-inches (2.59 m) in height), the standard unit of measurement of volume used in the container shipping industry.

(2) Includes the following vessels that we own and chartered out to another carrier: 0 vessels (0 TEU) as of December 31, 2018, 0 vessels (0 TEU) as of December 31, 2019 and 1 vessel (1,774 TEU) as of December 31, 2020.

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

(4) The bunker price has been calculated as the weighted average bunker consumption price (total bunker cost divided by total consumption in tonnes) of Hapag-Lloyd AG in the respective period. The average bunker consumption price of Hapag-Lloyd AG is a combined figure for marine fuel oil (MFO) and marine diesel oil (MDO).

(5) Refers to the exchange rates used for our balance sheet as of the respective date, which differ from the exchange rates as reported by Bloomberg. As of December 31, 2020, we applied an exchange rate of US$1.2276 = €1.00, whereas the Bloomberg Composite Rate of the euro on December 31, 2020 was US$1.2216 = €1.00.

(6) Including lease agreements with a purchase option / obligation at the end of the term.

RISK FACTORS

An investment in the Notes involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, prospective investors should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, the trading prices of the Notes could decline and we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.

This Offering Memorandum also contains "forward-looking" statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum. Please see "Forward-Looking Statements."

Risks Relating to Our Business and Industry

The cyclical and volatile nature of the container shipping industry as well as imbalances of supply and demand make it difficult for us to predict and manage capacity requirements and fluctuations and to ultimately adapt to challenging market conditions.

Container shipping is heavily dependent on the prevailing conditions in the world's economies. Fluctuations in the economic environment have an above-average effect on this industry. The container shipping industry has, thus, historically exhibited highly cyclical economic conditions, with high volatility in freight rates, primarily due to fluctuations in the demand for container shipping services and the global supply of shipping capacity. Changes in the demand for container shipping are difficult to predict and are generally beyond our control. Container shipping links developed economies and emerging economies and as a result, demand is influenced by, among other factors, global and regional economic growth, the demand for consumer goods in North America, Europe and other industrialized countries, increasing consumer demand in developing countries, changes in seaborne and other transportation patterns, consumption and sourcing patterns, prices of commodities as negotiated by major importers and exporters, changes in weather patterns, environmental concerns, political conditions, armed conflicts, canal and port closures, changes in fuel and changes in the regulatory regimes affecting shipping. The global supply of shipping capacity is determined by the number and size of container ships in the world (including the charter market), their deployment into trades (a trade is a liner service between two land masses), the impact of port congestion, the delivery of new ships, the availability of financing for container ships, the conversion of container ships to other uses and the scrapping of older ships as well as the availability of containers. The continued increases in transport capacity have negatively affected freight rates in all trades as supply outpaced demand. Such supply may also be affected by regulation of maritime transportation practices, by governmental or international authorities, including changes in environmental and other regulations that may limit the useful lives of vessels. Furthermore, the global supply of shipping capacity has also been affected by slow steaming initiatives as reduced average speed required more ships on a given trade to maintain the same schedule. If individual competitors, or the industry as a whole, were to end slow steaming, the global supply of shipping capacity would increase significantly. Against this background, balancing supply and demand will be a critical factor to achieve sustainable freight rates in the coming years.

Historically, carriers have responded to periods of high demand for container shipping services and increasing freight rates by investing in new vessels and containers. These investments tend to lead to lower freight rates as newly available vessel and container capacity catches up with, and exceeds, demand for container shipping services. Moreover, over the last years, the chase for fuel efficiency and economies of scale drove the trend towards increasingly large vessels, which caused an additional increase of capacity and put freight rates under significant pressure. As of December 31, 2020, the segment of container vessels with a capacity of 18,000 TEU or higher (referred to as ultra-large container vessels ("**ULCVs**"), which are predominantly deployed on the trade lane between Asia and Europe, comprised 132 vessels (*source*: MDS Transmodal, January 2021). The world fleet's average size of cellular container vessels increased from approximately 1,915 TEU in 2006 to approximately 4,333 TEU in 2020 (*source*: MDS Transmodal, February 2006; MDS Transmodal, January 2021). As of January 1, 2021, there were 45 ULCVs on order to be delivered until 2024 (*source*: MDS Transmodal,

January 2021). Furthermore, as vessels generally have an economic life of about 25 years and must be ordered up to three years in advance, there can be periods of excess or deficit capacity relative to the demand for shipping transport volumes. Due to the lead time for new vessels of up to three years, new capacity may enter the market after demand has already peaked so that it can often take several years to correct a market imbalance. Increases or decreases in capacity, or lower than anticipated increases in the demand for container shipping can lead to significantly lower freight rates, reduced shipping transport volume or a combination of both, which could severely impact our profitability and have a material adverse effect on our business, financial condition and results of operations. Furthermore, during times of low demand we may be unable to always use the full capacity of our vessels or to maintain the freight rates required to avoid adverse effects on our margins, which may in itself have a material adverse effect on our business, net assets, cash flows and results of operations.

Our business and results of operations may be adversely affected by the outbreak and spread of COVID-19.

On March 11, 2020, the World Health Organization declared the recent novel coronavirus and the respiratory disease that it causes ("**COVID-19**") a global pandemic (the "**COVID-19 pandemic**") and governmental authorities from around the world have implemented measures to reduce the spread of COVID-19. The radical deterioration of global economic growth and world trade due to the outbreak and spread of COVID-19 has created significant macroeconomic uncertainty, volatility and disruption. In response, many governments have implemented policies intended to stop or slow the further spread of the disease, such as lockdowns, or restricted movement guidelines, and these measures may remain in place for a significant amount of time. Due to the spread of COVID-19 and the associated measures to control the pandemic, the International Monetary Fund ("**IMF**") has reduced its growth estimate dramatically for 2020 and now expects growth of global output to contract by 3.5% (*source*: IMF, World Economic Outlook, January 2021). As a result of COVID-19, our business operations have experienced and may experience further delays or disruptions in the future particularly to the extent that the COVID-19 pandemic continues or worsens.

The spread of COVID-19 and the ensuing restrictions on movement and contact has affected our business practices (including employee work locations and cancellation of physical participation in meetings, events and conferences and extensive office closures). While shipping operations have largely continued, there are restrictions at ports that are preventing ship crews from going ashore and are making crew changes much more difficult or impossible. We have currently suspended crew changes in certain what we consider high-risk regions. We may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by COVID-19 or otherwise be satisfactory to government authorities.

The extent to which the decline in demand in connection with COVID-19 impacts our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted at present, including new information which may emerge concerning the severity of COVID-19 and the actions to contain COVID-19 or treat its impact, among others. Even after the COVID-19 outbreak has subsided, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including any recession and economic downturn that has occurred or may occur in the future.

While there is extensive research on past global pandemics, COVID-19 is the first pandemic of its kind to affect global markets and trade in such an unprecedented manner. As a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. We cannot yet assess the duration or the magnitude of the impact of COVID-19 on our business, our operations or the global economy as a whole. However, the effects could have a material adverse effect on our business, financial condition and results of operations. To the extent the COVID-19 pandemic adversely affects our business, financial condition and results of operations, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

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

The development of the container shipping industry depends on the dynamics of the GDP growth in major consumption areas, the economic performance of emerging countries in Africa, Asia and Latin America and on the development of global trade in general. As a result of COVID-19, the global

economy is experiencing a recession which could ultimately result in a significant decline in global container shipping transport volumes and related revenues. There can be no assurance that any recovery of market conditions would be sustainable or that there will be no recurrence of a global financial and economic crisis or similar adverse market conditions.

As with global economic growth and the volume of global trade, the global container liner shipping volume grew by a relatively small amount in 2019, increasing by 1.9% (*source*: Clarksons Research, February 2021). Originally, at the beginning of 2020, global container transport volumes were expected to increase by 3.1% (*source:* Clarksons Research, December 2019). However, 2020 was particularly volatile. Following the outbreak of COVID-19, transport volumes were initially expected to decrease by approximately 10% (*source*: Clarksons Research, July 2020). In the end, primarily due to significant recovery in demand during the second half of 2020, 2020 global transport volume declined by just 1.0%, driven among others by a change in consumer behavior during and in relation to the COVID-19 pandemic (*source*:World Liner Data Ltd / Container Trades Statistics Ltd).

As a result, the global economy, the global financial and credit markets or the container shipping market itself could remain volatile and experience significant disruptions negatively affecting our business, results of operations and financial condition, including in the following ways:

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

Additionally, there are differences in the growth rates of transport volumes and the level of freight rates among the different trades in which we operate, and the performance of our transport volumes and freight rates is dependent on the activity of those lines. For example, our East-West trades represented 63% (Atlantic, Transpacific, Far East and Middle East represented 16%, 16%, 19% and 12%, respectively) and our North-South trades represented 37% of our total transport volumes (Latin America, Intra-Asia and Europe-Mediterranean-Africa ("**EMA**") represented 24%, 7% and 6%, respectively) in the financial year ended December 31, 2019. In the financial year ended December 31, 2020, our East-West trades accounted for 63% (Atlantic, Transpacific, Far East and Middle East represented 15%, 16%, 19% and 12%, respectively) and our North-South trades represented 37% (Latin America, Intra-Asia and Europe-Mediterranean-African ("**EMA**") represented 24%, 7% and 6%, respectively) of our total transport volume for the period. The development of our transport volumes and freight rates are particularly dependent on the growth of those trades, which may develop differently than expected in the future.

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

As of December 31, 2020, the percentage of our fleet's total transport capacity (measured in TEU) owned by us amounted to approximately 61% (including financial leases). We source the remaining 39% through vessel charters. As of December 31, 2020, our entire fleet consisted of 237 container vessels, of which we owned 112 (including long-term leases) and chartered 125.

Under a vessel time charter agreement, a vessel is provided by a ship owner to a container carrier for a fixed period of time with the vessel owner typically also providing the vessel's crew, insurance and maintenance. As charter rates (and short-term charter rates in particular) tend to fluctuate significantly in response to market participants' perceptions of supply and demand on the shipping markets, adding additional chartered-in capacity at current market rates is likely to be more expensive

in times of strong demand than the cost of owned vessel capacity. Furthermore, we cannot be certain that vessel charter rates will not rise materially in the future. If vessel charter rates rise materially, we may not be able to pass on such increased operating costs to our customers, which would adversely affect our margins and results of operations. Furthermore, large vessels are relatively scarce in the vessel charter market; if we are unable to charter large vessels cost-effectively or at all when we need them, we may be forced to charter smaller vessels as substitutes on certain services and the competitiveness and the profitability of these services may be negatively affected. If the demand for container shipping increases more than anticipated in order to adequately service our customers, we may be forced to increase the percentage of chartered capacity as compared to owned capacity, which could increase our exposure to container vessel charter rates and which could lead to decreased margins and have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

In addition, there has been significant consolidation within the container shipping industry in recent years. As a result, the ten largest container liner shipping companies accounted for around 80% of the total capacity of the global container ship fleet as of December 31, 2020, up from around 60% in 2013 (*source*: MDS Transmodal, January 2013 and January 2021). In addition to our mergers with the container shipping activities of Compañía Sud Americana de Vapores (“**CSAV**”) in 2014 and United Arab Shipping Company Ltd. (“**UASC**”) in 2017, the two Chinese shipping companies China Ocean Shipping Company and China Shipping Group merged to form China COSCO in 2016 and in 2018 China COSCO acquired Orient Overseas (International) Limited (“**OOIL**”). In 2017, Maersk acquired Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG (“**Hamburg Süd**”) and in 2018 the joint venture involving the container shipping businesses of the three Japanese shipping companies Kawasaki Kisen Kaisha Ltd. (“**K Line**”), Mitsui O.S.K. Lines Ltd. (“**MOL**”) and Nippon Yusen Ka-bushiki Kaisha Ltd. (“**NYK**”) formed Ocean Network Express (“**ONE**”).

If one of our competitors would expand its market share via an acquisition or would secure a better position in an attractive market niche in which we are present or intend to enter, we could lose market share as a result of increased competition which in turn could have a material adverse effect on our business, financial condition and results of operations. Furthermore, any further consolidation in the industry may not result in a sustainable level for freight rates as carriers continue to compete against each other as well as against freight forwarders.

The termination of our or other shipping companies' membership in THE Alliance, or the termination of THE Alliance as a whole, could have an adverse effect on the geographic scope of our service network and the deployment of our vessels, while the formation of larger alliances could represent a material competitive disadvantage.

Market participants in the container shipping industry have accelerated the pooling of operations and equipment and most of our competitors have established or are members of strategic alliances aimed at gaining a competitive edge through cost synergies, joint procurement and joint operations. We are both a part of and compete against such alliances.

We became a member of THE Alliance as of April 2017, which we operate in partnership with ONE (jointly owned by MOL, NYK, K Line and Yang Ming Marine Transport Corp. ("**Yang Ming**")). THE Alliance is the result of a substantial overhaul of the global alliance structure during 2016. On April 1, 2020, the South Korean liner shipping company Hyundai Merchant Marine (South Korea) ("**HMM**") became the latest member of THE Alliance. As of December 31, 2020, THE Alliance covered all East–West trades with 274 container ships and 30 services. Our membership in THE Alliance allows us to share vessel capacities with the other members.

Overall, this partnership enables us to provide our customers with a wide range of port coverage and geographic scope and a high departure frequency of network services that would not be possible solely using our own container vessel fleet. However, the terms and conditions of THE Alliance may change or may be discontinued by its members altogether. Pursuant to the binding heads of agreement amongst the members of THE Alliance signed on March 19, 2020 ("**HOA 2020**"), the minimum duration of THE Alliance is intended to be 10 years with an initial term of three years which commenced on April 1, 2020 and after which any member may terminate its membership upon twelve months' prior written notice without financial or other penalty. Furthermore, any member may be expelled by the remaining members of THE Alliance after a change of control or bankruptcy event of that member, if the other members, acting unanimously, so decide.

In the event the dissolution or a material change to the governing structures of THE Alliance were to be decreed under antitrust laws or other laws and regulations, in the U.S. or in other jurisdictions, we may lose our access to THE Alliance's network. We would thus lose the advantages currently conferred by this network and would face a material adverse impact on the flexibility, scope and depth of our service offering and our ability to optimize schedules and capacities. The weakening of THE Alliance by the expulsion, termination or otherwise discontinued membership (or non-participation due to internal problems) of one or more members, or our expulsion from THE Alliance, would similarly diminish the advantages of THE Alliance's network. Should such scenarios materialize, we could seek to form a similarly beneficial alliance with other industry members or to accede to a similar alliance, but we may not be successful in doing so on similar terms or at all. Such a scenario could have a material adverse effect on our business, financial condition and results of operations.

There are currently three global alliances including THE Alliance. Measured in terms of transport capacity, the largest alliance is the "2M Alliance," consisting of the two market leaders Maersk and MSC. Another major cooperation, named the "Ocean Alliance" as of April 2017, which was established by CMA CGM including its subsidiary American President Lines Ltd. ("**APL**"), China COSCO as well as its subsidiary OOIL and Evergreen Marine Corp. (Taiwan) Ltd. ("**Evergreen**") is currently the second-largest alliance. These various alliances have varying degrees of presence in the respective trades. Different cost advantages may arise as a result of the expansion of the networks and the range of services offered to customers and we may not be able to match the cost advantages offered by other container liner shipping companies and respective alliances. Moreover, we may not be able to fully realize other benefits, such as lower investment costs, capacity sharing and adjustment, as well as extended network of services, from our membership in THE Alliance which we are currently anticipating, or we may fail to realize any benefits at all.

The risk of customer churn associated with high levels of competition is exacerbated by the fact that we generally do not enter into multi-year contracts or exclusive agreements with our customers.

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

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

Congestion in ports and logistics chains, including as a result of an increase in container ship capacities, imbalances in trade flows, hinterland transport capacity bottlenecks and insufficient extension of terminal infrastructures, could impact access to ports and negatively affect our schedule reliability and cost structure.

In recent years, container ship capacities have increased globally at a faster rate than the rate at which some container ports have increased their capacities. These factors have led to considerable delays in the processing of container shipments in affected ports, many of which (such as in the United States) cannot accommodate larger ships. As a result of longer load and unload times, increases in container ship capacities could lead to further port congestion, which could have a material adverse effect on container shipping traffic on affected services. Decisions on port expansions or port access (such as dredging for ULCVs) are made by national or local governments and are outside of our control, determination or influence. Such decisions are made on the basis of local policies and concerns and the interests of the container shipping industry may not be taken into account. For example, on February 9, 2017, the German Federal Administrative Court in Leipzig ruled that plans to dredge the river Elbe in Hamburg must be improved before a stop order on the work can be lifted. In June 2020, the German Federal Administrative Court finally dismissed lawsuits from environmental organizations aimed at further improvements to the plans to dredge the river Elbe which would have delayed the project even further. Subsequently, the dredging work has commenced. Upon completion, the dredged Elbe river will allow vessels with drafts of up to 14.5 meters to reach the Port of Hamburg (currently, the maximum is 13.5 meters) and alleviate congestion during low tide.

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

Furthermore, imbalances in trade flows could also result in regional bottlenecks in the availability of vessel and container capacities. Such imbalances could lead to waiting times at ports which, in turn, may negatively affect on our schedule reliability, attributable to time lost during loading and unloading of the vessels. In connection with such waiting times, we may be required to temporarily store freight and containers which could result in higher warehousing costs.

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

Our business may be adversely affected by protectionist policies and regulatory regimes adopted by countries globally and our cost structure may be adversely impacted by changing trading patterns, trade flows and intensifying trade imbalances.

Our business may be adversely affected by changes in trade patterns, trade flows and intensifying trade imbalances due to, among others, protectionist policies and the adoption of regulatory regimes globally.

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

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

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

Orders for new vessels, whether to be owned, chartered or leased, must currently be placed up to two to three years in advance. As of December 31, 2020, we had outstanding orders for six ultra large container vessels which are expected to be delivered between April and December 2023. In order to remain competitive in the medium term, we may decide to further invest in new ship systems in the future. Because orders are based on current expectations of future demand, a container shipping company is subject to the inherent risk that it will order either too much or too little vessel capacity to meet future demand, as well as the related risk of misallocating capital expenditure. In addition, the building and financing of such new ships can be delayed or disrupted, thereby extending the lag time between order and delivery. If we do not invest sufficiently in additional shipping capacities, we may be faced with the choice of either not being able to satisfy our customers' demand for our services (leading to lost revenues and market share and, potentially, strained customer relations or even a loss of customers) or chartering additional vessels via the charter market at potentially higher charter rates during phases of strong demand. If, on the other hand, we overinvest in additional container shipping capacity that we are not able to fully utilize during weaker market conditions and periods of lower demand, this would increase our costs relative to the development of our revenues. Either scenario could have a material adverse effect on our business, financial condition and results of operations.

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

The cost of marine or bunker fuel (fuel used aboard ships) accounts for a substantial part of our operating costs. The cost of marine or bunker fuel comprised 13.6%, 12.9% and 11.0% of our revenue in the financial years ended December 31, 2018, 2019 and 2020, respectively. The price of bunker fuel moves in close interdependence with crude oil prices, which in turn have historically exhibited significant volatility. We are also required to use higher quality bunker fuels on an increasing number of our services due to changing environmental requirements, which also increases our fuel costs. Although, in accordance with industry practice, we seek to hedge part of our exposure and to reduce bunker fuel consumption with measures such as slow steaming, there can be no assurance that we will be successful in passing on or hedging future price increases in a timely manner, either for the full amount or at all (see "*—Risks Relating to Our Financial Profile—The derivative instruments we*

employ for hedging purposes involve risks and may not be successful"). As a result, a prolonged increase in crude oil and bunker fuel prices could lead to significant increases in operating costs and materially adversely affect our business, financial condition and results of operations.

Our vessels use different types of fuel. Since the introduction of the International Maritime Organization ("**IMO**") new exhaust gas regulations which came into effect on January 1, 2020 ("**IMO 2020**"), we predominantly use low sulfur marine fuel oil ("**MFO**") with a sulfur content of up to 0.5% (MFO 0.5). In addition, we are currently in the process of installing exhaust gas cleaning systems ("**Scrubbers**") on certain of our own as well as on long-term chartered vessels. The installation of Scrubbers allows for the use of commonly cheaper high sulfur fuel with a sulfur content of up to 3.5% (MFO 3.5) outside of environmentally restricted coastal areas such as the North Sea and the Baltic Sea and the coastal area of the United States.

The price for low and high sulfur fuel can differ greatly and exhibit significant price fluctuations. For instance, MFO 0.5 FOB Rotterdam, which is widely used as a reference price, was quoted at US$367 per metric tonne on December 31, 2020, down from a quoted price of US$560 per metric tonne on January 2, 2020. Furthermore, as of December 31, 2020, MFO 3.5 FOB Rotterdam was quoted at US$282 per metric tonne, up from a quoted price of US$246 per metric tonne on January 2, 2020.

In an effort to limit the effect of rising bunker consumption prices on our shipping costs, we offset a portion of the fluctuations in raw materials prices for the higher price of low sulfur fuel by means of the Marine Fuel Recovery (MFR) mechanism on freight rates. However, any such compensatory measures may not be sufficient to offset any increase in rising bunker consumption prices we incur.

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

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

We are subject to numerous factors that may adversely affect the stability and development of economies relevant to our business. Events such as the decision in the UK to leave the European Union ("**EU**") or the presidential election in the United States of America may, among others, impact the cost and availability of credit to us, cause uncertainty and disruption in relation to our financing and may result in general economic, financial and political instability. A weakening of the economy, protracted political instability or other events affecting important importers or exporters, such as China or other relevant countries, would have a material negative impact on our business, financial condition and results of operations.

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

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

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

- marine disaster;
- environmental accidents, including oil and hazardous substance spills;
- grounding, fire, explosions and collisions;
- accidents due to handling and transport of dangerous goods or items not declared as dangerous goods;
- cargo and property losses or damage (including total loss of vessels);
- business interruptions caused by mechanical failure, IT system outages, cyber-attacks, human error, war, sabotage, terrorism, piracy, political action in various countries, or adverse sea or weather conditions;
- work stoppages or other labor problems with staff serving on vessels and at ports, substantially all of whom are unionized or covered by collective bargaining agreements;
- search and rescue operations may lead to business interruptions and may interfere with the proper operational performance of the vessel; and
- delays or other restrictions and business interruptions due to trading in areas heavily affected by disease outbreaks, such as COVID-19.

Vessels trading from such areas can be subject to delays and other restrictions at port clearance. Following the outbreak of COVID-19, for instance, all major ports across the world temporarily adopted a 14-day quarantine period for vessels arriving from or transiting through China. In addition, the International Chamber of Shipping recommends exit screening at all ports in the affected areas to isolate passengers displaying symptoms of COVID-19.

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

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

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

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

Acts of piracy have historically affected oceangoing vessels trading in regions of the world, such as the South East Asia and the Gulf of Aden off the coast of Somalia. Since 2008, the frequency of piracy incidents against commercial shipping vessels has increased significantly, in particular in the Gulf of Aden, in the South of the Red Sea and across increasingly large swathes of the Indian Ocean. Container ships have become the target of pirate attacks as well, despite being a less vulnerable type of

ship compared to other types such as oil tankers. The Joint War Committee ("**JWC**") which comprises underwriting representatives from both the Lloyd's and International Underwriting Association company markets, labels certain areas as areas of "perceived enhanced risk," including the Gulf of Aden (since May 2008), the Southern Red Sea and the Indian Ocean, Somalia, the Arabian Sea, the Gulf of Oman (since December 2010), the Gulf of Guinea (since August 2011), the Persian or Arabian Gulf and the United Arab Emirates (since May 2019). The list is subject to continual review and amendment and is used internationally as a guideline. Insurers have the right to charge additional premiums when vessels navigate in these designated regions. If we deploy our vessels in these designated regions, premiums payable for insurance coverage could increase significantly and such coverage may be more difficult or impossible to obtain. In addition, crew costs and further expenditures for heightened security measures could increase in such circumstances. We may not be adequately insured to cover losses from these incidents, including the payment of any ransom we may be forced to make. Therefore, any acts of piracy could have a material adverse effect on our business, financial condition and results of operations.

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

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

In September 1997, the IMO adopted Annex VI to the International Convention for the Prevention of Pollution from Ships ("**MARPOL**") to address air pollution from ships. Effective May 2005, Annex VI sets limits on sulfur oxide ("**SOx**") and nitrogen oxide ("**NOx**") emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks, and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special "Emission Control Areas" ("**ECA**") to be established with more stringent controls on SOx emissions (*e.g.*, in the North Sea (including the English Channel) and the Baltic Sea: SOx limit in fuel is in accordance with the revised Annex VI 0.1% since January 1, 2015). The IMO has adopted amendments to Annex VI regarding emissions of SOx, NOx, particulate matter and ozone depleting substances. The amended Annex VI reduces air pollution from vessels by, among other things, (a) implementing a progressive reduction of SOx emissions from ships operating outside ECAs by reducing the global sulfur fuel cap initially to 3.5%, effective beginning January 1, 2012, then progressively to 0.5%, which is the effective cap as of January 1, 2020; and (b) establishing new tiers of stringent NOx emissions standards for new marine engines, depending on their date of installation. In addition, it allows for ECAs to be designed for SOx and particulate matter, or NOx or all three types of emissions from ships. Such ECAs designed for all three types of emissions have been established in the North American area and in the United States Caribbean Sea area. In addition to the limit values, in these ECAs new vessels constructed on or after January 1, 2016 are subject to NOx Tier III standards set forth in revised MARPOL Annex VI. On September 1, 2017, amendments to MARPOL adopted in April 2016 entered into force concerning NOx Tier III reporting, in particular concerning the record requirements for operational compliance with NOx Tier III emission control areas. As a result of these amendments, certain ships are required to maintain records of the operational status of their marine diesel engines, together with the date, time and position of the ship when operating in NOx Emission Control Areas. In 2011, the IMO adopted further mandatory technical and operational energy efficiency measures such as the Energy Efficiency Design Index ("**EEDI**") and the Ship Energy Efficiency Management Plan ("**SEEMP**"). In January 2014, new amendments to MARPOL entered into force, which include revised MARPOL Annex III Regulations for the prevention of pollution by harmful substances carried by sea in packaged form. These new amendments include changes to the Annex to coincide with the next revision of the mandatory International Maritime Dangerous Goods Code, specifying that goods should be shipped in accordance with relevant provisions. From March 1, 2016, amendments to MARPOL Annex I, III and VI entered into force which prohibit ships from carrying heavy fuel oil on board as ballast in the Antarctic. In October 2016, the IMO's Marine Environment Protection Committee passed a proposal to implement NOx Emission Control Areas in the

North Sea and the Baltic. The NOx regulations require new vessels operating in the Baltic Sea and the North Sea to reduce their NOx emissions by around 75% starting from January 1, 2021. In November 2020, EEDI-related amendments to MARPOL Annex VI, which enter into force on April 1, 2022, were adopted, introducing a method and procedures to conduct fuel oil sampling from a ships' fuel oil tanks in order to verify the sulfur content.

MARPOL was further amended to make parts of the International Code for Ships Operating in Polar Waters (Polar Code) mandatory on January 1, 2017. The Polar Code sets forth safety and environmental related provisions (*e.g.*, ship, design, construction and equipment, operational and training aspects, search and rescue, marine environment) regarding navigation in waters surrounding the two poles. Further amendments, aiming to limit or prohibit the use and carriage of heavy oil by ships operating in Arctic waters, have been proposed and are expected to be effective from July 1, 2024 onwards, subject to certain exemptions.

Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and financial contribution to technology research activities and could expose us to climate change-related litigation.

Currently, certain areas along our trade lanes are designated ECAs under the Annex VI amendments. The revised Annex VI lists the North American coasts as well as the Baltic Sea and the North Sea (including the English Channel) as ECAs for the control of SOx and particulate matter. Additional 200 square mile-ECAs have been proposed for the Mediterranean, Singapore and Australia. If those and additional ECAs are approved by the IMO or other new or more stringent requirements relating to emissions from marine diesel engines or port operations by vessels are adopted by the states where we operate, compliance with these regulations could entail significant capital expenditures or otherwise increase the costs of our operations.

In October 2016, the IMO approved a roadmap (2017 to 2023) for developing a comprehensive IMO strategy on the reduction of greenhouse gas emissions from ships. In 2018, IMO's Marine Environment Protection Committee adopted an initial strategy on the reduction of greenhouse gas emissions from ships, setting out a vision to reduce greenhouse emissions from international shipping and phase them out, as soon as possible. The strategy envisages (i) to reduce the total annual greenhouse gas emissions of ships by at least 50% by 2050 compared to 2008, while, at the same time, pursuing efforts towards phasing them out entirely and (ii) "a pathway of CO_2 emissions reduction consistent with the Paris Agreement temperature goals." The strategy, which is to be updated in 2023, provides a framework for member states and includes candidate short-, mid-, and long-term measures with possible timelines and impacts on states.

Any passage of climate control legislation or other regulatory initiatives by the IMO, the EU, the United States or other countries where we operate, or any treaty adopted at the international level to succeed the Kyoto Protocol to the United Nations Framework Convention on Climate Change ("**UNFCCC**"), that restrict emissions of greenhouse gases could require us to make significant financial expenditures that we cannot predict with certainty at this time. Although the Paris Agreement adopted in November 2015 does not directly cover maritime transport emissions, it could indirectly lead to increased costs in the future. In particular, this climate change agreement imposes greater pressure on its signatories to reach financial goals for mitigation and adaptation and to diversify financing sources in order to reach these objectives. A number of stakeholders and countries are considering whether and how international aviation and maritime transport could contribute to these financing goals. Other regulatory changes have been triggered by the adoption of the Paris Agreement, which is currently being implemented into national or regional schemes.

On March 4, 2020, the European Commission issued a proposal for a Regulation, also known as the "European Climate Law," which aims to reduce emissions to net zero at the latest by 2050 for the EU as a whole (COM(2020)80 final). This binding target covers all sectors and all greenhouse gases, and would require Member States to take 'necessary measures' to meet the target of climate neutrality by 2050. The European Climate Law includes measures to keep track of progress and adjust our actions accordingly, based on existing systems such as the governance process for Member States' national energy and climate plans, regular reports by the European Environment Agency, and the latest scientific evidence on climate change and its impacts. The proposal of the European Commission is still subject to the review of the European Parliament and the Council. Under the "European Green Deal" initiative, the European Commission presented in September 2020 an impact assessment to

increase the EU's greenhouse gas emission reduction target to at least 55% by 2030. By June 2021, the European Commission is planning to present legislative proposals to implement the new target, including revising and possibly expanding the European Union's "Emissions Trading System" ("**EU ETS**"). The European Commission has published an inception impact assessment and conducted a public consultation on the revision of the system from November 2020 to February 2021. Specifically, the EU has indicated that, while it has a preference for a global approach led by the IMO, given that there is yet to be agreement on global market-based measures or other instruments, it intends to progressively integrate maritime emissions into the EU's policy for reducing its domestic greenhouse gas emissions. The EU ETS is currently in its fourth phase (2021-2030), aiming to reduce emissions even further for the sectors covered by limiting the amount of allowances available to the market by annual reductions in allowances of 2.2%.

Currently, EU legislation on reducing greenhouse gas emissions from maritime transport is contained in Regulation (EU) 2015/757 on the monitoring, reporting and verification ("**MRV**") of carbon dioxide emissions from maritime transport. This regulation applies to large ships above 5,000 gross tonnage using EU ports, and requires, *inter alia*, submission of a monitoring plan for each ship, monitoring of CO_2 emissions for each ship on a per-voyage and an annual basis and reporting to the European Commission and the authorities of the flag states. On this basis, the European Commission published the first annual report on CO_2 emissions from maritime transport in 2020. Further, monitoring is subject to verification procedures and documents of compliance are required on board of each ship. EU member states must provide for sanctions in case of non-compliance with the requirements.

On February 4, 2019, the European Commission proposed a regulation amending the MRV system, in order to align it with the global data collection system introduced by the IMO (COM(2019)38 final). On September 16, 2020, the European Parliament adopted its position on the European Commission's proposal calling for emissions from the maritime sector to be included in the EU ETS. The European Parliament also supported the establishment of the 'Ocean Fund' to make ships more energy-efficient and to support investment in innovative technologies and infrastructure, such as alternative fuel and green ports. According to the European Parliament, the Ocean Fund should run for the period from 2022 to 2030, financed by revenues from auctioning allowances under the EU ETS. If adopted after the trilogue negotiations between the Council, the European Commission and the European Parliament, the amendments would require shipping lines calling EU ports to linearly reduce the annual CO_2 emissions per transport work of their vessels by at least 40% by 2030. This reduction would be calculated as an average across all ships under a company's control and would be compared to the average performance per category of ships of the same size and type as reported under the MRV. The EU ETS would impose a carbon price that fluctuates with the EU carbon market, requiring ship-owners to purchase emission credits per ton of CO_2 emitted.

On January 29, 2020, the European Commission announced its intention to launch a legislative proposal on maritime fuels in the framework of the European Green Deal. According to the Commission, the initiative, named "FuelEU Maritime," will aim to increase the use of sustainable alternative fuels and power in operation and at berth. The Commission's work plan indicates that the proposal was to be published in Q4 2020. This timing was changed and the proposal is now expected in Q1 2021.The EU already promotes the use of shore-side electricity by ships at berth in EU ports, through Commission Recommendation 2006/339/EC and Directive (EU) 2016/802.

In addition, certain U.S. states have requirements for ships to source electric power while at berth. This practice is known as "cold ironing." As of January 1, 2014, in the California ports of Los Angeles, Long Beach, Oakland, San Francisco, San Diego and Hueneme for example, shore-based power is mandatory for minimum 50% of vessel calls for any ocean going vessel fleet. These requirements increased to 70% in January 2017, to 80% in January 2020 and are expected to increase to 100% by 2023. Such measures involve additional costs for shipping lines for retrofitting vessels, electrical power from the municipal grid, labor and administration which we may not be able to carry or meet. A failure to conform to the new cold ironing regulations could also prevent us from docking at certain ports in the United States and elsewhere, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, we may incur substantial costs in order to comply with existing and future environmental, health, security and safety and other regulatory requirements, including, among others, obligations relating to spills and discharges of oil or other hazardous substances, ballast water

management, transportation of dangerous goods, maintenance and inspection, development and implementation of emergency procedures, security and insurance coverage.

Under environmental laws and regulations we could also potentially face substantial liability for penalties, fines, damages and remediation costs associated with oil and other hazardous-substance spills or other discharges involving our shipping operations. Changes in enforcement policies for existing requirements and additional laws and regulations adopted in the future could limit our ability to do business or further increase our operating costs. In addition, in the future, we may have to alter existing equipment, add new equipment to, or change operating procedures for our vessels to comply with any changes in governmental regulations, safety or other equipment standards or to meet our customers' changing needs in this respect. Finally, even if we are in compliance with relevant health, safety, security and other regulations, the ordinary course of operation of our business involves certain inherent risks to the health, safety and security of our employees and others and we could incur substantial liability in the event of accidents, environmental contamination, exposure to hazardous substances or other events resulting in their injury or death, even if such event is not as a result of any fault on our part.

Marine diesel accounted for 8% and 8% of our bunker oil consumption in the financial years ended December 31, 2019 and 2020, respectively. High sulfur marine fuel oil accounted for 84% and 6% of our bunker oil consumption in the financial years ended December 31, 2019 and 2020, respectively. Low sulfur marine fuel oil with a sulfur content of either 0.1% or 0.5% contributed 8% and 85% of our total bunker consumption of 4.4 million tonnes and 4.1 million tonnes for the financial years ended December 31, 2019 and 2020, respectively. Compliance with newly introduced sulfur thresholds required by stringent environmental legislation could lead to a significant rise in demand for low sulfur fuel, both by us and by other shipping companies, and thereby result in a further rise in the price of marine fuels in affected regions, at least in the short term. This increasing share of consumption of low sulfur marine fuel may substantially impact our transport expenses and might burden our results of operations if we are not able to recover the difference in input prices through freight rate adjustments.

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

We may not be able to comply with environmental, social, and corporate governance principles, which could lead to damages and harm our business and reputation adversely.

As a shipping company, we are required to comply with numerous environmental, social and corporate governance ("**ESG**") principles. These ESG principles include goals to promote the conservation of the natural world, the careful consideration of people's interest and the implementation and maintenance of relationships and standards for conducting business. By measuring the sustainability and societal impact of an investment in our business, our customers, business partners and investors may expect us to observe ESG measures and goals. We believe to have designed and commenced the implementation of measures aimed at promoting ESG principles, including in relation to the reduction of emissions, corporate social responsibility, our employee basis and our compliance system.

ESG principles may play a role in the availability of and terms under which we obtain financing. However, although we have designed these procedures aimed at to adhering to certain of these principles, there can be no assurance that we will be in a position to fulfill the respective requirements to the extent required, if at all. Any failure to comply with ESG principles could adversely affect our business, reputation and financial position.

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

Our international operations could expose us to trade and economic sanctions or other restrictions imposed by the United Nations, the United States, the EU and other governments. These sanctions include list-based 'blocking' sanctions targeting designated individuals and entities (including vessels), as well as restrictions or bans on specific activities involving sanctioned countries or regions (such as Iran, North Korea, Russia, Crimea and Syria).

Under U.S. sanctions, a vessel becomes blocked by the U.S. government when the U.S. government imposes blocking sanctions on a person (individual or entity) that has an "interest"

(broadly defined) in the vessel. Blocking sanctions result in a prohibition, by U.S. persons or within the United States, against engaging in nearly any transaction involving property in which the blocked sanctions target has any interest. This includes vessels in which a blocked person has an interest, whether as owner, charterer, operator, or potentially for other reasons. Thus, a vessel owner that has engaged in no sanctions-related activity could find its vessels blocked because some other person with an interest in the vessel has engaged in such activity and the U.S. government has imposed blocking sanctions on that person, resulting in a blocking of the vessel.

The U.S. government may impose sanctions (blocking or otherwise) on persons that it determines meet one or more criteria set forth in sanctions authorities. There are several such criteria that are vessel-related or potentially so. For example, in the Iran sanctions program, the U.S. government may impose blocking sanctions on persons determined to be part of Iran's shipping sector. If the U.S. government were to impose blocking sanctions on an operator of (or other person with an interest in) one of the company's vessels pursuant to this authority, that vessel would likely become blocked.

The U.S. government also imposes a number of prohibitions on imports into the United States and exports from the United States or U.S. persons, from or to various countries and territories. For these purposes, exports can include transshipment through a sanctioned country. The U.S. government has taken enforcement action even against non- U.S. persons that have been involved in such transactions, in cases where such non-U.S. persons have in some way reached into the United States in furtherance of the import or export.

Finally, the U.S. government imposes various vessel-related prohibitions. For example, vessels that have engaged in certain transactions involving Cuba may not enter a U.S. port for the purpose of loading or unloading freight for a period of 180 days from the day the vessel departed Cuba, and certain vessels carrying goods or passengers to or from Cuba, or goods in which Cuba as an interest, may not enter a U.S. port with such goods or passengers on board. Similarly, no vessel that has called at a port in North Korea within the previous 180 days, and no vessel that has engaged in a ship-to-ship transfer with such a vessel within the previous 180 days, may call at a port in the United States, with limited exceptions. EU sanctions broadly consist of 1) sectoral sanctions targeted at particular activities or sectors, including trade restrictions or bans, product-related export/import restrictions on specified items (and related financing, brokering and technical assistance) either involving a specific country/region or certain end-users, and 2) list-based sanctions targeting designated individuals and entities connected to such third countries and/or more generally associated with terrorist organizations ("**EU Asset Freeze**"). Under the EU Asset Freeze, all funds and economic resources belonging to, owned, held or controlled by certain designated individuals or entities ("**Restricted Parties**") in the EU are frozen. It is also generally prohibited to make funds or economic resources available, directly or indirectly (*i.e.*, through third parties), to or for the benefit of the Restricted Parties.

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

Unless covered by special exemptions, the shipping industry is subject to the general competition laws. These general competition laws are designed to preserve free and open competition in the marketplace in order to enhance competitiveness and economic efficiency. They generally prohibit agreements or concerted actions among competitors if they adversely affect competition, in particular if they lead to the formation of cartels or anticompetitive foreclosure. The abuse of a dominant position held by one or more shipping companies also constitutes a violation of the law. It is possible that shipping companies may face fines and other similar sanctions if they fail to comply with applicable regulatory regimes. This may significantly impact the profitability of shipping companies that are found not to be in compliance.

On March 17, 2010, the U.S. Federal Maritime Commission ("**FMC**") initiated an investigation (No. 26) on the "Vessel Space and Equipment Availability Situation on U.S. Trades," triggered by general complaints of shippers about the shortage of vessel space and equipment and the underlying allegation of collusion between carriers. Following its investigation, the FMC did not impose fines. Instead on December 8, 2010, the FMC issued a report and adopted certain measures designed to engage oceans carriers and their customers in a dialogue in order to improve the U.S. international ocean shipping system. These measures comprise dispute resolution bodies called "Rapid Response Teams," two working groups, an educational outreach project and the development of recommendations to enhance oversight of the global container shipping industry. As of the date of this

Offering Memorandum, THE Alliance has to comply with several different monitoring requirements imposed by the FMC and, for many of these requirements, prepare monthly reports. While the adopted measures do not currently appear to lead to legal restrictions being imposed on our business, it cannot be ruled out that these initiatives could lead to future revised laws or other administrative burdens which may impact our flexibility or force us to incur additional costs.

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

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

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

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

We may fail to comply with applicable or future laws and regulations in relation to privacy and data protection or such laws and regulations may change in a manner that is unfavorable to our business.

In the age of big data and digitalization, data protection and data privacy are crucial in maintaining confidence between customers and companies. The introduction of the General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016) ("**GDPR**") has bolstered the trend towards more stringent data protection regulations and stricter penalties, particularly in Asia, Latin America and California (USA). The GDPR automatically came into effect in all EU member states as of May 25, 2018, and imposed stricter conditions and limitations in relation to the processing, use and transmission of personal data. The GDPR introduced extensive documentation obligations and considerably higher transparency requirements, which affect not only initial data collection but also the monitoring and investigation once personal data has been collected. Although we strive to comply with all applicable laws, regulations and legal obligations relating to data usage, data protection and data sovereignty, it is possible that these laws, regulations and other obligations may be interpreted and applied in a manner that is inconsistent with our practices and we may not be able to adjust to such interpretations in a timely manner. Furthermore, there can be no assurance that our practices have complied, comply or will comply fully with all such laws, regulations and other legal obligations.

Our process of developing and advancing our data protection standards and procedures may take longer and require more resources than originally planned. Any non-compliance by us with the applicable regulations could lead to fines and other sanctions. For example, the GDPR provides that

violations can be fined, depending on the circumstances, by up to the higher of €20 million and 4% of the annual global turnover of the non-compliant company.

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

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

In addition to the respective national laws, there are various international treaties in place, which deal with maritime liability issues, such as the Hague Rules of 1924, the Hague Visby Rules of 1968, and the Hamburg Rules of 1980. In particular, the Hague Rules and the Hague Visby Rules are of great importance to the maritime liability regime and either one or both have been ratified by most countries that have a relevant shipping industry. Some countries have implemented the Hague Rules and the Hague Visby Rules into national law and in other countries the treaties are applicable directly without transition into national laws.

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

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

The law provides for, among other revisions:

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

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

The international container shipping industry is subject to various security and customs monitoring and inspection procedures in countries of origin and destination, as well as at transshipment

ports. Such procedures can result in the confiscation of containers or their contents, delays in the loading, offloading, handling or delivery of containers and the levying of customs duties, fines or other penalties against exporters, importers and, in some cases, carriers.

In addition, more thorough monitoring and inspection procedures aimed at preventing terrorist attacks could increase our costs and cause disruption to our business. In the United States, Canada, China, Japan, Mexico and the EU, we face significant security requirements, such as the "Advance Manifest Rule," which mandates expanded disclosure regarding a ship's cargo at least 24 hours prior to loading at the foreign port of loading. The current regulations may be expanded, and similar or more intrusive and costly monitoring and inspection rules may be put in place by those countries or other countries in which we operate. In any such case, we may experience disruptions to our business and may be unable to impose further surcharges or otherwise recover from our customers the increased costs incurred due to such measures, which may materially adversely affect our business, financial condition, and results of operations.

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

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

Furthermore, Hapag-Lloyd AG has been a certified Authorized Economic Operator ("**AEO**") within the EU since July 25, 2008. The creation of the AEO concept is one of the main elements of the security amendment of the EU customs rules that was enacted in 2005 and is now set out in the Union Customs Code (Regulation (EU) No 952/2013 and its Delegated and Implementing Regulations). This concept aims at heightening security along the international supply chain. On the basis of Article 39 of the Union Customs Code, EU member states can grant the AEO status to any economic operator meeting the following common criteria: customs and tax compliance, appropriate record-keeping, practical standards of competence or professional qualifications, financial solvency and, where relevant, security and safety standards. Hapag-Lloyd AG is holder of the AEO Certificate "Customs Simplifications/Security and Safety" ("**AEO-F**"). The AEO status entitles us to benefits in the course of customs clearance. Should we fail to maintain the certificate, it could mean higher administrative

burden through increased security screenings and the loss of customers who are increasingly requesting such certificate from their carriers.

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

The operation of large oceangoing vessels and the use of the heavy equipment necessary to load and prepare those vessels for transit involve inherent risks, including, among other things, those of catastrophic loss, spills, personal injury and loss of life, maritime disaster, mechanical failure, fire, collision, stranding and loss of, or damage to, cargo as well as damage to or loss of vessels or ransom payments in case of acts of piracy (see "*—Acts of piracy on oceangoing vessels remain a considerable risk for oceangoing vessels and could adversely affect our business and results of operations" and "—Risks inherent in the operation of oceangoing vessels and the handling of transported goods could lead to substantial damages and harm our business and reputation*"). Such events may be caused by human error, accidents, war, terrorist attacks, piracy, political instability, cyber-attacks, business interruption, strikes or weather events (including earthquakes, flooding and storms). Furthermore potential risks from nuclear contamination cannot be insured by primary insurers or re-insurers. If large numbers of containers or several of our vessels were contaminated, this could force us to replace such materials on our own costs and on short notice and/or could prevent us from covering our services as scheduled or could lead to costs for medical treatment of crew members who came in contact with contaminated materials. Any of these factors or events could result in experiencing direct losses and liabilities, loss of income, increased costs, damage to our reputation or litigation against us by third parties. There can be no certainty that our current insurance policies cover all losses and damages that may be suffered from these types of events or that we will be able to renew or expand current insurance policies on commercially reasonable terms. Additionally, our insurers may refuse to pay particular claims if we fail to take certain actions, such as failing to maintain certification of our vessels with applicable regulations. We also may be responsible for liquidated damages if we do not comply with certain provisions of some of our contracts, which are not covered by our insurance policies.

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

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

We maintain a consistent focus on the improvement of our cost efficiency and revenue quality through relevant projects, initiatives and programs aimed at such improvements. For example, in previous years, we implemented extensive synergy, cost saving and efficiency programs. Our most important programs, CUATRO, OCTAVE I and II and Close the Cost Gap, had successfully been implemented by the end of the first quarter of 2017. This laid the foundations for generating annual synergies, efficiency improvements and cost savings of approximately US$600 million against the comparable cost base in the 2014 financial year, and assuming that external factors remain the same. The merger with UASC in 2017 has contributed additional cumulative savings of US$435 million during the financial years ended 2019 and 2020. With the announcement of our Strategy 2023, we also announced further cost saving measures. We expected to achieve annual cost savings of between US$350 and US$400 million by 2021. A large proportion of the planned savings have already been realized in the financial year 2019. In addition, in response to the expected economic downturn due to COVID-19, we have launched the Performance Safeguarding Program ("**PSP**") in April 2020 with a clear focus on short-term measures within 2020. Measures that had already been agreed as part of our Strategy 2023 were combined with additional short-term savings. Ongoing efforts were bundled in a

comprehensive project approach based on four building blocks: (i) Cost saving measures (reduce cost across categories, stabilize result); (ii) investment prioritization (reduce capex (vessel, container, other), optimize leasing/charter portfolio); (iii) financial contingency (focus on working capital, enhance financing levers, keep cash); and (iv) government support (subsidies (*e.g.* labor related), guarantees, liquidity support, tax benefits).

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

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

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

Our ability to quickly and correctly obtain, process and transmit data related to transport volumes, freight rates, transport costs, container locations and vessel schedules is critical to the effective management of our container capacity, our vessel fleet, the handling of empty containers in order to manage and minimize imbalance costs and the provision of high-end customer service. In this context we rely to a large extent on our IT systems. These IT systems are subject to the growing threat of cyber-attacks. Such cyber-attacks may include viruses and internal or external security breaches which may, in particular, occur due to errors by our employees. Although our IT organization has implemented several security measures to protect our IT systems & networks against cyber-attacks, total security protection cannot be assured. In addition, our exposure to threats of cyber-attacks is currently elevated given the significant increase of mobile working from home. Consequently, a breakdown of or disruption to any of these systems due to cyber-attacks or other reasons could materially impact the relationships we have with our customers, our reputation and our operating costs and margins. Although we have taken out cyber risk insurance, it is uncertain whether the policy amount will be sufficient to cover all incidents concerned.

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

In addition, an important means of communication with both our clients and our vendors is e-commerce, via Web platforms or Electronic Data Interchange ("**EDI**"). A portion of our EDI products have been developed and are run by third-party e-commerce providers. We have no management control over these e-commerce providers, we rely on their service levels and they may not perform as anticipated. Furthermore, although our IT systems and the relevant backup systems have an identical set-up and are located in separate data center locations, there can be no assurance that both data centers and their systems will not be simultaneously damaged or destroyed in the event of a major

disaster. Both the main IT systems as well as relevant backup systems may be vulnerable to damage or interruptions in operation due to fire, cyber-attacks, power loss, telecommunications systems failures, physical break-ins, hacker break-ins, a significant breakdown in internal controls, fraudulent activities by employees, failure of security and terrorism measures or backup systems, or other events beyond our control. Any such failure in our IT systems would have a material adverse impact on our business, financial condition and results of operations.

We may be unable to retain existing customers upon the expiration of our existing contracts or our service contracts with the U.S. Government and may be unable to attract new customers at all.

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

Our U.S. flag business includes our participation in the Maritime Security Program ("**MSP**") of the U.S. Maritime Administration of the Department of Transportation. Under this program, five of our six U.S. flag ships, manned by U.S. crews, receive certain subsidies every year. The MSP contracts run through October 2025. Our future participation in this program is subject to meeting a number of qualifications and requirements for participation in the MSP program and annual funding by the U.S. government. This business segment also relies on our continuing business with the U.S. government. Our U.S. flag business accounted for 0.3%, 0.3% and 0.3%of our total transport volume for each of the financial years 2018, 2019 and 2020, respectively.

In addition, as some of our contracts with customers are longer-term in nature, if freight rates should rise or our operating costs increase, we may not be able to make the necessary adjustments to the contractually agreed rates to capitalize on such increased freight rates or address such increased operating costs until the existing contracts expire. Once our existing customer contracts expire, there is no assurance that our customers will renew the contracts on similar terms or that we will be able to attract equivalent new customers.

Any negative impact of such events would be magnified if we lost any significant customers as 26.5% and 34.3% (by volumes transported) were generated from our top 25 and top 50 customers in the financial year ended December 31, 2020, respectively. If we lose a significant customer, we might not be able to reduce our fixed costs accordingly (see also "*—There is a considerable time lag between the ordering and the delivery of new vessels, leading to a heightened sensitivity exposure to intermittent changes in shipping market conditions*"). Such developments would have a material adverse effect on our business, results of operations and financial condition.

Differences in views with our joint venture participants and cooperation partners may cause our joint ventures and business undertakings in which we have non-controlling interest not to operate according to their business plans, which may adversely affect our results of operations.

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

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

We currently hold a 25.1% interest in CTA, which provides terminal services in the port of Hamburg. The value of the participation could be negatively impacted by a potential decline in the

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

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

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

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

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

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

Regarding the hedging of currency risks, we currently hedge up to 100% of the currency risks related to our EUR-denominated indebtedness. With regards to operational risks relating to cash flows in foreign currencies, our hedging policy allows us to hedge up to 80% of this risk, depending on the forecasted cash flow. For the financial years ended December 31, 2019 and 2020, we hedged currency risks relating to our operations exclusively for the Canadian Dollar. Depending on our exposure to future developments in our operational currency, we may hedge operational exposure in additional currencies in the future.

We are also exposed to interest rate risk. As of December 31, 2020, we had total financial debt and lease liabilities of €5,136.2 million, of which €1,849 million, or 36%, was floating rate. Fluctuations in interest rates may affect our interest on existing debt and the cost of new financing. See also "*—Risks Relating to our Financial Profile—Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.*"

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

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

We operate in a very capital-intensive industry and thus have substantial capital needs in order to be able to cover our obligations in connection with our organic growth strategy, including acquiring, ordering newbuild vessels, leasing, chartering and maintaining container vessels and containers.

It is not certain or even probable that we will generate enough free cash flow enabling us to cover all of our potential financing needs without resorting to debt financing. Moreover, it may not be

possible, irrespective of the general level of interest rates, to obtain debt financing or we may only be able to do so with difficulty, with delay or at unfavorable commercial terms. Any delays in securing financing or securing financing at favorable terms and a resulting inability to pursue our growth strategy or inability to acquire, order, lease and charter container vessels would lead to material adverse effects on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

While we strive to maintain good relationships with our employees and their unions, there can be no assurance that such relationships will continue to be amicable or that we will not be affected by strikes, work stoppages, unionization efforts, or other types of conflict with labor unions or our employees, substantially all of whom are unionized. In addition, certain members of the supervisory

board of the Company are elected in accordance with the German Act on Company Co-Determination (*Mitbestimmungsgesetz–MitbestG*). In the event that we experience a work stoppage, such work stoppage could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, future industrial action, or the threat of future industrial action, by labor unions, for example, in response to any future efforts by our management to reduce labor costs, restrain wage increases or modify work practices in order to recover concessions made as part of our turnaround plan or by a general deterioration in the relations between management and labor unions and employee representatives could constrain our ability to carry out any such efforts or may lead to strikes and work stoppages.

Our operations also depend on stevedores and other workers employed by third parties at the ports at which our ships call. Industrial action or other labor unrest with respect to outside labor providers could prevent us from carrying out our operations according to our plans or needs, thus bringing about material adverse effects on our business, financial condition and results of operations. In the event labor disputes continue for an extended period of time, this may lead to handling delays and can lead to higher transport expenses.

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

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

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

Outside Germany, we may be subject to income taxes which are calculated on gross revenues collected locally or transport volumes (so-called freight taxes). Any increase in applicable freight tax rates outside Germany could have a negative impact on the tax burden as, under the tonnage tax regime, foreign income taxes paid are neither creditable against the German corporate income tax, nor deductible from the tonnage tax basis.

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

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

In addition, as a consequence of the currently ongoing Digital Taxation Initiative of the OECD/ G20 (known as Pillar I and Pillar II), new taxing rights and allocation rules for taxable income between different jurisdictions are being developed, alongside with new regulations for a minimum corporate income taxation of globally operating companies such as ourselves. Depending on the outcome of this initiative, the existing international framework for taxation of international shipping might be replaced or amended which, ultimately, leads to significant global uncertainties relating to and issues of harmonization. If the member states of this initiative are unable to reach a consensus, we may be exposed to risks relating to countries unilaterally adapting new taxing rules which, in turn, could have adverse impacts on globally operating shipping companies, including impacts resulting from double taxation without bilaterally or multilaterally agreed compensation methodologies.

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

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

Our ability to compete successfully and to implement our business strategies depends, in part, on our senior management personnel. We also depend on our ability to attract and retain a highly skilled workforce over the long term, such as nautical and engineer officers. Such employees with appropriate knowledge and experience are scarce, and the employment market for such personnel is very competitive. As a result of these factors, we might not be able to retain our key personnel or to attract and retain a highly-skilled workforce.

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

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

We are involved, on an ongoing basis, in litigation arising in the ordinary course of business or otherwise. Litigation may include claims related to commercial, labor, employment, antitrust, securities, fraud or environmental matters. Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our brand and reputation. Litigation trends and expenses and the outcome of any litigation proceeding cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could adversely affect our financial results.

In addition, we are subject to regular tax audits, which may result in claims for significant additional taxes. Discussions or appeals concerning tax claims are currently pending with local tax authorities in a number of jurisdictions, such as Germany, India, Mexico, Philippines and Turkey (see "*Legal and Tax Proceedings*").

In particular, we are in dispute with the Indian tax authorities on different topics. Firstly, the Indian tax authorities disagree with the transfer pricing method chosen by us to determine the income of our Indian subsidiaries. Whereas we are of the view that the amended tax assessments are without merit and whereas such view has been confirmed in a number of court decisions, there is a low risk that eventually we will have to adapt our transfer pricing to some extent. Secondly, our former subsidiary UASAC (India) Pvt. Ltd. (which was merged into Hapag-Lloyd India Pvt Ltd., India) and United Arab Shipping Company Limited (formerly SAG) ("**UASC Limited**"), Dubai are currently subject to service tax investigations. While we are of the opinion that our practices were lawful and consistent with industry practice, there is no certainty that we will be successful in refuting any charges made for the payment of additional Indian service tax by the Indian tax authorities. To the extent that the Company can expect to incur charges which are quantifiable, these charges were accounted for by creating provisions.

In addition, the Mexican tax authorities published a letter of application designed to limit non-refundable value added tax in Mexico retroactively from 2014. To the extent that the Company can expect to incur charges in connection with these developments which are quantifiable, these charges were accounted for by creating provisions. As of December 31, 2020, we had accounted for €62.9 million as a tax risk provision.

Moreover, we are subject to a tax audit in the Philippines for the financial years ended December 31, 2017 and 2019. We have received a notice for informal conference from the local tax office, pursuant to which the taxation of certain income generated in the Philippines in the financial year ended December 31, 2017 has been challenged. Upon initial review of the information available to us, we, as of the date of this Offering Memorandum, estimate a preliminary total risk in a high single-

digit million euro amount for the periods January 1, 2017 to December 31, 2019 and recorded a provision of €6.6 million.

Furthermore, we are subject to a tax audit by the Turkish Tax Authorities. Although Germany has entered into a bilateral convention for the avoidance of double taxation with Turkey, the interpretation of the agreed allocation of taxing rights pursuant to Art. 8 (Income of International Shipping) of the OECD Model Tax Convention on Income and on Capital may vary between Germany and Turkey. There can be no assurance any unilateral or bilateral dispute resolutions we may enter into may resolve the dispute. Upon initial review of the information available to us we, as of the date of this Offering Memorandum, estimate a preliminary total risk of €17 million.

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

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

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

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

As of December 31, 2020, we recognized intangible assets (consisting of goodwill and other intangible assets) amounting to €2,925.9 million, or 19.3%, of our total assets on our consolidated balance sheet. The goodwill derives from the acquisition of the shares of Hapag-Lloyd AG in March 2009, and the acquisition of the CCS and UASC Activities. Impairment may result from, among other things, deterioration in performance, adverse market conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of the services we render, a future share price that is significantly below the net asset value per share, and a variety of other factors. All of these factors may cause an impairment of our intangible assets if they have a lasting negative impact on our business. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount which is the higher of the fair value less cost of disposal or value in use. The amount of any quantified impairment must be expensed immediately as a charge to our results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Accordingly, any determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial condition, results of operations and net worth.

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

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

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

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

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

Risks Relating to Our Financial Profile

Our leverage may make it difficult for us to operate our businesses.

We currently have and will continue to have a substantial amount of outstanding debt with significant debt service requirements. Our net debt as of December 31, 2020 amounted to €4,454.9 million. Our ability to fund working capital, capital expenditures and other expenses will depend on our future operating performance and ability to generate sufficient cash. Our significant leverage could have important consequences for our business and operations, including:

- making it more difficult for us to satisfy our obligations under our financing arrangements;
- increasing our vulnerability to a downturn in our business or general economic and industry conditions;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt and reducing the availability of our cash flow to fund internal growth through capital expenditures and for other general corporate purposes;
- placing us at a competitive disadvantage compared to our competitors that have lower leverage or greater access to capital resources than we have;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- negatively impacting credit terms with our creditors;
- restricting us from exploiting certain business opportunities; and
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional capital.

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

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

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

- incur or guarantee additional debt and issue preferred stock;
- enter into treasury transactions;
- make loans or extend credit;
- make certain payments, including dividends or other distributions and repayment or redemption of share capital;
- make certain investments or acquisitions, including participating in joint ventures;
- prepay or redeem subordinated debt;
- engage in certain transactions with affiliated persons;
- create unrestricted subsidiaries;
- enter into arrangements that restrict payments of dividends to us;
- sell assets, consolidate or merge with or into other companies, change our legal form, enter into corporate reconstruction;

- sell or transfer all or substantially all of our assets or those of our subsidiaries on a consolidated basis;
- issue or sell share capital;
- acquire vessels, change the flag or ship register of vessels, change the management of vessels or charter vessels; and
- create or incur certain liens.

These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest. Our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. For example, low utilization of ship yards or the insolvency of other container shipping companies could drive down prices for newbuild vessels and asset values which could impair our vessel values. These covenants and restrictions may also limit our ability to ensure compliance with loan-to-value ratio requirements provided for in various asset financings following a decline of the value of the relevant security, so that we may be required to (partially) mandatorily prepay a relevant asset financing in order to ensure such compliance. In the financial year ended December 31, 2020, loan-to-value tests have not resulted in under-collateralization. If we breach any of these covenants or restrictions, we could be in default under the terms of our financing arrangements and trigger cross-defaults between any financing investments, including the indenture governing the Notes. If the debt under our material financing arrangements that we entered into were to be accelerated, our assets may be insufficient to service our debt.

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

From time to time, we may enter into financial transactions to completely or partly hedge risks resulting, for example, from fluctuating currency exchange rate movements and changes in the price of bunker fuel. For the financial year ended December 31, 2019, we hedged approximately 22% of the notional bunker exposure. For the financial year ended December 31, 2020, we hedged approximately 44% of the notional bunker exposure. Based on the rolling average calculation, the percentage of hedging varies throughout the year and diminishes usually towards the end of the rolling twelve-month period. However, there is no assurance that such hedging transactions entered into by us will adequately mitigate the negative impact of rising bunker fuel prices. Such shortfalls in hedging transactions could potentially result in significantly negative settlements.

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

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

Fluctuations in interest rates may affect our interest on existing debt and the cost of new financing. As of December 31, 2020, we had total financial debt and leases of €5,136.2 million, of which €1,849 million, or 36%, was floating rate.

If interest rates increase, our debt service obligations on the variable rate indebtedness that is not hedged would increase even though the amount borrowed remained the same, which would require that we use more of our available cash to service our indebtedness. While we strive to manage our exposure to fluctuations in interest rates, we do not currently have any hedging arrangements or interest rate swaps to adjust interest-rate risk exposure. If interest rates increase dramatically, we could be unable to service our indebtedness, which would exacerbate the risks associated with our leveraged capital structure. This could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows.

Risks Relating to the Notes

We may not satisfy the Sustainability Performance Target. Accordingly, there can be no assurance as to whether the interest rate with respect to the Notes will be subject to adjustment.

Although we intend to satisfy each of the Sustainability Performance Target in respect of the calendar year 2024, there can be no assurance that we will be successful in doing so by that date, or ever, or that any future investments we make in furtherance of such target will meet (i) any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations, or (ii) investor expectations, by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact. Adverse environmental or social impacts may occur with regard to any investments we make in furtherance of the Sustainability Performance Target, and such investments may become controversial or criticized by activist groups or other stakeholders. It will not be an event of default under the Notes nor will we be required to repurchase or redeem the Notes if we fail to satisfy the Sustainability Performance Target with respect of the calendar year 2024. Should we satisfy the Sustainability Performance Target, holders of Notes will not be entitled to an increase in the interest rate on the Notes on account of the target. Further, should we fail to satisfy the Sustainability Performance Target we will be required to pay an increased interest rate on the Notes, which may have an adverse impact on our liquidity and financial position. No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion of any third party (whether or not solicited by us) that may be made available in connection with our Sustainability-Linked Bond Framework or the Notes. For the avoidance of doubt, any such opinion is not and shall not be deemed to be incorporated into and/or form part of this Offering Memorandum. Any such opinion is not, nor should be deemed to be, a recommendation by us or any initial purchaser, or any other person to buy, sell or hold the Notes. Any such opinion is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion and/or the information contained therein and/or the provider of such opinion for the purpose of any investment in the Notes. Currently, the providers of such opinions are not subject to any specific regulatory or other regime or oversight. Any withdrawal of any such opinion or any additional opinion or statement that we are not complying in whole or in part with any matters to which such opinion relates may have a material adverse effect on the value of the Notes and/or result in adverse consequences for certain investors with mandates to invest in securities to be used for a particular purpose.

No assurance or representation is given by the Company, the Initial Purchasers, DNV in its capacity as second party opinion provider or the external verifier as to the suitability or reliability for any purpose whatsoever of any opinion, report or certification of any third party in connection with the offering of the Notes or the Sustainability Performance Target to fulfil any social, sustainability, sustainability-linked and/or other criteria. Any such opinion, report or certification is not, nor shall it be deemed to be, incorporated in and/or form part of this Offering Memorandum.

Second party opinion providers, such as DNV, and providers of similar opinions and certifications are not currently subject to any specific regulatory or other regime or oversight. Any such opinion, certification or verification is not, nor should be deemed to be, a recommendation by the Company, the Initial Purchasers, any second party opinion provider, such as DNV, the external verifier or any other person to buy, sell or hold any Notes. Holders have no recourse against the Company, the Initial Purchasers, any second party opinion provider, the external verifier or the provider of any opinion, certification or verification for the contents of any such opinion, certification or verification, which is only current as at the date it was initially issued. Prospective investors must determine for themselves the relevance of any such opinion, certification or verification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in the Notes. Any withdrawal of any such opinion, certification or verification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining on or certifying on may have a material adverse effect on the value of the Notes and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses.

We may incur substantial additional debt in the future. Any debt that we incur at our subsidiary level would be structurally senior to the Notes, and other debt could be secured or could mature prior to the Notes. The terms of the indenture governing the Notes will permit us to incur future debt that may have substantially the same or more restrictive covenants as those of the indenture governing the Notes. Borrowings under other debt instruments that contain cross acceleration or cross default provisions, including the Notes, may as a result also be accelerated and become due and payable. If we incur any additional indebtedness that ranks equally with the Notes, the holders of that debt will be entitled to share ratably in any proceeds distributed in connection with our insolvency, liquidation, reorganization, dissolution or other winding-up. We may be unable to pay the Notes and these debts in full in such circumstances. The incurrence of additional debt would increase the leverage related risks described in this Offering Memorandum.

Your right to receive payments under the Notes will be effectively subordinated to claims of existing and future secured creditors of the Issuer, up to the value of the collateral securing such indebtedness.

The Notes will not be secured by any of the Issuer's assets. As a result, the indebtedness represented by the Notes will be effectively subordinated to any existing and future secured indebtedness we may incur, including without limitation, secured vessel financings and secured container financings, to the extent of the value of the assets securing such indebtedness. As of December 31, 2020, on a *pro forma* basis after giving effect to the Offering, the Notes would have effectively ranked junior to €3,367.5 million of secured debt. The terms of the indenture governing the Notes will permit us to incur additional secured indebtedness in the future subject to certain limitations. Accordingly, in the event of a bankruptcy, insolvency, liquidation, dissolution, reorganization or similar proceeding affecting the Issuer, your rights to receive payment will be effectively subordinated to those of secured creditors up to the value of the collateral securing such indebtedness. Holders of the Notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the Notes, and potentially with all of our other general creditors, based on the respective amounts owed to each holder or creditor, in our remaining assets. In addition, if the secured lenders were to declare a default with respect to their loans and enforce their rights with respect to their collateral, there can be no assurance that our remaining assets would be sufficient to satisfy our other obligations, including our obligations with respect to the Notes. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the Notes. As a result, holders of the Notes may receive less, ratably, than holders of secured indebtedness.

We may not be able to generate sufficient cash to service our indebtedness, including due to factors outside our control, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

We are highly leveraged and have significant debt service obligations. Our ability to make payments on or to refinance our debt obligations will depend on our future operating performance and ability to generate sufficient cash. This depends, to a large extent, on a global demand for container shipping services, available ship and container capacity, prevailing freight rates and bunker fuel prices. These factors, in turn, are dependent on general economic and financial conditions, as well as competitive, market, regulatory and other factors, all of which are largely beyond our control. Our significant leverage may also make it more difficult for us to satisfy our obligations with respect to the Notes and exposes us to interest rate increases to the extent our variable rate debt is not hedged.

Our business may not generate sufficient cash flows from operations to make payments on our debt obligations, and additional debt and equity financing may not be available to us in an amount sufficient to enable us to pay our debts when due, or to refinance such debts, including the Notes. If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce our business activities or delay capital expenditures;
- sell assets;
- obtain additional debt or equity financing; or

- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would yield sufficient funds to satisfy our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then-prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture governing the Notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the indenture governing the Notes, restrict our ability to transfer or sell assets and the use of proceeds from any such disposition. We may not be able to consummate certain dispositions or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

The Issuer may not be able to finance a change of control offer.

The indenture governing the Notes will require the Issuer to make an offer to repurchase the Notes at 101% of their principal amount if we experience certain specified change of control events. The Issuer’s failure to effect a change of control offer when required would constitute an event of default under the indenture governing the Notes. However, some important corporate events that might adversely affect the value of the Notes would not constitute a “change of control” under the indenture governing the Notes. In addition, the Issuer’s ability to repurchase the Notes as may be required by the indenture governing the Notes will depend on its access to funds at such time, and it may not be able to secure access to enough cash to finance the repurchase. Upon a change of control event the Issuer may be required to also offer to repurchase certain other debt instruments. It cannot be assured that there will be sufficient funds available upon a change of control to make these repayments and repurchases of tendered Notes. For a complete description of the events that would constitute a “change of control,” prospective investors should read the section entitled “*Description of the Notes—Purchase of Notes upon a Change of Control.*”

The change of control provisions contained in the indenture governing the Notes may not necessarily afford you protection in the event of certain corporate events, including reorganizations, restructurings, mergers or other similar transactions involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership, or, even if they do, may not constitute a “change of control” as defined in the indenture governing the Notes. Except as described in the section entitled “*Description of the Notes—Purchase of Notes upon a Change of Control,*” the indenture governing the Notes does not contain provisions that require us to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

The definition of “change of control” contained in the indenture governing the Notes includes a disposition of all or substantially all of the assets of the Issuer and its restricted subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase “all or substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the assets of the Issuer and its restricted subsidiaries, taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

The interests of our shareholders may be inconsistent with the interests of the holders of the Notes.

Our largest shareholders as of the date of this Offering Memorandum, directly or indirectly, are CSAV (30.0%), Kühne Maritime GmbH and Kühne Holding AG (together "**Kühne**") (30.0%), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH ("**HGV**") (13.9%), Qatar Holding Germany GmbH ("**Qatar Holding Germany**") (12.3%) and PIF (10.2%). See "*Principal Shareholders.*" The interests of our ultimate shareholders could conflict with the interests of the holders of the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. Our principal shareholders could also have an interest in pursuing acquisitions, divestitures, financings, dividend distributions or other transactions that, in their judgment, could enhance their equity investments, although such transactions might involve risks to the holders of the Notes. Finally, our direct and indirect shareholders may have strategic objectives or business interests that could conflict with our own strategies or interests. If the interests of our principal shareholders conflict with our interests or the interests of the holders of the Notes, or if our principal shareholders engage in activities or pursue strategic objectives that conflict with our interests or the interest of the holders of the Notes, we and you could be disadvantaged.

An active trading market may not develop for the Notes, in which case you may not be able to resell the Notes.

There is no existing trading market for the Notes and we cannot assure you that an active or liquid trading market will develop for the Notes. The Initial Purchasers have advised us that they intend to make a market in the Notes after completing the offering. However, the Initial Purchasers have no obligation to do so and may discontinue market making activities at any time without notice. We have made an application to list the Notes on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF Market. Future liquidity will depend, among other things, on the number of holders of the Notes, our financial performance, the market for similar securities and the interest of securities dealers in making a market in the Notes. In addition, changes in the overall market for high yield securities and changes in our financial performance or in the markets where we operate may adversely affect the liquidity of the trading market in these Notes and the market price quoted for these Notes. As a result, we cannot assure you that an active trading market will actually develop for these Notes. Historically, the markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the Notes may be subject to similar disruptions. Any disruptions may have an adverse effect on the holders of the Notes.

Transfer of the Notes will be restricted, which may adversely affect the value of the Notes.

Because the Notes have not been, and are not required to be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, they may not be offered or sold except to QIBs in accordance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and all other applicable laws. These restrictions may limit your ability to resell the Notes. It is your obligation to ensure that your offers and sales of the Notes within the U.S. and other countries comply with applicable securities laws. Please refer to the section entitled "*Transfer Restrictions*" for further information on these restrictions.

The insolvency laws of Germany may not be as favorable to holders of Notes as insolvency laws of other jurisdictions with which you may be familiar.

The Issuer is headquartered and has a substantial economic presence in Germany. Accordingly, insolvency proceedings with respect to the Issuer's assets may be initiated by a German insolvency court and be governed by German insolvency law. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Act (*Insolvenzordnung*), may not be as favorable to your interests as the laws of the U.S. or other jurisdictions with which you are familiar, including aspects such as the priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings. Thus, your ability to recover payments due on the Notes may be limited to an extent exceeding the limitations arising under other insolvency laws.

Further, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Pursuant to Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings, "the courts of the member state within the territory of which the debtor's main interests is situated" have jurisdiction to open insolvency proceedings. The regulation further provides "In the case of a company or legal person, the place of the registered office shall be presumed to be the center of its main interests in the absence of proof to the contrary." At the moment, the factual requirements of this presumption are fulfilled by the Issuer, however, it is not certain that this will continue to be the case. See "*Certain Insolvency Law Considerations.*"

You may have difficulty enforcing your rights against the Issuer, its directors and executive officers.

The Notes will be issued by the Issuer. The Issuer is organized under the laws of Germany and most of our directors and executive officers are non-residents of the United States and most of our assets and the assets of most of our directors and executive officers are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon us and our directors and executive officers to enforce against us or them judgments obtained in U.S. courts predicated upon civil liability provisions of the federal securities laws of the United States. In addition, we cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in Germany.

If the Notes are rated investment grade by both Standard & Poor's and Moody's, certain covenants contained in the indenture governing the Notes will be suspended, and you will lose the protection of these covenants unless or until the Notes subsequently fall back below investment grade.

The indenture governing the Notes will contain certain covenants that will be suspended for so long as the Notes are rated investment grade by both Standard & Poor's Global Ratings ("**Standard & Poor's**") and Moody's Investors Service ("**Moody's**"). These covenants include:

- Limitation on Debt;
- Limitation on Restricted Payments;
- Limitation on Transactions with Affiliates;
- Limitation on Sale of Certain Assets;
- Limitation on Guarantees of Debt by Restricted Subsidiaries;
- Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;
- Designation of Unrestricted and Restricted Subsidiaries; and
- Certain provisions of Consolidation, Merger and Sale of Assets.

As a result, we will be able to incur additional indebtedness and consummate transactions that may impair our ability to satisfy our obligations with respect to the Notes. In addition, we will not have to make certain offers to repurchase the Notes. These covenants will only be restored if the credit ratings assigned to the Notes later fall below investment grade. See "*Description of the Notes—Suspension of Certain Covenants When Notes Rated Investment Grade.*" Any actions taken during the period of suspension will remain in effect despite such a restoration of the covenants.

Changes in respect of the public debt ratings of Hapag-Lloyd AG or the Notes may materially and adversely affect the availability, the cost and the terms and conditions of debt and preclude our access to certain financing market and products, any of which could ultimately limit our liquidity and profitability.

As of the date of this Offering Memorandum, Hapag-Lloyd AG is rated "BB" (stable outlook) by Standard & Poor's and "Ba2" (stable outlook) by Moody's. Future downgrades in or a loss of the financial rating of Hapag-Lloyd AG or its outstanding debt securities could lead to an increase of the interest payable under some of Hapag-Lloyd AG's existing credit facilities and impair Hapag-Lloyd AG's ability to obtain additional financing or refinancing on economically acceptable terms, or obtain such financing or refinancing at all. Furthermore, a downgrade or loss of rating could preclude Hapag-Lloyd AG from accessing certain financial markets and products and thereby impairing Hapag-Lloyd AG's liquidity. This could have a material adverse effect on our business, results of operations and financial condition.

The Notes will be, and any of our future debt instruments may be, publicly rated by the independent rating agencies Moody's and Standard & Poor's. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. These public debt ratings affect our ability to raise debt. A negative change, or an indication of a possible negative change could have an adverse effect on the trading and market price of the Notes. Any future downgrading of the Notes or any other debt instruments we may have at such time by Moody's or Standard & Poor's may affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

You may face foreign exchange risks or adverse tax consequences by investing in the Notes.

The Notes will be denominated and payable in euros. If you measure your investment returns by reference to a currency other than the currency in which your Notes are denominated, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments, because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investment in the Notes may also have important tax consequences as a result of any foreign currency exchange gains or losses. See "*Taxation.*"

The Notes will be held in book-entry form and therefore the investor must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

The Notes will be issued in fully registered global form. The global note(s) in registered form without interest coupons attached representing the Notes (the "**Global Notes**") will be deposited, on the closing date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary.

Ownership of beneficial interests in the Global Notes (the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. Owners of beneficial interests in the Global Notes will not be entitled to receive definitive Notes in registered form, except under the limited circumstances described in "*Book-Entry, Delivery and Form—Definitive Registered Notes.*" So long as the Notes are held in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of Global Notes. The common depositary for Euroclear and/or Clearstream or its nominee, as applicable, will be considered the sole holder of Global Notes.

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and additional amounts, if any) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and/or Clearstream or its nominee, which will, in turn, distribute such payments to participants in accordance with its procedures. After payment to the common depositary for Euroclear and/or Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the holders of Book-Entry Interests. Accordingly, if the investor holds a Book-Entry Interest, it must rely on the procedures of Euroclear or Clearstream, as applicable, or the procedures of the participant through which the investor holds its interest, to exercise any rights and obligations of a holder of Notes under the Indenture governing the Notes.

Unlike the holders of the Notes themselves, holders of Book-Entry Interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if the investor holds a Book-Entry Interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, as

applicable. The procedures implemented for the granting of such proxies may not be sufficient to enable the investor to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture governing the Notes, unless and until definitive registered Notes are issued in respect of all Book-Entry Interests, if the investor holds a Book-Entry Interest, it will be restricted to acting through Euroclear or Clearstream. The procedures to be implemented through Euroclear or Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

The Notes may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics.

Although the interest rate relating to the Notes is subject to upward adjustment in certain circumstances specified in the indenture, such Notes may not satisfy an investor's requirements or any future legal or quasi legal standards for investment in assets with sustainability characteristics. The Notes are not, and are not being marketed as, "green bonds." We intend to use the net proceeds from this Offering, together with cash on hand, to refinance the Existing Notes and to pay related fees and expenses. Therefore we do not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria or to be subject to any other limitations associated with "green bonds."

The Subsequent Rate of Interest in respect of the Notes depends on the occurrence of a Step-up Event. A Step-up Event occurs, if the Sustainability Performance Target is not met. The definition of Sustainability Performance Target may be inconsistent with investor requirements or expectations or other definitions relevant to renewable energy and/or greenhouse emissions and would be subject to change subject to our Sustainability-Linked Bond Framework. Although the Notes are designated as "sustainability-linked notes," investors should be aware that there is no commonly understood definition of this term and that the Notes may lack certain features contained in other similarly-designated debt securities. In addition, the definition of Sustainability Performance Target may be inconsistent with investor requirements or expectations or other definitions relevant to AER performance. We have not obtained any third-party analysis of such definitions. Further, our Sustainability Performance Target is based off certain historical baselines that have not, in turn, been independently verified or audited by a third-party.

Adverse environmental or social impacts may occur during the design, construction and operation of any investments the Issuer makes in furtherance of their targets or such investments may become controversial or criticized by activist groups or other stakeholders. Lastly, no event of default shall occur under the Notes, nor will the Issuer be required to repurchase or redeem such Notes, if the Issuer fails to meet the Sustainability Performance Target or if the Issuer fails to provide an Assurance Letter.

USE OF PROCEEDS

We estimate that the net proceeds from the Offering will amount to approximately €295.3 million, after payment of the estimated commissions and other expenses related to the Offering that are to be borne by the Issuer.

We will use the gross proceeds from the Offering to refinance the Existing Notes.

The following table sets forth the expected sources and uses of funds (*pro forma*) by the Issuer in connection with the Offering (all amounts shown are principal amounts).

Sources of Funds	*in € million*	**Uses of Funds**	*in € million*
Notes offered hereby[1]	300.0	Refinancing of Existing Notes[2]	311.2
Cash on balance sheet	15.9	Estimated fees and expenses[3]	4.7
Total Sources	**315.9**	**Total Uses**	**315.9**

(1) Reflects the expected gross proceeds from the issuance of the Notes, assuming the Notes are issued at par.

(2) Represents the redemption of an aggregate principal amount of €300.0 million of the Existing Notes at a price of 102.5625% (totaling €7.7 million), plus accrued interest thereon from the last interest payment date prior to the redemption date (January 15, 2021) up to (but not including) the currently expected redemption date (April 7, 2021) (totaling €3.5 million).

(3) Represents our estimate of fees and expenses in connection with or otherwise related to the Offering, including underwriting fees, professional and legal fees, financial advisory and other transaction costs. Actual fees and expenses may differ.

CAPITALIZATION

The following table sets forth our *pro forma* consolidated cash and cash equivalents and our *pro forma* capitalization as of December 31, 2020, adjusted to give effect to the Offering and the application of the use of proceeds therefrom, as if the Offering and the application of the use of proceeds therefrom had occurred on December 31, 2020.

This table should be read in conjunction with "*Use of Proceeds*," "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*," "*Description of Certain Financing Arrangements*," the Audited Consolidated Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since December 31, 2020.

	As of December 31, 2020[1]	
	Actual[1]	As Adjusted
	(in € million) **(unaudited)**	
Cash and cash equivalents[2]	**681.3**	**665.4**
Notes offered hereby[3]	—	295.3
Existing Notes	306.0	—
Liabilities to banks[4]	2,533.5	2,533.5
Corporate	133.6	133.6
Vessel secured	970.4	970.4
Ballindamm Financing	73.7	73.7
Vessel capital lease	350.7	350.7
Container capital lease	995.5	995.5
Accrued interest	9.5	9.5
Other financial debt[5]	896.4	896.4
Vessel capital lease	715.0	715.0
Container capital lease	170.0	170.0
Other debt[6]	10.3	10.3
Accrued interest	1.1	1.1
Lease liabilities	1,400.3	1,400.3
Total financial debt and lease liabilities	**5,136.2**	**5,125.4**
Subscribed Capital	175.8	175.8
Capital reserves	2,637.4	2,637.4
Earned consolidated equity	4,159.9	4,129.5
Cumulative other equity	(265.8)	(265.8)
Equity attributable to the shareholders of Hapag-Lloyd AG	**6,707.2**	**6,676.9**
Non-controlling interest	15.5	15.5
Total Capitalization	**11,858.9**	**11,817.9**

(1) Unless otherwise indicated, euro equivalents of U.S. dollar amounts are translated at an exchange rate of US$1.2276 = €1.00, which is the exchange rate used for our balance sheet as of December 31, 2020. This exchange rate differs from the exchange rate as reported by Bloomberg on December 31, 2020. The Bloomberg Composite Rate of the euro on December 31, 2020 was US$1.2216 = €1.00.

(2) The adjusted amount does not reflect the payment of €7.1 million accrued interest as of December 31, 2020 with respect to the Existing Notes due on January 15, 2021. The adjusted amount also does not reflect the announced ordinary dividend payment for the financial year 2020, which is subject to the approval of the general shareholders' meeting currently scheduled for May 28, 2021, in an expected amount of €615.2 million and which is expected to be funded from available liquidity reserves (consisting of cash, cash equivalents and unused credit facilities) which, as of December 31, 2020, amounted to €1.2 billion.

(3) The adjustments reflect the aggregate principal amount of the Notes after payment of estimated commissions and expenses relating to the Offering. We intend to use the gross proceeds from the issuance of the Notes as set out in "*Use of Proceeds.*"

(4) For a description of the liabilities to banks, see "*Description of Certain Financing Arrangements.*"

(5) For a description of our other financial debt, see "*Description of Certain Financing Arrangements.*"

(6) Other debt includes liabilities to non-fully consolidated companies and purchase price deferrals of acquired subsidiaries.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The following tables presents our selected financial information and should be read in conjunction with our audited consolidated financial statements as of and for the financial years ended December 31, 2020, and 2019 (including comparative figures for the financial year ended December 31, 2018), which are reproduced elsewhere in this Offering Memorandum and the section entitled "Management's Discussion and Analysis of Financial Conditions and Results of Operations." The summary financial information provided below was primarily derived from the Audited Consolidated Financial Statements. These financial statements were prepared in accordance with IFRS. Our published consolidated financial statements as of and for the financial years ended December 31, 2020 and 2019 (including comparative figures for the financial year ended December 31, 2018) were audited by KPMG which issued an unqualified audit opinion for each financial year. The information below is not necessarily indicative of the results of future operations.

Key Figures from Our Consolidated Income Statement Information

	For the financial year ended December 31,		
	2018(*)	**2019**	**2020**
		(in € million) **(audited)**	
Revenue	11,617.5	12,607.9	12,772.4
Transport expenses[(1)]	9,586.4	9,707.0	9,140.2
Personnel expenses	645.0	682.5	683.0
Depreciation, amortization and impairment	695.1	1,174.4	1,385.2
Other operating result	(290.9)	(268.8)	(279.7)
Operating result	**400.1**	**775.2**	**1,284.4**
Share of profit of equity-accounted investees	30.7	35.5	32.1
Result from investments and securities	12.7	0.7	(1.2)
Earnings before interest and income taxes (EBIT)	**443.5**	**811.4**	**1,315.2**
Interest income and similar income	15.8	12.2	17.0
Interest expenses and similar expenses	381.0	408.9	347.5
Other financial items	(0.5)	1.6	(3.5)
Earnings before income taxes	**77.8**	**416.3**	**981.3**
Income taxes	31.8	42.9	45.8
Profit/loss	**46.0**	**373.4**	**935.4**

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

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

	For the financial year ended December 31,		
	2018(*)	**2019**	**2020**
		(in € million) **(audited)**	
Transport expenses for finished voyages	9,565.8	9,721.1	9,089.6
Thereof:			
Bunker	1,585.3	1,625.6	1,407.3
Handling & haulage	4,744.0	4,922.7	4,716.7
Equipment and repositioning	1,229.8	1,205.0	1,134.7
Vessel & voyage (excluding bunker)	2,006.6	1,967.8	1,830.8
Change in transport expenses for pending voyages(**)	20.6	(14.0)	50.6
Transport expenses	**9,586.4**	**9,707.0**	**9,140.2**

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

(**) The amounts shown as transportation expenses for unfinished voyages represent the difference between the expenses for unfinished voyages in the current period and the expenses for unfinished voyages in the previous period. For example, the transportation expenses for unfinished voyages recorded in the financial year 2018 are shown in the financial year 2019 as transportation expenses for finished voyages within the expense items bunker, handling & haulage, equipment and repositioning as well as vessel & voyages (excluding bunker).

Our Consolidated Balance Sheet Information

	As of December 31,		
	2018[*]	2019	2020
	(in € million) (audited, except as noted)		
Property, plant and equipment	9,119.7	10,064.9	9,300.6
Non-current assets	**12,845.0**	**13,811.8**	**12,633.0**
Cash and cash equivalents	657.1	511.6	681.3
Current assets	**2,456.3**	**2,388.6**	**2,551.2**
Total assets	**15,301.3**	**16,200.4**	**15,184.3**
Equity	6,259.3	6,620.6	6,722.7
Non-current liabilities	5,665.3	5,586.2	4,668.7
Current liabilities	3,376.7	3,993.6	3,792.9
Total equity and liabilities	**15,301.3**	**16,200.4**	**15,184.3**
Working capital[(1)]	(318.3)	(291.1)	(213.2)
Financial debt and lease liabilities	6,017.9	6,397.2	5,136.2

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

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

	As of December 31,		
	2018	2019	2020
	(in € million) (audited, except as noted)		
Inventories	238.1	248.5	172.3
Trade accounts receivable	1,217.7	1,239.8	1,362.6
Trade accounts payable	(1,774.1)	(1,779.4)	(1,748.1)
Working Capital (unaudited)	**(318.3)**	**(291.1)**	**(213.2)**

Key figures from Our Consolidated Cash Flow Statement Information

	For the financial year ended December 31,		
	2018[*]	2019	2020
	(in € million) (audited)		
Cash and cash equivalents at the beginning of period	**604.9**	**657.1**	**511.6**
Cash inflow/(outflow) from operating activities	1,072.9	2,028.2	2,897.9
Cash inflow/(outflow) from investing activities	(104.3)	(369.5)	(477.6)
Cash inflow/(outflow) from financing activities	(945.6)	(1,817.6)	(2,192.1)
Net change in cash and cash equivalents	**23.0**	**(158.9)**	**228.2**
Cash and cash equivalents at the end of period[(1)]	**657.1**	**511.6**	**681.3**

(*) Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

*Investors should read the following discussion in conjunction with the sections entitled "Presentation of Financial and Other Information," "Selected Consolidated Financial and Other Information" as well as with the Audited Consolidated Financial Statements including the notes thereto in "Index to Financial Information" of this Offering Memorandum. Hapag-Lloyd AG has published consolidated financial statements for the Hapag-Lloyd Group for the financial year 2020 and the financial year 2019 (including comparative figures for the financial year 2018) (the "**Reporting Period**").*

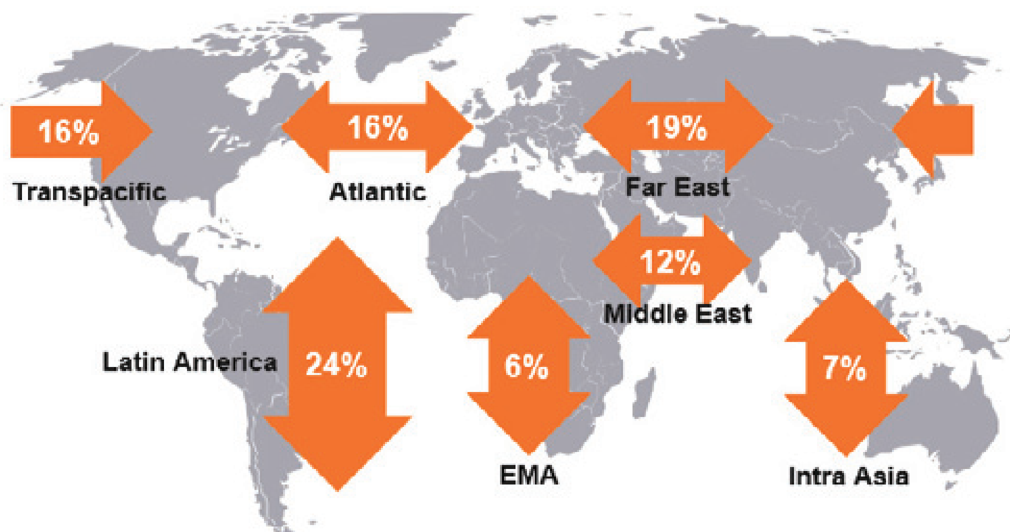
The following discussion includes forward-looking statements which, although based on assumptions that we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. For a discussion of some of those risks and uncertainties please refer to "Forward-Looking Statements" and "Risk Factors."

Overview

We are a leading global container liner shipping company. Measured by the capacity of our fleet, we are the fifth largest container shipping line in the world (*source*: MDS Transmodal, January 2021). We offer our customers a comprehensive range of services through an extensive network of 125 liner services worldwide, combined with the support of strong local presence with around 395 sales offices (including agents) in 129 countries as of December 31, 2020. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet our customers' transport service requirements.

We aim to maintain a well-balanced portfolio of trades distributed among our main markets. We have a strong presence, *inter alia*, in the Latin American and the Atlantic (Europe-North America) trade as well as in the Far East (Europe-Asia) and Transpacific (Asia-North America) trades. In addition, the Middle East and EMA trades as well as the Intra-Asia trade contribute to our overall transport volume. Our extended service network ensures that we are well positioned to benefit from an increase in trade flows around the globe. We have a strong position both in the high-volume East-West trades, which accounted for 63% of our total transport volume in the financial year ended December 31, 2019 (Atlantic, Transpacific, Far East and Middle East represented 16%, 16%, 19% and 12%, respectively) and in our other trades, which accounted for 37% of our total transport volumes during the same period (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively). In the financial year ended December 31, 2020, our East-West trades accounted for 63% (Atlantic, Transpacific, Far East and Middle East represented 15%, 16%, 19% and 12%, respectively) and our North-South trades represented 37% (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively) of our total transport volume for the period.

The chart below shows the Hapag-Lloyd Group's transport volumes by trade for the financial year ended December 31, 2020.



Our fleet is the fifth largest container ship fleet globally (*source*: MDS Transmodal, January 2021). As of December 31, 2020, we had a fleet of 237 container ships with a total transport capacity of 1.7 million TEU (TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot, or 6.05 m, x 8 foot or 2.43 m, x 8 foot 6 inches or 2.59 m), the standard unit of measurement of volume used in the container shipping industry), of which we owned 112 (including long-term leases) and chartered 125 vessels. As of December 31, 2020, the corresponding fleet capacity of owned and chartered vessels stood at 1.05 million TEU and 0.67 million TEU, respectively. Furthermore, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023. As of the date of this Offering Memorandum, we are in advanced negotiations to place orders for three new container vessels, each with a capacity of approximately 13,300 TEU, which would be expected to be delivered between August 2022 and March 2023, and furthermore, to lease three vessels, each with a capacity of approximately 13,300 TEU, on a long-term basis, the leases of which would be expected to commence between October 2022 and May 2023. Subject to the outcome of the respective negotiations, we will enter into any or all of the aforementioned transactions in the near future.

As of December 31, 2020, we managed a fleet of 1.6 million containers with a total transport capacity of 2.7 million TEU, approximately 55% of which we owned with the remainder being rented.

In May 2016, we announced the founding of THE Alliance, which became our new main shipping alliance as of April 2017 and replaced our previous alliance, the G6 Alliance, entirely. Besides us, THE Alliance consists of ONE (Singapore) (jointly owned by K Line, MOL and NYK), Yang Ming (Taiwan) and, as of April 1, 2020, the South Korean liner shipping company HMM. In addition, we maintain cooperation arrangements with other carriers.

Arrangements, such as THE Alliance and other cooperation arrangements, allow us to optimize fleet utilization by sharing vessels and to provide a range and geographic scope of network services that would not be possible if we relied solely on our own fleet of vessels. Our ability to coordinate our route planning with our partners enables us to use capacity more efficiently and benefit from cost savings and lower capital expenditures. In addition, we have entered into a cooperation arrangement with ONE, HMM and MSC, offering new products between Asia and the western and eastern coasts of Latin America. This reflects our ongoing efforts to further strengthen our global coverage of trades, expand our product offering (*e.g.*, reefer products) between Asia and the West and the East coast of Latin America and enhance our cost and operational efficiency.

We have entered into contractual arrangements to use terminal facilities in each of the ports called by our fleet and have strategic shareholdings in a container terminal in Hamburg, Germany. We currently own a 25.1% interest in CTA in the Port of Hamburg, which we believe is one of the most modern container terminal facilities in the world. In addition, in 2019, we acquired a 10% stake in the Container Terminal 3 ("**TC3**") of Port Tanger Med 2, which was commissioned at the beginning of 2021. Located in Morocco on the Strait of Gibraltar, this is a port strategically important for global container traffic and we believe that TC3 may enable us to further expand our global network and strengthen our position in the trending African market.

The Hapag-Lloyd Group is headquartered in Hamburg, Germany. As of December 31, 2020, we had 13,117 total employees worldwide. In the financial year ended December 31, 2020, we generated revenue of €12,772.4 million (2019: €12,607.9 million; 2018: €11,617.5 million), and EBITDA of €2,700.4 million (2019: €1,985.8 million; 2018: €1,138.6 million).

Factors Affecting Our Results of Operations

Our results of operations during the Reporting Period have been primarily affected by the following factors.

COVID-19

The financial year ending December 31, 2020 was significantly affected and characterized by the outbreak and global spread of the COVID-19 pandemic. An abrupt and significant reduction in container transport demand in the second quarter of 2020 was followed by a noticeable recovery during the second half of 2020, which continued into the beginning of 2021.

Political measures implemented globally in an effort to respond to and counteract the COVID-19 pandemic had a significant adverse effect on our ability to maintain business operations. In order to assess and adequately respond to such measures, we established a central crisis committee, led by our executive board, at the beginning of March 2020. The crisis committee was, and continues to be, tasked with the continuous assessment of global COVID-19 related developments and the implementation of adequate response measures. Among others, in order to ensure the safety of our off-shore and on-shore employees as well as the continuation of our business operations, emergency and business continuity plans were drawn up for our various departments and offices.

Despite the effectuation of comprehensive protective measures and extensive office closures, our range of COVID-19 response measures enabled us to largely maintain our business operations. As a result of the expedient creation of additional IT capacities worldwide, at the peak of restrictions, more than 90% of our shore-based employees were working remotely. In order to maintain the safety of our off-shore employees, additional safety measures were put in place on board our vessel fleet. Ultimately, shipping operations largely continued without significant disruptions. However, worldwide and local travel restrictions continue to complicate and, in part, prevent, crew changes. We are working closely with local authorities and other market participants to improve crew change procedures during the COVID-19 pandemic.

In addition to securing the continuation of business operations, we focused to counteract negative effects of a decline in transport demand as a result of the COVID-19 pandemic and to ensure our financial strength. Among others, in an effort to safeguard our profitability and liquidity, we developed and implemented the Performance Safeguarding Program ("**PSP**"). Among others, the PSP included measures to realize cost savings, an investment review and measures to increase the liquidity framework.

In cooperation with our THE Alliance partners, in response to the COVID-19 pandemic, the service network for the major East-West Routes had been revised and individual services had been temporarily merged or terminated. These measures enabled us and other members of THE Alliance to ensure adequate utilization of our ships and ultimately save costs. Following a double-digit percentage decrease in container transport demand during the second quarter of 2020, demand has significantly increased during the second half of 2020 and continued to be at a higher-than-normal level at the beginning of 2021. Simultaneously, we identified additional cost-cutting measures within the PSP to reduce costs related to container handling and transport, equipment (in particular containers), vessel systems and overhead costs. The temporary decrease in charter vessel pricing in the second quarter of 2020 was used opportunistically to renegotiate charter contracts, in particular by adjusting lease durations and adjacent conditions. Due to catch-up effects, beginning in the fourth quarter of 2020 and carrying over into the beginning of 2021, charter rates increased significantly since and charter durations extended towards medium-term or long-term basis.

With the PSP, we significantly increased our liquidity base through the extended use of a program to securitize trade accounts, the drawing of credit lines and the refinancing of vessels and containers. Additionally, the investment budget was continuously reviewed and planned investments prioritized. As a result of the unforeseeable increase in transport demand following market deterioration in the second quarter of 2020, liquidity was slightly reduced in the second half of 2020 in order to prepay liabilities. As of December 31, 2020, we had liquidity reserves (consisting of cash, cash equivalents and unused credit facilities) of €1.2 billion, compared to €1.0 billion as of December 31, 2019.

See "*—Efficiency Improvement and Cost Saving Initiatives—Performance Safeguarding Program (PSP).*"

Transport Volume and Freight Rates

Cyclical Nature of Freight Rates

The container shipping industry is cyclical in nature as freight rates are highly dependent on the balance between demand for container shipping services and the supply of vessel and container capacity. To the extent that the supply-demand balance shifts, freight rates are subject to volatility. The demand for container shipping services is primarily driven by global and regional economic growth, geopolitical events (such as Brexit and the trade dispute between the United States of America and China), the shift in manufacturing from high-cost developed countries in North America, Europe and Japan to low-cost countries predominantly in Asia, including China and India, and changes in the

regulatory regimes affecting shipping as well as extraordinary events (such as the COVID-19 pandemic). Changes in the demand for container shipping services (including in our main markets in the Americas, Asia and Europe) are difficult to predict and are generally beyond our control. The global supply of vessel and container capacity is determined by the number and size of container ships in the world (including the charter market), their deployment into trades, the delivery of new ships, which typically involves considerable lead time, the conversion of container ships to other uses and the scrapping of older ships as well as the availability of containers, all of which are also generally beyond our control.

Container shipping freight rates on different services and directions of transport are subject to varying levels of volatility, primarily driven by the perception of market participants as to the balance between the demand for container shipping services and the global and regional supply of vessel and container capacity. Historically, freight rates on the Atlantic trade were more stable compared to those on other trades, with freight rates on the Transpacific and the Far East trades showing the highest levels of volatility. Structural constraints limit the ability of carriers, including us, to quickly redeploy vessels from one trade to another in response to fluctuations in freight rates.

In the financial year ended December 31, 2020, our average freight rate increased by US$43, or 4.0%, to US$1,115 per TEU compared to US$1,072 per TEU for the financial year ended December 31, 2019, mainly due to an increase in demand for consumer goods from Asia in light of the COVID-19 pandemic, particularly towards the end of the financial year 2020. The unexpectedly strong demand for container transport on the trades Transpacific and Far East resulted in an increase in spot rates for export goods from Asia (in particular from China), which also continued for the beginning of 2021.

Our average freight rate for the financial year ended December 31, 2019 increased by US$28 or 2.7% to US$1,072 per TEU, as compared to our average freight rate of US$1,044 per TEU for the financial year ended December 31, 2018. The reason for the year-on-year increase was primarily the decision to focus on profitable services and active revenue management across all trades.

Transport Volumes

In the financial year ended December 31, 2020, we experienced a decrease in transport volume by 1.6% to 11,838 TTEU from 12,037 TTEU in the financial year ended December 31, 2019 due to the economic consequences of the political implications of the COVID-19 pandemic and the decline in the world economy. Due to the outbreak and spread of COVID-19 and the resulting suspension of services, transport volumes on almost all trades decreased in the financial year ended December 31, 2020.

Although the second quarter in particular, was characterized by a sharp decline in global economic activity and transport volumes, transport demand increased in the financial year ended December 31, 2020, from the third quarter onwards at a higher-than-expected rate. In addition to a gradual recovery of the global economic activity, transport volumes increased, mainly as a result of an increase in demand for consumer goods from Asia in light of the COVID-19 pandemic. During the first and the fourth quarter of the financial year ended December 31, 2020, transport volumes increased by 4.3% and 3.8%, respectively, over the prior-year periods.

We experienced an increase of our transport volume of 1.4% to 12,037 TTEU in the financial year ended December 31, 2019 compared to 11,874 TTEU in the financial year ended December 31, 2018.

The continued strength of the domestic economy in the United States enabled a moderate year-on-year increase in 2019 in the transport volume on the Atlantic trade. On the Far East trade, the year-on-year rise in 2019 was due to a rising market growth and increased vessel capacity. At the same time, the transport volume on the EMA trade grew significantly as a result of the introduction of new services in the financial year ended December 31, 2019. The decrease in the transport volume in 2019 on the Transpacific trade was largely due to the trade dispute between the United States and China. By contrast, the decline in the transport volume on the Intra-Asia trade was the result of a strategic decision to actively reduce the transport capacity on this trade and focus on profitable services instead. Adjusted for the Intra-Asia trade, transport volume grew by 2.8% in 2019.

In 2019 in particular, global transport volume growth has slowed down to 2.8%, which is in part attributable to an overall slower global economic growth. According to IMF, global GDP grew by 2.8% in 2019, the lowest growth rate since the financial crisis in 2009. In addition, the trade dispute between the USA and China negatively affected container traffic volumes. Transpacific eastbound market volumes declined by 2.6%, the first drop in years, while all other major trade lanes were able to record

at least slow or modest growth (*source*: World Liner Data Ltd / Container Trades Statistics Ltd)). The Transpacific eastbound market recovered in 2020, its transport volume grew by 7.3%, mainly as a result of an increase in demand for consumer goods from Asia in light of the COVID-19 pandemic (*source*: World Liner Data Ltd / Container Trades Statistics Ltd).

See "*—Results of Operations*" for a more detailed discussion on trade development and "*—Industry and Market Data*" for more detailed discussion of the overall development in transport volumes and freight rates. In addition, the International Maritime Organization ("**IMO**") has introduced a new marine fuel regulation, which limit the sulfur emissions caused by marine fuels from previously 3.5% to 0.5% sulfur as of January 1, 2020 which has affected our average freight rate. See "*Industry and Market Data—Technology and Regulatory Trends—New Marine Fuel Regulation (IMO 2020).*"

Seasonality

Historically, we experienced seasonal fluctuations in transport volume and freight rates. These fluctuations were largely due to the increased demand for container shipping services in the second and, in particular, third quarters of the year (so-called "peak season") in advance of the festive season in Western countries. In general, the first and fourth quarters generally show lower transport volumes due to a decrease in consumer spending in Western countries after the holidays and reduced manufacturing activities in China and Southeast Asia due to the Chinese New Year celebrations. As a result of these seasonal fluctuations, our revenue and cash flows from operations were not, and in the future may not, be evenly generated throughout the year, also depending on the freight rate and bunker price development. In addition, due to an increase in demand for consumer goods in light of the COVID-19 pandemic at the end of the financial year 2020, the first quarter of 2021 unexpectedly experienced a strong demand for container transport. Unlike in previous years, a large proportion of the 2021 earnings are therefore expected to already be generated in the first one or two quarters of the year.

Pricing Structure

The price that we are willing to offer to a potential customer depends on the customer's transport volumes, the type of cargo, the service needed (*e.g.*, port-to-port or door-to-door), our available capacity on the applicable services (which could be impacted by container shortage or port concessions) as well as the trade imbalance related to the flow of our containers. Our contracts or agreements with customers are generally valid for up to one year. During the term of a contract, the freight rates are usually fixed.

The freight rate that we charge our customers is largely based on a five-part tariff. The five-part tariff splits the overall rate into the following components:

- Pre-carriage: shipment of container from the customer's chosen (inland) location to a maritime port (pre-carriage transportation).
- Origin terminal handling charge: loading and handling of container to the vessel.
- Sea freight: shipping of containers from base port to base port. Sea freight varies by commodity, trade and direction of shipment, or types of containers, such as reefers (refrigerated containers).
- Destination terminal handling charge: discharge of container from the vessel.
- On-carriage: transport of container to the customer's or consignee's required (inland) destination (on-carriage transportation).

In addition to the five-part tariff, surcharges and adjustment factors are negotiated with our customers. They account for fluctuations in bunker fuel rates and currency exchange rates as well as for peak season shipments, shipments through heavily congested ports, and other extraordinary factors. In 2019, revenue management focused on the implementation of the new standardized and transparent marine fuel recovery (MFR) surcharge in preparation for the rising bunker costs as a result of the IMO new exhaust gas regulations which came into effect on January 1, 2020. In 2020, revenue management focused on launching new products to our customers (such as a shipping guarantee product) as a response to the COVID-19 pandemic. Additionally, revenue management improved internal systems for improving revenue generating activities, including by improvements to our cargo mixing optimization

tool, our customer feedback tool and quotations to booking processes. Separately, some customers are charged on the basis of a fixed all-in rate that is not split into components.

Our ability to achieve profitable freight rates depends largely on general market conditions on a particular trade route, on the perceptions of market participants with regard to the level of structural imbalance between the dominant and non-dominant legs and on the service offered. Typically, the freight rates for special and individualized services are comparatively higher and we negotiate, on an ad hoc basis, cargo-specific charges related to shipments of hazardous cargo, shipments requiring special equipment (such as reefers) or overweight or oversized containers requiring special handling. We generally have greater pricing power on the dominant legs of a trade than on the non-dominant legs. See "*Our Business—Our Strengths—Highly diversified and solid customer base with long-term and close customer relationships based on operational excellence and technological know-how that allows for better imbalance management.*"

Foreign Exchange Rate Exposure

The international container shipping business operates in an environment in which the U.S. dollar prevails as the principal currency for pricing. This holds true both for operations and also for capital commitments, since vessel and container financing arrangements are usually U.S. dollar denominated and vessels and containers are principally purchased in U.S. dollars, including those vessels financed under long-term leases or other similar arrangements.

The functional currency of Hapag-Lloyd AG and most of its subsidiaries for accounting purposes is the U.S. dollar. Given that we operate on a worldwide basis, we are exposed to currency exchange rate fluctuations as a result of differences in the currency mix of our revenue and transport and other expenses. For example, average revenue per TEU will be impacted by currency fluctuation as not all of our revenue is priced in U.S. dollars.

In particular, we incur higher expenses in euro as compared to the revenue we generate in euro. We have a significant net exposure to the euro and currencies linked to the euro. This imbalance has and may continue to negatively impact our results of operations when the euro appreciates against the U.S. dollar.

Key risks arising from exchange rate fluctuations are monitored on an ongoing basis. The major foreign currency risk exposure of the Hapag-Lloyd Group relates to its euro cost exposure. To limit the risks of changes in exchange rates, hedging transactions can be carried out. As of December 31, 2020, this related to hedging the EUR/US$ risks of Hapag-Lloyd AG's financial debt denominated in euro.

In addition to the U.S. dollar and the euro, the Chinese renminbi (CNY), Hong Kong-Dollar (HKD), Canadian Dollar (CAD), Singapore-Dollar (SGD) and Indian rupee (INR) are also significant currencies.

To the extent the proportion of revenue denominated in U.S. dollars, or euro, differs from the proportion of operating expenses denominated in U.S. dollars, or euro, our operating results are subject to foreign exchange risk. At present, we incur a greater proportion of our operating expenses denominated in euro compared to the proportion of our revenue denominated in euro and, as such, we are particularly sensitive to increases in the value of the euro. Depending on the forecasted euro cash-flows, the hedging policy applied by the Hapag-Lloyd Group allows hedging of up to 80% of its exposure to euro denominated expenses. In 2020, no hedging for transaction risk from operations was performed.

In addition, some of our financing arrangements are denominated in euro. The repayment amounts of euro-denominated financial debt are therefore currently hedged 100% against fluctuations of euro against the U.S. dollar.

At each reporting date, monetary items (such as cash, financial debt, trade accounts receivable, trade accounts payable and provisions for pensions and similar obligations) denominated in currencies other than the U.S. dollar are translated at the closing rate, while non-monetary items are translated at their historical rate for purposes of Hapag-Lloyd AG's financial statements. Any differences arising during translation are recognized through profit or loss. Exceptions are changes in the value of derivative financial instruments that are designated as qualified cash flow hedges.

Hapag-Lloyd AG reports its consolidated financial statements in euro. For reporting purposes, our assets and liabilities are translated into euro at the exchange rate applicable as of the balance sheet data

(closing rate). Expenses, income and earnings are translated at the average exchange rate for the Reporting Period. Any resulting exchange differences are directly recognized in equity as other comprehensive income and do not affect our profit or loss. The foreign exchange rate risk arising from this translation is not hedged.

Fluctuations in Bunker Fuel Rates

The cost of marine or bunker fuel (fuel used aboard ships) is one of our significant operating costs, equal to approximately 11.0%, 12.9% and 13.6% of our revenue for the financial year ended December 31, 2020, for the financial year ended December 31, 2019 and for the financial year ended December 31, 2018, respectively. The price of marine or bunker fuel fluctuates largely in line with crude oil prices, which are subject to a number of economic and political factors. Crude Oil Brent sold for US$51.80 per barrel, US$66.00 per barrel and US$54.63 per barrel as of December 31, 2020, 2019 and 2018, respectively.

During 2020, and particularly during the first half of 2020, bunker prices were highly volatile. On January 2, 2020, the IMO 2020 compliant low sulfur bunker was sold for approximately US$560 per tonne (MFO 0.5%, FOB Rotterdam). Due to a global decline in demand, as a result of the COVID-19 pandemic, and a sharp decrease in the price of oil as a result of a dispute about production volumes among leading oil-producing countries, bunker prices decreased significantly during the first half of 2020. Low sulfur bunker prices reached its lowest at the end of April 2020, when it was sold for approximately US$135 per tonne (MFO 0.5%, FOB Rotterdam). However, bunker prices increased in the course of the year and, during the second half of 2020, low sulfur bunker remained relatively stable at around US$300 per tonne (MFO 0.5%, FOB Rotterdam). At the end of 2020, low sulfur bunker was sold for approximately US$367 per tonne (MFO 0.5%, FOB Rotterdam).

As a result of the introduction of the new fuel types and a fluctuation of supply, bunker prices for MFO 0.5% additionally varied across different ports and regions in 2020. For example, in Singapore, low sulfur bunker (MFO 0.5%) was sold at the beginning of 2020 for approximately US$700 per tonne, approximately US$140 higher than in Rotterdam. Over the course of the year, price differences stabilized and, at the end of the year, were around US$20 higher per tonne in Singapore, compared to Rotterdam.

As of December 31, 2020, MFO 3.5%, FOB Rotterdam was quoted at approximately US$282 per metric tonne, up from a quoted price of approximately US$246 per metric tonne on January 2, 2020.

Overall, our average bunker consumption price (total bunker cost divided by total consumption in tonnes) in the financial year 2020 amounted to US$379 per tonne, a decrease of US$37 per tonne compared to the prior year period's figure of US$416 per tonne. While volumes transported fell by 1.6%, we saw a disproportionately large reduction in absolute bunker consumption compared to 2019. Absolute bunker consumption fell by 6.1% in the 2020 financial year, to 4,108,666 tonnes. Bunker consumption per volume transported therefore decreased from 0.36 t/TEU in the previous year to 0.35 t/TEU.

For the financial year 2019, our average bunker consumption price (total bunker cost divided by total consumption in tonnes) amounted to US$416 per tonne, a decrease of US$5 per tonne compared to the prior year period's figure of US$421 per tonne.

We seek to pass fluctuations in bunker fuel prices on to customers through bunker fuel price adjustment factors (*e.g.* MFR) that are negotiated in our customer contracts. However, the degree to which these costs can be passed on and the related implementation depends on existing market conditions. In order to mitigate the risk of increased bunker fuel prices, and to the extent commercially reasonable, we may hedge up to approximately 80% of our anticipated bunker fuel consumption on a rolling twelve-month basis. As of December 31, 2020, approximately 5% of our anticipated bunker fuel consumption for 2021 was hedged (compared to approximately 20% as of December 31, 2019 for 2020 and compared to approximately 21% as of December 31, 2018 for 2019).

Management of Vessel and Container Capacity

Our container shipping revenue is largely the product of market-determined base freight rates and transport volumes over which we have relatively limited control. Accordingly, our profitability depends largely on our ability to identify profitable business and services, maintain and further improve our productivity and effectively manage the cost of transportation and materials and other

operating costs, in particular, in respect of the positioning and transport of containers and the coordination of third-party services, such as inland transportation services.

We rely on our global information technology systems, which integrate operational and financial information throughout our organization, to maintain and increase our profitability and to manage the challenges posed by global trade imbalances and inland transportation costs. These systems have put us in a position to increase our shipping volumes while maintaining stable headcount levels. Furthermore, our information technology systems enable us to better forecast and manage changes in the global trade imbalances that characterize and affect the container shipping industry. This allows us to optimize empty container repositioning and thus considerably reduces our repositioning costs. See "*Our Business—Information Technology*."

As is customary in the container shipping industry, to meet the demand for container shipping services from our customers, we rely on a combination of owned vessels and containers and chartered and leased vessels and leased containers. We seek to optimize the mix of owned, long-term chartered and leased and short-and mid-term chartered vessels and containers to maintain a stable base capacity and to be able to obtain additional capacity in response to demand peaks.

Our ratio of owned and long-term chartered vessels reduces our exposure to short-term charter rates and increases the stability of our costs. On the other hand, short-term charters provide us with flexibility to adjust our capacity rapidly in response to changes in demand, as implemented in the first half of 2020. Since short-term charter rates, in particular, tend to fluctuate significantly in response to supply and demand in the market, we are generally only able to add additional short-term capacity in periods of peak demand at higher charter rates. The effect of changes in charter rates on our operating costs tends to lag behind the movements in charter rates as charter contracts are typically entered into fixed rates for specified periods of time with options for renewal at agreed prices.

As of December 31, 2020, our entire fleet consisted of 237 container vessels, of which we owned 112 (including long-term leases) and chartered 125. Furthermore, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023. As of the date of this Offering Memorandum, we are in advanced negotiations to place orders for three new container vessels, each with a capacity of approximately 13,500 TEU, which would be expected to be delivered between August 2022 and March 2023, and furthermore, to charter three vessels, each with a capacity of approximately 13,500 TEU, on a long-term basis, the charters of which would be expected to commence between October 2022 and May 2023. Subject to the outcome of the respective negotiations, we will enter into any or all of the aforementioned transactions in the near future.

As of December 31, 2020, we managed a fleet of 1.6 million containers with a total transport capacity of 2.7 million TEU, of which we owned 55% (on a capacity-weighted average) and leased or rented the remaining part.

Efficiency Improvement and Cost Saving Initiatives

Synergy, Cost Saving and Efficiency Initiatives

With the announcement of our Strategy 2023, we implemented cost savings initiatives with a potential to yield total savings of up to US$350-400 million compared to the cost base of the financial year 2017. These long-term initiatives are further complemented by the PSP as a short-term initiative implemented in response to COVID-19, as a result of which we achieved savings of approximately US$500 million in the financial year 2020 (see "*—Performance Safeguarding Program (PSP)*").

The UASC Business Combination

It was planned that the synergies from the UASC Business Combination would contribute approximately US$435 million per annum from the 2019 financial year onwards, whereas we expected to achieve approximately 90% of the synergies by the end of the financial year 2018. The synergies were already achieved in full by December 31, 2018. A significant step in the operational integration was the incorporation of all UASC services into the Hapag-Lloyd Group's existing IT system (voyage cut-over). One-off expenses of approximately US$110 million were incurred up until December 31, 2018 from the transaction and implementation of the UASC Business Combination (thereof approximately US$6 million in 2018). No further significant expenses were incurred in relation to the integration of UASC.

Performance Safeguarding Program (PSP)

In response to the expected economic downturn due to COVID-19, we launched the PSP in April 2020 with a clear focus on short-term measures within 2020. Ongoing efforts were bundled in a comprehensive project approach based on four building blocks:

- Cost saving measures (reduce cost across categories, stabilize result);
- Investment prioritization (reduce capex (vessel, container, other), optimize leasing/charter portfolio);
- Financial contingency (focus on working capital, enhance financing levers, keep cash); and
- Government support (subsidies (*e.g.* labor related), guarantees, liquidity support, tax benefits).

The PSP enabled us to reduce transport and overhead cost, implement measures to increase available liquidity and realize cost savings of approximately US$500 million in the financial year 2020.

Strategic Participation in Container Ship Terminals

We have a strategic shareholding in two container shipping terminals. We currently own a 25.1% interest in CTA. CTA is included in the Audited Consolidated Financial Statements of Hapag-Lloyd AG and is accounted for under the equity method from the date of acquisition. With respect to our shareholding in CTA in 2017, 2018 and 2019, we received dividends in an amount of €32.4 million, €28.8 million and €34.6 million in the financial years ended December 31, 2018, 2019 and 2020, respectively.

In addition, in 2019, we acquired a 10% stake in TC3 of Port Tanger Med 2, which was commissioned at the beginning of 2021 (and, accordingly, has not yet contributed to the reported earnings of Hapag-Lloyd in the Reporting Period). Located in Morocco on the Strait of Gibraltar, this is a port strategically important for global container traffic and we believe that TC3 may enable us to further expand our global network and strengthen our position in the trending African market.

Factors Affecting the Comparability of Financial Information

Restructuring of Trades

Following the integration of UASC, the allocation of trades were restructured to align it with the main markets of the Hapag-Lloyd Group post-UASC Business Combination. Seven separate trades are now reported: Atlantic, Transpacific, Far East, Latin America, Intra-Asia, EMA and the Middle East. Since the third quarter of 2019, transport volumes to and from Oceania have been re-assigned from EMA to the Far East trade. Due to organizational changes, the transport volumes to and from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since January 1, 2019.

First-Time Application of IFRS 16

As of January 1, 2019, we have applied the financial reporting standard IFRS 16 (Leases) for the first time in accordance with the modified retrospective approach, without making any adjustments for prior periods. The cumulative adjustment amounts as of January 1, 2019 were recognized in the retained earnings. The new regulations significantly affect Hapag-Lloyd as a lessee, in particular in terms of its recognition and measurement of rented and leased assets which were previously classified as operating leases. With the exception of short-term and low-value leases, for all of the leases where Hapag-Lloyd is a lessee, a rights of use for the leased assets and a liability for the payment obligations entered into is recognized at the respective present values in the consolidated statement of financial position. The associated expenses with a leased asset are reported as the depreciation of the rights of use recognized in property, plant and equipment and as interest expenses for the corresponding lease liabilities. Due to the first-time application of IFRS 16 "Leases" as at January 1, 2019, the presentation of Hapag-Lloyd's earnings, financial and net asset positions is only comparable with that of the corresponding prior year period to a limited degree. The figures for 2018 are presented in accordance with the provisions of IAS 17, under which an assets and a lease liability was recognized only when Hapag-Lloyd, as lessee, barred all of the substantial risks and rewards associated with the lease (so-called finance leases). All other lease payments for so-called operating leases were part of the operating expenses.

Adjustment in Structure of Consolidated Income Statement

We modified the structure of the consolidated income statement at the start of the 2019 financial year. Up until then, the structure was based on the principal types of expense, whereby the measurement effects from currency fluctuations were recognized in the respective income statement item. The new structure is based on a separate presentation of the individual components of service provision in the Hapag-Lloyd Group and separates operating effects from measurement effects.

Exchange rate-related gains and losses associated with operating business are reported under other operating result, while exchange rate-related gains and losses associated with income taxes are reported in the income taxes item. Where exchange rate-related gains and losses result from accounting for financial debt, from the current year onward, these are reported under other financial items.

The purpose of the change is to provide a more detailed information basis and to increase harmonization between the externally communicated income statement structure and internal management reporting. As the figures for 2018 were adjusted accordingly, these are fully comparable with 2019 figures.

Explanation of Profit and Loss Statement Items

Due to the adjustment of the structure of the consolidated income statement in 2019, the line items in the consolidated income statement have changed. The below are explanations of the line items as shown in the audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020.

Revenue

Revenue is primarily generated from the rendering of transport services plus various additional services. Our revenue consists primarily of transport revenue, including demurrage and detention, which represents payments by customers for containers not picked up or not returned on time, and, to a lesser extent, slot charter and other revenue. See "*—Critical Accounting Policies—Revenue Recognition*" for a discussion of our revenue recognition policies.

Transport Expenses

Transport expenses are separated into expenses for finished voyages (including expenses for (i) bunker; (ii) handling & haulage; (iii) equipment and repositioning; and (iv) vessel & voyage (excluding bunker)) and the change in transport expenses for pending voyages. In general, handling & haulage as well as bunker expenses consist mainly of variable cost components which are directly linked to the transported volume. In contrast, equipment and repositioning as well as vessel & voyage expenses include variable and fix cost components.

Personnel Expenses

Personnel expenses consist of wages and salaries as well as social security, pension costs and other benefits. Pension costs include, among other things, expenses for defined benefit pension obligations and defined contribution payments. Overall, personnel expenses are not directly linked to the transported volume and are mainly considered as fixed costs.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment includes depreciation of property, plant and equipment, amortization of intangible assets and impairment for intangible assets and property, plant and equipment. Costs of property, plant and equipment in use are depreciated on a straight-line basis over the estimated useful life of the assets. We depreciate our container ships based on an estimated useful life of 25 years. Dry dock work carried out to obtain an operating license (vessel classification costs) is depreciated as a separate component over a period of five years. The installation of exhaust gas cleaning systems (scrubbers) in vessels is also depreciated as a separate component based on their useful economic life of seven years. Our containers are depreciated based on an estimated useful life of 13 years. The amount of depreciation of container ships and containers is determined by the residual values expected at the end of the useful life of an asset.

As of January 1, 2019, depreciation, amortization and impairment also includes the depreciation of the right of use of leased assets. In accordance with IFRS 16, we apply the single accounting model. The single accounting model requires that all leased assets need to be recognized in the statement of financial position as right of use unless (in each case an option) (i) the lease term is 12 months or less, or (ii) the underlying asset has a low value. The right of use will be measured at the beginning at cost of acquisition. The subsequent measurement occurs at cost of acquisition less cumulative depreciation, amortization, impairment and certain remeasurements of the lease liability due to modifications. Thus, the comparability to prior years is limited.

Intangible assets that can only be used for a limited period of time are amortized on a straight-line basis over their expected useful lives. For intangible assets with indefinite useful lives, annual checks are carried out as to whether the assessment of an indefinite useful life can be maintained. Any changes in the anticipated useful life are treated prospectively as changes in estimates.

Other Operating Result

Other operating income consists of gains and losses from disposal of assets, income from the reversal of provisions, income from own cost capitalized and miscellaneous operating income. Other operating expenses include variable and fixed cost components such as electronic data processing ("**EDP**") costs, office & administrative expenses, expenses for charges, fees, consultancy and other professional services, training and other personnel costs, car and travel expenses, other taxes (in particular freight taxes), exchange rate losses from operations, bank charges and other expenses (in particular, expenses for bad debt, audit fees, insurance payments, advertising, information, representation and entertainment costs and miscellaneous others.). The exchange rate gains and losses are shown netted in other operating expenses and were mainly attributable to exchange rate fluctuations of assets and liabilities linked to operations.

Share of Profit of Equity-Accounted Investees

The share of profit of equity-accounted investees contains its share of profit of companies in which we are able to exercise significant influence over the financial and operating policies (associates). To the extent that the carrying amount of the investment exceeds its recoverable amount the impairment is also recognized in this line item.

Result from Investments and Securities

Result from investments and securities mainly comprises income from disposals of financial assets, dividend income and result from the change in value of investments and securities.

Interest Income and Similar Income

Interest income and similar income generally consists of interest income on bank deposits.

Interest Expenses and Similar Expenses

Interest expense is mainly composed of interest on bonds, interest on bank borrowings and interest on loans specifically related to the financing of ships and containers as well as fees and transaction costs for obtaining these borrowings. In addition, similar obligations and interest cost from valuation of pensions and similar obligations is included as interest result as well as the recognition of changes in the fair value of embedded derivatives.

As of January 1, 2019, the interest expenses also include interest for lease liabilities. As all affected lease liabilities are initially discounted either using the interest rate implicitly specified in the leases or, in most cases, the incremental interest rate, the implied interest portion included in the regular lease payments is now explicitly recorded as interest expense. This leads to an increase in relation to prior years and thus a limited comparability, as prior years are not adjusted accordingly.

Other Financial Items

Other financial items mainly comprises realized and unrealized exchange rate effects from the foreign currency translation of financial debt including the associated hedging effects.

Income Taxes

Income taxes comprise corporate income tax including the solidarity surcharge and trade tax in Germany as well as comparable current income taxes according to the definition of IAS 12 in other countries. In addition, deferred taxes are recognized and the applicable deferred tax income and expense is included in this item.

Results of Operations

The following tables set forth certain of our historical revenue and expense items for each of the periods indicated.

	For the financial year ended December 31,		
	2018[*]	2019	2020
		(in € million) **(audited)**	
Revenue	11,617.5	12,607.9	12,772.4
Transport expenses	9,586.4	9,707.0	9,140.2
Personnel expenses	645.0	682.5	683.0
Depreciation, amortization and impairment	695.1	1,174.4	1,385.2
Other operating result	(290.9)	(268.8)	(279.7)
Operating result	**400.1**	**775.2**	**1,284.4**
Share of profit of equity-accounted investees	30.7	35.5	32.1
Result from investments and securities	12.7	0.7	(1.2)
Earnings before interest and income taxes (EBIT)	**443.5**	**811.4**	**1,315.2**
Interest income and similar income	15.8	12.2	17.0
Interest expenses and similar expenses	381.0	408.9	347.5
Other financial items	(0.5)	1.6	(3.5)
Earnings before income taxes	**77.8**	**416.3**	**981.3**
Income taxes	31.8	42.9	45.8
Profit/loss	**46.0**	**373.4**	**935.4**

* Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

Comparison of the Financial Years Ended December 31, 2020 and 2019

The relevant amounts are reported in euro, although the U.S. dollar is the functional currency of Hapag-Lloyd AG and the majority of its subsidiaries. The expenses, income and earnings of the container shipping business are translated from the U.S. dollar as functional currency to the euro at the average exchange rate for the reporting periods. The respective average exchange rates for the periods were 1.1413 U.S. dollars/euro in the financial year ended December 31, 2020 and 1.1195 U.S. dollars/euro in the financial year ended December 31, 2019.

Revenue

Revenue increased by 1.3% to €12,772.4 million in the financial year ended December 31, 2020 from €12,607.9 million in the financial year ended December 31, 2019. This increase in revenue was largely attributable a rise in average freight rates and partially offset by a decrease in transport volumes and a weaker U.S. dollar exchange rate.

Our average freight rate increased by 4.0% from US$1,072 per TEU in the financial year ended December 31, 2019 to US$1,115 per TEU in the financial year ended December 31, 2020. The main reason for the year-on-year increase was an unexpectedly quick recovery of demand towards the end of 2020, which led to a significant increase in the spot rates for trades from Asia and especially China.

During the same period, transport volume decreased by 1.6% from 12,037 TEU in the financial year ended December 31, 2019 to 11,838 TEU in the financial year ended December 31, 2020, mainly due to an increase in demand for consumer goods from Asia in light of the COVID-19 pandemic, particularly towards the end of the financial year 2020. The unexpectedly strong demand for container transport on the trades Transpacific and Far East resulted in an increase in spot rates for export goods from Asia (in particular from China).

Expressed in U.S. dollars, revenue increased by 3.3% to US$14,577 million in the financial year ended December 31, 2020 from US$14,115 million in the corresponding period in 2019.

The following table sets forth a breakdown of our transport volumes and average freight rates by trade for the financial year ended December 31, 2020 and the financial year ended December 31, 2019.

	Transport volumes			Average freight rates		
	2019	2020	% Change	2019	2020	% Change
	(TTEU(***))			*(US$/TEU(**))*		
			(unaudited)			
Transport volume/average freight rate by trade route(*)						
Atlantic	1,960	1,817	(7.3)	1,389	1,383	(0.4)
Transpacific	1,945	1,851	(4.8)	1,318	1,467	11.3
Far East	2,327	2,286	(1.8)	910	979	7.6
Middle East	1,391	1,476	6.1	744	837	12.4
Latin America	2,837	2,889	1.8	1,117	1,149	2
Intra-Asia	900	831	(7.7)	541	605	11.7
EMA (Europe-Mediterranean-Africa)	676	689	2.0	1,046	1,051	0.5
Total/Total Average	**12,037**	**11,838**	**(1.6)**	**1,009**	**1,067**	**4.0**

* Since the third quarter of 2019, transport volumes to and from Oceania have been re-assigned from EMA to the Far East trade. Due to organizational changes, the transport volumes to and from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since January 1, 2019.

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

*** TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry. TTEU refers to 1,000 TEU.

Transport volume in the Atlantic trade decreased by 7.3% to 1,817 TTEU in the financial year ended December 31, 2020 from 1,960 TTEU in the financial year ended December 31, 2019, mainly due to decreases in transport volumes as a result of COVID-19 on export trades from North America. Our average freight rates remained almost unchanged and decreased by 0.4% to US$1,383 per TEU in the financial year ended December 31, 2020 from US$1,389 per TEU in the financial year ended December 31, 2019, mainly due to a positive market rate development, which was partially offset by lower bunker surcharges.

Transport volume in the Transpacific trade decreased by 4.8% to 1,851 TTEU in the financial year ended December 31, 2020 from 1,945 TTEU in the financial year ended December 31, 2019, mainly due to decreases in transport volumes as a result of COVID-19 on export trades from North America. Our average freight rate increased by 11.3% to US$1,467 per TEU in the financial year ended December 31, 2020 from US$1,318 per TEU in the financial year ended December 31, 2019, mainly due to higher freight rates caused by a sharp increase in short term rates on Asia and the Indian Subcontinent to North America, in particular during the fourth quarter of 2020.

Transport volume in the Far East trade decreased by 1.8% to 2,286 TEU in the financial year ended December 31, 2020 from 2,327 TEU in the financial year ended December 31, 2019, mainly due to decreases in transport volumes as a result of COVID-19 in the second quarter of 2020. Our average freight rates increased by 7.6% to US$979 per TEU in the financial year ended December 31, 2020 from US$910 per TEU in the financial year ended December 31, 2019, mainly due to an unexpectedly high demand for containerized goods in the second half of 2020.

Transport volume in the Middle East trade increased by 6.1% to 1,476 TTEU in the financial year ended December 31, 2020 from 1,391 TTEU in the financial year ended December 31, 2019, mainly due to an increase in transport volumes across all sub trades, in particular on Westbound trades (from the Middle East to North and South Europe) and trades from South Europe to Middle East. Our average freight rate increased by 12.4% to US$837 per TEU in the financial year ended December 31, 2020 from US$744 per TEU in the financial year ended December 31, 2019, mainly due to a significant rebound of transport volumes and equipment shortages during the third quarter of 2020.

Transport volume in the Latin America trade increased by 1.8% to 2,889 TTEU in the financial year ended December 31, 2020 from 2,837 TTEU in the financial year ended December 31, 2019,

mainly due to an increase transport volumes from Latin America towards the end of the year, which partially offset prior decreases in transport volumes as a result of COVID-19. Our average freight rate decreased by 1.9% to US$1,131 per TEU in the financial year ended December 31, 2020 from US$1,153 per TEU in the financial year ended December 31, 2019, mainly due to lower market rates, in particular during the first three quarters of 2020, lower bunker surcharges and cargo mix effects .

Transport volume in the Intra-Asia trade decreased by 7.7% to 831 TTEU in the financial year ended December 31, 2020 from 900 TTEU in the financial year ended December 31, 2019, mainly due to capacity reductions through blank sailings, network adjustments and equipment shortages resulting from the COVID-19 pandemic. Our average freight rate increased by 11.7% to US$605 per TEU in the financial year ended December 31, 2020 from US$541 per TEU in the financial year ended December 31, 2019, mainly due to higher freight rates in almost all sub trades as a result of an increase demand and equipment shortages.

Transport volume in the EMA trade increased by 2.0% to 689 TTEU in the financial year ended December 31, 2020 from 676 TTEU in the financial year ended December 31, 2019, mainly due to the launch of a new service and a moderate volume growth on trades Intra-Europe and Africa. Our average freight rate increased by 0.5% to US$1,051 per TEU in the financial year ended December 31, 2020 from US$1,046 per TEU in the financial year ended December 31, 2019, mainly driven by an increase of freight rates from Asia and Middle East to Africa.

Transport Expenses

The following table below sets forth our transport expenses for the financial year ended December 31, 2020 and the financial year ended December 31, 2019.

	2019		2020	
		% of total revenue		% of total revenue
	(in € million, except percentages) **(audited, except percentages)**			
Transport expenses				
Transport expenses for finished voyages	9,721.1	77.1	9,089.6	71.2
Thereof:				
Bunker	1,625.6	12.9	1,407.3	11.0
Handling & haulage	4,922.7	39.0	4,716.7	36.9
Equipment and repositioning	1,205.0	9.6	1,134.7	8.9
Vessel & voyage (excluding bunker)	1,967.8	15.6	1,830.8	14.3
Change in transport expenses for pending voyages[*]	(14.0)	(0.1)	50.6	0.4
Total	**9,707.0**	**77.0**	**9,140.2**	**71.6**

* The amounts shown as transportation expenses for unfinished voyages represent the difference between the expenses for unfinished voyages in the current period and the expenses for unfinished voyages in the previous period. For example, the transportation expenses for unfinished voyages recorded in the financial year 2019 are shown in the financial year 2020 as transportation expenses for finished voyages within the expense items bunker, handling & haulage, equipment and repositioning as well as vessel & voyages (excluding bunker).

Transport expenses decreased by 5.8% to €9,140.2 million in the financial year ended December 31, 2020 from €9,707.0 million in the financial year ended December 31, 2019. These expenses constituted 71.6% and 77.0% as a percentage of total revenue for the financial year ended December 31, 2020 and 2019, respectively. In general, the decrease in transport expenses is attributable to the positive effects that resulted from a volume-related decline in expenses, a year-on-year lower average bunker consumption price and active cost management within the scope of the PSP.

Bunker expenses decreased by 13.4% to €1,407.3 million in the financial year ended December 31, 2020 from €1,625.6 million in the financial year ended December 31, 2019, mainly due to a decrease in the average bunker consumption prices. The average bunker consumption price was US$379 per tonne, a decrease of US$37 or 9.8% compared to the prior year period.

Handling & haulage expenses decreased by 4.2% to €4,716.7 million in the financial year ended December 31, 2020 from €4,922.7 million in the financial year ended December 31, 2019, mainly due to a volume-related decline, lower domestic transport expenses and active cost management within the scope of the PSP.

Equipment and repositioning expenses decreased by 5.8% to €1,134.7 million in the financial year ended December 31, 2020 from €1,205.0 million in the financial year ended December 31, 2019, mainly due to active cost management as part of the PSP, the resulting lower expenses for loading and unloading empty containers at the terminals and the optimization of container utilization on voyages from Europe and to Asia in the fourth quarter of 2020.

Vessel & voyage (excluding bunker) expenses decreased by 7.0% to €1,830.8 million in the financial year ended December 31, 2020 from €1,967.8 million in the financial year ended December 31, 2019, mainly due to active cost management within the scope of the PSP, including the cancellation of services and a reduced number of voyages, as well as the increase in the number of vessels chartered in the medium term, which was attributable to network optimizations, and the resulting higher proportion of vessels chartered in the medium term compared with the previous financial year.

Personnel Expenses

The following table sets forth our personnel expenses for the financial year ended December 31, 2020 and for the financial year ended December 31, 2019.

	2019		2020	
		% of total revenue		% of total revenue
	(in € million, except percentages) **(audited, except percentages)**			
Personnel expenses				
Wages and salaries	562.8	4.5	563.4	4.4
Social security, pension costs and other benefits	119.7	0.9	119.5	0.9
Total	**682.5**	**5.4**	**683.0**	**5.3**

Personnel expenses remained largely unchanged with €683.0 million in the financial year ended December 31, 2020 compared to €682.5 million in the financial year ended December 31, 2019. Personnel expenses constituted 5.3% and 5.4% as a percentage of total revenue for the financial years ended December 31, 2020 and 2019, respectively. Adjusted for exchange rate effects, personnel expenses would have increased by €14 million, including as the result of an increase in the number of employees, a higher bonus for the financial year 2020 and COVID-19 bonus payments made to employees.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment increased by 17.9% to €1,385.2 million in the financial year ended December 31, 2020 from €1,174.4 million in the financial year ended December 31, 2019, mainly due to depreciations in relation to the vessel retrofittings required in connection with IMO 2020 and an increase in medium-term vessel charters and the corresponding increase in rights of use. Additionally, impairment losses in the context of ship portfolio optimization amounting to €98.8 million contributed to the increase in depreciation, amortization and impairments.

Other Operating Result

The following table below sets forth our other operating result for the financial year ended December 31, 2020 and the financial year ended December 31, 2019.

	2019		2020	
		% of total revenue		% of total revenue
	(in € million, except percentages) **(audited, except percentages)**			
Other Operating Result				
Other operating income				
Gains and losses from disposal of assets	20.2	0.2	13.1	0.1
Income from the reversal of provisions	11.4	0.1	13.8	0.1
Income from own cost capitalized	6.8	0.1	9.7	0.1
Miscellaneous operating income	42.8	0.3	32.5	0.3
Other operating expenses				
IT & Communication expenses	155.7	1.2	175.9	1.4
Office & Administration expenses	41.8	0.3	33.8	0.3
Charges, fees, consultancy and other professional services	35.8	0.3	32.7	0.3
Training and other personnel expenses	26.9	0.2	20.1	0.2
Car and Travel expenses	19.4	0.2	6.4	0.1
Other taxes	12.5	0.1	12.6	0.1
Exchange rate gains / losses	10.2	0.1	15.4	0.1
Bank charges	8.3	0.1	5.9	0.0
Miscellaneous operating expenses	39.4	0.3	46.0	0.4
Total	**(268.8)**	**(2.1)**	**(279.7)**	**(2.2)**

Other operating result decreased by 4.1% to a loss of €279.7 million in the financial year ended December 31, 2020 from €268.8 million in the financial year ended December 31, 2019, mainly due to an increase in IT & communication expenses, which was partly offset by a decrease in car and travel expenses.

Share of Profit of Equity-Accounted Investees

Share of profit of equity-accounted investees decreased by 9.6% to €32.1 million in the financial year ended December 31, 2020 from €35.5 million in the financial year ended December 31, 2019, mainly due to the lower result from HHLA Container Terminal Altenwerder GmbH which provides terminal services for the Hapag-Lloyd Group. HHLA Container Terminal Altenwerder GmbH is included in the Audited Consolidated Financial Statements of Hapag-Lloyd AG and is accounted for under the equity method from the date of acquisition.

Result from Investments and Securities

Result from investments and securities decreased to a loss of €1.2 million in the financial year ended December 31, 2020 from a profit of €0.7 million in the financial year ended December 31, 2019, mainly due to lower income from the disposal of financial assets.

Interest Income and Similar Income

Interest income and similar income increased by 39.3% to a gain of €17.0 million in the financial year ended December 31, 2020 from a gain of €12.2 million in the financial year ended December 31, 2019, mainly due to gains in connection with the settlement of two vessel financings and income on bank deposits.

Interest Expenses and Similar Expenses

Interest expenses and similar expenses decreased by 15.0% to €347.5 million in the financial year ended December 31, 2020 from €408.9 million in the financial year ended December 31, 2019, mainly due to the reduction in interest expenses for the early repayment of the then outstanding senior notes in February and June 2019 and the partial repayment of the then outstanding senior notes in November 2020 in the amount of €22.2 million. In addition, reductions in interest expenses in relation to bank financings in the amount of €61.0 million, primarily attributable to the repayment of debt, contributed to the decrease of other interest expenses.

However, the loss attributable to the embedded derivative in an amount of €3.7 million (compared to a gain attributable to embedded derivatives in an amount of €23.6 million in the financial year ended December 31, 2019), which comprises the derecognition of the fair value of €8.6 million associated with the partial repayment of the bond in November 2020 (compared to a derecognition of €10.0 million from the senior notes repayments in February and June 2019 in the financial year ended December 31, 2019) and a positive valuation effect of €4.9 million (compared to a positive valuation effect of €33.6 million in the financial year ended December 31, 2019), partially offset the aforementioned decreases reduced the interest result.

Other Financial Items

Other financial items decreased to a loss of €3.5 million in the financial year ended December 31, 2020 from a gain of €1.6 million the financial year ended December 31, 2019, mainly due to realized and unrealized exchange rate effects from foreign currency translation of financial debt, including the associated hedging effects.

Income Taxes

Income taxes increased by 6.8% to €45.8 million in the financial year ended December 31, 2020 from €42.9 million the financial year ended December 31, 2019, mainly due to exchange rate-related effects on deferred tax assets and a special income as a result of the revaluation of deferred tax assets on tax loss carry forwards in 2019, which was partially offset by a decrease in current income taxes.

Profit/Loss for the Period

Profit for the period increased by €562.0 million to a profit of €935.4 million in the financial year ended December 31, 2020 from a profit of €373.4 million in the financial year ended December 31, 2019, as a result of the factors described above.

Comparison of the Financial Years Ended December 31, 2019 and 2018

The relevant amounts are reported in euro, although the U.S. dollar is the functional currency of Hapag-Lloyd AG and the majority of its subsidiaries. The expenses, income and earnings of the container shipping business are translated from the U.S. dollar as functional currency to the euro at the average exchange rate for the reporting periods. The respective average exchange rates for the periods were 1.1195 U.S. dollars/euro in the financial year ended December 31, 2019 and 1.1815 U.S. dollars/euro in the financial year ended December 31, 2018.

Revenue

Revenue increased by 8.5% to €12,607.9 million in the financial year ended December 31, 2019 from €11,617.5 million in the financial year ended December 31, 2018. This increase in revenue was largely attributable to the increased transport volumes and the rise in average freight rates. Transport volume increased by 1.4% to 12,037 TTEU in the financial year ended December 31, 2019 from 11,874 in the financial year ended December 31, 2018. The increase in transport volumes mainly resulted from higher volumes in the Atlantic, Far East and EMA trade. During the same period, our average freight rate increased by 2.7% from US$1,044 per TEU in the financial year ended December 31, 2018 to US$1,072 per TEU in the financial year ended December 31, 2019. The main reason for the year-on-year increase was primarily the decision to focus on profitable services and active revenue management across all trades.

Expressed in U.S. dollars, revenue increased by 2.8% to US$14.115 million in the financial year ended December 31, 2019 from US$13.726 million in the corresponding period in 2018.

The following table sets forth a breakdown of our transport volumes and average freight rates by trade for the financial year ended December 31, 2019 and the financial year ended December 31, 2018.

	Transport volumes			Average freight rates		
	2018	2019	% Change	2018	2019	% Change
	(TTEU(***))			*(US$/TEU(**))*		
			(unaudited)			
Transport volume/average freight rate by trade route(*)						
Atlantic	1,856	1,960	5.6	1,337	1,389	3.9
Transpacific	1,960	1,945	(0.8)	1,271	1,318	3.7
Far East	2,234	2,327	4.2	943	910	(3.5)
Middle East	1,419	1,391	(2.0)	762	744	(2.3)
Latin America	2,774	2,837	2.3	1,132	1,117	(1.8)
Intra-Asia	1,036	900	(13.1)	511	541	5.9
EMA (Europe-Mediterranean-Africa)	595	676	13.6	967	1,046	8.2
Total/Total Average	**11,874**	**12,037**	**1.4**	**1,045**	**1,009**	**2.0**

* Since the third quarter of 2019, transport volumes to and from Oceania have been re-assigned from EMA to the Far East trade. Due to organizational changes, the transport volumes to and from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since January 1, 2019.

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

*** TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry. TTEU refers to 1,000 TEU.

Transport volume in the Atlantic trade increased by 5.6% to 1,960 TTEU in the financial year ended December 31, 2019 from 1,856 TTEU in the financial year ended December 31, 2018, mainly due to the continued strength of the domestic economy in the USA. As a result of strong markets especially on the dominant leg, our average freight rates increased by 3.9% to US$1,389 per TEU in the financial year ended December 31, 2019 from US$1,337 per TEU in the financial year ended December 31, 2018.

Transport volume in the Transpacific trade decreased by 0.8% to 1,945 TTEU in the financial year ended December 31, 2019 from 1,960 TTEU in the financial year ended December 31, 2018, mainly due to blank sailings. As a result of strong rates especially to US and Canada, our average freight rate increased by 3.7% to US$1,318 per TEU in the financial year ended December 31, 2019 from US$1,271 per TEU in the financial year ended December 31, 2018.

Transport volume in the Far East trade increased by 4.2% to 2,327 TEU in the financial year ended December 31, 2019 from 2,234 TEU in the financial year ended December 31, 2018, mainly due to a rising market growth and increased vessel capacity. As a result of intense competition, our average freight rates dropped by 3.5% to US$910 per TEU in the financial year ended December 31, 2019 from US$943 per TEU in the financial year ended December 31, 2018.

Transport volume in the Middle East trade decreased by 2.0% to 1,391 TTEU in the financial year ended December 31, 2019 from 1,419 TTEU in the financial year ended December 31, 2018, mainly due to network optimization efforts on long-haul trades. As a result of volatile market environment and tight competition for exports from India, our average freight rate dropped by 2.3% to US$ 744 per TEU in the financial year ended December 31, 2019 from US$762 per TEU in the financial year ended December 31, 2018.

Transport volume in the Latin America trade increased by 2.3% to 2,837 TTEU in the financial year ended December 31, 2019 from 2,774 TTEU in the financial year ended December 31, 2018, mainly due to constant and steady growth especially on trade Latam-Europe and exports from South America to Asia mainly lead by reefer volume. As a result of stable rates on trade Latam-Asia and successful rate increases on trade Latam-Europe, our average freight rate increased by 1.8% to US$1,153 per TEU in the financial year ended December 31, 2019 from US$1,132 per TEU in the financial year ended December 31, 2018.

Transport volume in the Intra-Asia trade decreased by 13.1% to 900 TTEU in the financial year ended December 31, 2019 from 1,036 TTEU in the financial year ended December 31, 2018, mainly due to the result of a strategic decision to actively reduce the transport capacity on this trade and focus on profitable services. As a result of strong utilization, our average freight rate increased by 5.9% to US$541 per TEU in the financial year ended December 31, 2019 from US$511 per TEU in the financial year ended December 31, 2018.

Transport volume in the EMA trade increased by 13.6% to 676 TTEU in the financial year ended December 31, 2019 from 595 TTEU in the financial year ended December 31, 2018, mainly due to higher volumes on the Africa related sub trades. As a result of strong volumes into West and East Africa, our average freight rate increased by 8.2% to US$1,046 per TEU in the financial year ended December 31, 2019 from US$967 per TEU in the financial year ended December 31, 2018.

Transport Expenses

The following table below sets forth our transport expenses for the financial year ended December 31, 2019 and the financial year ended December 31, 2018.

	2018		2019	
		% of total revenue		**% of total revenue**
	(in € million, except percentages) **(audited, except percentages)**			
Transport expenses				
Transport expenses for finished voyages	9,565.8	82.3	9,721.1	77.1
Thereof:				
Bunker	1,585.3	13.6	1,625.6	12.9
Handling & haulage	4,744.0	40.8	4,922.7	39.0
Equipment and repositioning	1,229.8	10.6	1,205.0	9.6
Vessel & voyage (excluding bunker)	2,006.6	17.3	1,967.8	15.6
Change in transport expenses for pending voyages(*)	20.6	0.2	(14.0)	(0.1)
Total	**9,586.4**	**82.5**	**9,707.0**	**77.0**

* The amounts shown as transportation expenses for unfinished voyages represent the difference between the expenses for unfinished voyages in the current period and the expenses for unfinished voyages in the previous period. For example, the transportation expenses for unfinished voyages recorded in the financial year 2018 are shown in the financial year 2019 as transportation expenses for finished voyages within the expense items bunker, handling & haulage, equipment and repositioning as well as vessel & voyages (excluding bunker).

Transport expenses increased by 1.3% to €9,707.0 million in the financial year ended December 31, 2019 from €9,586.4 million in the financial year ended December 31, 2018. These expenses constituted 77.0% and 82.5% as a percentage of total revenue for the financial year ended December 31, 2019 and 2018, respectively.

Bunker expenses increased by 2.5% to €1,625.6 million in the financial year ended December 31, 2019 from €1,585.3 million in the financial year ended December 31, 2018, mainly due to exchange rate effects. Adjusted for exchange rate effects, fuel expenses decreased by €47.6 million (or 2.8%). Besides the slight improvement of bunker consumption primarily the lower average bunker consumption price were decisive for this development.

Handling & haulage expenses increased by 3.8% to €4,922.7 million in the financial year ended December 31, 2019 from €4,744.0 million in the financial year ended December 31, 2018, mainly due to the supportive effect of the stronger U.S. dollar against the euro.

Equipment and repositioning expenses decreased by 2.0% to €1,205.0 million in the financial year ended December 31, 2019 from €1,229.8 million in the financial year ended December 31, 2018, mainly due to the application of IFRS 16.

Vessel & voyage (excluding bunker) expenses decreased by 1.9% to €1,967.8 million in the financial year ended December 31, 2019 from €2,006.6 million in the financial year ended December 31, 2018, mainly due to the application of IFRS 16.

Personnel Expenses

The following table sets forth our personnel expenses for the financial year ended December 31, 2019 and for the financial year ended December 31, 2018.

	2018		2019	
		% of total revenue		% of total revenue
	(in € million, except percentages) **(audited, except percentages)**			
Personnel expenses				
Wages and salaries	526.6	4.5	562.8	4.5
Social security, pension costs and other benefits	118.4	1.0	119.7	0.9
Total	**645.0**	**5.6**	**682.5**	**5.4**

Personnel expenses increased by 5.8% to €682.5 million in the financial year ended December 31, 2019 from €645.0 million in the financial year ended December 31, 2018. Personnel expenses constituted 5.4% and 5.6% as a percentage of total revenue for the financial year ended December 31, 2019 and the financial year ended December 31, 2018, respectively. The increase in personnel expenses was primarily attributable to the strengthening of the U.S. dollar against the euro which caused expenses to increase, as did the rise in the number of shore-based employees and a higher performance based remuneration for employees.

Depreciation, Amortization and Impairment

Depreciation, amortization and impairment increased by 69.0% to €1,174.4 million in the financial year ended December 31, 2019 from €695.1 million in the financial year ended December 31, 2018, mainly due to the effects of the first-time recognition of leased assets in accordance with IFRS 16.

Other Operating Result

The following table below sets forth our other operating result for the financial year ended December 31, 2019 and the financial year ended December 31, 2018.

	2018		2019	
		% of total revenue		% of total revenue
	(in € million, except percentages) **(audited, except percentages)**			
Other Operating Result				
Other operating income				
Gains and losses from disposal of assets	15.0	0.1	20.2	0.2
Income from the reversal of provisions	14.4	0.1	11.4	0.1
Income from own cost capitalized	3.8	0.0	6.8	0.1
Miscellaneous operating income	40.4	0.3	42.8	0.3
Other operating expenses				
IT & Communication expenses	142.1	1.2	155.7	1.2
Office & Administration expenses	65.0	0.6	41.8	0.3
Charges, fees, consultancy and other professional services	34.3	0.3	35.8	0.3
Training and other personnel expenses	27.3	0.2	26.9	0.2
Car and Travel expenses	17.4	0.1	19.4	0.2
Other taxes	11.3	0.1	12.5	0.1
Exchange rate gains / losses	36.9	0.3	10.2	0.1
Bank charges	9.1	0.1	8.3	0.1
Miscellaneous operating expenses	21.2	0.2	39.4	0.3
Total	**(290.9)**	**(2.5)**	**(268.8)**	**(2.1)**

Other operating result decreased by 7.6% to a loss of €268.8 million in the financial year ended December 31, 2019 from €290.9 million in the financial year ended December 31, 2018.

Share of Profit of Equity-Accounted Investees

Share of profit of equity-accounted investees increased by 15.6% to €35.5 million in the financial year ended December 31, 2019 from €30.7 million in the financial year ended December 31, 2018, mainly due to a higher *pro rata* result from the investment in HHLA Container Terminal Altenwerder GmbH.

Result from Investments and Securities

Result from investments and securities decreased by 94.5% to €0.7 million in the financial year ended December 31, 2019 from €12.7 million in the financial year ended December 31, 2018, mainly due to the disposal of the investment in INTTRA Inc., New Jersey.

Interest Income and Similar Income

Interest income and similar income decreased by 22.8% to €12.2 million in the financial year ended December 31, 2019 from a gain of €15.8 million in the financial year ended December 31, 2018, mainly due to the measurement of interest rate swaps.

Interest Expenses and Similar Expenses

Interest expenses and similar expenses increased by 7.3% to €408.9 million in the financial year ended December 31, 2019 from €381.0 million in the financial year ended December 31, 2018, mainly due to the first-time application of IFRS 16. Interest expenses for the new lease liabilities which must now be included in accordance with IFRS 16 totaled €66.5 million in the financial year 2019 (2018: €0.0 million). The early repayment of the then outstanding senior notes also resulted in one-off effects totaling €(22.3) million as a result of redemption charges, the disposal of associated embedded derivatives and other associated transaction costs.

Other Financial Items

Other financial items increased from €(0.5) million to €1.6 million, which essentially comprises realized and unrealized exchange rate effects from the foreign currency translation of financial debt, including the associated hedging effects.

Income Taxes

Income taxes increased by 34.9% to €42.9 million in the financial year ended December 31, 2019 from €31.8 million the financial year ended December 31, 2018, mainly due to our higher revenue and the increased profitability. The increased transport capacity (own and chartered ocean-going vessels) also led to a rise in the German tonnage tax expense in the financial year 2019. In addition, the financial year 2018 income tax expense was reduced by one-off effects from the first-time recognition of deferred tax assets on income tax loss carry-forwards.

Profit/Loss for the Period

Profit for the period increased by €327.4 million to a profit of €373.4 million in the financial year ended December 31, 2019 from a profit of €46.0 million in the financial year ended December 31, 2018, as a result of the factors described above.

Liquidity and Capital Resources

Our principal sources of liquidity have been operating cash flows, secured vessel and container financing facilities, structured financing transactions, the issuance of bonds and other borrowings, together with contributions from our shareholders. Our primary need for liquidity is to implement our strategy. See "*Our Business—Our Strategy.*" Our financing agreements are vital for us to finance our container ships and containers. Our ability to generate cash from our operations depends on future operating performance which is dependent, to some extent, on general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed, see "*Risk Factors.*"

As of December 31, 2020, we had €681.3 million of cash and cash equivalents as well as no restricted cash (which is cash held in trust as security for existing financial debt and, due to its maturity, is reported under other assets) in other assets.

We believe that our operating cash flows and agreed financings, together with future borrowings under existing credit facilities, will be sufficient to maintain our ongoing operations, anticipated capital expenditures and debt service requirements. This belief is based on our optimized management of trade accounts receivables and payables as well as the bunker efficiency program introduced to optimize bunkering and stock levels.

Cash Flow

The following tables set forth our consolidated cash flow information for the financial years ended December 31, 2018, 2019 and 2020:

	For the financial year ended December 31,		
	2018(*)	2019	2020
		(in € million) **(audited)**	
Profit/loss	46.0	373.4	935.4
Income tax expenses	31.8	42.9	45.8
Other financial items	0.5	(1.6)	3.5
Interest result	365.2	396.7	330.5
Depreciation, amortization and impairments	695.1	1,174.4	1,385.2
Impairment (+) / write-backs (-) of financial assets	—	—	0.1
Profit (-) / loss (+) from disposals of non-current assets	(24.5)	(18.5)	(12.2)
Income from equity-accounted investees and dividends from other investments	(30.8)	(35.7)	(32.2)
Other non-cash expenses/(income)	(21.1)	(0.8)	39.5
Decrease / (Increase) in inventories	(41.6)	(5.6)	59.1
Increase in receivables and other assets	(46.6)	(54.0)	(225.4)
Increase in provisions	1.1	69.8	17.9
Increase in liabilities (excluding financial debt)	120.7	110.8	355.5
Payments made for income taxes	(28.7)	(29.4)	(21.9)
Payments received for interest	5.8	5.8	17.1
Cash inflow from operating activities	**1,072.9**	**2,028.2**	**2,897.9**
Payments received from disposals of property, plant and equipment and intangible assets	33.1	41.6	31.0
Payments received from the disposal of other investments	142.3	—	—
Payments received from dividends	34.4	30.2	35.9
Payments received from the disposal of assets held for sale	15.2	—	—
Payments made for investments in property, plant and equipment and intangible assets	(328.9)	(426.1)	(534.1)
Payments made for the issuing of loans	—	(4.7)	(10.4)
Payments made investments in financial assets	—	(10.6)	—
Net cash inflow (+) / outflow (-) from acquisition	(0.4)	—	—
Cash inflow/(outflow) from investing activities	**(104.3)**	**(369.5)**	**(477.6)**
Payments received from capital increases	0.2	—	—
Payments made for capital increases	(1.9)	—	—
Payments made for dividends	(115.7)	(39.5)	(203.5)
Payments received from the raising of financial debt	782.1	924.3	1,593.8
Payments made for the redemption of financial debt	(1,316.0)	(1,733.2)	(2,742.3)
Payments made for the redemption of lease liabilities	(29.4)	(456.7)	(514.3)
Payments for leasehold improvements	—	(18.1)	(26.3)
Payments made for interest and fees	(317.7)	(397.3)	(315.6)
Payments received (+) and made (-) from hedges for financial debt	9.4	(103.7)	16.1
Change in restricted cash	43.4	6.6	—
Cash inflow/(outflow) from financing activities	**(945.6)**	**(1,817.6)**	**(2,192.1)**
Cash and cash equivalents at the beginning of the period	**604.9**	**657.1**	**511.6**
Change in cash and cash equivalents due to changes in exchange rate fluctuations	29.2	13.4	(58.5)
Net change in cash and cash equivalents	23.0	(158.9)	228.2
Cash and cash equivalents at the end of the period	**657.1**	**511.6**	**681.3**

* Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

Cash Flow from Operating Activities

In the financial year ended December 31, 2020, we generated a cash inflow from operating activities of €2,897.9 million compared to a cash inflow of €2,028.2 million in the financial year ended December 31, 2019, primarily attributable to the increased result and a positive development of our working capital.

In the financial year ended December 31, 2019, we generated a cash inflow from operating activities of €2,028.2 million compared to a cash inflow of €1,072.9 million in the financial year ended

December 31, 2018 as the repayment and interest portion of the lease payments are presented as cash flow from financing activities instead of cashflow from operating activities.

Cash Outflow from Investing Activities

In the financial year ended December 31, 2020, we had a cash outflow from investing activities of €477.6 million compared to a cash outflow of €369.5 million in the financial year ended December 31, 2019, primarily attributable to an increase in payments made for investments in property, plant and equipment, in particular for new containers and vessel equipment made in order to comply with the IMO 2020 regulations.

In the financial year ended December 31, 2019, we had a cash outflow from investing activities of €369.5 million compared to a cash outflow of €104.3 million in the financial year ended December 31, 2018, primarily attributable to received one-off payments in 2018 from the disposal of other investments.

Cash Flow from Financing Activities

In the financial year ended December 31, 2020, we had a cash outflow from financing activities of €2,192.1 million compared to a cash outflow of €1,817.6 million in the financial year ended December 31, 2019, primarily attributable to the repayment of financial liabilities for vessel financings, the partial repayment of the Existing Notes and dividend payments.

In the financial year ended December 31, 2019, we had a cash outflow from financing activities of €1,817.6 million compared to a cash outflow of €945.6 million in the financial year ended December 31, 2018, primarily attributable to the higher redemption of regular financial debt, including the early and full repayment of the then outstanding senior notes scheduled to mature in 2022 for an original amount of €450.0 million, as well as for the first time interest and repayments for lease liabilities in accordance with IFRS 16, which were recognized as cashflow from financing activities rather than operating activities.

Financial Debt and Financing Sources

The table below sets forth our financial debt and bank borrowings as of December 31, 2018, 2019 and 2020:

	As of December 31,		
	2018(*)	**2019**	**2020**
		(in € million) **(unaudited)**	
Existing Notes unsecured	923.7	458.3	306.0
Liabilities to banks	4,483.5	4,292.9	2,533.5
Corporate	776.8	723.0	133.6
Secured	356.7	177.1	81.3
Unsecured	420.1	545.9	52.3
Vessel secured	2,654.0	2,172.2	970.4
Container secured	14.8	6.5	—
Ballindamm Financing secured	79.2	76.4	73.7
Vessel capital lease secured	203.9	350.6	350.7
Container capital lease secured	728.9	943.0	995.5
Accrued interests	25.8	21.2	9.5
Other financial debt	511.7	452.6	896.4
Vessel capital lease secured	355.0	334.9	715.0
Container capital lease secured	145.8	107.7	170.0
Other debt	10.2	9.2	10.3
Secured	0.4	0.0	0.0
Unsecured	9.8	9.2	10.3
Accrued interests	0.7	0.6	1.1
Lease liabilities	99.0	1,193.4	1,400.3
Total financial debt and lease liabilities	**6,017.9**	**6,397.2**	**5,136.2**

* Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

The average fixed interest rate of on our financial indebtedness was 5.1%, 4.8% and 4.3% as of December 31, 2018, 2019 and 2020, respectively.

As of December 31, 2020, 64.1% of our debt had a fixed interest rate and 35.9% of our debt had a floating interest rate. Taking into consideration the hedge effect of interest swaps, the ratio of fixed interest rate debt increases to 83.3%. Correspondingly, the floating rate interest rate debt ratio decreases to 16.7%. We use a balanced combination of financial assets and liabilities with variable and fixed interest rates to mitigate the possible adverse effects of interest rate fluctuations on transactions. See "*—Quantitative and Qualitative Disclosure about Market Risk*" for a further discussion on our hedging policies. We may from time to time purchase or otherwise acquire our indebtedness, including the outstanding bonds individually negotiated transactions, open market repurchases or otherwise.

The carrying amount of the property, plant and equipment subject to restrictions of ownership was €7,710.0 million, €7,620.0 million and €5,667.5 million as of December 31, 2018, 2019 and 2020, respectively. Restrictions of ownership exist in the form of mortgages for container vessels and in the form of collateral for financed vessels and containers transferred by way of security. As a consequence property, plant and equipment in an amount of €1,409.7 million, €1,340.6 million and €2,288.9 million, respectively, were unencumbered (the unencumbered value is calculated as the difference between Property, plant and equipment less Right of Use less the aforementioned restricted values for the respective year).

Capital Expenditures and Leasing

The following table is a summary of our historical capital expenditure and leasing for the financial years ended December 31, 2018, 2019 and 2020.

	For the financial year ended December 31,		
	2018(*)	**2019**	**2020**
		(in € million) **(unaudited)**	
Vessels and down payments	53.7	98.6	153.4
Containers	295.9	280.2	320.6
Other	16.6	19.7	34.1
Total	**366.2**	**398.5**	**508.1**
Right of use assets	—	608.7	892.6

* Comparability is limited due to the first-time application of IFRS 16 (Leases) in 2019.

Capital expenditure amounted to €508.1 million (2019: €398.5 million) in the financial year ended December 31, 2020 and related in particular to investments in containers, in dry docking and in further vessel equipment associated with adherence to the IMO 2020 regulations

Capital expenditure amounted to €398.5 million in the financial year ended December 31, 2019 (2018: €366.2 million) and related in particular to investments in containers and in vessel equipment associated with adherence to the IMO 2020 regulations.

Capital expenditure amounted to €366.2 million in the financial year ended December 31, 2018 and related in particular to investments in containers and in dry docking.

Right of use assets amounted to €892.6 million in the financial year ended December 31, 2020 (2019: €608.7 million) and related in particular to the extension of vessels leasing agreements.

Right of use assets amounted to €608.7 million in the financial year ended December 31, 2019 (2018: €0 million) and related, in particular, to additional rights of use assets from the first-time application of IFRS 16, vessels, investments in containers and in retrofitting owned and leased vessels.

For the method of financing of our capital expenditures, please see "*Description of Certain Financing Arrangements.*"

As of December 31, 2020, we had committed capital expenditures of €992.7 million which primarily comprised purchased obligations for investments in containers amounting to €165.9 million and investments in six new container vessels amounting to €811.1 million.

We also incur capital expenditure costs in relation to our ship maintenance needs. Dry-dock expenditures for our vessels are driven by vessel classification society regulations and our own strict

maintenance guidelines and associated dry-docking schedules, which require vessel dry-docking once every five years. In the fiscal year ended December 31, 2020, we dry-docked 31 of our vessels and incurred related costs of €75.0 million. We also expect that future overhauls of our vessels in the next three to five years may require significantly higher capital expenditures due to new and anticipated environmental regulations. See "*Regulatory Matters.*"

Since December 31, 2020, we made payments of approximately US$84.4 million mainly in relation to containers in the amount of US$66.2 million and vessels in the amount of US$13.6 million.

Apart from the recent investments mentioned above, we have not resolved on any significant investments for the current financial year or beyond.

Contractual Obligations

The following table sets forth, as of December 31, 2020, our debt obligations and contractual obligations and commercial commitments, based upon the period in which payments are due:

	Less than 1 year	1-5 years	5- years and more	Total
Existing Notes	6.8	299.2	—	306.0
Liabilities to banks	377.5	1,401.8	754.1	2,533.5
Corporate	6.5	127.1	—	133.6
Vessel secured	134.3	552.3	283.9	970.4
Ballindamm Financing	3.1	12.3	58.3	73.7
Vessel capital lease	33.6	162.7	154.4	350.7
Container capital lease	191.2	546.8	257.6	995.5
Accrued interests	8.8	0.7	—	9.5
Other financial debt	121.6	351.3	423.5	896.4
Vessel capital lease	60.5	254.5	400.1	715.0
Container capital lease	56.5	90.1	23.3	170.0
Other debt	3.6	6.7	—	10.3
Accrued interests	1.1	—	—	1.1
Lease liabilities	459.8	789.6	150.9	1,400.3
Total financial debt and lease liabilities	**965.7**	**2,841.9**	**1.328.5**	**5,136.2**
Purchase obligation for investments	288.5	704.2	—	992.7
Total commercial commitments	**1,254.2**	**3,546.1**	**1,328.5**	**6,128.9**

The contractual obligations set forth in the table above reflect mainly those agreements and obligations that in the ordinary course of our operations are customary and necessary in light of the activities in which we engage.

As a lessee, Hapag-Lloyd rents container ships, containers, office buildings, office space and parking spaces as well as other business equipment, which, as of January 1, 2019, have mostly been reported on-balance in accordance with IFRS 16. No rights of use and no lease liabilities are generally recognized in the consolidated statement of financial position for contracts with terms of less than 12 months. This also applies to leases for other business equipment for which the underlying asset is of low value. Accordingly, and as a result of the introduction of IFRS 16, Hapag-Lloyd has no undisclosed significant off-balance sheet lease arrangements. Therefore, any remaining operating leases are not disclosed separately in the table set out above.

Equity, Pension Obligations and Provisions

Equity

The following table below sets forth a breakdown of our equity as of December 31, 2018, 2019 and 2020.

	As of December 31,		
	2018	2019	2020
		(in € million) (audited)	
Equity and liabilities			
Subscribed capital	175.8	175.8	175.8
Capital reserves	2,637.4	2,637.4	2,637.4
Earned consolidated equity	3,117.4	3,430.8	4,159.9
Cumulative other equity	318.1	362.6	(265.8)
Equity attributable to the shareholders of Hapag-Lloyd AG	**6,248.7**	**6,606.6**	**6,707.2**
Non-controlling interests	10.6	14.0	15.5
Equity	**6,259.3**	**6,620.6**	**6,722.7**

Equity increased from €6,620.6 million in the financial year ended December 31, 2019 to €6,722.7 million in the financial year ended December 31, 2020, mainly due to the positive result of €935.4 million, which was partially offset by payments to shareholders in the amount of €193.3 million and the negative change in currency reserves of €602.5 million due to a weaker U.S. dollar.

Equity increased from €6,259.3 million in the financial year ended December 31, 2018 to €6,620.6 million in the financial year ended December 31, 2019, mainly due to our profit of €373.4 million and the unrealized gains from currency translation recognized in other comprehensive income and amounting to €121.2 million. The payment of a dividend by Hapag-Lloyd AG for the financial year 2018 in the amount of €26.4 million, the measurement of pension provisions through other comprehensive income in the amount of €(60.8) million due to the lower interest rate, the changes in the reserves for hedging relationships in the amount of €15.6 million and the adjustment of opening balance sheet values due to the first-time application of IFRS 16 as of January 1, 2019 in the amount of €(17.4) million had an offsetting effect.

Pension Obligations

We offer various types of retirement benefits to many of our employees worldwide, including both defined contribution pension plans and defined benefit pension plans, either directly or by contributing to independently administered funds. In particular, we have significant defined benefit pension plans in Germany, the United Kingdom, the Netherlands and Mexico. For the financial year 2020, we made payments amounting to €2.0 million into pension plan assets and payments for unfunded pension plans were €5.5 million in the financial year ended December 31, 2020. Our expenses for defined contribution pension plans relate primarily to our contributions to statutory retirement pensions.

Payments required to be made under these pension plans are funded by cash flow from operating activities, and we expect to be able to fund our future pension contributions from cash flow from operating activities. Please also see note 21 to our audited consolidated financial statements as of and for the year ended December 31, 2020.

Other Provisions

The following table below sets forth a breakdown of our provisions as of December 31, 2018, 2019 and 2020.

	As of December 31,		
	2018	**2019**	**2020**
		(in € million) **(audited)**	
Risks from pending transactions and lawsuits	156.1	171.8	136.2
Personnel costs	111.9	129.5	131.1
Guarantee, warranty and liability risks	70.0	87.1	93.5
Restructuring	16.0	18.3	10.1
Insurance premiums	13.4	12.7	7.1
Provisions for other taxes	9.2	10.3	9.4
Miscellaneous provisions	42.5	35.3	54.9
Other provisions	**419.1**	**464.9**	**442.2**

Provisions for Risks from Pending Transactions and Lawsuits

Provisions for risks from pending transactions and lawsuits relate to existing performance obligations in connection with transport orders for unfinished voyages. Prior to 2019, this item also included disadvantageous lease agreements identified as part of purchase price allocations pursuant to IFRS 3. By comparison with the prevailing market conditions at the time of acquisition, these agreements had a negative market value. They were recognized as provisions and utilized over the respective contractual terms of the underlying agreements. Due to the first time application of IFRS 16, these provisions for unfavorable contracts were derecognized at an amount of €30.7 million in the opening balance sheet of the financial year 2019 and the carrying amount of the rights of use was reduced by this amount at the time of first-time application.

As of December 31, 2018, Hapag-Lloyd substantiated the interpretation of an unconditional right to consideration under IFRS 15. Due to the change in the accounting method, unconditional rights to transport consideration are recorded earlier than previously and in full as trade accounts receivables in accordance with IFRS 9. The portion of the impending loss amount from trade receivables was reclassified to provisions for impending losses in an amount of €118.9 million (and, accordingly, recorded as a liability rather than a write-off).

Provisions for Personnel Costs

Provisions for personnel costs comprise provisions for bonuses not yet paid, leave not yet taken, severance compensation, anniversary payments and share-based payment agreements which are part of the executive board's variable remuneration.

Provisions for Guarantee, Warranty and Liability Risks

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo. The main damage to ships, cargo and equipment as well as rescue costs have a provision of €25.7 million as of December 31, 2020. Other assets were capitalized for associated, virtually secure recourse claims against insurance agencies.

Provisions for Restructuring

Provisions for restructuring measures are created if a detailed formal restructuring plan was prepared and a justified expectation existed among the affected parties. Restructuring provisions must fulfil the general accounting criteria and, therefore, include a detailed, formal restructuring plan, stipulate that Hapag-Lloyd has given rise to a valid expectation of the affected individuals with regards to the execution of the restructuring measures and that Hapag-Lloyd has announced the material terms of the restructuring plan or that it commenced to implement the restructuring plan. The following events may be included under the definition of a restructuring provision:

- sale or termination of a line or area of business;
- the decommissioning of sites in a country or region;

- the outsourcing of business activities from one country or region to another;
- changes in the management structure, *e.g.* disbandment of a management level; and
- fundamental restructuring with a major impact on the content and focus of the company's business activities.

Restructuring expenses are directly related to the restructuring, those resulting from the restructuring and are in the context of closing, consolidating and opening new offices.

Provision for Insurance Premiums

Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Hapag-Lloyd Group.

Other Provisions

Other provisions include audit and consulting fees, price reductions and rebates and other miscellaneous provisions.

Quantitative and Qualitative Disclosure about Market Risk

Foreign Currency Risk

We conduct our container shipping business in an international business environment in which transactions are invoiced mainly in U.S. dollars and payment procedures are handled in U.S. dollars. The functional currency of Hapag-Lloyd AG and its subsidiaries is therefore the U.S. dollar. Currency risks result from operating activities (incoming or outgoing payments in currencies other than the U.S. dollar) and from financial liabilities taken on in euro. The risks from our euro financing liabilities are hedged by using derivative financial instruments to counter exchange rate fluctuations. Please also refer to *"—Factors Affecting Our Results of Operations—Foreign Exchange Rate Exposure."*

Bunker Fuel Price Fluctuation Risk

As a result of our operating activities, we are exposed to a market price risk for the procurement of bunker fuel. Our current risk management objective is securing up to 80% of the forecast bunker requirements. Derivative financial instruments in the form of commodity options and swaps are used to hedge against price fluctuations. In an effort to limit the effect of rising bunker consumption prices on our shipping costs, we offset a portion of the fluctuations in raw materials prices for the higher price of low sulfur fuel by means of the Marine Fuel Recovery (MFR) mechanism on freight rates. The MFR replaced the bunker surcharges that were previously part of the average freight rate.

Interest Rate Risk

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

Credit risk

In addition to the market risks described above, we are exposed to default risks. Default risk constitutes the risk that a contracting partner will be unable to meet our contractual payment obligations. It refers to our operating activities and the counterparty risk vis-à-vis external banks. Generally, a risk of this kind is minimized by the creditworthiness requirements which the respective contracting partners are required to fulfil. With regard to our operational activities, we have an established credit and receivables management system at area, regional and head office level which is based on internal guidelines.

Critical Accounting Policies

The Audited Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the EU. The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions in order to determine the assets, liabilities and provisions shown in the statement of financial position, the disclosures of contingent claims and liabilities as of the date of the financial statements, and the recognized income and expenses for the reporting period. Although these estimates and assumptions are based on management's best knowledge of current events and circumstances, the actual results ultimately may differ from those estimates and assumptions. Events like the COVID-19 pandemic and the resulting currently unforeseeable worldwide consequences lead to an increased uncertainty of estimates and discretionary decisions.

We continuously re-evaluate estimates and assumptions based on historical experience and expectations regarding future events, in consultation with experts and using other methods, which seem reasonable in the given circumstances.

The section below presents accounting policies whose allocation required us to make judgments and use assumptions, as the underlying facts are of uncertain nature. As a result, any changes in these facts or assumptions may affect the results presented in the consolidated financial statements.

Revenue Recognition

We mainly generate revenue in connection with transport services within the scope of revenue resulting from contracts with customers. There is one performance obligation per shipment, which is rendered on a period-related basis, *i.e.* for the duration of transport. By combining several shipments on a single ship journey, we produce essentially the same results with regard to the amount of revenue recognized and when it is recognized as we would produce when the revenue is recognized from a single shipment. To determine the performance progress in connection with shipments on voyages not yet completed as at the reporting date, we use the input-based method while taking account of the expenses incurred up until the reporting date. The percentage of completion / transport progress is determined on the basis of the ratio of expenses incurred to expected total expenses.

We also have contracts with customers with terms of more than one year in accordance with IFRS 15. However, if the recognition of the associated revenue were considered over the course of time, the determination that the terms of the contracts have no effect on the time-related recognition of revenue within one year can be made. This is due to the fact that the maximum duration of a ship voyage is less than one year. Accordingly, the recognition of revenue for an individual shipment will not exceed a period of one year. With regard to the recognition of income, we therefore only have contracts with a short-term perspective of less than one year. On this basis and in accordance with IFRS 15, no further information is provided on transaction costs attributable to remaining performance obligations.

Determination of the demurrage and detention to be recognized

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

Determination of non-manifested discounts

Non-manifested discounts are estimated monthly based on individually specified discount conditions and deducted from the transaction price, thereby reducing revenue. At the end of a financial year, the discount amount will be determined on the basis of the actual circumstances and reported accordingly.

Classification of present liabilities as contingent liability

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

Impairment

Intangible assets with finite useful lives and property, plant and equipment are tested regularly for impairment if there are any indications of a possible need for impairment. The impairment testing requires us to make assumptions and estimates regarding future cash flows, anticipated growth rates, exchange rates and discount rates. Such inputs require in particular management's assessment of the macroeconomic development. The assumptions and estimates are therefore subject to uncertainty as any other future projections.

Goodwill is tested for impairment at least once a year. Impairment testing is also conducted if events or circumstances occur that indicate that it may no longer be possible to recover the carrying amount. Goodwill is tested for impairment at the level of the cash-generating unit "container shipping." If a need for impairment has been ascertained, the goodwill is impaired first. Any need for impairment over and above this is spread in proportion to the carrying amount over the remaining non-current assets.

Leases

A lease is the term given to all arrangements that convey in return for payment the right to use specified assets for an agreed period of time. In the financial year 2018, leases were classified on the basis of the risks and rewards incidental to ownership in the leased item. As a part thereof, it was assessed whether the commercial ownership of the leased item is attributable to the lessee (finance leases) or the lessor (operating leases). The assessment of the risks and rewards incidental to ownership required management's judgment and was therefore subject to uncertainty as any other future projections.

As of January 1, 2019, we have applied the financial reporting standard IFRS 16 Leases for the first time. IFRS 16 comprises different regulations for lessees and lessors. For lessees, the standard provides a single accounting model. With regard to leases, rights of use for the leased asset and the corresponding lease liabilities that represent the payment obligation are recognized in the statement of financial position. The new regulations significantly affect us as a lessee, in particular in terms of its recognition and measurement of rented and leased assets, which were previously classified as operating leases.

Within our lease agreements, we take account of unilateral and bilateral rights of prolongation or termination in accordance with IFRS 16. In case of unilateral rights of prolongation or termination, which may exist particularly for container ship agreements and rented office buildings, office space and parking spaces, the probability of exercising the existing option is assessed while taking into account certain economic factors and on an individual basis in order to determine the term of the agreement. Bilateral rights of termination exist for a large number of container leases. These rights of termination can be exercised by both parties on a flexible and independent basis. When determining the term of these container leases for accounting purposes, we assess whether significant penalties may be incurred when containers are returned or if these container leases are terminated. We also assesses possible economic disadvantages in relation thereto. If we believe that, from an economic perspective, the termination of these agreements will not result in any significant disadvantages, the term of the agreement is determined while taking into account the termination notice period in the respective agreement and a possible transition period. If we believe that there are significant disadvantages, this is taken into account in assessing the term of the agreement and the term extended until the disadvantages have been resolved. This assessment will affect the amount of the lease liabilities and the right of use assets significantly. The termination rights enable us to react flexibly and at short notice to changes in the market. A failure to exercise potential termination rights could result in potential lease payments of up to €0.1 billion per year. The potential lease payments have not yet been recognized as part of the lease liability

For container rental agreements with similar characteristics, the terms and, in general, the fixed payments to be recognized as lease payments are determined on the basis of a portfolio approach and applied consistently for all leases in the portfolio.

Since we only operate as a lessor to a very limited extent, IFRS 16 has no material effect on our net asset, financial and earnings position as a lessor.

Useful lives and residual values for intangible assets and property, plant and equipment

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

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

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

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

Recognition and measurement of other provisions

Other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. In certain cases, we are required to make assumptions on the basis of previous experience regarding the likelihood of the realization of the obligation or future developments, *e.g.* the costs to be estimated for the measurement of obligations. These may be subject to estimation uncertainties, particularly in the case of non-current provisions.

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

Specification of parameters for measuring pension provisions

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

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

Hedge Accounting

We are, in the normal course of business, exposed to a variety of market risk, especially bunker fuel price risk and foreign exchange rate risk. Our risk management strategy aims to minimize the adverse effects of these risks on our financial performance. We use derivative financial instruments to hedge existing or planned underlying transactions and serve to reduce foreign currency risks and fuel price risks. See "*—Quantitative and Qualitative Disclosure about Market Risk—Foreign Currency Risk*" and "*—Quantitative and Qualitative Disclosure about Market Risk—Bunker Fuel Price Fluctuation Risk.*" For accounting purposes we generally apply hedge accounting in accordance with IFRS 9 to record the effective portion of a derivative hedging instrument in the profit and loss statement simultaneously with any impact from the hedged item. The fair value of the derivative hedging instrument is highly subject to fluctuations in the market. We have not entered into any transactions in derivative financial instruments for trading purposes. Judgment is required in the assessment of the effectiveness of hedges at the inception and over the period for which hedge

accounting is applied. Also the occurrence of forecast transactions designated as hedged items are subject to a high degree of uncertainty.

Taxes

We have opted for our container shipping business to be taxed under the tonnage tax regime in Germany. Under the tonnage tax regime, the German corporate income tax liability is calculated by reference to the aggregate tonnage of our container shipping fleet, rather than on the basis of actual income earned. We made an initial election in 1999 to participate in this regime and expect to remain subject to this regime for the foreseeable future. Apart from the tonnage tax we have to pay income taxes in various countries. Significant assumptions and estimates are required in determining the worldwide current income tax expense as the tax treatment of certain transactions is uncertain.

The amount of deferred taxes recognized on loss carry-forwards is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods.

Recently Adopted Accounting Principles

The following new standards, or amendments to existing standards, published by the IASB and already endorsed, had to be applied for the first time in the audited consolidated financial statements as of and for the financial year ended December 31, 2020.

- Amendments to IFRS 3: Definition of a business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform
- Amendments to IAS 1 and IAS 8: Definition of material
- Conceptual Framework: Amendments to references to the conceptual framework in IFRS

Changes to IFRS 16 in relation to COVID-19 related rent concessions had to be applied from October 9, 2020 (time of endorsement) onwards.

The aforementioned recently adopted accounting principles had no significant effects on the assets, financial and earnings position of the Hapag-Lloyd Group.

INDUSTRY AND MARKET DATA

Most of the projections and other information set forth in this section have been derived from external sources. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We believe that these industry publications, surveys and forecasts are reliable but we have not independently verified them and cannot guarantee their accuracy or completeness.

The projections and forward-looking statements in this section are not guarantees of future performance and actual events and circumstances could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward-Looking Statements."

The description and nature of the markets in which we compete as presented in this section "Industry and Market Data" is applicable to all periods covered by the historical financial information presented in this Offering Memorandum.

Market Fundamentals

Container shipping was introduced internationally in the 1960s and has grown rapidly and continuously since then, becoming the dominant method of international transportation for a broad range of industrial and consumer goods, chemicals (such as medicines, paints, fertilizers) and foodstuff (such as sugar, grain, animal and vegetable oils as well as refrigerated fruit, vegetables and meat). By volume, around 90% of globally transported goods were transported by ship in 2020 (*source*: Clarksons Research, February 2021). Containers are modular metal boxes of standardized dimensions, generally 20 or 40 feet long, eight and one-half-feet or nine and one-half-feet high and eight-feet wide. The standard measure is a 20-foot equivalent unit, or TEU. A container 20 feet in length equals one TEU and a container 40 feet in length equals two TEU. In addition to the standard 20-foot and 40-foot containers, there are a variety of types of specialized containers, including the refrigerated, or "reefer," flat racks, open top or removable hard top containers. These specialized containers allow the transport of goods that traditionally have not been shipped in containers, such as fresh fruit and meat as well as turbines, trams, heavy-weight and out-of-gauge cargo. At port, containers are loaded onto container ships into a specific, pre-determined position (called a "slot") and then transported to ports around the globe, either directly or through intermediary ports. Upon a ship's arrival at its destination port, containers are off-loaded and typically transported onwards by rail, truck or barge to their final inland destination. Liner carriers operate regularly scheduled services to a series of ports, using a number of ships per week along each service, and transship cargo at their scheduled ports of call on smaller feeder ships, which carry the cargo on to the destination port.

The carrier is sometimes only responsible for the maritime leg of the delivery, with customers or intermediaries arranging the inland transport. Most carriers, including ourselves, offer both maritime and door-to-door services. Some other carriers emphasize maritime services, while others focus on offering door-to-door services. Container lines operate regularly scheduled services between a series of ports, generally operating on a fixed day each week or otherwise on a regular basis (*e.g.*, every ten days). A service operating with a fixed number of ships on a continuous rotation is defined as a "loop." A route may comprise a number of such loops, thus providing customers with a choice of several shipping days each week to ship between key ports. The main ports with large volumes of cargo are generally served by direct mainline services operating deep-sea vessels. Smaller ports, including those not served by a direct mainline service, are generally served by feeder ships as described above. Carriers generally select a number of strategically placed ports where cargo is transferred between these feeder vessels and the large deep-sea vessels that service the mainline routes.

Main Trade Routes

The global container shipping market is typically divided into the East-West trades, the North-South trades and several other trades, including the Intra-Asia trade. A trade refers to a route for shipping cargo between two land masses. Within the global container shipping market, the East-West and Intra-Asia trades have the highest transport volumes, while the North-South trades in general remain more fragmented and present more opportunities for growth. The main East-West trades are the Transpacific trade (between Asia and North America), the Far East trade (between Europe and Asia) and the Atlantic trade (between Europe and North America). The major North-South trades are related

to trades between Latin America, Africa, Australasia/Oceania and North America, Europe, Middle East / Indian Subcontinent and Asia. In addition to these intercontinental markets, there are a large number of smaller regional markets, which are typically served by regional carriers as well as global carriers, including ourselves, operating smaller ships than those used in the intercontinental markets.

Carriers are generally categorized as global, regional or niche carriers. Global carriers, including ourselves, generally deploy significant ship capacity and operate extensive networks that include most routes in the major markets, as well as certain routes in selected regional markets. Regional carriers generally focus on a number of smaller routes within the major markets, or within other markets, such as Australasia (between Australia and Asia) and Africa and tend to offer direct services to a wider range of ports within a particular market than global carriers. Niche carriers are similar to regional carriers but tend to be even smaller in their capacity and cover fewer and smaller markets.

The following unaudited table shows the development of container shipping transport volumes (measured in millions of loaded TEU) on the main trade routes from 2018 to 2020:

	2018	2019	2020
		(in m TEU)	
Transpacific	26.8	26.2	27.5
Far East-Europe	23.8	24.8	24.0
Other East-West[(1)]	28.4	28.6	27.0
North-South	32.3	32.5	32.0
Other[(2)]	81.9	84.7	84.1
Total	**193**	**197**	**194**

(1) Trade between North America/Europe/Far East and Middle East/ Indian sub-continent, and Transatlantic trade.

(2) Intra-regional and south-south trade

Source: Clarksons Research, February 2021.

The main trades are generally served by the global carriers operating different vessel sizes. According to Alphaliner (*source:* Alphaliner Monthly Monitor, January 2021), the Transpacific and Far East-Europe trades are typically served with ship sizes of around 5,100 TEU to 15,200 TEU per ship for Transpacific trades and of 12,500 TEU up to 24,000 TEU per ship for Far East-Europe trades. The Atlantic trade is typically served by smaller ships with capacities ranging between 4,000 TEU and 10,000 TEU, while ships with capacities ranging from 5,000 and 10,000 TEU and in some cases of up to 15,000 TEU are deployed on the North-South trades. The Intra-Asia trade, which comprises a large number of distinct sea routes in the Asian market, is served by a mixture of long-haul (or "deep-sea") services, carrying Intra-Asia cargo between two ports on a longer deep-sea route and shorter dedicated services, operated with smaller vessels, which often function as feeder services for the deep-sea trades. Consequently, although total transport volumes on the Intra-Asia trade as a whole tend to be relatively high, a significant part of this volume represents shipments over relatively short distances between Asian countries.

Profitability on the different trades can vary depending on a number of factors, including demand in different regions of the world, the effects of different regulatory regimes, the available container vessel capacity and the structure of the container vessel fleet on the trade and the level of structural imbalances on the trade. All these factors can affect freight rates and general operational cost levels including, for example, fuel prices and terminal charges at different ports. These factors may lead to different overall profitability levels for the industry in different trades.

The container shipping industry is characterized by a significant degree of structural rigidity. While it is relatively easy for a carrier to add and subtract individual ports of call and new loops, it is more difficult for a carrier to make large-scale changes to its route network (such as entering or leaving entire trades). The longer the distance a new service has to cover, the more vessels are needed for weekly departures, thus cooperation agreements with other carriers are often required. In some instances, vessels will need to be chartered from other companies if a carrier lacks the available capacity among its own vessels, or if available vessels are not suitable to the service. In addition to vessel availability, container availability is key to a successful service operation, requiring a well-working container management and container network infrastructure to manage the imbalances of trade flows. These complexities make large-scale changes to route networks expensive and thus these changes are usually only made if the expected incremental profitability of the new service opportunity is considered sufficient to justify the costs associated with the changes.

Market Growth

Around 90% of worldwide transported goods were carried by ship in 2020 (*source*: Clarksons Research, February 2021). Container ships make a substantial contribution to the global transport volume. Therefore, the magnitude of the global growth and the increase of the global transport volume are of great importance for the development of the transport volume of the container shipping industry.

The following table shows growth in global container shipping industry transport volumes since 2014 compared to growth in global GDP during the same period:

Subject	Unit	2014	2015	2016	2017	2018	2019	2020e[3]	2021p[4]	2022p[4]
World Container Traffic[1]	Million TEU	164.4	167.8	175.4	185.3	193.2	196.8	194.4	205.5	213.0
World Container Traffic[1]	Growth in %	5.0	2.1	4.5	5.6	4.3	1.9	(1.2)	5.7	3.7
Global GDP (constant prices)[2]	Growth in %	3.5	3.4	3.3	3.8	3.5	2.8	(4.4)	5.2	4.2

(1) *Source*: Clarksons Research, February 2021

(2) *Source*: International Monetary Fund, World Economic Outlook Database, October 2020 and January 2021

(3) Estimate.

(4) Predicted.

While container shipping has historically benefitted from global megatrends such as globalization and containerization leading to disproportionate growth when compared to the overall economic growth, global container traffic has slowed down in more recent years with growth rates being below the global GDP growth rate.

In 2019 in particular, transport volume growth has slowed down to 2.8%, which is in part attributable to an overall slower global economic growth. According to the IMF, global GDP grew by 2.8% in 2019, the lowest growth rate since the financial crisis in 2009. In addition, the trade dispute between the USA and China negatively affected container traffic volumes. Transpacific eastbound market volumes declined by 2.6%, the first drop in years, while all other major trade lanes were able to record at least slow or modest growth. In 2020, Transpacific eastbound transport volume increased by 7.3%, driven among others by a change in consumer behavior during and in relation to the COVID-19 pandemic (*source*: World Liner Data Ltd / Container Trades Statistics Ltd).

As indicated by the table below, global container transport volumes varied significantly over the course of the financial year 2020.

	Jan	Feb	March	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
						(in %)						
Global	(1.0)	(5.7)	(4.4)	(13.2)	(11.7)	(4.1)	(0.3)	2.0	6.7	5.6	7.7	4.0
Far East-Europe	(4.1)	(32.6)	(6.1)	(19.9)	(18.0)	(7.6)	(3.2)	1.8	8.1	7.2	13.1	(6.9)
Far East-North America	(2.7)	(26.7)	(1.4)	(11.7)	(11.4)	0.2	10.3	15.6	24.5	25.8	34.5	21.4

Source: CTS, February 2021

As a consequence of the measures introduced globally to combat the COVID-19 pandemic, global container shipments declined by 13% and 12% in April and May 2020, respectively, before demand began to recover gradually over the summer months of 2020. From September 2020 onwards, a combination of recovery effects and an increase in demand for consumer goods began to produce noticeable growth in container transport volumes, particularly for routes from Asia to North America and Europe. This, in turn, led to a shortage of containers available for export in China as well as to a congestion of port infrastructures, which negatively affected transport volumes. For the Fiscal Year 2020, the total global volume of container shipments decreased by 1.0% (*source*: CTS, February 2021).

Stronger and earlier-than-expected recovery in volumes, combined with logistical disruptions (*e.g.*, port congestions, lack of available capacity for the hinterland transport), resulted, inter alia, in higher operating cost for the carriers, particularly due to considerably higher container usage times and voyage delays (*source*: Alphaliner, May 2021). An increase in demand, intensified by container and vessel shortages, resulted in particularly significant increases of spot freight rates on the relevant routes from Asia to North America and Europe. The Shanghai Containerized Freight Rate Index ("**SCFI**"), which reflects the ocean freight and the associated seaborne surcharges of individual shipping routes on the spot market from Shanghai to all major container trade routes, more than doubled in the period from June 26, 2020 (when the SCFI Index stood at 1,001.33) to January 1, 2021 (when the SCFI Index stood at 2,783.03). The spot freight rate environment remains elevated on the

back of ongoing supply chain disruptions as well as vessel and container shortages. As of March 19, 2021, the SCFI Index stood at 2,583.87 (compared to 898.05 as of March 20, 2020).

Box shipping markets and container trade saw noteable recovery during the second half of 2020, supported by an earlier-than-expected recovery in volumes combined with logistical disruption, which ultimately increased freight and charter rates. Despite continuing uncertainties in relation to the COVID-19 pandemic, the short-term outlook and overall market sentiment were generally positive (*source*: Clarksons Research , February 2021). It is estimated that world container traffic may increase by up to 5.7% and 3.7% in 2021 and 2022, respectively (*source*: Clarksons Research, February 2021).

Global Container Ship Fleet

The table below shows the development of the capacity of the global container ship fleet in the periods indicated:

	2017	2018	2019	2020	2021e[(1)]	2022e[(1)]
Total global fleet (at year end) (in TTEU)	21,919	23,104	23,882	24,546	25,702	26,293
Fleet growth	3.7%	5.4%	3.4%	2.8%	4.7%	2.3%

(1) Expected. Future scrappings not taken into consideration.

Source: MDS Transmodal, January 2021

Between 2017 and 2020, global capacity grew at a CAGR of 3.8% and thus faster than the global container traffic (CAGR 2017-2020: 1.6%) (*source*: Clarksons Research, February 2021). The total capacity of vessels on the current order book to be delivered in 2021 to 2022 constitutes around 1.7 million TEU or 7.1% of the existing fleet capacity (*source*: MDS Transmodal January 2021), whereas global container traffic is expected to grow faster in the same period by around 18.6 million TEU or 9.6% (*source*: Clarksons Research, February 2021).

Furthermore, despite a comparatively low orderbook, the boxship newbuilding market environment has generally improved as a result of increasing firm order volumes. While the COVID-19 pandemic led to some initial disruption on deliveries from Chinese yards in early 2020 (which accounted for 44% of boxship orderbook at the start of 2021), production levels quickly normalized and the overall impact for 2020 was relatively limited. However, in 2020, global non-delivery from the orderbook increased to more than 20%, from negligible 2019 levels (*source*: Clarksons Research, March 2021).

In addition, the scrapping of inefficient vessels reached 183,000 TEU in 2019, 189,000 TEU have been scrapped in the financial year ended December 31, 2020 (*source*: Clarksons Research, February 2021). For the years 2021 and 2022, based on our experience, we expect the scrapping of inefficient vessels to reach at least the same level as in 2020. The average age of scrapped vessels is around 24 years. (*source*: Clarksons Research, February 2021). As a result, net supply growth is expected to remain low in the coming years.

If available capacity cannot be deployed efficiently on trades, shipping companies tend to temporarily postpone sailings or loops from the effected services. The affected vessels are temporarily taken out of service, *i.e.* laid-up. As of January 4, 2021, the capacity of "idle" or unemployed ships reached approximately 315,000 TEU (*source*: Alphaliner Weekly, January 2021) which constituted about 3.1% of the total capacity of the global fleet.

Competitive Landscape – Main Market Participants and Industry Consolidation

There has been significant consolidation within the container shipping industry in recent years. As a result, the ten largest container liner shipping companies accounted for around 80% of the total capacity of the global container ship fleet as December 31, 2020, up from around 60% in 2013 (*source:* MDS Transmodal, January 2013 and January 2021). This consolidation was driven, *inter alia*, by Hapag-Lloyd AG's mergers with the container shipping activities of CSAV in 2014 and (UASC in 2017, the merger between China COSCO and China Shipping Container Lines Company Limited ("**CSCL**") in 2016, the acquisition of Hamburg Süd by Maersk (2017), the joint venture involving the container liner activities of the three Japanese shipping companies K Line, MOL and NYK to form ONE in 2018, the acquisition of OOIL by China COSCO in 2018 and the insolvency of Hanjin Shipping Co. Ltd. ("**Hanjin**") in 2016, which was the world's eighth-largest container liner shipping company at the time.

The following table lists the twenty largest carriers by capacity as of December 31, 2020:

	No. of Vessels	TEU'000 Capacity	Approximate Share of Total Market Capacity
Maersk	685	3,993	16.3%
MSC	564	3,796	15.5%
China COSCO	474	2,984	12.2%
CMA CGM	545	2,958	12.1%
Hapag-Lloyd Group	237	1,719	7.0%
ONE	217	1,571	6.4%
Evergreen	198	1,277	5.2%
HMM	74	719	2.9%
Yang Ming	89	617	2.5%
ZIM	85	370	1.5%
Wan Hai	126	341	1.4%
PIL	103	307	1.3%
KMTC	59	166	0.7%
IRISL	35	151	0.6%
SITC	87	129	0.5%
X-Press Feeders	80	128	0.5%
DP World	79	120	0.5%
Quanzhou An Sheng Shipping	42	108	0.4%
Sinokor	77	107	0.4%
Zhonggu Shipping	34	92	0.4%

Source: MDS Transmodal, January 2021

As of December 31, 2020, the 20 largest container shipping carriers by capacity accounted for around 90% of global fleet capacity. The supply of capacity on key trades is increasingly concentrated among a few container shipping companies and through the formation of alliances. For further details please see "*—Inter-Carrier Cooperation—Alliances*."

Inter-Carrier Cooperation

Cooperation Agreements

Many industry participants have entered into cooperation agreements which provide for the sharing of capacity among the parties. These agreements may be divided into three categories: vessel sharing agreements (of which alliances are a more complex form) (please see "*—Alliances*"), slot swap/exchange agreements and slot charter agreements. Under vessel sharing agreements, each participating carrier contributes a certain number of vessels on a given service and allocates a fixed proportion of the container space available on these vessels to the other participants, which may sell this space to their own customers. Under a vessel sharing agreement, generally no payments are exchanged (except where slots are also purchased or routing costs need to be redistributed among the participants) and the gains and losses from the carriage of cargo on each carrier's service are not shared among participants. Vessel sharing agreements provide many of the same benefits as an alliance, but generally do not create a longer-term, institutionalized relationship between the parties. Under a slot swap/exchange agreement, carriers simply exchange slots on each other's vessels. Swaps may be used either where vessels operate on the same loop or where they operate on different loops. Slot charter agreements operate in a similar manner to slot swap/exchange agreements, except that they involve the purchase of slots, rather than their exchange, and thus need not be reciprocal. All these arrangements enable a carrier to offer greater frequency of service and greater geographical coverage than it could if it had to rely solely on its own vessels. Once a carrier has committed to utilize a certain amount of capacity under a cooperation agreement, it is generally required to pay for that capacity even if it is unable to use all of it. Carriers who are part of a cooperation agreement remain competitors.

Alliances

Alliances, which are a highly developed form of cooperation agreements, involve the sharing of container vessel capacity among alliance members, across specific or multiple trades. In general, the

aim of such cooperation is to provide customers with an extended network of services to enhance the global or regional transport services provided to customers. A further benefit for the partners of such cooperation is the much lower investment costs needed to provide extended networks. Capacity sharing makes it possible for an individual container shipping company to offer its customers a service with greater frequency over a broader geographic reach than would otherwise be possible solely with its own ships. Nevertheless, the members of an alliance or comparable cooperation agreements remain competitors and sell the shared capacity in their own name and for their own benefit.

There are currently three global alliances. Measured in terms of transport capacity, the largest alliance is the "2M Alliance," consisting of the two market leaders—Maersk (Denmark) and MSC (Switzerland). The "Ocean Alliance" consists of CMA CGM S. A. (France), including its subsidiary APL (Singapore), China COSCO (China), including its subsidiary OOIL (Hong Kong), and Evergreen Marine Corp. Ltd. (Taiwan) and is the second-biggest alliance. Hapag-Lloyd AG (Germany) operates "THE Alliance" in partnership with ONE (Singapore) and Yang Ming (Taiwan). The South Korean liner shipping company HMM became the latest member of THE Alliance on April 1, 2020. As of December 31, 2020, THE Alliance covered all East–West trades with 274 container ships and 30 services.

As of December 31, 2020, these three major alliances represent approximately 80% of the world container vessel fleet based on each carrier's total transport capacity (*source*: MDS Transmodal, January 2021).

The below table shows the capacity of the three largest alliances as of December 31, 2020:

Alliance	Members	No. of Vessels	TEU'000 Capacity[(1)]	Approximate Share of Total Market Capacity
2M	Maersk, MSC	1,249	7,789	31.7%
THE Alliance	Hapag-Lloyd AG, ONE, Yang Ming, HMM	617	4,626	18.8%
Ocean Alliance	CMA CGM, Evergreen, China COSCO	1,217	7,219	28.4%

(1) Data based on total capacity of carriers.

Source: MDS Transmodal, January 2021.

The three alliances had the following capacity shares on the major East-West trades as of December 31, 2020:

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

Source: Alphaliner January 2021

In THE Alliance, the capacity sharing described above is arranged by having each member contribute a certain number of its ships to the alliance and receiving, in return, a specified proportion of the total capacity of all ships contributed to the alliance by its members. Any under- or over-contribution or use of capacity is resolved through payments among the alliance members. As a result, a single trade may be operated with far more vessels than one shipping company could provide on its own (allowing more frequent service on the trade), and carriers may offer services to customers in parts of the world where they deploy no vessels of their own. This provides the advantage of a less capital-intensive expansion compared to a carrier building up its own fleet capacity. Other alliances may provide for a higher or lesser degree of integration of the alliance partners' operations. As a member of THE Alliance, we focus on the coordination among THE Alliance's members of our respective landside/terminal operations in order to generate additional cost benefits.

Technological and Regulatory Trends

Trend Towards Larger Vessels

Presently, the largest vessels can carry up to approximately 24,000 TEU, whereas in 2005, there were no vessels that carried above 9,999 TEU (*source*: MDS Transmodal, February 2006). As of January 1, 2021, vessels that can carry more than 9,999 TEU accounted for 35% of the existing global fleet capacity (*source*: MDS Transmodal, January 2021). Carriers have increasingly been using larger vessels to benefit from lower operating and voyage unit costs, such as fuel, port and canal fees, manning, repairs, insurance and ship management costs. In particular, ultra-large container vessels with a capacity of more than 18,000 TEU are increasingly being used in the Far East trade. These ships have the highest fuel efficiency of the various vessel classes of the global fleet.

Vessel size	4,900 TEU(1)	10,500 TEU(1)	13,200 TEU(1)	19,200 TEU(1)
Bunker consumption	Average bunker consumption of 78 tonnes per day at 18kn *i.e.* 0.016 tonnes per TEU per day	Average bunker consumption of ca. 110(2) tonnes per day at 18kn *i.e.* 0.011 tonnes per TEU per day	Average bunker consumption of 118 tonnes per day at 18kn *i.e.* 0.009 tonnes per TEU per day	Average bunker consumption of 160(3) tonnes per day at 18kn *i.e.* 0.008 tonnes per TEU per day

Source: Hapag-Lloyd AG, Alphaliner, OECD

(1) Based on the Hapag-Lloyd Group's vessels.

(2) Estimated on former 10,000 TEU class.

(3) Based on standard 19,200 TEU vessel.

However, due to their size as well as limitations of port and land side operations the port access for ULCVs with a capacity of more than 18,000 TEU is limited to specific deep water ports in Asia, Europe and the U.S. west coast. The world fleet's average size of cellular container vessels increased from 1,915 TEU in 2006 to 4,333 TEU in 2020 while the maximum vessel size increased from 9,380 TEU to 23,964 TEU (*source*: MDS Transmodal, February 2006; MDS Transmodal, January 2021). The shift to larger vessels has been particularly prominent in the Far East-Europe and Transpacific trades, where transport volume and competitive pressures have been intense. ULCVs offer cost advantages compared to 15,000 TEU vessels because of more efficient design and operational concepts. For example, at 18 knots speed the estimated cost saving per TEU of a 19,000 TEU vessel is about US$20 to US$30 per TEU compared to a 15,000 TEU vessel (*source*: OECD study on Impact of Mega-Ships based on Dynamar 2015). As total costs for the transport chain consist of the vessel cost per TEU and the handling cost per TEU (*e.g.* operating costs for the vessel, port as well as terminal costs, canal costs and costs for inland transport) ULCVs have an increasing break-even point with rising handling costs as particularly canal as well as port and terminal costs are related to the vessel size and the volume of handled cargo increases in absolute terms. Although vessels with a capacity of 19,000 TEU or higher still offer cost advantages compared to the first 15,000 TEU vessels, mainly due to the new vessel designs and operational concepts, economies of scale of ULCVs are decreasing relative to the cost base of the current global fleet, as older and inefficient vessels are increasingly put out of service. In addition, the port time of larger container ships increases with larger vessel sizes which leads to delays. This means that a service with larger vessels has to be run with more vessels or with a higher vessel speed to catch up. As of January 1, 2021, there were 45 ULCVs on order to be delivered until 2024 (*source*: MDS Transmodal, January 2021).

New Marine Fuel Regulation (IMO 2020)

The IMO has introduced a new marine fuel regulation, which limit the sulfur emissions caused by marine fuels from previously 3.5% to 0.5% sulfur as of January 1, 2020. The regulation applies to all ships on international or domestic voyages, except for ships operating in the Baltic Sea area; the North Sea area; the North American area (covering designated coastal areas off the United States and Canada); and the United States Caribbean Sea area (around Puerto Rico and the United States Virgin Islands) where an even stricter sulfur limit of 0.1% applies.

The so-called IMO 2020 regulation is the first in a series of IMO measures to reduce marine pollution. In order to comply with the new regulation, commercial ship operators may either use the more expensive low sulfur fuel with a sulfur content of up to 0.5% or invest in new technological

solutions such as Scrubbers, which reduce the sulfur content of the exhaust gas. A further option is the use of new propulsion technologies such as liquefied natural gas ("**LNG**").

Introduction of the new regulation went smoothly with most of the ships using the compliant low sulfur fuel. In addition, a substantial amount of the existing fleet, mostly large vessels, is currently outfitted with Scrubbers. In addition, some carriers have announced that they intend to invest in new LNG propulsion vessels or to retrofit existing vessels to LNG. In order to account for the increased fuel costs or investments most carriers have introduced fuel surcharges leading to overall higher transport costs for shippers.

Cost Trends and Freight Rate Development

The container shipping industry connects locations of industrial production with oftentimes distant consumer markets located in other parts of the world. Therefore, the costs to transport goods are the major cost items for the container shipping industry. In the case of the Hapag-Lloyd Group, transport expenses accounted for 71.6% of revenues in the financial year ended December 31, 2020. The major cost items within transport expenses are, *inter alia*, port and terminal handling, hinterland transport, equipment repositioning as well as expenses for ships, containers and fuel.

In the past years, the container shipping industry has faced a substantial fluctuation in bunker prices which affected transport costs and hence the overall profitability of the industry as rapidly changing bunker charges are passed on to the customers with a time lag.

Furthermore, as shipping is a capital-intensive industry, depreciation and amortization of assets is also an important cost item. Costs to charter or lease vessels or rent or lease containers for a period of less than a year are recognized as costs for charter, leases and container rentals, whereas, as of January 1, 2019, mid- and long-term rentals or charter expenses are recognized under amortization and financial result in accordance with IFRS 16.

In contrast, personnel expenses are generally less significant for the shipping industry.

A number of industry sources compile data on average freight rates for various trades using different methodologies. Given the fact that the major carriers operate on different routes and that the mix of cargo varies from carrier to carrier, the effective freight rates achieved by any of the carriers for a given time period may vary considerably from the average rates reported by these industry sources. The rate structure comprises many elements that together make up the final fees charged to individual importers and exporters. Such elements include, for example, terminal handling charges ("**THC**") at both load and discharge ports, bunker surcharges, currency surcharges, inland transportation costs and a variety of ancillary charges and not all of these elements may be fully reflected in reported average freight rates. The average freight rates as reported by industry sources are typically based on industry surveys because verifiable data from third-party sources is not practically available.

The table below shows the development of weighted global freight rates including fuel charges in the periods indicated:

	2016	2017	2018	2019	2020
			(US$ per TEU)		
Weighted global freight rate including fuel charges(1)	570	641	660	672	846

(1) Average of all deep-sea trades (including intra-Asia), inclusive of THC and intermodal rates where appropriate, covering both spot and contract markets.

Source: Drewry Maritime Research, Q4 2019; Drewry Maritime Research, Q4 2020

Imbalances of the Transported Volume on the Main Trades Differ on Dominant and Non-Dominant Leg

In general, all trades except intra-regional trades can be divided into a "dominant" and "non-dominant" leg. The dominant leg is the direction of shipping on the trade with the higher transport volumes. For example, on the Transpacific trade, shipments from Asia to North America form the dominant leg of the trade and shipments from North America to Asia form the non-dominant leg.

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

Imbalances in the major East-West trades in 2020 were as follows:

	Eastbound[(1)]	Westbound[(1)]
	(TEU)	
Transpacific	16,856	7,002
Far East trade	6,498	13,758
Atlantic	2,486	4,445

(1) Due to differences in the allocation of intra-regional trade, total eastbound and westbound transport volumes stated in this table do not necessarily match the total volume for each trade stated elsewhere or in industry sources.

Source: Seabury, November 2020

As a result of these structural imbalances, carriers have to provide vessel and container capacity to accommodate the transport volumes of the dominant leg, with the result that they must relocate significant numbers of empty containers on the non-dominant leg back to exporting countries. Empty container relocation costs are significant and the reduction of imbalances has an important impact on margins in the container shipping industry. Carriers try to mitigate the effects of structural imbalances through network planning and by charging different rates for shipping cargo on the dominant and non-dominant legs of each trade. A key measure of a carrier's success in optimizing shipments of empty containers is the ratio of the number of full containers on the non-dominant legs of trades to the number of full containers on the dominant legs.

The following table shows the industry average and our average number of full containers on the non-dominant leg as compared to the dominant leg (which equals 10 containers) for the major services as of December 31, 2020.

	Hapag-Lloyd Group	Industry Average
Atlantic	6.9	5.6
Europe-Far East	4.9	4.7
Transpacific	4.3	4.2

Source: Seabury November 2020; Company information

Chartering

Most container carriers do not own their entire fleet, but instead rely on vessels leased or chartered (either long-or short-term) from third parties to provide some proportion of their total capacity requirements. While ownership of vessels ensures the availability of a certain amount of capacity and cost stability, the short-term charter market provides carriers with increased flexibility in adjusting capacity in response to demand peaks and allows better deployment of vessel capacities in response to changing demand structures between trades a carrier is active in.

The table below shows the global container vessel ownership structure as of December 31, 2020:

	Fleet in m TEU	Share
Operator Owner Fleet	11,938	49%
Charter Owner Fleet	11,580	47%
Unknown	1,027	4%

Source: MDS Transmodal, January 2021

The decision to charter rather than to own a vessel is typically driven by several factors, including a carrier's expectations of transport volumes it will transport in a particular loop, potential purchase price, availability of financing and risk management.

Most ship charters involve the ship owner providing a vessel to the carrier for a fixed period of time, with the ship owner also providing the ship's crew, insurance and maintenance on the vessel. As such, both the fixed and most of the operating costs of the vessel are included in the charter rate. In this common ship charter agreement, the carrier would be responsible for most voyage costs, such as bunker fuel, canal charges and port fees. Alternatively, it is also possible to charter vessels on a bareboat charter, in which the ship owner provides only the vessel and, the carrier is responsible for the crew, insurance, maintenance, bunker fuel and all other operating and voyage costs.

Average utilization and freight rates have influenced short-term charter rates, but usually with a time lag of several months. These time lags occur because at any given point in time, ship chartering companies and carriers are bound by the terms of the charter agreements to which they are parties. Therefore, a ship chartering company cannot raise its charter rates to reflect an increase in freight rates immediately, but must wait until its current charter agreements expire. Similarly, a carrier is unable to immediately negotiate reduced charter rates in response to falling freight rates. This time lag and its effects are pronounced following a period of high demand for charter vessels, as owners of such vessels are typically able to enter into longer charter agreements with higher fixed charter rates during such periods.

In the past, container ship capacities have, in certain years, increased globally at a faster rate than the rate at which some container ports have managed to increase their capacities. This has led, in the past, to considerable delays in the processing of container shipments in affected ports. A number of carriers have started to secure their continued access to, or even attempt to gain priority status at, port facilities through direct investments in, and operation of, container terminals in key ports. With rising demand for container shipping and increased container shipping capacity, access to ports, particularly in regions where port capacity has not kept up with traffic growth, has become increasingly important. In the same way that carriers have globalized their networks and the container shipping industry has experienced consolidation in recent years, a growing number of global stevedoring companies and independent stevedores aligned with carriers now play a significant role in the terminal industry.

OUR BUSINESS

Any projections and other forward-looking statements in this section are not guarantees of future performance and actual results could differ materially from current expectations. Numerous factors could cause or contribute to such differences. See "Risk Factors" and "Forward-Looking Statements."

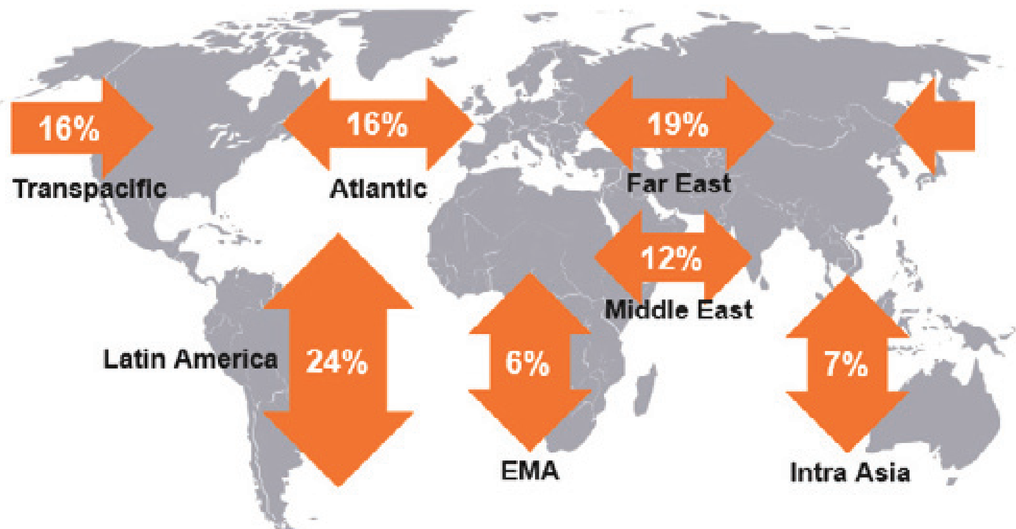
The description and nature of the operations and principal business activities as presented in this section "Our Business" is applicable to all periods covered by the historical financial information presented in this Offering Memorandum.

Overview

We are a leading global container liner shipping company. Measured by the capacity of our fleet, we are the fifth largest container shipping line in the world (*source*: MDS Transmodal, January 2021). We offer our customers a comprehensive range of services through an extensive network of 125 liner services worldwide, combined with the support of strong local presence with around 395 sales offices (including agents) in 129 countries as of December 31, 2020. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations which are tailored to meet our customers' transport service requirements.

We aim to maintain a well-balanced portfolio of trades distributed among our main markets. We have a strong presence, *inter alia*, in the Latin American and the Atlantic (Europe-North America) trade as well as in the Far East (Europe-Asia) and Transpacific (Asia-North America) trades. In addition, the Middle East and EMA trades as well as the Intra-Asia trade contribute to our overall transport volume. Our extended service network ensures that we are well positioned to benefit from an increase in trade flows around the globe. We have a strong position both in the high-volume East-West trades, which accounted for 63% of our total transport volume in the financial year ended December 31, 2019 (Atlantic, Transpacific, Far East and Middle East represented 16%, 16%, 19% and 12%, respectively) and in our other trades, which accounted for 37% of our total transport volumes during the same period (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively). In the financial year ended December 31, 2020, our East-West trades accounted for 63% (Atlantic, Transpacific, Far East and Middle East represented 15%, 16%, 19% and 12%, respectively) and our North-South trades represented 37% (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively) of our total transport volume for the period.

The chart below shows the Hapag-Lloyd Group's transport volumes by trade for the financial year ended December 31, 2020.



Our fleet is the fifth largest container ship fleet globally (*source*: MDS Transmodal, January 2021). As of December 31, 2020, we had a fleet of 237 container ships with a total transport capacity of 1.7 million TEU (TEU is a 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot, or 6.05 m, x 8 foot or 2.43 m, x 8 foot 6 inches or 2.59 m), the standard unit of measurement of volume used in the container shipping industry), of which we owned 112 (including long-term leases) and chartered 125 vessels. As of December 31, 2020, the corresponding fleet

capacity of owned and chartered vessels stood at 1.05 million TEU and 0.67 million TEU, respectively. Furthermore, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023. As of the date of this Offering Memorandum, we are in advanced negotiations to place orders for three new container vessels, each with a capacity of approximately 13,300 TEU, which would be expected to be delivered between August 2022 and March 2023, and furthermore, to charter three vessels, each with a capacity of approximately 13,300 TEU, on a long-term basis, the charters of which would be expected to commence between October 2022 and May 2023. Subject to the outcome of the respective negotiations, we will enter into any or all of the aforementioned transactions in the near future.

As of December 31, 2020, we managed a fleet of 1.6 million containers with a total transport capacity of 2.7 million TEU, approximately 55% of which we owned with the remainder being rented.

In May 2016, we announced the founding of THE Alliance, which became our new main shipping alliance as of April 2017 and replaced our previous alliance, the G6 Alliance, entirely. Besides us, THE Alliance consists of ONE (Singapore) (jointly owned by K Line, MOL and NYK), Yang Ming (Taiwan) and, as of April 1, 2020, the South Korean liner shipping company HMM. In addition, we maintain cooperation arrangements with other carriers.

Arrangements, such as THE Alliance and other cooperation arrangements, allow us to optimize fleet utilization by sharing vessels and to provide a range and geographic scope of network services that would not be possible if we relied solely on our own fleet of vessels. Our ability to coordinate our route planning with our partners enables us to use capacity more efficiently and benefit from cost savings and lower capital expenditures. In addition, we have entered into a cooperation arrangement with ONE, HMM and MSC, offering new products between Asia and the western and eastern coasts of Latin America. This reflects our ongoing efforts to further strengthen our global coverage of trades, expand our product offering (*e.g.*, reefer products) between Asia and the West and the East coast of Latin America and enhance our cost and operational efficiency.

We have entered into contractual arrangements to use terminal facilities in each of the ports called by our fleet and have strategic shareholdings in a container terminal in Hamburg, Germany. We currently own a 25.1% interest in CTA in the Port of Hamburg, which we believe is one of the most modern container terminal facilities in the world. In addition, in 2019, we acquired a 10% stake in TC3 of Port Tanger Med 2, which was commissioned at the beginning of 2021. Located in Morocco on the Strait of Gibraltar, this is a port strategically important for global container traffic and we believe that TC3 may enable us to further expand our global network and strengthen our position in the trending African market.

The Hapag-Lloyd Group is headquartered in Hamburg, Germany. As of December 31, 2020, we had 13,117 total employees worldwide. In the financial year ended December 31, 2020, we generated revenue of €12,772.4 million (2019: €12,607.9 million; 2018: €11,617.5 million), and EBITDA of €2,700.4 million (2019: €1,985.8 million; 2018: €1,138.6 million).

Our Strengths

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

One of the market leaders with a strong global footprint and exposure to attractive niche businesses.

Over the last 20 years, we have increased our global market share, by transport capacity, in the container liner sector from 3% in 2000 to about 11% as of December 31, 2020 (excluding Intra-Asia) (*source*: Seabury, November 2020). We achieved this by expanding our service network and through successfully integrating CSAV's container shipping activities ("**CCS Activities**") in 2014, the CP Ships Ltd. acquisition in 2005 and the combination of all activities, assets, liabilities, contractual relationships and employees of the United Arab Shipping Company Limited and its subsidiaries (together, "**UASC**") (the "**UASC Business Combination**") in 2017. We are one of the largest container liner shipping companies worldwide with an extensive network comprising 122 services worldwide.

We possess a competitive position, evidenced by our market shares, computed as transported TEU volumes in 2020, of approximately 24%, 17%, 16%, 11% and 7% on the Atlantic, Latin America,

Middle East, Far East and Transpacific trades, respectively (*source*: Seabury, November 2020, Company data). We are ranked among the five largest container liner shipping companies globally measured by capacity (*source*: MDS Transmodal, January 2021). We believe that we are well positioned to benefit from growth trends in the attractive niche businesses such as reefer, project cargo and dangerous goods businesses, where we have a long-standing and well-recognized expertise. With our fleet of state-of-the-art reefers with a capacity of approximately 233,000 TEU as of December 31, 2020, to transport temperature-sensitive cargo such as fruit, vegetables, meat and fish as well as high value reefer cargo such as pharmaceuticals and healthcare products, we believe that we possess one of the largest reefer container fleets in the industry.

In addition to our expertise in the reefer business, we have a dedicated department for the organization and monitoring of oversized cargo with many years of expertise in handling the transport of out of gauge, break-bulk and project cargo, offering one-stop-shop service to our customers. Our fleet of special containers allows for the carriage of oversized and especially heavy goods, catering to all kinds of cargo, even high value and sensitive cargo. Furthermore, we are constantly developing and constructing our own equipment capabilities in the fields of security and stability. In the dangerous cargo business, we believe we have a competitive edge, which is strongly supported by our dangerous goods department and dangerous goods experts located in Hamburg, New Jersey, Singapore, Dubai and Valparaíso). We have also established a new team of specialists based in Gdańsk, Poland, dedicated to review bookings involving dangerous goods. In addition, our specialist software (Cargo Patrol) enables us to continuously and systematically scan all the bookings placed globally, using intelligently linked criteria, to identify dangerous goods and a large variety of other sensitive cargo which have been declared incorrectly or which have not been declared at all. With this loss prevention tool in place we have significantly reduced the risks posed to our crews, our vessels, the environment and other cargo. These factors underscore our expertise and experience in the dangerous cargo business, which enables us to capitalize on the transportation of sensitive goods, whose transportation may be prohibited by other carriers due to their internal rules.

Furthermore, we are actively exploring further value adding market niches—we are certified to carry U.S. governmental cargo with five of our six vessels sailing under U.S. flag.

We believe that these businesses combined with our specialist knowledge and expertise position us well to exploit opportunities for further growth.

Well-balanced route mix and exposure to attractive markets strongly supported by our membership in THE Alliance and through several cooperation agreements.

As of December 31, 2020, we had 395 sales offices in 129 countries and 125 liner services, supported by our cooperation within THE Alliance and arrangements with several other carriers. As a result, we maintain a portfolio of trades (a trade combines liner services between two land masses) which we believe to be more balanced than that of any other liner, covering all major markets and regions. We are one of the few leading carriers with an almost equal exposure both to the high-volume East-West trades, which accounted for 63% of our total transport volume in the financial year ended December 31, 2019 (Atlantic, Transpacific, Far East and Middle East represented 16%, 16%, 19% and 12%, respectively) and our other trades, which accounted for 37% of our total transport volumes during the same period (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively). In the financial year ended December 31, 2020, our East-West trades accounted for 63% (Atlantic, Transpacific, Far East and Middle East represented 15%, 16%, 19% and 12%, respectively) and our North-South trades represented 37% (Latin America, Intra-Asia and EMA represented 24%, 7% and 6%, respectively) of our total transport volume for the period.

Through our membership in THE Alliance and other cooperation agreements we share capacity with other carriers on the major East-West trades as well as the North-South trades which enable us to maintain favorable utilization rates of our vessel and container fleet, consistently extend the range as well as the geographic scope of our services, and offer our customers improved services, shorter transit times, more frequent sailings and more direct port calls which will further benefit our perception and position in the market. As a member of THE Alliance, we focus on the coordination of THE Alliance members' respective landside/terminal operations in order to generate additional cost benefits. We believe that the degree of integration in THE Alliance is therefore higher when compared to the Ocean Alliance and the 2M. Our ability to coordinate our services with other alliance members also allows us to use capacity more efficiently, entailing cost savings and lower capital expenditures. In addition, our

use of cooperation arrangements facilitates our entrance into new markets by lowering our entry costs through, for example, allowing us to use our partners' vessels.

As a result, together with our THE Alliance partners we have a strong market position in the East-West trades (Atlantic, Far East and the Transpacific trades) and, together with our cooperation partners are one of the market leaders in the Europe – Latin America trade. In addition, through UASC's established presence in the Middle East we strengthened our operations in the region. Our enhanced service network ensures that we are well positioned to benefit from an increase in trade flows around the globe while our balanced trade lane portfolio enables us to be more resilient to adverse market developments on any one trade lane.

Competitive and modern fleet with a balanced ownership structure providing operational flexibility through the cycle.

The composition of our fleet provides us with a significant degree of flexibility in our operations. We are able to swiftly deploy our vessels on our different trade lanes and actively manage and control the optimal use of the vessels depending on the respective demand and slot allocation. As of December 31, 2020, our entire fleet comprised 237 container vessels, of which we owned 112 (including long-term leases) and chartered 125.

In line with our market position on high-volume trades, approximately 45% of our capacity consisted of vessels with a capacity in excess of 9,999 TEU as of December 31, 2020. We focus on owning larger vessels, resulting in the average size of our entire vessel fleet being 7,252 TEU as of December 31, 2020 compared to an average of 6,314 TEU among the top 10 carriers (*source*: MDS Transmodal, January 2021, Company information). As of December 31, 2020, the average age of our fleet was 9.5 years, of which 63% comprised vessels less than ten years of age, compared to an average among the top 10 carriers of 9.6 years (*source*: MDS Transmodal, January 2021; Company information). Our Valparaiso Express class vessels are equipped with an increased number of reefer slots to take advantage of the increasing demand for the transport of foodstuffs, especially on the North-South trade. Foodstuffs and beverages represented about 16% and 17% of our transport volume in the financial years ended December 31, 2019 and 2020, respectively. Together with our THE Alliance partners and our other cooperation partners, we are able to allocate ships to services which best fit the specific needs of each service.

Overall, the larger size vessels and the homogenous structure within the different classes of our fleet in terms of design and furnishings provide benefits, such as lower operating and voyage unit costs, fuel, port and canal fees as well as manning, repairs, insurance and ship management costs. We also maintain a high degree of flexibility in our fleet to meet changing market demand by using a combination of short-term, mid-term and long-term vessel charters along with our owned and finance leased vessels. Short-term charters, mid-term charters and long-term charters are for a period of up to twelve months, up to 36 months and more than 36 months, respectively. Short-term and mid-term charters allow us to adjust our capacity and cost structure rapidly in response to changes in demand. In addition to our vessel fleet, our stock of a wide variety of containers, which enables us to cater towards our customers' needs and specifications, complements our flexible and competitive fleet structure.

Highly diversified and solid customer base with long-term and close customer relationships based on operational excellence and technological know-how that allows for better imbalance management.

We have a track record of long-term and close relationships with a broad range of blue-chip customers. Our top customers (by volume) include direct shippers, such as IKEA, ExxonMobil, Sabic, BASF and Nestle, and freight forwarders, such as Kuehne+Nagel, DB Schenker, DHL, DSV and Expeditors. Moreover, we have been successful in acquiring and retaining key account customers. For example, 19 of our top 20 customers by volume in 2018 continued to count among our top 20 customers by volume as of December 31, 2020. We believe that our close relationship with large direct customers gives us better visibility on future container liner shipping transport volumes while our relationships with large freight forwarders, which originate cargo in many locations worldwide, help us to optimize our trade flows. In the financial years ended December 31, 2019 and 2020, we provided our services to approximately 30,600 customers and 30,400 customers, respectively. These customers were diverse in both geography and industry, with no single customer representing more than 4.8% of our total transport volume for these periods.

We believe that our long-term and close customer relationships are supported by our industry-leading container liner shipping information management system. We have developed and are continuously enhancing a globally integrated and self-developed IT system to support our business and operating processes. This allows us to maintain our high levels of efficiency and productivity throughout our global operations by reducing costs and increasing the speed, quality and reliability of operational information. Our IT systems are highly scalable and a key enabler of inorganic growth, allowing us to efficiently integrate acquired operations. Our operational excellence is linked to the quality of our system which has been in operation and running reliably for over 20 years and consistently kept up-to-date regarding architecture, security and user experience, including state-of-the art web-based graphical user interfaces. We have also implemented a standardized organizational model that we use in our operations worldwide called Blueprint Organization ("**Blueprint**") and a "one-file-per-shipment" data structure throughout our operations and IT system architecture. Our IT system runs on a standardized platform that links all of our regional headquarters, areas and offices. We believe that the combination of our integrated IT system with Blueprint is an industry-leading innovation, which cannot be easily reproduced by our competitors. This system enables decentralized decision-making within our global network and provides us with significant advantages over our competitors as we can continuously monitor and improve our productivity by comparing and benchmarking processes throughout the organization. In particular, our self-developed freight information system ("**FIS**") provides us with real-time information allowing us to assess at the point of sale the contribution levels that may be achieved by an individual transaction, after taking into account costs, such as the cost of associated relocations of empty containers and inland transportation costs.

Our system particularly enables us to better manage structural imbalances in the container liner shipping business by optimizing container shipments, when compared to the market. Through our yield management, we achieve a significantly higher share of full container moves on the non-dominant leg of a trade route compared to the overall industry, resulting in fewer empty containers requiring repositioning and thereby considerably reducing our repositioning costs. During 2020, for every ten full containers we carried on the dominant legs of the Transpacific, Atlantic and Far East-Europe trades, we carried approximately 4.3, 6.9 and 4.9 full containers on the non-dominant legs of these trades, respectively, comparatively higher than the industry average of 4.2, 5.6 and 4.7 full containers, respectively (*source*: Seabury November 2020, Company Information). This results in fewer empty containers requiring repositioning and considerably reduces our repositioning costs.

Proven track record on efficiency improvements through organic and inorganic growth, comprehensive cost savings programs and deleveraging.

We believe that we are one of the most profitable container liner companies in the world demonstrated by a significantly improved EBIT margin (calculated as EBIT divided by revenue) of 10.3% in the financial year ended December 31, 2020 (2019: 6.4%, 2018: 3.8%) resulting in an average EBIT margin of 7.2% over the last three financial years. In recent years we were able to achieve above industry average margins and capital returns and to generate substantial free cash flow. As a consequence, we were able to significantly reduce our leverage in terms of reported net debt to EBITDA from 6.6x in 2013 to 1.8x as of December 31, 2020 (based on the ratio of our Net Debt as of December 31, 2020 to our EBITDA for the financial year ended December 31, 2020).

As we have demonstrated with the successful acquisitions of our competitors CSAV in 2014 and UASC in 2017, our operational structure is set up to efficiently integrate and grow acquired businesses. As a direct result, we have been and continue to be able to generate significant economies of scale. In connection with the merger with CSAV in 2014, we implemented extensive synergy-, cost-saving and efficiency-programs such as CUATRO, OCTAVE I and II and Close the Cost Gap. These programs had successfully been implemented by the end of the first quarter of 2017 and laid the foundations for generating annual synergies, efficiency improvements and cost savings totaling approximately US$600 million against the comparable cost base in the 2014 financial year (and assuming that external factors remain unchanged). The merger with UASC in 2017 has contributed cumulative savings in an amount of approximately US$435 million annually from the financial year 2019 onwards. By continuing to leverage our large and modern fleet, we believe we have positioned ourselves as one of the most competitive container liner companies in the world in terms of route network and unit cost.

At the time of launching our Strategy 2023 in 2018, we expected to achieve annual cost savings of between US$350 and US$400 million by 2021, in particular by improving cost structures. A large

proportion of the planned savings have already been realized in the financial year 2019. As a result, efforts were made to expand the cost savings program for the financial year 2020.

In order to safeguard our successful operating performance we have launched a further efficiency program in April 2020 in response to the economic downturn due to COVID-19. Measures that had already been agreed as part of the Strategy 2023 cost savings program were combined with additional short-term savings. The so-called Performance Safeguarding Program ("**PSP**") sets a clear focus on short-term measures within 2020. Ongoing efforts were bundled in a comprehensive project approach based on four building blocks: (i) Cost saving measures (reduce cost across categories, stabilize result); (ii) investment prioritization (reduce capex (vessel, container, other), optimize leasing/charter portfolio); (iii) financial contingency (focus on working capital, enhance financing levers, keep cash); and (iv) evaluation of government support schemes (subsidies (*e.g.* labor related)), guarantees, liquidity support, tax benefits). The PSP enabled us to reduce transport and overhead cost, implement measures to increase available liquidity and realize cost savings of approximately US$500 million in the financial year 2020. See "*–Our Strategy.*"

Experienced management team and supportive anchor shareholders.

We have a strong and experienced senior management team consisting of our four executive board members, the heads of our global regions (North America, South America, Northern Europe, Southern Europe, Middle East and Asia) and our central functions (Trade Management, Yield Management & Network). The team is dedicated to further strengthen our competitive position as a leading container liner shipping company. On average, our senior management team members have more than 15 years of relevant industry experience.

We believe the experience of our management team gives us a competitive advantage and positions us favorably for future growth and profitability. Over the last 20 years, we have increased our global market share, by transport capacity, in the container liner sector from 3% in 2000 to around 11% as of December 31, 2020 (excluding Intra-Asia) (*source*: Seabury, November 2020). This was achieved by expanding the service network and the successful integration of UASC in 2017, the CCS Activities in 2014 and the Canadian container liner shipping company CP Ships Ltd. in 2005.

In addition, we have highly committed principal shareholders including the three anchor shareholders CSAV Germany Container Holding GmbH ("**CG Hold Co**") (30.0%), HGV (13.9%) and Kühne (30.0%) (Kühne Maritime GmbH, together with CG Hold Co and HGV, the "**HL BCA Controlling Shareholders**") and our other key shareholders Qatar Holding Germany (12.3%) and the Public Investment Fund of the Kingdom of Saudi Arabia ("**PIF**") (10.2%). We believe that the commitment of our shareholders is evidenced, among others, by the fact that they have participated in capital increases with a volume over €1 billion since 2014.

Furthermore, due to the commitment of the HL BCA Controlling Shareholders in 2014 to pool a large part of their voting rights for ten years, we believe that we are in a favorable position to focus on the mid to long term strategic development of our company.

Our Strategy

We have developed a defined strategy to ensure our continued existence as a global player by focusing in particular on quality leadership and profitable growth ("**Strategy 2023**") based on continuous and consistent cost and revenue management, the improvement of internal processes and the exploitation of technological opportunities such as digitalization and automation.

The three core objectives of our Strategy 2023 are:

- Become number one for quality;
- Remain a global player;
- Ensure profitability throughout the entire economic cycle.

The core of our Strategy 2023 is the clear differentiation from competitors through the following measures, key strategic objectives and unique selling points:

Become number one for quality by improving internal processes and strengthening organization efficiency.

Following a period of intense consolidation, unit costs and economies of scale no longer solely determine the container shipping industry. Instead, service quality and reliability have emerged as decisive competitive factors. Accordingly, our Strategy 2023 focuses in particular on quality leadership. As a part of our aim of setting industry standards with regard to quality, we have specified a set of ten quality promises as the foundation of our partnership with our customers.

Starting in 2019, we initially focused on establishing the structures, processes and databases needed to record and report in detail on quality-related parameters in order to ensure the implementation of the specified quality promises communicated externally to customers from 2020 onwards. We believe that this will enable us to quickly identify weaknesses and problems as they arise and to implement quality-related improvements.

Five of these promises, which we intend to implement on a gradual basis, were as of the date of this Offering Memorandum. The promises include the pledge of timely and accurate documentation (*e.g.* quick confirmation of bookings, quick and accurate issue of bills of lading, accurate invoicing), the pledge that cargo will be transported on the booked voyage in at least 95% of cases and the pledge that volume agreements entered into with our customers will be honored.

In the interest of transparency and measurability of our success, our quality promises will set forth precise terms regarding the number of cases handled and timing thereof (*e.g.* booking confirmation within one business hour in 85% of cases; bill of lading within four business hours in 80% of cases and within eight business hours in 95% of cases). A corresponding methodology to record and measures performance in relation to pre-defined punctuality promises will enable us to measure improvement in reliability and punctuality. In further pursuit of our Strategy 2023, we intend to formulate promises relating to, *inter alia*, reliable transport, booking and loading as well as expedient problem-resolution. Customers can access information about how the quality pledges are met using the new "Customer Dashboard."

In addition, we started creating various new Quality Service Centers ("**QSCs**") in 2019 to further increase and standardize the quality of customer service. As of the date of this Offering Memorandum, our QSCs are located in Atlanta (USA), Suzhou (China), Kuala Lumpur (Malaysia), Mumbai (India), Bogotá (Colombia), Viña del Mar (Chile) and Santos (Brazil). In 2020, we opened QSCs in Hamburg (Germany), Gdańsk (Poland) and one in Mauritius for the African market. As we continue to pursue the core objective of our Strategy 2023 of becoming the number one quality service provider, we intend to implement additional QSCs in order to strengthen our delivery consistency and organization efficiency throughout all regions.

Further develop our land-side capabilities.

A carrier is sometimes only responsible for the maritime leg of the delivery, with customers or intermediaries arranging the inland transport. Some other carriers emphasize maritime services, while others focus on offering door-to-door services. Most carriers, including ourselves, offer both maritime and door-to-door services. Our core business is currently the shipping of containers by sea, but also encompasses transport services from door to door. This cargo type requires additional services that we offer customers resulting in higher revenue and additional earnings. In 2020, the share of cargo transported with an inland component was approximately 31%. As a part of our Strategy 2023, we aim to increase the percentage of door-to-door business to over 40% by 2023 and refine our land-side capabilities.

Focus on attractive selective markets and niches.

During the fourth quarter of the financial year 2020, our market share in terms of transported TEU volumes (excluding Intra-Asia) was 11% (*source*: Seabury, November 2020, Company data). We intend to maintain our global market share by transport capacity (excluding Intra-Asia) of around 10%. We plan to grow with the market and thereby retain our market share. For example, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023. We expect to deploy these

vessels on the Europe-Far East routes as part of THE Alliance in order to increase our competitiveness on this trade. As of the date of this Offering Memorandum, we are in advanced negotiations to place orders for three new container vessels, each with a capacity of approximately 13,300 TEU, which would be expected to be delivered between August 2022 and March 2023, and furthermore, to lease three vessels, each with a capacity of approximately 13,300 TEU, on a long-term basis, the leases of which would be expected to commence between October 2022 and May 2023. Subject to the outcome of the respective negotiations, we will enter into any or all of the aforementioned transactions in the near future. We believe that additional vessels could allow us to reduce slot costs while contributing towards the modernization of our fleet and the reduction of our environmental impact. In addition, we will continue to expand into attractive growth markets and simultaneously continue to grow in the area of special container transports. This includes the transportation of reefer containers, which we already see as an area of strength today (see "*—Our Strengths—One of the market leaders with a strong global footprint and exposure to attractive niche businesses*"). As of December 31, 2020, our share of the global reefer transport market (excluding Intra-Asia) by volume was 9.1% (*source*: Company data based on Seabury, November 2020). We intend to further increase our market share in this segment to around 10%. In 2020, we ordered and acquired 12,875 new reefer containers as a measure to achieve our target.

As a further element of our Strategy 2023, we have identified attractive growth markets in which we intend to strengthen our position by launching new services. At the end of 2018, we introduced the East Africa Service 2 (EAS2) and the Dakar Express (DEX), which further enhanced our offering in East and West Africa. In January 2019, we introduced the New Caribbean Express Service (CES) to further strengthen and optimize our presence in the Caribbean and Central America with special focus on serving the reefer segment. In 2019, we continued to establish additional new services in Africa, India and South East Asia. For example, in October 2019, we launched new services from South and West Africa to the Middle East and India (MIAX) and from South East India to Europe. In August 2020, we increased our comprehensive Africa service portfolio by launching the new China-Kenya-Express (CKX).

Furthermore, we increased our presence in Africa by opening an office in Ghana in April 2019, in Nigeria in September 2020 and in Kenya in March 2021. In further pursuit of the goals of our Strategy 2023, we intend to continue to expand our presence in these niche markets in order to increase our market share.

Continue to develop and enhance our best-in-class web channel.

With our Strategy 2023, we have set clear goals for our business success, which we intend to achieve by focusing on digitizing our work. By using digital solutions, we can automate processes, further improve the quality of our services and strengthen customer satisfaction through more efficient interfaces and thus simplify shipping by innovating across the whole supply chain.

With Quick Quotes, we have automated the process of generating quotes and booking online. In 2020, the share of containers booked via the web channel was approximately 11.1% (2019: 7.9%). Accordingly, approximately 1.4 million TEU were booked via Quick Quotes, an increase of 40% from approximately 1.0 million TEU in 2019. We are continuously developing the web channel to further improve the user experience. During the fourth quarter of the financial year 2020, 13.8% of containers were booked via the web channel, the highest percentage since implementation of the Quick Quotes process. To measure the success of our digitalization strategy, we have set a goal of increasing the volume booked via the web channel to 15% of the total volume by 2023.

Continuous cost management and excellence in revenue management.

We have already launched a number of projects to ensure that our cost structure is competitive. At the time of launching our Strategy 2023 in 2018, we expected to achieve annual cost savings of between US$350 and US$400 million by 2021 by improving cost structures. A large proportion of the planned savings have already been realized in the financial year 2019. As a result, efforts were made to expand the cost savings program for the financial year 2020.

Due to the collapse in demand associated with the COVID-19 pandemic, which required further significant reductions to the cost base, measures that had already been agreed as part of Strategy 2023 were combined with additional, short-term savings. As a result, the PSP led to a reduction in transport

and overhead cost of approximately US$500 million in the financial year 2020. We intend to perpetuate a portion of these PSP savings in 2021.

The key levers for optimization of revenue management have also already been identified and initial measures have been introduced. In 2019, revenue management focused on the implementation of the new standardized and transparent marine fuel recovery (MFR) surcharge in preparation for the rising bunker costs as a result of the new exhaust gas regulations of the IMO to reduce sulfur emissions, which came into effect on January 1, 2020 (IMO 2020). Efforts were also made to optimize the cargo mix, to increase income from secondary sources, and to increase automation for price quotations, including by use of the Quick Quotes channel. We continuously develop our revenue management capabilities further to ensure a successful implementation.

Becoming an agile organization by enhancing our technology and exploiting technological opportunities such as digitalization and automation.

The development of our organization towards increased agility is a key factor for the success of our Strategy 2023. The aim is to make quicker and better commercial decisions with the help of data-based analysis tools. Among others, this will enable a bespoke and highly flexible response to market changes in supply and demand. We believe that we are well equipped in the area of digitalization and automation as new technologies and digitalization and automation are expected to contribute to a continuous improvement of internal processes and systems, and thus reduce time-consuming manual tasks. Our self-developed "single operating system" forms the backbone of our efficient operating processes and is continuously being improved and enhanced by a dedicated in-house IT team. As a result, we believe we are in a good position to implement and take advantage of new technologies, as demonstrated with the introduction and continuous enhancement of the web channel, for example (see "*—Continue to develop and enhance best-in-class Web Channel*").

With Quick Quotes, we have automated the process of generating quotes and booking online. To secure additional IT expertise and strengthen the development of new digital products, a new IT department for product innovation was established in Gdańsk (Poland) in 2019. As a part of our Strategy 2023, we will continue to invest more in digitalization and automation.

Being an environmentally responsible organization by continuously improving the efficiency of our fleet.

According to the IMO Greenhouse Study, the commercial shipping industry as a whole is responsible for around 3% of annual greenhouse gas emissions. We are working with international organizations, including the IMO, to make shipping more environmentally friendly. From 2008 to 2019, we have reduced CO_2 emissions per TEU-km by approximately 50%. We continuously work to further reduce greenhouse gas emissions, including by testing alternative fuels. In the financial year 2020, we became the first company in the world to retrofit a large vessel to run on LNG. LNG offers a number of environmental advantages over conventional oil-based fuels, in particular reducing CO_2 emissions by 15% to 25%.We envisage to commence tests of the new system in the first half of 2021.

Additionally, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023. These vessels will be equipped with modern and fuel-efficient high-pressure dual-fuel engines that can run on both LNG and conventional fuel. Furthermore, we intend to conceptualize and roll out a comprehensive sustainability strategy in 2021. The sustainability strategy is aimed to expand and add detail to the "Environmental Responsibility" element of the existing Strategy 2023.

In light of the IMO's regulations aimed at reducing emissions of sulfur dioxide, which came into force in 2020, we used low sulfur fuel for the majority of our operations during the financial year 2020. Additionally, a small number of container ships were successfully equipped with exhaust gas cleaning systems (EGCS) to clean up their emissions.

Achieve profitability over the entire economic cycle and strengthening our balance sheet structure.

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth measured on the basis of developments in transport volume as well as the key performance indicators EBITDA and EBIT. As part of our Strategy 2023, further medium-term financial targets were also defined. We aim to achieve profitability over the entire economic cycle, *i.e.* a return on invested capital (ROIC) at least equal to our weighted average cost of capital (WACC). This significant

improvement is almost entirely driven by a substantial improvement of our operational results while the invested capital remained almost unchanged. As a result, the return on invested capital (ROIC) in 2020 is above the weighted average cost of capital (WACC) for the first time since the ratio has been reported in 2015. In the financial year ended December 31, 2020, we generated a return on invested capital (ROIC) of 10.6% (2019: 6.1%). The weighted average cost of capital was 6.0% as of December 31, 2020 (2019: 6.8%). The main reason for the decrease in the weighted average cost of capital is a lower risk-free base interest rate.

In addition to an adequate return on invested capital, we continue to prioritize the strengthening of our balance sheet structure. We intend to further improve the balance sheet structure by increasing equity, reducing debt and maintaining an adequate liquidity reserve.

In the framework of Strategy 2023, the Hapag-Lloyd Group aims to achieve an equity ratio of over 45% by retaining the profits generated. As of December 31, 2020, the equity ratio rose to 44.3% (2019: 40.9%) due to the improved earnings performance.

Debt reduction and the achievement of an optimal gearing ratio constitute a priority for us. Since the acquisition of UASC in May 2017, the dynamic gearing ratio, measured by the ratio of net debt to EBITDA (in US$), has been continuously reduced by reducing debt and increasing earnings. Accordingly, the gearing ratio improved from 5.7x as of December 31, 2017 to 1.8x as of December 31, 2020 (2019: 3.0x). We aim to maintain the ratio of Net Debt to EBITDA at or below 3.0x on a sustainable basis.

Simultaneously, we aim to maintain a liquidity reserve of at least US$1.1 billion. As a precautionary measure for the impact of the COVID-19 pandemic, liquidity was significantly increased in the first half of 2020 through the extended use of the receivables securitization program, the drawing of credit lines and the refinancing of ships and containers. In addition, the investment budget was continuously reviewed and investments prioritized. Due to a business recovery that was better than expected at the outbreak of the COVID-19 pandemic, liquidity was reduced again from the second half of 2020 in favor of further debt reduction. As of December 31, 2020, liquidity reserves stood at €1.2 billion (compared to €1.0 billion at the end of 2019).

The significant improvement in the balance sheet ratios was rewarded by two international rating agencies in the financial year 2020. On March 23, 2021, the rating agencies Standard & Poor's and Moody's raised their credit ratings for Hapag-Lloyd from "BB-" to "BB" and from "Ba3" to "Ba2", respectively.

Our History

The Hapag-Lloyd Group's origins began with the liner shipping companies Hamburg-Amerikanische-Packetfahrt-Actien-Gesellschaft ("**Hapag**") and Norddeutscher Lloyd ("**NDL**"). Hapag was founded by Hamburg businessmen and ship owners in 1847, to respond to the growing need of passenger services arising out of the increasing number of German and other European emigrants to North America. NDL was founded in Bremen in 1857 to capitalize on increasing shipping activities in Hamburg. In cargo shipping, both Hapag and NDL were pioneers in providing importers and exporters regular, reliable services on a global basis. In 1970, during a time of rapidly developing container services, the two companies merged to become Hapag-Lloyd AG. In 1998, Hapag-Lloyd AG was acquired by Preussag AG, later renamed TUI AG (TUI). At the end of 2005, TUI acquired CP Ships Ltd., a British Canadian container shipping company that was subsequently integrated into Hapag-Lloyd AG. From March 2009 to August 2013 (until completion of the downstream merger), the Hamburgische Seefahrtsbeteiligung "Albert Ballin" GmbH & Co. KG (the "**Consortium**") held a majority interest in Hapag-Lloyd Holding AG and thereby also in Hapag-Lloyd AG. The former sole shareholder of the Hapag-Lloyd AG, Hapag-Lloyd Holding AG, was merged into Hapag-Lloyd AG by way of a downstream merger with retroactive economic effect as of January 1, 2013. This downstream merger was entered into the commercial register of the Hapag-Lloyd AG and Hapag-Lloyd Holding AG on August 19, 2013. Following the dissolution of the Consortium in 2013, the former members of the Consortium hold their interests directly in Hapag-Lloyd AG.

In April 2014, Hapag-Lloyd AG acquired and subsequently integrated CSAV container shipping activities (the "**CCS Activities**") with Hapag-Lloyd AG. As a result of the integration of the combination, Hapag-Lloyd AG became one of the largest liner shipping companies in the world measured by the capacity of its fleet (*source:* MDS Transmodal, July 2015).

In the fourth quarter of 2015, Hapag-Lloyd AG announced its initial public offering ("**IPO**") on September 28, 2015. In the IPO, 13.2 million new registered shares were issued at a price of €20 by an international bank consortium to institutional and private investors as part of a book-building process. Since November 6, 2015, the shares have been publicly traded on the Frankfurt and Hamburg stock exchanges.

On July 15, 2016, Hapag-Lloyd AG and UASC Limited entered into a business combination agreement (the "**UASC BCA**") to combine all activities, assets, liabilities, contractual relationships and employees of UASC with Hapag-Lloyd AG (the "**UASC Business Combination**"). The UASC Business Combination was completed on May 24, 2017.

Our Services

Container Shipping Services

We are a global container carrier providing a comprehensive range of services to international industrial and trade companies and freight forwarders. We offer both complete worldwide door-to-door container shipment services and port-to-port services, as well as a variety of possible combinations of customer arranged, shipping company provided and third-party services. We offer a variety of regularly scheduled ports of call and sailing times, dates and frequencies. We provide these services by using a combination of our own vessel fleet as well as ships committed by THE Alliance members and our other cooperation partners.

Typical container shipments start at the sender's designated address with an empty container being delivered to the sender's premises. Once the sender has filled the container with cargo, the container is transported by truck, rail, barge, feeder or a combination of the four to a container port, where it is loaded onto a container ship. The container is shipped either directly to the destination port or via one of our scheduled ports of call, where it is transferred, or "transshipped," to another ship. When the container arrives at the final destination port, it is off-loaded from the ship, and delivered to the recipient's premises via truck, rail, barge or feeder, or a combination of the four. We are often responsible only for the ocean leg of the container's journey, with customers or intermediaries arranging and executing the in-land legs. For the financial years ended December 31, 2019 and 2020, respectively, approximately 68% and 69% of our total transport volume carried covered the ocean leg alone, whereas approximately 32% and 31% covered additional elements of the entire transportation chain, *i.e.*, door-to-door services. As a part of our Strategy 2023, we aim to increase the percentage of door-to-door business to over 40% by 2023 and refine our land-side capabilities. See "*—Our Strategy—Further develop our land-side capabilities.*"

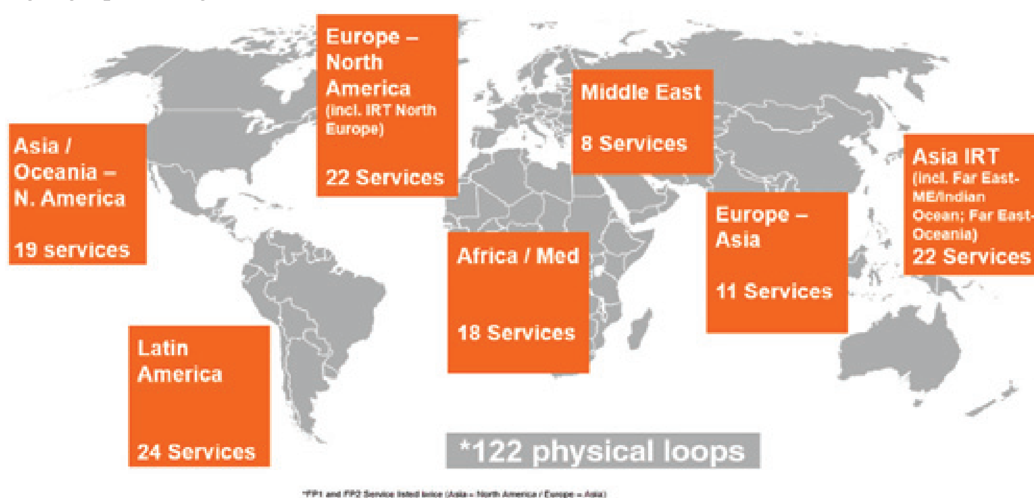
Market and Trade Lanes

We offer container shipping services to our customers through a variety of different services. Each of our lanes represents a particular offering of regularly scheduled ports of call and sailing times, dates and frequencies. Most of our services run on weekly schedules, complementing a network enabling several sailings per week in the key ports. We classify our services as either main services or feeder services. Main services, which represent the majority of our service offering with 91 services, are the services that are offered on our mostly intercontinental shipping lanes by large vessels, and the feeder services are the services that support the main services by connecting ports on intercontinental shipping lanes with one or more smaller ports (32 services), which are not called by the main line vessels.

We believe we operate one of the most extensive networks of direct services covering all three major East-West trade lanes: Far East (Europe-Asia), Transpacific (Asia-North America) and Atlantic (Europe-North America). We also offer an extensive range of services beyond the major East-West trade lanes, including services to and from the Middle East, the Intra-Asia trade lane, services to and within the Latin America, Intra-European and Intra-American trade lanes. Furthermore, we provide various services to and from Africa, Australia and New Zealand. To the extent that we do not offer certain main service connections ourselves, we provide connecting services using deep-sea services or third-party feeder links. As of December 31, 2020, we provided 122 services worldwide, using both own vessels and the ships of cooperation partners in THE Alliance and other cooperation arrangements.

These cooperation arrangements allow us to enhance service levels on the applicable services, maintain our flexibility, reduce costs associated with establishing new services and preserve autonomy in non-core activities such as sales and marketing. We generally prefer to contribute owned or chartered ships into vessel-sharing agreements, rather than use slot purchase or swap agreements, where the economic benefits justify the capital investment, as we believe that lower costs can be achieved by operating our own ships compared to chartering space from other carriers. Moreover, we aim to enter into vessel-sharing agreements only where our position in the relevant market enables us to have a decisive influence on the operation of the service, such as investments in new ships and service schedules. Generally, under the terms of vessel-sharing, slot purchase and swap agreements, carriers have the additional benefit of using any space on their own vessel allocated to, but unused by, the other party.

The geographic diagram below shows our services as of December 31, 2020.



The table below shows our market shares per trade in terms of transported volumes in TEU in 2020.

	Company's market share
Atlantic	24%
Latin America	17%
Middle East	16%
Far East	11%
Transpacific	7%

Source: Seabury, November 2020, Company data

Niche Products

Reefer

With a global market share of 9.1% (of transported reefer volumes) (excluding Intra-Asia), we are one of the world's leading refrigerated (temperature-controlled containers) containers ("reefer") carriers with a large and modern reefer container fleet and dedicated experts around the world (*source*: Seabury, November 2020; Company data). A team in Hamburg with satellites in all regions is coordinating the Hapag-Lloyd Group's global reefer strategy and business priorities. The reefer market continues to be a growing segment. Key factors are not only the trade growth but also the ongoing shift of reefer bulk cargo into reefer container (modal shift conventional to container) as well as a shift of airfreight cargo into ocean freight (pharmaceutical industry). Diversification is rendered by offering a range of technologies to handle the various commodities shipped. Technologies such as controlled atmosphere (fruits) and reefer remote monitoring (Hapag-Lloyd Live) are only a few of the unique selling points supporting our position as a dedicated reefer carrier.

Special Cargo

As a part of our Strategy 2023, we will also focus more strongly on the pre-lashed and break-bulk segment. Similarly to our reefer segment, we have a central team in Hamburg steering the strategic

direction of the segment with regional satellites as an extension ensuring a close connection to local markets and dynamics. Our long lasting operational expertise in handling this type of cargo will favorably impact our growth ambitions.

Dangerous Goods

The third segment within our niche products portfolio is dangerous goods cargo. Within this segment we demonstrate a high level of expertise in practicing the highest safety standards and ensuring a safe transport. Experts located around the globe safeguard these standards and simultaneously support our staff and customers in carrying this delicate cargo.

Other

Since our acquisition of CP Ships Ltd. in 2005, we have maintained a contractual relationship with the U.S. government. The relationship is intended to secure ship capacity for cargo, which must ship under the U.S. flag. The vessels that carry cargo for the U.S. government operate in regular service, with the U.S. governmental cargo only representing a portion of the cargo being transported. As of December 31, 2020, we operate five ships with a capacity of 3,237 TEU under our contract with the U.S. government, and one with a capacity of 4,253 TEU. In order to optimize our operational performance in the Atlantic trade, we decided to optimize our vessel portfolio and intend to, over the course of 2021, increase our fleet competitiveness by replacing five of the U.S. flag vessels we own with other vessels owned by us, each with a capacity between 6,804 TEU and 7,323 TEU, and plan to subsequently sell the replaced vessels. The U.S. flag business accounted for 0.3%, 0.3% and 0.3% of our total transport volume for each of the financial years ended December 31, 2018, 2019 and 2020, respectively.

Operations

Vessel Fleet

As of December 31, 2020, our entire fleet consisted of 237 container vessels, of which we owned 112 (including long-term leases) and chartered 125. Furthermore, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023. As of the date of this Offering Memorandum, we are in advanced negotiations to place orders for three new container vessels, each with a capacity of approximately 13,300 TEU, which would be expected to be delivered between August 2022 and March 2023, and furthermore, to charter three vessels, each with a capacity of approximately 13,300 TEU, on a long-term basis, the charters of which would be expected to commence between October 2022 and May 2023. Subject to the outcome of the respective negotiations, we will enter into any or all of the aforementioned transactions in the near future. As of December 31, 2020, our entire fleet had a combined capacity of 1.7 million TEU and the capacity-weighted share of owned vessels (including finance leased vessels with a purchase option / obligation at maturity) was approximately 61%. The average size of our entire vessel fleet was 7,252 TEU compared to an average among the top 10 carriers of 6,317 TEU (*source*: MDS Transmodal, January 2021, Company information; Drewry Maritime Research, December 2020). Approximately 45% of our vessels have a capacity in excess of 9,999 TEU as of December 31, 2020. We generally utilize our larger vessels on our longer distance routes in the East-West trade lanes to maximize operational efficiencies and economies of scale, whereas we operate smaller vessels on our shorter trade lanes.

In general, we seek to own rather than charter our larger vessels while smaller and medium-sized vessels are more typically chartered on a short or medium-term basis. Such vessels are more readily available in the charter market than larger vessels. We use a mix of our own and long-term, mid-term and short-term chartered vessels. Our primary focus is on maintaining a stable cost base with the flexibility to obtain additional capacity in response to demand peaks and to establish new services. Short-term charters allow us to adjust our capacity quickly in response to changes in demand. Furthermore, they provide us with greater flexibility to take advantage of decreases in charter rates. We are generally able to add additional short-term capacity at current market rates, which during times of strong demand, however, tend to have higher costs than our owned capacity as they tend to fluctuate significantly in response to market participants' perceptions of supply and demand.

As a result, having owned capacity reduces our exposure to market fluctuations and increases the stability of our cost base. We intend to maintain a balanced portfolio of owned, chartered and leased

container shipping capacity. We enter our charter contracts mainly on a time-charter basis, under which the vessel owner remains responsible for operational costs, such as crew, maintenance and repair and to some extent insurance costs. Transport expenses such as bunker and port canal costs are borne by us. With respect to vessels which we finance lease, we gave the irrevocable commitment to purchase the vessels and are responsible for the operational and transport costs in the same manner as for our owned vessels.

As a result of an operational performance review in the second half of 2020, we decided to optimize our vessel portfolio and to increase our fleet competitiveness in the Atlantic trade. As a result, we intend to, during 2021, replace five vessels owned by us and operated under U.S. flag vessels (each with a capacity of 3,237 TEU) with other vessels owned by us, each with a capacity between 6,804 TEU and 7,323 TEU, and plan to subsequently sell the replaced vessels.

The table below sets forth certain information (in alphabetical order) regarding container vessels that we owned and chartered as of December 31, 2020:

Vessel Name	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company
Afif	2017	14,993	Bank Debt	Marshall Islands	UASC Limited	Afif Ltd (LO)[2] / UASC Ships (No.7) Ltd. (BO)[3]
Ain Snan	2012	13,100	None	Malta	UASC Limited	Ain Esnan Ltd. (LO) / UASC Ships (No.5) Ltd. (BO)
Al Bahia	2008	6,900	None	Liberia	UASC Limited	UASC Limited
Al Dahna	2016	19,870	None	Malta	UASC Limited	Al Dahna Ltd. (LO) / UASC Ships (No.1) Ltd. (BO)
Al Dhail	2016	14,993	None	Marshall Islands	UASC Limited	Al Dhail Ltd. (LO) / UASC Ships (No.1) Ltd. (BO)
Al Hilal	2008	6,900	Bank Debt	Liberia	UASC Limited	UASC Limited
Al Jasrah	2016	14,993	Bank Debt	Marshall Islands	UASC Limited	Al Jasrah Ltd. (LO) / UASC Ships (No.8) Ltd. (BO)
Al Jmeliyah	2017	14,993	Bank Debt	Marshall Islands	UASC Limited	Afif Ltd (LO) / UASC Ships (No.7) Ltd. (BO)
Al Kharj	2008	6,900	None	Liberia	UASC Limited	UASC Limited
Al Manamah	2008	6,900	Bank Debt	Liberia	UASC Limited	UASC Limited
Al Mashrab	2016	14,993	None	Marshall Islands	UASC Limited	Al Mashrab Ltd. (LO) / UASC Ships (No.1) Ltd. (BO)
Al Murabba	2015	14,993	Bank Debt	Marshall Islands	UASC Limited	FGL Marble Malta Limited (LO) / UASC Limited (BO)
Al Muraykh	2015	19,870	None	Malta	UASC Limited	UASC Limited
Al Nasriyah	2015	14,993	None	Marshall Islands	UASC Limited	Al Nasriyah Ltd. (LO) / UASC Ships (No.1) Ltd. (BO)
Al Nefud	2015	19,870	None	Malta	UASC Limited	Al Nefud Ltd. (LO) / UASC Ships (No.1) Ltd. (BO)
Al Qibla	2012	13,100	Bank Debt	Malta	UASC Limited	UASC Limited
Al Rawdah	2008	6,900	None	Marshall Islands	UASC Limited	UASC Limited
Al Riffa	2012	13,100	Bank Debt	Malta	UASC Limited	UASC Limited
Al Safat	2008	6,900	None	Liberia	UASC Limited	UASC Limited
Al Zubara	2015	19,870	None	Malta	UASC Limited	Al Zubara Ltd. (LO) / UASC Ships (No.1) Ltd. (BO)
Alula	2012	13,100	Bank Debt	Malta	UASC Limited.	LS-Shipping Maritime Ltd (LO) / UASC Ltd. (BO)
Antofagasta Express	2015	3,508	Bank Debt	Chile	STSM[4]	CSAV Austral SpA
Antwerpen Express	2013	13,169	Bank Debt	Germany	HLAG[1]	HLAG
Barzan	2015	19,870	Bank Debt	Malta	UASC Limited	UASC Limited
Basle Express	2012	13,167	None	Germany	HLAG	HLAG
Berlin Express	2003	7,506	Bank Debt	Germany	HLAG	HLAG
Bremen Express	2008	8,749	Bank Debt	Germany	HLAG	HLAG
Brussels Express	2014	14,993	Bank Debt	Germany	HLAG	NF Shipping Maritime 3 Ltd (LO) / HLAG (BO)
Budapest Express	2010	8,749	Bank Debt	Germany	HLAG	Hai Feng 1712 DAC (LO) / HLAG (BO)
Callao Express	2016	10,589	Bank Debt	Germany	HLAG	HLAG
Cartagena Express	2017	10,589	Bank Debt	Germany	HLAG	HLAG
Cauquenes	2015	9,300	Bank Debt	Liberia	Anglo Eastern (Germany) GmbH	Xiang L55 Ireland International Ship Lease Co., Limited (LO) Hull 2082 Ltd. (registered BB-Charterer) / HLAG (BO)

Vessel Name	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company
Cautin	2014	9,300	Bank Debt	Liberia	Anglo Eastern (Germany) GmbH	Xiang L56 Ireland International Ship Lease Co.,Limited (LO) Hull 2082 Ltd. (registered BB-Charterer) / HLAG (BO)
Chacabuco	2006	5,527	None	Liberia	Anglo-Eastern (Germany) GmbH	Chacabuco Shipping Ltd. (registered BB-Charterer)/ HLAG (LO)
Charleston Express	2002	3,237	None	USA	MTM[5]	Wilmington Trust[7]
Chicago Express	2006	8,749	None	Germany	HLAG	HLAG
Cisnes	2015	9,300	Bank Debt	Liberia	Anglo Eastern (Germany) GmbH	Xiang L57 Ireland International Ship Lease Co., Limited (LO) Hull 2082 Ltd. (registered BB-Charterer) / HLAG (BO)
Cochrane	2015	9,300	Bank Debt	Liberia	Anglo Eastern (Germany) GmbH	Xiang L58 Ireland International Ship Lease Co., Limited (LO) Hull 2082 Ltd. (registered BB-Charterer) / HLAG (BO)
Colombo Express	2005	8,749	None	Germany	HLAG	HLAG
Copiapo	2014	9,300	Bank Debt	Liberia	Anglo Eastern (Germany) GmbH	Xiang L61 Ireland International Ship Lease Co.,Limited (LO) Hull 2082 Ltd. (registered BB-Charterer) / HLAG (BO)
Corcovado	2015	9,300	Bank Debt	Liberia	Anglo Eastern (Germany) GmbH	Xiang L60 Ireland International Ship Lease Co.,Limited (LO) Hull 2082 Ltd. (registered BB-Charterer) / HLAG (BO)
Coyhaique	2015	9,300	Bank Debt	Liberia	Anglo Eastern (Germany) GmbH	Xiang L59 Ireland International Ship Lease Co.,Limited (LO) Hull 2082 Ltd. (registered BB-Charterer) / HLAG (BO)
Dalian Express	2001	7,506	Bank Debt	Germany	HLAG	HLAG
Dallas Express	2000	4,864	None	Germany	HLAG	HLAG
Dublin Express	2002	4,121	None	Germany	HLAG	HLAG
Düsseldorf Express	1998	4,612	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer)/ HLAG (LO)
Essen Express	2013	13,169	Bank Debt	Germany	HLAG	HLAG
Frankfurt Express	2010	8,749	Bank Debt	Germany	HLAG	Xiang L22 Ireland International Ship Lease Co., Limited (LO) / HLAG (BO)
Glasgow Express	2002	4,121	None	Germany	HLAG	HLAG
Guayaquil Express	2017	10,589	Bank Debt	Germany	HLAG	HLAG
Hamburg Express	2012	13,169	Bank Debt	Germany	HLAG	HLAG
Hanover Express	2007	8,749	Bank Debt	Germany	HLAG	HLAG
Hong Kong Express	2013	13,169	Bank Debt	Germany	HLAG	HLAG
Jazan	2008	6,900	Bank Debt	Liberia	UASC Limited	UASC Limited
Jebel Ali	2012	13,100	Bank Debt	Malta	UASC Limited	NTL Shipping Maritime 1 Ltd (LO) / UASC Ltd. (BO)
Kobe Express	1997	4,612	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer)/ HLAG (LO)
Kuala Lumpur Express	2008	8,749	Bank Debt	Germany	HLAG	HLAG
Kyoto Express	2005	8,749	None	Germany	HLAG	HLAG
Leverkusen Express	2014	13,169	Bank Debt	Germany	HLAG	HLAG
Limarí	2005	4,045	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)
Linah	2015	14,993	None	Marshall Islands	UASC Limited	Linah Ltd. (LO) / UASC Ships (No.1) Ltd. (BO)
Lisbon Express	1995	2,494	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Liverpool Express	2002	4,121	None	Germany	HLAG	HLAG
London Express	1998	4,612	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Ludwigshafen Express	2014	13,169	Bank Debt	Germany	HLAG	HLAG
Maipo	2010	6,589	Bank Debt	Liberia	Anglo-Eastern (Germany) GmbH	CSBC Hull 898 Ltd. (LO) / Second CSAV Ships Germany GmbH (BO)

Vessel Name	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company
Malik al Ashtar	2012	13,100	Bank Debt	Malta	UASC Limited	UASC Limited
Mapocho	1999	1,620	None	Chile	STSM	CSAV Austral SpA
Mayssan	2008	6,900	Bank Debt	Liberia	UASC Limited	UASC Limited
Mehuin	2011	6,589	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	CSBC Hull 900 Ltd. (registered BB-Charterer) / HLAG (LO)
Milan Express	1996	2,489	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Mississauga Express	1998	2,808	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Montréal Express	2003	4,402	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)
Nagoya Express	2010	8,749	Bank Debt	Germany	HLAG	Hai Feng 1711 DAC (LO) / HLAG (BO)
New York Express	2012	13,169	Bank Debt	Germany	HLAG	HLAG
Ningbo Express	2002	7,506	None	Germany	HLAG	HLAG
Osaka Express	2007	8,749	Bank Debt	Germany	HLAG	HLAG
Ottawa Express	1998	2,808	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Palena	2006	6,541	None	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Palena Shipping Ltd. (registered BB-Charterer) / HLAG (LO)
Philadelphia Express	2003	3,237	None	USA	MTM	Hapag-Lloyd USA LLC
Prague Express	2010	8,749	Bank Debt	Germany	HLAG	Xiang L21 Ireland International Ship Lease Co., Ltd. (LO) / HLAG (BO)
Quebec Express	2006	4,045	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)
Rotterdam Express	2000	4,890	None	Germany	HLAG	HLAG
Salahuddin	2015	14,993	Bank Debt	Marshall Islands	UASC Limited	Salahuddin Ltd. (LO) / UASC Ships (No.1) Ltd. (BO)
San Antonio Express	2015	3,508	Bank Debt	Chile	STSM	CSAV Austral SpA
Santos Express	2017	10,589	Bank Debt	Germany	HLAG	HLAG
Seoul Express	2000	4,890	None	Germany	HLAG	HLAG
Shanghai Express	2013	13,169	Bank Debt	Germany	HLAG	HLAG
Sofia Express	2010	8,749	Bank Debt	Germany	HLAG	Xiang L23 Ireland International Ship Lease Co., Ltd. (LO) / HLAG (BO)
St. Louis Express	2002	3,237	None	USA	MTM	Wilmington Trust
Tayma	2012	13,100	Bank Debt	Malta	UASC Limited	NF Shipping Maritime 2 Ltd (LO) / UASC Ltd. (BO)
Tempanos	2011	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Xiang L18 Ireland Int. Ship Lease Co., Ltd. (LO) / HLAG (BO)
Teno	2011	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Xiang L16 Ireland Int. Ship Lease Co., Ltd. (LO) / HLAG (BO)
Tihama	2016	19,870	None	Malta	UASC Limited	Tihama Ltd. (LO) / UASC Ships (No.1) Ltd. (BO)
Tirúa	2012	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Hull 1976 Co. Ltd. (registered BB-Charterer) / HLAG (LO)
Tokyo Express	2000	4,890	None	Germany	HLAG	HLAG
Toltén	2012	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Hull 1975 Co. Ltd. (registered BB- Charterer) / HLAG (LO)
Toronto Express	2003	4,402	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	HL Ships (No. 2) Ltd. (registered BB-Charterer) / HLAG (LO)
Torrente	2011	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Xiang L19 Ireland Int. Ship Lease Co., Ltd. (LO) / HLAG (BO)
Tsingtao Express	2007	8,749	Bank Debt	Germany	HLAG	HLAG
Tubul	2011	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Xiang L17 Ireland Int. Ship Lease Co., Ltd. (LO) / HLAG (BO)

Vessel Name	Year Built	Capacity (in TEU)	Current Financing	Place of Registration	Manager	Ship Owning Company
Tucapel	2012	8,004	Bank Debt	Germany/ Liberia	Anglo-Eastern (Germany) GmbH	Xiang L 20 Ireland Int. Ship Lease Co., Ltd. (LO) / HLAG (BO)
Ulsan Express	2014	13,169	Bank Debt	Germany	HLAG	HLAG
Umm Qarn	2016	14,993	Bank Debt	Marshall Islands	UASC Limited	Umm Qarn Ltd. (LO) / UASC Ships (No.8) Ltd. (BO)
Umm Salal	2011	13,100	None	Malta	UASC Limited	Umm Salal Ltd. (LO) / UASC Ships (No.4) Ltd. (BO)
Unayzah	2012	13,100	Bank Debt	Malta	UASC Limited	NF Shipping Maritime 1 Ltd (LO) / UASC Ltd. (BO)
Valencia Express	1996	2,298	None	Germany/ Bermuda	Anglo-Eastern (Germany) GmbH	Hapag-Lloyd Ships Ltd. (registered BB-Charterer) / HLAG (LO)
Valparaiso Express	2016	10,589	Bank Debt	Germany	HLAG	HLAG
Vienna Express	2010	8,749	Bank Debt	Germany	HLAG	Hai Feng 1710 DAC (LO) / HLAG (BO)
Washington Express	2003	3,237	None	USA	MTM	Wilmington Trust
Yantian Express	2002	7,506	Bank Debt	Germany	HLAG	HLAG
Yorktown Express	2002	3,237	None	USA	MTM	Hapag-Lloyd USA LLC

(1) "HLAG" refers to Hapag-Lloyd AG.

(2) "LO" refers to Legal Owner.

(3) "BO" refers to Beneficial Owner.

(4) "STSM" refers to South Trade Shipmanagement.

(5) "MTM" refers to Marine Transport Management Inc.

(6) "UASC" refers to United Arab Shipping Company Limited and its subsidiaries.

(7) Entry in Certificate: Wilmington Trust Company, not in its individual capacity, but as owner trustee under a trust agreement for the benefit of Hapag-Lloyd USA LLC.

In addition, as of December 31, 2020, our order book comprised six new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023.

For a description of our financing arrangements in relation to our vessels and our planned capital expenditures, please see "*Description of Certain Financing Arrangements*" and "*Management's Discussion and Analysis of Financial Conditions and Results of Operations.*"

Fleet

The Hamburg-based department Fleet provides full ship management, as well as comprehensive monitoring, supervision and coordination functions related to our owned and chartered vessels (as indicated above). In addition to those ships managed in house by Fleet, some of our vessels are managed (as indicated above) by Anglo Eastern (Germany) GmbH, South Trade Shipmanagement ("**STSM**") and by Ship Management Dubai under the close supervision of Fleet. As applicable, respective contracts are based on BIMCO standard ship management agreements. The contracts include a monthly management fee, have an indefinite term and can be terminated with two or three months' notice. A few vessels, which are registered in the United States, are managed through Marine Transport Management Inc. The corresponding ship management agreements include a monthly management fee, have an indefinite term and can be terminated with 90 days' notice.

Container Fleet and Container Management

As of December 31, 2020, we managed a fleet of 1.6 million containers with a total transport capacity of 2.7 million TEU, of which we owned 55% (on a capacity-weighted average) and leased or rented the remaining part. The majority of our container fleet is comprised of general purpose containers, which can be used for most general cargo products. We also operate a variety of specialized containers, including refrigerated ("reefer") containers (temperature-controlled containers), open top containers (similar to hard top containers but with a tarpaulin roof) and flat racks (containers consisting only of a solid base and two end walls, hence suitable for transporting heavy cargo and goods of excess height and/or width). In addition, we are in constant development of the equipment in the fields of security and stability.

The table below shows the number of containers and capacity we owned or leased as of December 31, 2020 by type.

Container Type	General			Special			Reefer			Total	
	(1,000)	*(1,000 TEU)*	*(% of total TEU)*	*(1,000)*	*(1,000 TEU)*	*(% of total TEU)*	*(1,000)*	*(1,000 TEU)*	*(% of total TEU)*	*(1,000 TEU)*	*(% of total TEU)*
20-foot	547.4	547.4	20%	10.2	10.2	0%	8.4	8.4	0%	566.0	21%
40-foot	930.2	1,860.4	69%	26.4	52.7	2%	112.4	224.8	8%	2,137.9	79%
Total	**1,477.6**	**2,407.8**	**89%**	**36.5**	**62.9**	**2%**	**120.8**	**233.2**	**9%**	**2,703.9**	**100%**

Rentals provide us with the ability to adjust our container fleet to changing market conditions or changing requirements of specific trades. However, we believe that owning containers is generally less expensive than hiring them under rental contracts. As a result, we seek to have a balanced portfolio of owned and leased containers in order to remain flexible to changing market conditions while maintaining a competitive cost base.

We aim to reposition empty containers to our demand locations in the shortest, fastest and most cost-efficient way in order to minimize our overall empty container moves and maximize our ability to meet demand. We generally store our empty containers at third-party depots or at our customers' premises against a payment of fee. Our focus is thus on the full container transport. Within our container management, we strive to minimize the natural imbalance by optimization of the entire network, independent from our underlying trade structure, and by appropriate cargo selection.

The following table shows the industry average and our average number of full containers on the non-dominant leg as compared to the dominant leg (which equals 10 containers) for the major services as of December 31, 2020.

	Hapag-Lloyd Group	Industry Average
Transpacific	4.3	4.2
North Atlantic	6.9	5.6
Europe-Far East	4.9	4.7

Source: Seabury November 2020; Company information.

Terminal Facilities

We have contractual arrangements to use terminal facilities in the ports that we use around the world. Access to terminal facilities in each port is necessary for the operation of our business. We have not experienced any difficulty in contracting for sufficient capacity at appropriate terminal facilities in the past years.

We also have a strategic shareholding in terminals in Hamburg, Germany. We own a 25.1% interest in CTA in Hamburg, Germany, which we believe is one of the most modern container terminal facilities in the world. The fully automated facility is one of three container terminals operated by Hamburger Hafen und Logistik AG ("**HHLA**") in the Port of Hamburg. In Europe, the Port of Hamburg ranks as one of the top three ports as measured by volume (TEU) and handled a volume of approximately 6.4 million TEU in the first three quarters of 2020 (*source*: Alphaliner, January 2021). In addition, in 2019, we acquired a 10% stake in TC3 of Port Tanger Med 2, which was commissioned at the beginning of 2021. Located in Morocco on the Strait of Gibraltar, this is a port strategically important for global container traffic and we believe that TC3 may enable us to further expand our global network and strengthen our position in the trending African market.

Alliances and Cooperation Arrangements

THE Alliance

Alliance and other cooperation agreements are vital for us in order to provide a global network of services for clients. THE Alliance is operational as of April 2017 and has replaced the G6 Alliance entirely. In May 2016, we signed a binding heads of agreement ("**HOA**") with ONE (jointly owned by K Line, MOL and NYK) and Yang Ming (YML). On April 1, 2020, HMM became the latest member of THE Alliance and we, together with ONE and HMM, became party to a new HOA ("**HOA 2020**").

As of December 31, 2020, THE Alliance deploys a fleet of 274 vessels on 30 services covering all East West trades with two dedicated Middle East services. In addition, in December 2020, we ordered

six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023. We expect to deploy these vessels on the Europe-Far East routes as part of THE Alliance in order to increase our competitiveness in this trade. When all 30 services are operational, THE Alliance has comprehensive port coverage with over 80 ports throughout Asia, North Europe, the Mediterranean, North America, Central America, the Caribbean, Indian Sub-Continent and the Middle East.

In December 2020 and January 2021, as a result of the evaluation of THE Alliance's network and in order to offer a product with further improved reliability, we, together with the other members of THE Alliance, have decided to revise certain network offerings with some becoming effective as early as April 2021. As a result of these network revisions, subject to regulatory authority's approval, we expect to, among others, launch an additional service between the US Gulf and Asia and deploy larger ships for most frequented services.

The HOA provides the operational basis of THE Alliance covering the East-West trades encompassing:

- Asia—Europe;
- Asia—Mediterranean/Adriatic/Black Sea;
- Asia—North America West Coast;
- Asia—North America East Coast via Panama and via Suez;
- Asia—Middle East, Arabian Gulf and Red Sea; and
- Europe—North America.

We expect to derive the following main benefits from being a member of THE Alliance:

- the service and deployment of a large and far-reaching network;
- capacity sharing and adjustment in line with the carriers' demand;
- unused capacity may be sold or sub-chartered to third parties;
- substitution of containerships for regular and *ad-hoc* maintenance and repair;
- capacity adjustment during slack periods;
- financial compensation schemes (*e.g.* for void voyages during slack periods); and
- joint terminal selection and negotiation where legally permissible and focus on productivity gains in ports and shore/yard operations.

THE Alliance entails the sharing of capacity along trade lanes and alliance members' ships. Members remain competitors, and each member of THE Alliance engages in entirely separate sales and marketing activities. Costs associated with the ownership and operation of the members' ships generally remain the responsibility of the individual member that operates them.

Each member of THE Alliance provides ships for the services covered by THE Alliance's operating agreement and agrees to share capacity on its ships with the other THE Alliance members. Ships are matched to routes on a "best ship for the loop" rationale, which considers a number of factors of each vessel to determine which vessel is best suited for each service. In return, each member of THE Alliance is allocated slots on vessels contributed by other THE Alliance members. The slot capacity to be contributed from each line is intended to match their demand for allocation. In the event of over or under-provision of slots, affected members will be entitled or obligated to pay a financial compensation. In addition, new services may be added either by the unanimous consent of all THE Alliance members, or, absent such unanimous consent, a member wishing to add a service within the scope of THE Alliance must offer capacity to all other alliance members on a "right of first refusal" basis. Other alliances may provide for a lesser degree of integration of the alliance partners' operations. As a member of THE Alliance, we focus on the coordination of THE Alliance's members' respective terminal operations in order to generate additional cost benefits.

Pursuant to the HOA 2020, the minimum duration of THE Alliance is intended to be 10 years with an initial term of three years which commenced on April 1, 2020 and after which any member may terminate its membership upon twelve months' prior written notice without financial or other penalty.

Participation in THE Alliance may be terminated by the unanimous decision of the members should any of the following events occur: (i) a change of control, (ii) a breach of the provisions of the HOA, (iii) the commencement of bankruptcy or dissolution procedures or (iv) the making of a general assignment for the benefit of creditors. The withdrawal or termination of a member's participation does not automatically terminate THE Alliance. The remaining members shall consult with each other in order to assess whether adjustments to THE Alliance are required.

Other Cooperation Agreements

We also cooperate with other carriers through vessel sharing and slot charter agreements on the majority of our services that are not offered through THE Alliance. These cooperation agreements take two basic forms:

- arrangements involving two or more carriers that provide vessels. This includes agreements under which the services are operated jointly by the parties involved (referred to as vessel sharing agreements, where each party obtains an allocation across all vessels), or "single operator loops" where each carrier continues to operate its own service with certain agreements on rationalized scheduling and where member carriers exchange space between their different individual loops (referred to as slot swap or slot exchange agreements); and
- arrangements under which one carrier operates the service but charters space to other shipping lines (referred to as slot charter agreements).

In the financial years ended December 31, 2019 and 2020, respectively, approximately 63% and 63% of our transport volumes were carried under one of our other cooperation agreements (excluding THE Alliance).

In the Latin America Trade, among others, we entered into cooperation arrangements with CMA CGM, ONE and MSC, reflecting our efforts to further strengthen our global coverage of trades and services and enhance our cost and operational efficiency. Additionally, in December 2020, we entered into cooperation arrangements with CMA CGM, China COSCO and ONE in order to optimize connections from Europe to the Middle East and the Indian subcontinent. As we have access to space in proportion to the Hapag-Lloyd Group's ship provision but across more vessels than the Hapag-Lloyd Group is contributing and because we cooperate with partners, our own fleet utilization and deployment of our vessels is superior compared to stand alone operation. Additionally, we offer complimentary services between North and South America as various feeder services.

Information Technology

Our best-in-class information system and logistical processes are key operational and management assets for our business. The ability to process information accurately and quickly is fundamental to our position in the container shipping industry, which is characterized by constant movement of thousands of individual items across a global network of sea and inland routes.

We believe we are an industry leader in container shipping information management. Our IT system consists of four principal components: the self-developed freight information system ("**FIS**"), business analytics, business intelligence system ("**COMPASS**"), enterprise resource planning system software ("**SAP**") and our e-Connectivity capabilities, enabling the swift and reliable exchange of information with our customers and partners along the supply chain (see "*—E-Connectivity and Digitization*"). All components are fully integrated and centralized to ensure that over 10,000 individual users can access the necessary data in a timely, reliable and efficient manner and cover the value chain from its beginning with an opportunity identification and a quotation for a shipment through customer service and operations processes to its ending with redelivery of the empty container to us as well as all related financial and administrative transactions. All components, including all major business applications, are operated by a third-party central data center in Germany.

Freight Information System (FIS)

Our FIS provides users with real-time access to the key information required for the operational management of our container shipping activities. FIS is developed and continuously improved in-house to optimally support the worldwide standardized operative processes at sales, customer service and operations. A high degree of automation reduces manual workload, process cycle times and boosts data quality. This is one of the strategic digitalization goals of our Strategy 2023. The necessary

information flows seamlessly along the chain of responsibility. We believe that this provides us with a competitive advantage regarding quality and productivity and provides the basis for state-of-the-art e-business solutions. Complementing this functionality, state-of-the-art Robotic Process Automation (RPA) solutions, including artificial intelligence algorithms, further increase the level of automation.

As a basis of all functions, FIS catalogues contain our routes, tariffs, standard costs, rate agreements and customer data, equipment catalogues and our organizational and geographical information. FIS therefore comprises all necessary information for our operative departments and enables all users to work in one environment and system. FIS creates a single file per shipment, which contains data covering all stages of a container's movement. Our "one-file-per-shipment" system ensures that data for any shipment is entered only once and that all data regarding every shipment is easily accessible to all relevant users throughout our global network. We believe that this "one-file-per-shipment" functionality reduces costs, improves data accuracy and enhances our control over the whole container transport chain as well as provides us with a competitive edge as this approach is, as to our knowledge, not accessible to our competitors.

Business Analytics

Our business analytics applications provide services in forecasting, decision support and optimization. They help to efficiently manage complexity, which can no longer be optimally solved with conventional systems or human processing. One example is the 'empty repositioning problem' which deals with the forecast of the equipment imbalance situation for the individual logistic hubs around the globe and proposes cost-minimal solutions, *i.e.* shipping empty containers from surplus to demand, on- or off-hire empty containers. Other applications deal with the planning of our vessel network or decision support for vessel speed-ups.

Business Intelligence System (COMPASS)

Our data warehousing system, COMPASS, integrates and combines operational and financial data with information from external systems into a single central database, allowing for the efficient analysis of business trends and opportunities. COMPASS creates forecasts for transport volumes, revenues and vessel utilization from weekly transport volume forecasts and generates multidimensional data cubes, allowing users to extract specific analytical data in predefined forms of their choosing.

This system allows us to actively manage our transport volume, based on our business strategy. For example, COMPASS collects actual costs from SAP, details them based on the transport volumes from FIS and then passes these costs on to FIS as standard costs. This allows our sales force to evaluate and analyze operational data to make informed business decisions when taking on new business and to determine the profit contribution of such new business.

Another key part of COMPASS is the PlanX Business Intelligence (BI) function. PlanX is a planning tool that we use to create short- and long-term business plans. It enables us to optimize our capacity utilization and react flexibly to changing market environments. We connect our asset deployments with market demands, can identify structural imbalances and optimize routing chains and our operations.

We also implemented solutions to support the sales planning and opportunity management processes on the basis of QlikView. The applications for performance management give enhanced visibility on the sales relevant information to our global sales force. By expanding QlikView based analytical applications to other business domains like Customer Service, Operations and Business Administration, we are able to use our available data to make "educated" decisions.

Enterprise Resource Planning System (SAP)

We utilize a standardized SAP system which is used globally by our staff in finance and accounting, controlling, treasury, purchasing functions, insurance and human resource management departments. The system provides current financial data (including revenue and cost data) from around our global network in a uniform manner. The SAP standard work order functionality has been integrated with FIS, providing reliable and accurate transaction cost data as well as accounting functions.

E-Connectivity and Digitization

E-business has become a mandatory feature to ensure productivity gains, information speed and quality for all players along the whole supply chain. Due to its importance, significant financial resources have been committed with the goal of continuing and maintaining our position as a leading e-business carrier in the industry. With our web channel, a strategic building block of our digitalization initiative as part of our Strategy 2023, we are able to provide our customers with a simple and fast method of obtaining quotes and booking container transport. The range of services and products available through the web channel is continuously being expanded (*e.g.* ordering insurance for a shipment via the web channel, access to real-time data regarding shipping containers via our digital dashboard, addition of features to Quick Quotes, "Hapag-Lloyd Navigator" as a new online service). In addition, we have implemented 90 days product development cycles with all included departments, combined with an Objective and Key Results (OKR) framework in the regions and areas to continue to grow our digital products.

Various features have been established to ensure processes are running smoothly and to ensure overhead reduction. E-business activities are in use for customer facing activities via our individual solutions or third party portal providers as well as with vendors via Electronic Data Interchange ("**EDI**") connections. Customers are using e-business channels to transmit bookings and shipping instructions as well as to receive container status messages. E-business channels include our own products such as a direct EDI connection or our web solutions as well as e-commerce portals such as *e.g.* INTTRA and GTNexus.

Vendors are connected to us via EDI links to ensure an automated update of status messages from *e.g.* terminals, depots or trucking companies.

We are a founding member of the Digital Container Shipping Association (DCSA) and play an active part in the creation and implementation of global standards for the exchange of information via Application Programming Interfaces (APIs). We are also engaged in the emerging Blockchain-based maritime collaboration platforms that aim to connect the players of the maritime supply chain beyond bilateral channels and e-commerce portals. We pursue a multi-platform strategy as we are acting as founding member of the Global Shipping Business Network (GSBN) and, in parallel, we are in negotiations with regards to joining the Tradelens venture as a foundation carrier.

Our Digital Business & Transformation ("**DBT**") department provides group-wide direction for the implementation of digital transformation and the implementation of our digital business and marketing. Among other things, DBT drives the collection and evaluation of customer and user data for use in product development and the optimization of sales and modern marketing growth.

Business Organization

We are organized in six regions governed by regional headquarters *i.e.* Asia (Singapore), North America (Piscataway, New Jersey), South America (Valparaíso), North Europe (Hamburg), South Europe (Genoa) and the Middle East (Dubai). Each region is divided into areas and these sometimes into country offices. These units operate out of one or more locations. All offices conform to the same integrated organizational and workflow standard according to our organizational and operational Blueprint, which consists of standard processes, roles and tasks covering the business functions Sales, Customer Services, Operations and Business Administration.

The table below sets forth the number of offices in each of the six regions in which we operated as of December 31, 2020.

Region	Own Offices(1)	Agents
Asia(2)	38	58
North America	22	1
South America	31	51
North Europe	30	9
South Europe(3)	24	31
Middle East	34	45
Total	**179**	**195**

(1) Including Sales Representatives.

(2) Including Australia, New Zealand and Oceania.

(3) Including Africa.

Most of the areas are run out of owned subsidiaries, but a third-party agent may be appointed to represent us in locations where the volume demand is not sufficient for a subsidiary to be viable. An agent is an independent organization associated with and conducting business within the shipping industry. Agents act on our behalf executing some or all area business functions and are bound by the terms of an agency contract. All areas and agents have access to our worldwide integrated IT system. Including our agents and other cooperation arrangements, we were represented via 395 offices in 129 countries as of December 31, 2020.

Certain Blueprint tasks of Customer Services, Operations and Business Administration functions are bundled and carried out from QSCs. There are currently ten QSCs in operation globally. In addition, we have Global Service Centres ("**GSCs**") in India and China which perform transactional work supporting certain blueprint functions with tasks such as export/import documentation and rate agreement filing. Employees at our Areas, QSC and GSC offices are responsible for conducting the day-to-day activities necessary for Blueprint business functions.

In 2014, we established a Fleet Support Center ("**FSC**") as a central department to reduce fuel consumption by optimization and to act as an interface between all involved departments. The FSC consists of a team of experts with a wide range of knowledge in energy management, nautical and engineering science, shipbuilding and business analysis. Its aim is to ensure fleet optimization across all regions and different departments by improving coordination and the efficiency of information flows. In addition, in 2017, the members of THE Alliance established an Alliance Coordination Center in Singapore in order to enhance operational efficiency and improve the performance of THE Alliance members' vessels and provide various other services.

At our headquarters in Hamburg, commercial departments such as global sales, niche products, revenue management, digital business as well as operational departments such as container steering, dangerous goods and terminal partnering closely interact with the regional headquarters. Other key departments such as network and cooperation and trade management are also located at our headquarters. In addition, our human resources, information technology, global procurement (including bunker and terminal contracts among others), process management and business administration departments steer, guide and set the framework for our organization. As an extension of some headquarters administrative and central business functions, we also operate a knowledge center in Poland, executing tasks for information technology and dangerous goods departments, among others.

Sales and Marketing

The area offices of each of our regions are responsible for handling the local business activities, which include conducting all sales activities with local customers. For our top customers, we have a dedicated global account team that directly addresses their needs in cooperation with the local sales executives. Customer selection of these global accounts is based on criteria such as volume, contribution level and global business activity. Our account managers play a large role in maintaining long-term business relationships with our key customers. For example, 19 of our top 20 customers by volume in 2018 continued to count among our top 20 customers by volume as of December 31, 2020. For the financial years ended December 31, 2019 and 2020, approximately 39% and 39% of our transport volume was managed directly by a team of dedicated global account managers, respectively.

Customers

We have two types of customers: direct shippers, comprising exporters and importers, such as IKEA, ExxonMobil, Sabic, BASF, Nestle and freight forwarders, such as Kuehne+Nagel, DB Schenker, DHL, DSV and Expeditors. Direct shippers accounted for approximately 36% and 37% of our transport volumes in the financial years ended December 31, 2019 and 2020, respectively, while freight forwarders accounted for 64% and 63% for the same periods. Exporters include a wide range of enterprises, from global manufacturers to small family owned businesses that may ship just a few TEU each year. Importers are usually the direct purchasers of goods from exporters, but may also comprise sales or distribution agents and may or may not receive the containerized goods at the final point of delivery. Freight forwarders act as agents for direct shippers, performing a range of tasks, such as insurance, customs clearance, in-land transportation, consolidation of goods and warehousing. A diverse mix of cargo from both direct customers and forwarders ensures optimal vessel utilization. Direct customers, in general, have long-term commitments which facilitate planning for future volumes, which results in high entry barriers for competing carriers due to customer loyalty. Freight

forwarders have short-term contracts at renegotiated rates. As a result, entry barriers are low for competing carriers in this segment. Our close relationship with large direct customers gives us better visibility on future container shipping transport volumes while our relationships with large freight forwarders, which generate cargo in many locations worldwide, help us to optimize our trade flows.

We transport a diverse range of goods for our different customers, including foodstuffs and beverages, chemicals, paper and forest, plastic and rubber and articles thereof, machinery, textiles, metals, automobiles, electronics, furniture, and other goods, with no single sector comprising more than 16% and 17% of our transport volumes shipped during the financial years ended December 31, 2019 and 2020, respectively. The largest volumes shipped during these periods are attributed to foodstuffs and beverages (16% and 17%), chemicals (13% and 14%), plastic and rubber and articles thereof (14% and 14%), paper and forest (9% and 10%) and machinery (9% and 9%). Our top 25 and top 50 customers accounted for 26% and 34%, respectively, of the volumes transported in the financial year ended December 31, 2020 and our largest customer accounted for less than 4.8% of our transport volume in the same period. For the financial year ended December 31, 2019, our top 25 and top 50 customers accounted for 26% and 35%, respectively, of the volumes transported and our largest customer accounted for less than 4.3% of our transport volume in the same period.

We believe this diversification provides us with a degree of protection against economic downturns. Due to the extensive geographical needs of large-scale shipping customers as well as to avoid dependencies, our customers generally do not enter into exclusive shipping relationships with us. Instead, it is typical in our industry for customers to maintain relationships with several carriers, although customers who ship large amounts of freight are increasingly consolidating their supply relationships to focus on a few, core carriers. Large direct customers will typically invite several carriers to tender (*i.e.*, provide a price quotation) for their business. Tender requests vary significantly from customer to customer, and usually cover a series of individual, regional or global shipping requests. If our response to a tender is accepted, the terms that we offered in the tender serve as guidelines for each individual shipment carried out under the tender. The primary factors for customers in choosing a carrier tend to include:

- geographic coverage, frequency of service and transit times;
- price;
- accuracy and timeliness of shipping documentation, including bills of lading and invoicing;
- carrier’s punctuality and performance record according to key industry indicators, such as schedule reliability;
- carrier’s ability to offer door-to-door and other value-added services; and
- environmental care.

The quotation made to a customer depends, among other things, on the customer’s transport volumes, the type of cargo, the service needed (*e.g.*, port-to-port or door-to-door) and our available capacity on the applicable routes.

Our contracts or agreements with customers are generally valid for up to one year. During the term of a contract, the freight rates are generally fixed but may also provide for variable surcharges. These include, among others, surcharges for bunker fuel price adjustments, currency fluctuations or additional security costs.

Employees

The following table sets forth our full-time equivalent employees, including apprentices, as of December 31, 2018, 2019 and 2020.

	As of December 31,		
	2018	2019	2020
		(unaudited)	
Land personnel	10,458.9	10,597.8	10,734.2
Thereof based in:			
North Europe[(1)]	3,448.4	2,675.8	2,863.0
South Europe[(2)]	—	874.6	847.5
North America	1,108.7	1,274.1	1,125.5
Latin America	1,321	1,292.0	1,314.5
Asia	3,163.3	3,060.3	3,168.5
Middle East	1,417.5	1,421.0	1,415.1
Sea personnel	2,077.0	2,173.0	2,134.0
Total	**12,535.9**	**12,770.8**	**12,868.2**

(1) Including headquarters.

(2) The region South Europe was implemented in 2019. For 2018, South Europe employees are shown in North Europe.

As of December 31, 2020, we had a total of 13,117 employees. Full-time equivalent employees ("**FTEs**") totaled 12,868.2 as of December 31, 2020.

As of December 31, 2020, 10,867 employees, or approximately 83% of our total workforce, perform land-based functions across our global network and at our corporate headquarters in our sales and customer service, and administrative departments, and 2,023 employees, or approximately 17% of our total workforce, were employed on our vessels.

We believe that we have good working relationships with our employees, evidenced by the average tenure of our employees onshore of approximately 8 years. We have not experienced any significant labor disputes or work stoppages in the last ten years. The majority of our European employees (which represent 34% of our land-based FTEs as of December 31, 2020) are covered by collective bargaining agreements that are customary for the industry or are members of labor unions.

We offer pension benefits in many countries in which we operate. Based on the local situation and local laws, we have implemented several pension plans worldwide and/or contribute to local statutory plans. For certain senior management, we also offer individual pension contracts with pension payments depending on the position and years of service. These commitments are fully covered by external funds or pension liability provisions recorded in our financial statements. All our external funding complies with local minimum funding regulations.

Quality, Environmental Matters and Safety

Quality and Environmental Matters

Environmental responsibility is an important pillar in our Strategy 2023. We are committed to integrating environmental protection conduct into our business operations. With regard to IMO 2020, we will predominantly use low sulfur fuel. In addition, we are currently in the process of Scrubbers on a certain number of our own as well as on long-term chartered vessels and testing the use of natural liquid gas by converting one of our vessels. The conversion to the new exhaust gas thresholds and the associated switch to low sulfur fuel from January 1, 2020 went according to plan.

We have been certified in accordance with the International Organization for Standardization ("**ISO**") quality standards since 1994. In 2003, we implemented an integrated Quality and Environmental Management ("**QEM**") system for our organization according to ISO 9001 and ISO 14001 standards.

Since 1997, all of the Hapag-Lloyd Group's new built vessels have received the "Environmental Passport" issued by DNV for the highest environmental standards. Moreover, all own-managed vessels have been evaluated using the Energy Efficiency Design Index, verifying that they are not only complying but also surpassing respective greenhouse gas emission standards. We seek to improve our standards on a continuous basis with the goal of promoting sustainable development and trying to

ensure that our current activities do not adversely affect future generations. Areas on which we focus our efforts are emission reduction, efficient use of natural resources and zero water pollution. To achieve these targets, we deploy state-of-the-art vessel and container technology. For example, in December 2020, we ordered six additional new ultra large container vessels, each with a capacity of approximately 23,500 TEU, which are expected to be delivered between April and December 2023 and which will be fitted with state-of-the-art high pressure dual fuel engines operating on LNG. As of the date of this Offering Memorandum, we are in advanced negotiations to place orders for three new container vessels, each with a capacity of approximately 13,300 TEU, which would be expected to be delivered between August 2022 and March 2023, and furthermore, to lease three vessels, each with a capacity of approximately 13,300 TEU, on a long-term basis, the leases of which would be expected to commence between October 2022 and May 2023. Subject to the outcome of the respective negotiations, we will enter into any or all of the aforementioned transactions in the near future. In addition, we maintain high standards while operating our fleet.

In line with our focus on customer satisfaction, we offer our customers certified quality and environmentally sound services. The structure of our QEM system enables effective performance monitoring our QEM targets, thus minimizing any deviations from our QEM principles. Senior management, supported by an appointed QEM delegate, is responsible for ensuring that the demands of our integrated management system are met. Internal audits are performed annually by our internal auditors in key areas, regions and central departments, to verify the effectiveness of our management system. In addition, external audits are carried out annually by DNV. Furthermore, we are a member of the "Getting-to-Zero Coalition" and GLEC.

We are also a member of "Clean Cargo," a business-to-business initiative that consists of multinational manufacturers, retailers as well as ocean carriers and logistics service providers. The group develops and promotes the use of tools and methods to address the environmental impacts of transporting products.

Health and Safety

We have implemented a safety management system in accordance with the International Management Code for Safe Operation of Ships and for Pollution Prevention ("**ISM Code**"). Regular internal and external audits ensure compliance of all our vessels and our shore based organization with the ISM Code. Our safety management system is focused on safety at sea, preventive measures to protect health and life, cargo and the environment, as well as vessels and property against safety risks, accidents and emergency situations in connection with our operations.

We have also developed and implemented procedures for the handling of hazardous cargo based on the IMDG Code and other international legal requirements, which are being updated regularly. In addition, we developed an in-house tool to detect and identify wrongly or misdeclared dangerous cargo. Furthermore, our Regional Dangerous Goods departments provide global support to our organization on a 24/7 basis. In order to ensure a continuous detailed knowledge of the hazardous cargo handling, the staff of our Dangerous Goods departments as well as our captains and chief mates regularly undergo intensive training as per the IMDG Code and 49 CFR. In addition, we are a founding member of the Cargo Incident Notification System ("**CINS**"), a network of around seventeen major liner shipping companies, accounting for around 60% of the world's container slot capacity. CINS allows its members to share information on incidents not only relating to dangerous goods. We are also an executive board member of the International Vessel Operators Dangerous Goods Association ("**IVODGA**"). IVODGA members are responsible for the safe transportation of over 75% of the ocean borne container traffic in the US trades.

Insurance

We maintain insurance policies to cover risks related to physical damage to, and loss of, our ships and ship equipment, other equipment (such as containers and chassis) and properties, third-party liabilities arising from the carriage of goods and the operation of ships and equipment and general liabilities which may arise in the course of our normal business operations. We renew most of these policies annually, and most of our insurance expenses are denominated in U.S. dollars.

All the vessels we own are insured under a primary policy for damage to, and loss of, the hull and machinery. All of our chartered vessels are covered by liability to hull insurance specifically for chartered vessels, which covers our liability for loss or damage to the chartered vessels. We insure

each vessel leased under financing and lease arrangements at minimum for the value stipulated in the financing and lease agreement, and we insure the vessels we own outright for at least their market value.

Our insurance policies also cover our owned vessels for losses due to war and acts of terrorism and chartered vessels are covered by owners' war risk policies. "Extra war risk" insurance premiums are paid for areas designated by the insurance companies as excluded zones under our basic war risk insurance.

We also maintain protection and indemnity policies ("**P&I Policies**") with mutual clubs being members of the international group of P&I clubs covering our fleet, including chartered vessels, for:

- third-party liability claims arising from the operation of our vessels, including claims for loss or damage to cargo and claims for injury or death of persons (including crew and passengers);
- pollution claims arising from spills of oil or other hazardous substances;
- costs for wreck removal and salvage; and
- in respect of our own vessels, liabilities resulting from collisions with other vessels and for damage to third-party property.

As of December 31, 2020, the maximum theoretical limit for the P&I covers in respect of owned vessels is US$8.2 billion, subject to a limit of US$1 billion for oil pollution, an aggregate limit of US$3 billion for passenger and crew risks and a sub-limit of US$2 billion in respect of passenger risks only for any one event. The current P&I limits in place represent the maximum currently available to our knowledge for owners' P&I insurance coverage via the international group of P&I clubs. For our chartered vessels, the chartered P&I and charterer's liability to Hull policies provide coverage up to a combined limit of US$500 million per vessel.

We also maintain various other insurance policies to cover a number of other risks related to our business, such as director and officer liability cover, chassis and container cover and professional liability cover, as well as a general excess liability policy which reimburses us in situations when the limit under the applicable primary liability policy is insufficient to fully satisfy a valid claim. We believe that the types and amounts of insurance coverage we currently maintain are in line with customary practice in the international container shipping industry and are adequate for the conduct of our business.

Intellectual Property

Our main intellectual property ("**IP**") assets consist of the "Hapag-Lloyd" trademark and related trademarks, colors and logos in the field of freight logistics, except air freight (the "**IP Rights**"), which Hapag-Lloyd AG acquired in 2009 from TUI. TUI retained ownership of the "Hapag-Lloyd" trademark for use in other fields, in particular tourism and air freight. For those trademarks for which transfer of ownership is subject to the registration of Hapag-Lloyd AG in the respective trademark register and where such registration is still pending, Hapag-Lloyd AG has been granted an exclusive and royalty-free license for the use of such IP Rights.

In addition to our brand, we also consider our in-house developed FIS as intellectual property. All major parts of the FIS application (including functions supporting the various e-channels) have been developed by and for us. We therefore regard FIS as a significant component of our intellectual property portfolio.

Real Estate

As of December 31, 2020, we owned, leased or had rights to use properties at the locations of our 395 offices, either directly or through one of our subsidiaries. Each of our offices typically leases office spaces for sales, administration and management functions. Of these, our principal properties are our headquarters in Hamburg and the office facilities we own in Singapore, Tokyo, London, Piscataway, Atlanta and Taipei. As of December 31, 2020, encumbrances in the form of liens on land (*Grundschulden*) existed to secure financial debt in the amount of €85 million in relation to our premises on Ballindamm, Hamburg. On August 14, 2013, 5.1% of the shares in Hapag-Lloyd Grundstücksholding GmbH, the owner of the Ballindamm premises, were sold and transferred by Hapag-Lloyd Holding AG to Hapag-Lloyd Stiftung. As of the date of this Offering Memorandum,

Hapag-Lloyd AG holds 94.9% of the shares in Hapag-Lloyd Grundstücksholding GmbH. For the financial years ended December 31, 2019 and 2020, we incurred rental expenses in the amount of €30.4 million (US$ 34.0 million) and €29.9 million (US$34.1 million) for leased properties, respectively.

We believe that our properties are in good condition and are adequate for our current needs. We evaluate our needs periodically and obtain additional facilities as necessary.

Compliance

Compliance is an integral component of our corporate policy. Our compliance system, which we believe to be in line in terms of scope and quality with that of our peers in the container shipping industry, is designed to steadily and persistently increase our standards and limit our exposure to potential compliance-related risks. In line with our compliance risk assessment, we focus on anti-corruption, antitrust, embargo and sanctions and anti-fraud measures. In particular, in addition to legal and regulatory requirements, we take into account the nature, scale, and international scope of our business activities. The principles and policies are determined by our executive board and translated into clearly defined systems and methods by our dedicated compliance department, which is based in Hamburg and headed by our Chief Compliance Officer. In addition, we maintain a comprehensive compliance organization across our regions, supported by regional heads of compliance and comprising approximately 100 compliance officers assigned with compliance and anti-corruption related tasks. The controls set out in the Hapag-Lloyd Group-wide policies are continually monitored, developed and adjusted to changing business and regulatory environments and we maintain a compliance and anti-corruption training program that reflects and is designed to address the risks pertinent to our business. Moreover, in order to ensure the adequacy and completeness of our written internal guidelines, we are constantly conducting a complete review of our written and oral compliance and anti-corruption policies, procedures and training materials.

Legal and Tax Proceedings

From time to time companies of the Hapag-Lloyd Group are involved in legal disputes and administrative proceedings as part of their ordinary business activities.

Currently there are no material government proceedings involving the Hapag-Lloyd Group.

In June 2019, we commenced a limitation proceeding before the federal court of the Southern District of New York in order to achieve a limitation to our liability regarding claims for loss, damage and delay of cargo which occurred as a result of a fire on the Yantian Express. As of the date of this Offering Memorandum there have been several hundred filings in the limitation proceeding relating to thousands of individual claims with the total amount asserted against us still to be determined. The proceeding has recently entered the discovery phase which is expected to take at least up to six months. As of the date of this Offering Memorandum, the matter remains open.

In Nigeria, the so-called shipping line agency charge, implemented by carriers in Nigeria, was determined by the courts to constitute an illegal charge in June 2017. Pursuant to the court ruling, the Nigerian shipping line agency charges collected since 2006, 60% of which was attributed to the Hapag-Lloyd Group and 40% of which was attributed to the Hapag-Lloyd Group's third-party agent, are to be refunded to the payors with a 21% interest. An appeal against the court ruling was filed in 2017 and, as of the date of this Offering Memorandum, a hearing date is not yet scheduled. The total estimated exposure of the Hapag-Lloyd Group, assuming it had to repay all shipping line agency charges collected (*i.e.*, including those attributed to its third-party agent), amounts to US$66.9 million (including interest).

In December 2017, AKAK Marine Lebanon, a former agent of UASC filed a claim with a Lebanese court, seeking goodwill compensation in connection with the termination of the agency agreement in an amount of US$15.1 million. As of the date of this Offering Memorandum, the claim remains pending before the Lebanese court.

In 2020, the Company filed a claim before the Hamburg Fiscal Court (*Finanzgericht Hamburg*) with respect to the inclusion of income of a German affiliated company in the German tonnage tax regime. The Company has paid the taxes claimed by the competent tax office following their initial assessment, as a result of which it has not recorded any provisions. However, the outcome of the

aforementioned proceeding may negatively affect the Company, including as a result of a revised application of the German tonnage tax regime which may, in turn, affect any of our subsidiaries and affiliated companies.

Furthermore, we entered into legal proceedings regarding the application of a group taxation regime for the fiscal year ended December 31, 2015. Following an initial ruling in our favor by the Hamburg Fiscal Court (*Finanzgericht Hamburg*), the case is under revision before the German Federal Fiscal Court (*Bundesfinanzhof*). The Company has paid the taxes claimed by the competent tax office. However, despite the ruling by the Hamburg Fiscal Court (*Finanzgericht Hamburg*), the tax office refuses to refund these, as a result of which the Company has not recorded any provisions related thereto.

Apart from the proceedings described above, companies within the Hapag-Lloyd Group are not and have not been party to any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Company is aware) during the past twelve months, which may have, or have had in the recent past, significant effects on Hapag-Lloyd AG's and/or the Hapag-Lloyd Group's financial position or profitability.

REGULATORY MATTERS

The Hapag-Lloyd Group's operations are materially affected by government regulations in the form of international conventions, national, regional and local laws and regulations in the jurisdictions in which its vessels operate, as well as in the country or countries of its registration. Because such conventions, laws and regulations are constantly subject to revision, it is not possible to predict the continuing costs of compliance with such conventions, laws and regulations, the impact thereof on the resale price or useful life of vessels or on business operations. Additional laws and regulations, environmental, security related or otherwise, may be adopted and could increase the Hapag-Lloyd Group's costs or limit the Company's ability to service particular areas. See "*Risk Factors—Risks Relating to Our Business and Industry—We could face substantial liability if we fail to comply with existing environmental regulations, and we may be adversely affected by changes to those regulations.*" The following explanation is restricted to the most important conventions, laws and regulations which might be important for the Hapag-Lloyd Group's business operations.

Permits, Licenses and Certificates

The Hapag-Lloyd Group is required by various governmental and quasi-governmental agencies to obtain certain permits, licenses and certificates with respect to its operations. The kinds of permits, licenses and certificates required for the operation of owned, chartered or leased vessels, as well as permits, licenses and certificates required for shipping and other related services, will depend upon a number of factors. Subject to the discussion in this section, the Company believes that it has been and will continue to be able to obtain all permits, licenses and certificates material to the conduct of its operations.

Maritime Regulations

Competition rules

European Union

In the EU, the Hapag-Lloyd Group is subject to the competition rules, particularly those set forth in Articles 101 and 102 of the "**Treaty on the Functioning of the European Union**" or "**TFEU**"). Art. 101 TFEU generally prohibits and declares void any agreement or concerted actions among competitors which adversely affect competition, in particular if they lead to the formation of cartels or anticompetitive foreclosure. The abuse of a dominant position held by one or more (shipping) companies is prohibited by Art. 102 TFEU. However, certain joint operation agreements (also referred to as a 'consortium') in the liner shipping industry such as vessel sharing agreements, slot swap agreements are block exempted from certain prohibitions of Art. 101 TFEU by Commission Regulation (EC) No 906/2009 as amended by Commission Regulation (EU) 697/2014 and prolonged until April 25, 2024. This regulation, under certain conditions (including, inter alia, a maximum cumulated market share of the consortium members of 30%; mandatory contractual right to withdraw for any consortium member without any financial or other penalty), permits joint operation of services amongst competitors with the exception of price fixing, capacity and sales limitation and allocation of markets and customers.

United States

The Hapag-Lloyd Group's ocean common carrier operations involving service between non-U.S. ports and ports in the United States, its territories and possessions are subject to the provisions of the U.S. Shipping Act of 1984, as amended by the U.S. Ocean Shipping Reform Act of 1998 and the Federal Maritime Commission Authorization Act of 2017 (the "**Shipping Act**"). The Shipping Act is administered by FMC, and establishes a regulatory regime governing, among other things, certain agreements between or among ocean common carriers operating in U.S. foreign commerce; the publication of tariffs of rates and charges by ocean common carriers; the regulation of service contracts entered into between ocean common carriers and their customers; and the regulation of ocean common carrier practices.

Under the Shipping Act, vessel operating common carriers serving U.S. ports may offer their services to customers either through non-public and confidential service contracts, or through tariffs containing rates, rules and conditions of service that are published in private electronic systems and made available, typically through internet access, to any person pursuant to the provisions of the

Shipping Act and FMC regulations. The Shipping Act provides, among other things, that agreements that are filed with the FMC and that comply with the Shipping Act and FMC regulations have limited immunity from the antitrust laws of the United States. However, the Shipping Act also provides specific remedies to the FMC to enforce provisions precluding anticompetitive behavior, including bringing civil action and seeking injunctive relief in courts.

The most common types of FMC-filed agreements to which we are a party are alliance, vessel sharing and slot exchange agreements, under which carriers share space on each other's vessels with concurrent agreement on the size and number of vessels the parties will deploy, the ports to be served, the space to be allocated to each party and similar terms. These agreements provide efficiencies for carriers and enhance service to customers.

Agreements filed with the FMC become effective by operation of law 45 days after they are filed with the FMC or 30 days after notice of the filing is published in the official journal of the U.S. federal government (the "**Federal Register**"), whichever date is later, unless the FMC (i) requests additional information or documentary materials relating to the agreement or (ii) obtains an injunction against the agreement. In the event that the FMC requests additional information or documentary materials, a filed agreement becomes effective 45 days after the FMC receives all of the additional information and documentary materials requested and/or a statement of reasons for noncompliance with the request. The Shipping Act authorizes the FMC to seek an injunction in the United States District Court of the District of Columbia to prevent an agreement from becoming effective and, for certain covered services, the FMC may consider the aggregate effect of carrier alliance agreements on competition when determining whether to seek injunctive relief. Also, under the Shipping Act, common carriers are prohibited from participating simultaneously in a rate discussion agreement and an agreement to share vessels, in the same trade, if such is likely, by a reduction in competition, to produce an unreasonable reduction in transportation service or an unreasonable increase in transportation cost. For as long as an agreement remains in effect, quarterly monitoring reports must be filed with the FMC by parties to ocean common carrier agreements that authorize discussion or agreement on certain activities and the FMC may also require filing of a periodical or special reports.

The Hapag-Lloyd Group's ocean common carrier operations to/from U.S. ports are subject to FMC oversight under the Shipping Act and FMC regulatory requirements relating to carrier agreements, tariffs and service contracts, and certain "Prohibited Acts" under Section 10 of the Shipping Act. As of January 15, 2021, violations of the requirements of the Shipping Act and/or of the FMC's regulations can be subject to civil penalties of up to US$12,363 for each non-willful violation, up to US$61,820 for each willful violation, and up to US$2,166,279 per violation that results in an adverse impact on U.S. carriers by foreign shipping practices. The FMC, as required by the 2015 Federal Civil Penalties Inflation Adjustment Improvements Act, must adjust its maximum civil penalty amounts on an annual basis to reflect inflation.

Security and Safety Matters

International

IMO standards on maritime safety and security

The IMO, which is the United Nations agency responsible for maritime safety and the prevention of maritime pollution by ships, has adopted stringent safety standards as part of the International Convention for the Safety of Life at Sea ("**SOLAS**"). Among other things, SOLAS establishes requirements for vessel design, materials, construction, lifesaving equipment, safe management and operation, including the mandatory installation of automatic identification systems (AIS) and long range identification and tracking systems (LRIT) to permit tracking of vessels, and measures to improve vessel safety and security. The SOLAS requirements are revised continuously.

In 1994, SOLAS was amended to incorporate the ISM Code adopted in 1993. The ISM Code provides an international standard for the safe management and operation of ships and for pollution prevention. The ISM Code became mandatory for container vessel operators in 2002. The EU has passed corresponding implementing legislation (Regulation (EC) No 336/2006 of the European Parliament and of the Council).

The ISM Code requires that each vessel is in possession of a safety management certificate ("**SMC**"). This certificate evidences the compliance of a vessel with all procedures related to safety and environment protection according to the ISM Code and as laid down in the company's safety

management system which is approved by an authorized body (*e.g.*, DNV). Furthermore the responsible company must be certified and hold a Document of Compliance ("**DoC**"), issued by the flag state administration, under the provisions of the ISM Code. In case the company's DoC is rendered invalid, all SMC's of vessels for which the company is responsible, will be rendered invalid as well.

Following the terrorist attacks on September 11, 2001, the IMO amended SOLAS in December 2002 to include "special measures to enhance maritime security" and adopted ISPS Code which imposes various detailed security obligations on vessels and port facilities effective as of July 1, 2004. The ISPS Code takes the approach that an assessment of risks must be made in each particular case and requires, among other things:

- the designation of a Company Security Officer by each company ensuring, inter alia, that the ship security assessment is carried out properly;
- the designation of a Ship Security Officer for each ship in charge of the vessel security on board;
- onboard installation of ship security alert systems;
- development of ship security plans; and
- compliance with flag-state security certification requirements.

SOLAS was amended to make parts of the International Code for Ships Operating in Polar Waters (the "**Polar Code**") mandatory from January 1, 2017. The Polar Code sets forth safety and environment related provisions (ship design, construction and equipment, operational and training aspects, search and rescue, marine environment) regarding navigation in waters surrounding the two poles. The Polar Code is not applicable to any of the trades serviced by the Hapag-Lloyd Group and therefore does not affect any of the Hapag-Lloyd Group's vessels.

On January 1, 2017, the International Code of Safety for Ships using Gases or other Low-flashpoint Fuels ("**IGF Code**") entered into force. The IGF Code has been made mandatory under SOLAS. The IGF Code sets minimum requirements for the construction and operation of vessels using gases or other low-flashpoint fuels. The current conversion of the Sajir vessel into a "dual-fuel" LNG vessel is carried out in full compliance with the IGF-Code.

Further amendments recently entered into force, concerning, *e.g.*, the establishment of appropriate minimum safe manning levels, the testing of free-fall lifeboats, fire safety and firefighting, documents, transport information relating to the carriage of dangerous goods in packaged form and the container/ vehicle packing certificate, minimum requirements for the carriage of specific hazardous liquid substances, and the requirement for new ships to be constructed to reduce on-board noise and to protect personnel from noise.

Our vessels are regularly audited by flag states, as well as inspected by other national and international authorities acting under the provisions of their international agreements related to port state control authority, the process by which a nation exercises authority over foreign vessels when the vessels are in the waters subject to its jurisdiction. Our vessels comply with all requirements of SOLAS (including the ISPS and ISM Code) and are holding the mandatory certificates according to the ISM Code (the Document of Compliance for the responsible company as well as Safety Management Certificates for each vessel) and the ISPS Code (International Ship Security Certificate for each vessel).

As of August 20, 2013 the Maritime Labour Convention 2006 ("**MLC**") came into force, one year after thirty member states with a total share in the world´s gross tonnage of ships of 33% have ratified the Convention on August 20, 2012.

The MLC was developed by the International Labour Organization ("**ILO**") to ensure a worldwide similar standard of work and living conditions for seafarers on board of seagoing ships. As the MLC is only the "umbrella regulation," all flag states were/are obliged to incorporate the necessary provision into their national legislation. Germany, for example, ratified the legal provision of the MLC with the new German Maritime Labor Act (*Seearbeitsgesetz*).

To ensure compliance with the MLC requirements, inspections had to be performed at the latest by August 20, 2014 on board of all ships, resulting in the issuance of the Maritime Labor Certificate

("**ML Certificate**"; *Seearbeitszeugnis*) with a validity of five years. The ML Certificate approves the compliance with all requirements according to flag state law, namely with the German Maritime Labor Act (*Seearbeitsgesetz*).

Registration and Inspection by Classification Societies

The vessels of the Hapag-Lloyd Group are classified by internationally recognized classification societies which are members of the International Association of Classification Societies ("**IACS**"), such as DNV. The principal purpose of these classification societies is to provide objective and independent confirmation to all parties involved in the shipping industry, including insurance underwriters, that ships are being maintained to the standards that are considered appropriate to minimize claims on underwriters. A beneficial by-product of the activities of classification societies is to provide reassurance to owners and others with a financial or other interest in those ships that the ships are being regularly surveyed and properly maintained.

Every seagoing vessel must be "classed" by a classification society that has been approved by the vessel's flag state. Classification societies certify that a vessel is "in class," signifying that the vessel has been built and maintained in accordance with the rules of the classification society. Also, flag states often delegate to classification societies the authority to conduct vessel inspections that are required by international conventions, by corresponding laws and ordinances of the flag state, or by additional regulations and requirements independently issued by the flag state.

Most insurance underwriters make it a condition for insurance coverage that a vessel be certified as in class by a classification society which is a member of the IACS. Each of the vessels of the Hapag-Lloyd Group is class certified by a member of IACS. All vessels the Company purchases, including second-hand vessels, must be class certified prior to delivery.

Classification societies inspect vessels during and immediately after construction and issue an initial "in class" certification if the society's rules are met. To maintain "in class" status, a vessel must undergo regular inspections to assess its structural strength and integrity and the reliability and function of main and essential auxiliary machinery, systems and equipment, including, among others, the propulsion system, steering system and electrical plant. These inspections, referred to as surveys, typically involve a classification society surveyor visually examining various parts of the vessel and witnessing tests, measurements and trials where applicable. After the initial certification, surveys are conducted in regular intervals. The most important types of surveys can be summarized as follows:

Annual Surveys: Once every twelve months, the classification society must survey certain relevant parts of the vessel (*i.e.*, the hull and the machinery, including the electrical plant, and where applicable special equipment classed) to validate the class certificate. Annual surveys typically take one day, but in some cases, they take several days to complete.

Intermediate Surveys: In between the second and third year after an initial class survey or class renewal survey an extended vessel survey is required. These inspections are referred to as intermediate surveys and typically take three or more days. During an intermediate survey, the classification society surveyor conducts a more extensive inspection of the vessel's hull, equipment, and machinery, and may also include ultrasonic thickness measurements of the hull in some cases. The shafts, stern tube bearing, boilers, and other parts are also inspected. Generally, dry-docking is required for intermediate surveys in order to thoroughly examine the vessel's hull. Vessels classed for in-water survey may have a diving inspection of the hull performed instead of a dry-dock inspection.

Class Renewal Surveys: Class renewal surveys must be carried out every five years, with the first class renewal survey taking place five years after construction. Class renewal surveys include extensive in-water and out-of-water examinations to verify that the structure, main and essential auxiliary machinery, systems and equipment are still in compliance with the classification society rules. The survey is intended to assess whether the structural integrity remains effective and to identify areas exhibiting corrosion, deformation, fractures, other damage or other forms of structural deterioration. The screw shafts, tube shafts, stern bearing, boilers and thermal oil heaters are also inspected. Dry-docking is required for class renewal surveys in order to thoroughly examine the vessel's hull. The survey includes audio gauging to determine the thickness of the steel structures. Should the thickness be found to be less than class requirements, the classification society would prescribe steel renewals. Substantial amounts of money may have to be spent for steel renewals to pass

such survey if the vessel experiences excessive wear and tear. Class renewal surveys may take several weeks to complete.

Continuous Survey Hull/Machinery: The vessel owner/manager may agree with the classification society to implement a continuous survey system on the vessel by arranging a continuous survey cycle for the vessel's hull and/or machinery, in which every part of the vessel would be surveyed within a five- year period. Therefore, the required class renewal inspections are split into an agreed schedule to extend over the entire five-year period.

Non-periodic Surveys/Special Surveys: Additional surveys may be required to assess damage or suspected damage and to evaluate repair, renewal, alteration, or conversion work. Surveys may also be required if a vessel changes ownership or changes its flag state.

If any defect is found in a classification society survey, the classification society will issue a "condition of class" or "recommendation." Conditions of class and recommendations require a ship's owner to carry out specific measures, repairs, or additional inspections within prescribed time limits in order to maintain the vessel's class certification. During operation of the vessel the valid class certificate is continuously checked by port state control officers during every port call of the vessel.

In certain cases, if appointed by the flag state, classification societies also assess vessel compliance with international conventions and applicable flag state laws and regulations and issue separate additional certificates for and on behalf of the flag state authority.

Classification society rules do not cover every structure or item of equipment on a vessel and do not cover operational elements such as crew training. Activities that fall outside the scope of classification society rules include items such as: design and manufacturing processes; choice of type and power of machinery; number and qualification of crew; and cargo carrying capacity. However, in addition to classification society rules, vessels are subject to safety regulations and inspections of their flag states, which cover those not covered by classification society rules, including those relating to the safety, fitness for purpose and seaworthiness of the vessels.

United States

Following the terrorist attacks on September 11, 2001, the U.S. Government adopted certain measures to improve security at various U.S. ports and with respect to cargo movements to and from the United States. On December 2, 2002, the Department of Homeland Security implemented an "Advance Manifest Rule" designed to screen cargo before it is loaded for carriage to U.S. ports. The rule requires carriers to submit to CBP Automated Manifest System, by electronic means, documentation regarding the transport parties and the cargo to be loaded on board a vessel going to the United States at least 24 hours prior to loading at the foreign port of loading.

Since 2002, the Hapag-Lloyd Group has participated in C-TPAT initiative, a voluntary supply chain security program led by CBP. C-TPAT is the premier trade security program for U.S. trade, and customers are increasingly requiring participation in this program from their carriers. The purpose of C-TPAT is protecting the U.S. and international supply chains from possible intrusion by terrorist organizations. C-TPAT requires us to document and validate Hapag- Lloyd's supply chain security procedures in relation to existing CBP C-TPAT criteria and guidelines, as applicable. CBP has also formulated the design for a holistic Trusted Trader program intended to unify C-TPAT and the Importer Self-Assessment ("**ISA**") processes. ISA is a voluntary trade compliance program that provides the opportunity for importers to assume responsibility for monitoring their own compliance. The Trusted Trader program is in an advanced pilot phase with the third phase, launched in 2018, testing the Trade Compliance Portal for pilot program participants. ISA members were transitioned into the Trade Compliance Portal once operational, with initial testing for integration of the systems launched in August 2019. C-TPAT continued the implementation of companies onto the Trade Compliance Portal during 2020. CBP has a number of mutual recognition arrangements with other countries, including New Zealand, Japan, and Canada, which link various similar international industry partnership programs in order to create a unified and sustainable security program.

The Security and Accountability for Every Port Act of 2006 (the "**SAFE Port Act**") codified C-TPAT into law. It also, through the Container Security Initiative, mandates that all containers entering U.S. ports be screened for radiation. The SAFE Port Act contains other initiatives, including a plan for increased random inspections of container contents, the inspection of high-risk containers in foreign ports, and the implementation of an automated targeting system for high-risk cargo, all of

which may further increase inspection and monitoring costs for carriers. The U.S. inspection, notification and monitoring programs may be expanded in the future and may also be followed by implementation of similar or more intrusive and costly notification, monitoring and inspection programs in other countries where the Hapag-Lloyd Group operates.

In July 2003, the U.S. Department of Homeland Security issued rules to implement certain portions of the U.S. Maritime Transport Security Act of 2002 ("**MTSA**"). Under this law, all foreign commercial and passenger vessels required to comply with SOLAS are required to develop and to submit vessel security plans ("**VSPs**") to the U.S. Coast Guard.

Since MTSA implemented the ISPS Code in the United States, and due to the fact that U.S. Coast Guard regulations are generally consistent with the international requirements, foreign-flag vessels are exempt from the MTSA requirement to submit a security plan to the United States for approval, provided such vessels have on board a valid International Ship Security Certificate demonstrating the vessel's compliance with the ISPS Code. Under its port state control division, the U.S. Coast Guard conducts verification examinations and inspections to verify ISPS Code and SOLAS compliance. Failure to comply with these requirements may result in an imposition of penalties, detention of a vessel, denial of port entry, or expulsions from port. The vessels of the Hapag-Lloyd Group call at U.S. ports which are subject to both the MTSA and the U.S. Coast Guard's security regulations. In rare instances, operations at these ports may be significantly curtailed or shut down by the U.S. Coast Guard for security reasons beyond our control.

Under the Advance Passenger Information System Final Rule, effective as of June 6, 2005, crew and passenger information for all commercial vessels arriving in the United States from, or departing for, a foreign port or place must be submitted electronically between 24 and 96 hours (or for voyages of more than 96 hours, at least 96 hours) before entering the first U.S. port or place of destination, with certain exceptions for voyages of less than 24 hours. Failure to comply with these rules may result in a vessel's entry into a U.S. port being delayed or denied or the assessment of penalties.

European Union

EU legislation on maritime safety and environmental protection for the most part aims at implementing IMO conventions in a harmonized way in order to enhance safety and pollution prevention standards and monitoring procedures.

Enhancement of ship and port facility security

Following the terrorist attacks of September 11, 2001, and to face the threats of intentional unlawful acts such as terrorism and piracy, the EU adopted Regulation 725/2004/EC. This Regulation (as amended by Regulation 219/2009/EC and Commission Decision 2009/83/EC) constitutes the basis for a harmonized interpretation and implementation of the amendments to SOLAS and the ISPS Code enshrined in the new Chapter XI-2 of SOLAS. It requires Member States of the EU (the "**Member States**") to monitor compliance with the security rules by ships calling at their ports. Each ship intending to enter the port of a Member State must, upon request of the competent maritime safety authority, provide information concerning ship and cargo safety at least 24 hours in advance, unless the voyage time is shorter. As a reaction to substantial issues such as terrorism, piracy and illegal migration, new approaches on maritime security are continuously discussed at EU level.

Safety of on-board equipment and training of crews

Directive 2014/90/EU provides for the uniform application of the relevant international conventions relating to the safety of on-board equipment in order to achieve a high standard of quality and ensure the free movement of such equipment within the European Community. This Directive provides, inter alia, for a wheel mark affixed to marine equipment. The requirements of the Directive have been complied with by German legislators and are in accordance with the relevant conformity assessment procedures. Instead of or in addition to a wheel mark, an appropriate and reliable form of electronic tag may be used. Implementing Regulation (EU) 2018/608 lays down technical criteria for the electronic tags for marine equipment. On-board checks of such equipment by the supervisory authority are admissible. Directive 2008/106/EC, amended by Directive 2019/1159, enacts the International Convention on Standards of Training, Certification and Watchkeeping 1995, concluded under the auspices of the IMO, as amended, which consolidates prior EU legislation on the minimum level of training of seafarers with the objective of removing substandard crews and guaranteeing

effective oral communication relating to safety between members of the crew.. It equally provides legal clarity regarding the mutual recognition of seafarers certificates issued by the Member States. As required by Directive 2014/90/EU, the Commission indicated design, construction and performance requirements and testing standards for marine equipment in Commission Implementing Regulation (EU) 2020/1170.

AEO Regime

Globalization and the changed security situation of international trade under the threat of terrorist attacks caused the World Customs Organization ("**WCO**") to set up a Framework of Standards to Secure and Facilitate Global Trade ("**SAFE**") establishing modern and efficient risk management in the customs administrations worldwide. The EU's implementation rules are set out in the Union Customs Code (Regulation (EU) 952/2013 and its Delegated and Implementing Regulations). Economic operators are required to provide the customs authorities with details of goods before they are imported into the EU or exported from it. A core element of the security package is the introduction of the status as an AEO. Since 2008, enterprises located in the EU can apply for such status which entails benefits in the customs clearance relating to security and safety ("**AEO-S**"), simplifications under the customs regulations ("**AEO-C**") or both (AEO-F). Simplifications under the customs regulation relate to simplified declaration procedures, deferred payments and simplifications under special procedures. The Member States may grant AEO status to any economic operator meeting the common criteria. These criteria concern security and safety control systems, financial solvency, practical standards of competence or professional qualifications, and the operator's track record in complying with customs and tax rules. The certification as an AEO is valid in all Member States and unlimited in time. The certification may be suspended or revoked, inter alia, if non-compliance with the criteria for granting of the certificate has been detected. Hapag-Lloyd AG is holder of the AEO Certificate "Customs Simplifications / Security and Safety (AEO-F)."

Environmental Matters

International

International Convention for the Prevention of Pollution from Ships (MARPOL)

The vessels of the Hapag-Lloyd Group are subject to standards imposed by the IMO, the United Nation's agency for maritime safety and the prevention of pollution by ships. The IMO has adopted MARPOL 73/78, the main international convention covering the prevention of pollution of the marine environment by ships from operational or accidental causes. Restrictions, limit values and technical standards are set forth in six annexes to the convention that deal, respectively, with the prevention of pollution by oil (Annex I), noxious liquid substances in bulk (Annex II), harmful substances in packaged forms (Annex III), sewage from ships (Annex IV), garbage from ships (Annex V) and air pollution from ships (Annex VI). All annexes have entered into force and each state that is a party to the convention must accept mandatory Annexes. All of the vessels of the Hapag-Lloyd Group comply with the applicable provisions of MARPOL 73/78.

On January 1, 2017, certain amendments to regulation 12 of MARPOL Annex I, concerning tanks for oil residues (sludge) entered into force. The amendments update and revise the regulation, expanding on the requirements for discharge connections and piping to ensure oil residues are properly disposed of.

In September 1997, the IMO adopted Annex VI to MARPOL to address air pollution from ships. Effective from May 2005, Annex VI sets limits on sulfur oxide and nitrogen oxide emissions from all commercial vessel exhausts and prohibits deliberate emissions of ozone depleting substances (such as halons and chlorofluorocarbons), emissions of volatile organic compounds from cargo tanks and the shipboard incineration of specific substances. Annex VI also includes a global cap on the sulfur content of fuel oil and allows for special areas to be established with more stringent controls on sulfur emissions. Additional or new conventions, laws and regulations may be adopted that could require the installation of expensive emission control systems and adversely affect our business, cash flows, results of operations and financial condition. The IMO has adopted amendments to Annex VI regarding emissions of sulfur oxide, nitrogen oxide, particulate matter and ozone depleting substances. The amended Annex VI will reduce air pollution from vessels by, among other things, (a) implementing a progressive reduction of sulfur oxide emissions from ships operating outside designated ECAs by reducing the global sulfur fuel cap initially to 3.5% (from the initial cap of 4.5%), effective beginning

January 1, 2012, then progressively to 0.5%, which is the effective global cap beginning January 1, 2020; and (b) establishing new tiers of stringent nitrogen oxide emissions standards for new marine engines, depending on their date of installation. The revised Annex VI allows for ECAs to be designed for sulfur oxide and particulate matter, or nitrogen oxide or all three types of emissions from ships. It furthermore reduces the limits applicable in sulfur oxide ECAs to 1.00% from July 1, 2010 (from previously 1.5%) and to 0.10% effective from January 1, 2015. The North Sea (including the English Channel) and the Baltic Sea have been designated as sulfur oxide ECAs by the IMO; the former was implemented on November 22, 2007 and the latter on May 19, 2006. In the course of the revision of Annex VI both ECAs have been listed as ECAs for the control of sulfur oxide and particulate matter. The North American sulfur oxide and NOx ECA, extending 200 miles from the territorial sea baseline adjacent to the Atlantic/Gulf, the Pacific coasts and the coasts of the Hawaiian Islands, was implemented on August 1, 2012. The IMO designated a United States Caribbean Sea sulfur oxide and NOx ECA, including Puerto Rico and the U.S. Virgin Islands effective from January 1, 2014. As a result, as of 2012 and 2014, respectively, Annex VI imposes on vessels trading to the North American and Caribbean Sea ECAs a more stringent "first-phase" sulfur oxide emission standard than prevails elsewhere. Even more stringent requirements in these ECAs became effective in the second phase within 2015 and in the third phase within 2016. Further, new vessels constructed beginning in 2016 which trade in these ECAs will be subject to special marine diesel engine emission requirements according to revised MARPOL Annex VI, NOx Tier III. On September 1, 2017, amendments to MARPOL entered into force concerning NOx tier III reporting, in particular concerning the record requirements for operational compliance with NOx Tier III ECAs. As a result of these amendments, certain ships are required to maintain records of the operational status of their marine diesel engines, together with the date, time and position of the ship when operating in NOx ECAs. In order to comply with IMO 2020, we have gradually transitioned to low sulfur fuels and installed Scrubbers. The transition to the 2020 low sulfur fuels has been accomplished, and vessels of the Hamburg Express Class are being retrofitted with open loop scrubbers, which are Scrubbers designed for vessels that operate mainly at open sea. In November 2020, amendments were adopted to Annex VI that introduce a method and procedures for fuel oil sampling from ships' fuel oil tanks to verify the sulfur content and which amend regulations relating to EEDI; such amendments will enter into force on April 1, 2022.

MARPOL was further amended to make parts of the International Code for Ships Operating in Polar Waters (Polar Code) mandatory from January 1, 2017. The Polar Code sets forth safety and environment related provisions (*e.g.*, ship design, construction and equipment, operational and training aspects, search and rescue, marine environment) regarding navigation in waters surrounding the two poles. Amendments have been proposed (and are expected to be formally adopted) that prohibit the use and carriage for use as fuel of heavy fuel oil by ships in Arctic waters effective on July 1, 2024, subject to certain exemptions.

The following other MARPOL amendments entered into force in September 2017:

- amendments to MARPOL Annex IV relating to the dates for implementation of the discharge requirements for passenger ships while in a Special Area, *i.e.*, not before June 1, 2019 for new passenger ships and not before June 1, 2021 for existing passenger ships;
- amendments to MARPOL Annex II, appendix I, related to the revised GESAMP hazard evaluation procedure for chemical substances carried by ships;
- amendments to the NOX Technical Code 2008 to facilitate the testing of gas-fueled engines and dual fuel engines; and
- amendments to regulation 1 and 11 of Annex IV and the Form of the International Sewage Pollution Prevention Certificate to establish effective dates for the Baltic Sea Special Area and consequential changes and editorial improvements to the Form of the International Sewage Pollution Prevention Certificate.

In October 2016, the IMO's Marine Environment Protection Committee passed a proposal to implement NOx ECAs in the North Sea and the Baltic. Since January 1, 2021, the NOx regulations have required new vessels operating in the Baltic Sea and the North Sea to reduce their NOx emissions by around 75%.

Further, in 2011 the IMO adopted mandatory technical and operational energy efficiency measures in order to significantly reduce the amount of greenhouse gas emissions from ships. These measures were included in Annex VI and entered into force on January 1, 2013. These include the introduction

of the EEDI and the SEEMP. The EEDI indicates the energy efficiency of ships. Consequently, newbuild ships must prove compliance with certain minimum standards for energy efficiency relative to the EEDI reference line (*e.g.*, generally, subject to certain exceptions, 10% improvement target for ships built between 2015 and 2019; 20% improvement target for ships built between 2020 and 2024; 30% improvement target after 2025). It lies with the shipbuilding businesses to choose the technical modalities necessary to ensure compliance with the required standards. However, the EEDI does not apply to ships already in operation, whereas the obligation to set up a SEEMP is also applicable to operated ships. The SEEMP aims at providing ship owners with incentives to implement a more energy efficient performance of ships, yet without an obligation to reduce emissions. These amendments apply to ships with a registered tonnage of 400 and above and leave room for the competent state authorities to exempt certain ships from these requirements under specific circumstances. As the first shipping company worldwide, the Hapag-Lloyd Group had the majority of its own-managed fleet certified prior to its effective date and on a voluntary basis in accordance with the EEDI in February 2012. The certification was issued by DNV as an independent third-party. We may incur additional costs to comply with the revised standards that include additional hull design optimization efforts during the planning phase and capital investment for energy saving devices.

In October 2016, the IMO approved a roadmap (2017 to 2023) for developing a comprehensive IMO strategy on the reduction of greenhouse gas emissions from ships. In 2018, IMO's Marine Environment Protection Committee adopted an initial strategy on the reduction of greenhouse gas emissions from ships, setting out a vision to reduce greenhouse emissions from international shipping and phase them out, as soon as possible. The strategy envisages (i) to reduce the total annual greenhouse gas emissions of ships by at least 50% by 2050 compared to 2008, while, at the same time, pursuing efforts towards phasing them out entirely and (ii) "a pathway of CO2 emissions reduction consistent with the Paris Agreement temperature goals." The strategy, which is to be updated in 2023, provides a framework for member states and includes candidate short-, mid-, and long-term measures with possible timelines and impacts on states.

Bunker Convention

In 2001, the IMO also adopted the International Convention on Civil Liability for Bunker Oil Pollution Damage (the "**Bunker Convention**"), which imposes strict liability on vessel owners for pollution damage in jurisdictional waters of ratifying states caused by discharges of bunker fuel. The Bunker Convention also requires registered owners of vessels over 1,000 gross tonnes to maintain insurance or other financial security in specified amounts to cover liability for bunker fuel pollution damage. The Bunker Convention became effective on November 21, 2008. Each of the container ships of the Hapag-Lloyd Group has been issued a certificate attesting that insurance is in force in accordance with the Bunker Convention.

Enforcement

Responsibility for the enforcement of IMO conventions is primarily left to the flag states. However, under regional port state control initiatives (for example, the Paris Memorandum of Understanding ("**Paris MOU**") for the European coastal line), port state authorities are empowered to verify the compliance with international IMO requirements of foreign vessels using their ports. These memoranda of understanding set and enforce harmonized inspection procedures designed to target substandard ships. The IMO continues to review and introduce new regulations. It is difficult to accurately predict what additional regulations, if any, may be passed by the IMO and what effect, if any, such regulations might have on the operations of the Hapag-Lloyd Group.

Greenhouse Gas Regulation

In February 2005, the Kyoto Protocol to the UNFCCC entered into force. Countries that are party to the Kyoto Protocol were required to implement national programs to reduce emissions of certain gases, generally referred to as greenhouse gases. On December 8, 2012, the Doha Amendment to the Kyoto Protocol was adopted. This Doha Amendment established a second Kyoto Protocol commitment period that started in 2013 and lasts until December 31, 2020. At a UNFCCC conference held in December 2015 in Paris, France, 195 countries completed the negotiation of the Paris Agreement. The Paris Agreement is a separate instrument under the UNFCCC, rather than an amendment to the Kyoto Protocol, for the period that ends after the expiration of the Kyoto Protocol's second commitment period. The Paris Agreement deals with greenhouse gas emissions mitigation, adaptation and finance,

among other topics, and aims to strengthen the global response to the threat of climate change, including by holding the increase in the global average temperature to below 2 °C above pre-industrial levels. The agreement entered into force on November 4, 2016. Shipping emissions are not regulated by the Paris Agreement itself. However, in order for countries to meet their national contributions under the Paris Agreement, they may adopt restrictions on shipping emissions. Countries that have ratified the Paris Agreement are adopting domestic measures to meet the Paris Agreement goals, which include reducing their use of fossil fuels and increasing their use of alternative energy sources. Moreover, future international climate change agreements, including future instruments entered into pursuant to the UNFCCC, may also restrict shipping emissions. For the obligations to reduce greenhouse gas emissions from ships introduced under the auspices of the IMO, please refer to the section on MARPOL above.

On March 4, 2020, the European Commission issued a proposal for a Regulation, also known as the "European Climate Law," which aims to reduce emissions to net zero at the latest by 2050 for the EU as a whole (COM(2020)80 final). This binding target covers all sectors and all greenhouse gases, and would require Member States to take 'necessary measures' to meet the target of climate neutrality by 2050. The European Climate Law includes measures to keep track of progress and adjust our actions accordingly, based on existing systems such as the governance process for Member States' national energy and climate plans, regular reports by the European Environment Agency, and the latest scientific evidence on climate change and its impacts. The European Commission's proposal is still subject to review by the European Parliament and the Council. In September 2020, as part of the "European Green Deal," the European Commission presented an impact assessment to increase the EU's greenhouse gas emission reduction target to at least 55% by 2030. The European Commission has stated that by June 2021, it plans to present legislative proposals to implement the new target, including revising and possibly expanding the EU ETS to cover the maritime sector. The Commission has published an inception impact assessment and conducted a public consultation on the revision of the system from November 2020 to February 2021.

The EU ETS applies to large industrial installations, the energy and the aviation sectors. It requires relevant operators to hold allowances in order to emit CO_2 emissions, with one allowance conferring the right to emit the equivalent of one tonne of CO_2, or the equivalent amount of two more powerful greenhouse gases, nitrous oxide (N2O) and perfluorocarbons (PFCs), during a specified allocation period. An emissions cap is set at EU level, which the total amount of allowances cannot exceed. The EU ETS is currently in its fourth phase (2021-2030), aiming to reduce emissions even further for the sectors covered by limiting the amount of allowances available to the market by annual reductions in allowances of 2.2%.

Currently, EU legislation on reducing greenhouse gas emissions from maritime transport is contained in Regulation (EU) 2015/757, as amended by Commission Delegated Regulation (EU) 2016/2071, on the MRV of carbon dioxide emissions from maritime transport. This regulation applies to large ships above 5,000 gross tonnage using EU ports, and requires, inter alia, submission of a monitoring plan for each ship, monitoring of CO_2 emissions for each ship on a per-voyage and an annual basis and reporting to the European Commission and the authorities of the flag states. Further, monitoring is subject to verification procedures and documents of compliance are required on board of each ship. EU Member States must provide for sanctions in case of non-compliance with the requirements.

On February 4, 2019, the European Commission proposed a regulation amending the MRV system, in order to align it with the global data collection system introduced by the IMO (COM(2019)38 final). On September 16, 2020, the European Parliament adopted its position on the European Commission's proposal confirming that emissions from the maritime sector should be included in the EU ETS. The European Parliament also supported the establishment of an 'Ocean Fund' for the period from 2022 to 2030, financed by revenues from auctioning allowances under the ETS, to make ships more energy-efficient and to support investment in innovative technologies and infrastructure, such as alternative fuel and green ports. If adopted after trilogue negotiations between the Council, the Commission and the European Parliament, the amendments would require shipping lines calling EU ports to linearly reduce the annual CO_2 emissions per transport work of their vessels by at least 40% by 2030. This reduction would be calculated as an average across all ships under a company's control and would be compared to the average performance per category of ships of the same size and type as reported under the MRV. The EU ETS would impose a carbon price that fluctuates with the EU carbon market, requiring ship-owners to purchase emission credits per ton of CO_2 emitted.

In the United States, the U.S. Environmental Protection Agency ("**EPA**") in December 2009 issued a finding that greenhouse gases threaten public health and safety. A June 2014 U.S. Supreme Court decision regarding an EPA rule requiring pre-construction permits for large sources of greenhouse gas emissions underscored the Court's view that the EPA has the right to regulate greenhouse gas emissions under the Clean Air Act. In addition, climate change initiatives are being considered in the U.S. Congress. State governments and regional regulatory bodies are also regulating greenhouse gas emissions in the United States. On February 19, 2021, the United States rejoined the Paris Agreement.

Compliance with the EU MRV system will trigger additional costs. Further, any passage of climate control legislation or other regulatory initiatives by the IMO, EU, the United States or other countries or states where the Hapag-Lloyd Group operates that restrict emissions of greenhouse gases could require the Company to make significant financial expenditures that it cannot predict with certainty at this time, or otherwise limit its operations.

European Union

Pollution – prevention and sanctions

EU Directive 2005/35/EC, as amended by Directive 2009/123/EC, requires Member States to lay down criminal sanctions for intentional, reckless or negligent pollution discharges by ships. Criminal liability for pollution may result in substantial penalties or fines under national law, and increased civil liability claims.

The EU has adopted three packages of legislation on maritime safety, which comprise a number of directives and regulations covering various aspects. For example, Directive 2009/15/EC (as amended by Directive 2014/111/EU), and Regulation (EC) No 391/2009 (as amended by Regulation (EU) 1355/2014 and Regulation (EU) 2019/1243) lay down minimum standards for ship inspections and classification societies, which are inter alia responsible for inspections. Directive 2009/16/EC (amended by Directive 2013/38/EC and Regulation (EU) 2015/757), sets out rules on port state control as regards inspection rates, targeting, inspection procedures, port access refusal, rectification of deficiencies, and detention of ships. The main element of Directive 2009/16/EC corresponds to the inspection regime of the Paris MOU adopted in May 2009. Under this regime, ships will be subject to inspection in intervals corresponding to their risk profile (the most dangerous ships will be inspected every six months). Ships are considered as high risk, standard risk or low risk ships on the basis of historic (*e.g.*, detentions and the number of deficiencies) and generic parameters, such as type and age of the ship and the flag state performance as well as company performance. With reference to the Maritime Labour Convention, Directive 2013/38/EC extends the scope of port state control to various labor law issues.

In addition, Directive (EU) 2019/883 on port reception facilities for the delivery of waste from ships, amending Directive 2010/65/EU and repealing Directive 2000/59/EC, establishes a framework for port reception facilities for ship-generated waste and cargo residues.

Tracking dangerous and polluting cargo

Directive 2002/59/EC as last amended by Regulation (EU) 2019/1243 establishes a vessel traffic monitoring and information system that aims at giving Member States rapid access to all important information relating to the movements and cargo of ships carrying dangerous or polluting materials. A key aspect is the maritime information and exchange system (SafeSeaNet), which aims to enable the early identification of high-risk ships, prevention actions and monitoring of potential risks, and improve emergency responses. Directive 2010/65/EU stipulates the reporting formalities for ships arriving in and/or departing from ports of the Member States.

Reducing the sulfur content of marine fuels

Directive (EU) 2016/802 lays down the maximum permitted sulfur content of heavy fuel oil, gas oil, marine gas oil and marine diesel oil used in the EU (codifying previous legislation). Specifically, Directive (EU) 2016/802 limits the sulfur content of marine fuels used in the territorial seas, exclusive economic zones and pollution control zones falling within Sulphur Oxide Emission Control Areas ("**ECA**") to 0.1% by mass as from January 1, 2015; limits the sulfur content of marine fuels used in the territorial seas, exclusive economic zones and pollution control zones to 0.5% as from January 1, 2020; and limits the sulfur content of marine fuels used within the territory of Member States to 3.5% by

mass. The EU 0.5% sulfur content limit was matched by the IMO when it adopted 0.5% as the worldwide standard, applicable from 1 January 2020.

Compliance with the sulfur thresholds may impact marine fuel prices, our business and negatively affect the competitiveness of the Hapag-Lloyd Group with other types of transport. The European Commission may propose measures to counteract a modal shift from sea to land-based transport, and Member States may under certain circumstances provide state aid to operators affected by Directive (EU) 2016/802.

Recommendation to install shore-side electricity installations in ports

Commission Recommendation 2006/339/EC of May 8, 2006 promotes shore-side electricity for use by ships at berth in EU ports, in order to reduce atmospheric emissions from sea-going ships. It recommends that Member States install shore-side electricity for use by ships at berth in ports and offer economic incentives to operators to use such electricity, rather than using their auxiliary engines to produce electricity. The Recommendation calls on Member States to work within the IMO to promote the development of harmonized international standards for shore-side electrical connections. Directive (EU) 2016/802 obliges Members States, as an alternative solution for reducing emissions, to encourage the use of onshore power supply systems by docked vessels. Should the use of onshore power supplies eventually be enacted into mandatory legislation, it will entail additional expenses for making vessels fit for such connection. The Hapag-Lloyd Group has retrofitted 23 ships with onshore power supply devices to comply with California legislation as from January 1, 2014.

Potential legislation on maritime fuels

On January 29, 2020, the European Commission announced its intention to launch a legislative proposal on maritime fuels in the framework of the European Green Deal. According to the Commission, the initiative, named "FuelEU Maritime," will aim to increase the use of sustainable alternative fuels and power in operation and at berth. The initial European Commission's work plan indicated that the proposal was expected to be published in Q4 2020 but publication has subsequently been delayed. Any proposal by the European Commission would then need to be debated and adopted by the EU legislature.

In addition, in the context of the revision of the Energy Taxation Directive 2003/96/EC, the European Commission will take a close look at current tax exemptions, including for aviation and maritime fuels, suggesting a potential reform of the exemptions. The European Commission has indicated that a proposal for a revised Energy Taxation Directive is planned for 2021. The Hapag-Lloyd Group is monitoring the developments for EU tax exemption reform to better assess its implications.

Ship Recycling

The EU Ship Recycling Regulation (EU) 1257/2013 (amending Regulation (EC) 1013/2006 and Directive 2009/16/EC) (the "**EU SRR**"), aims at reducing the negative impacts associated with the recycling of ships. It is based on the 2009 Hong Kong Convention for the Safe and Environmentally Sound Recycling of Ships ("**Hong Kong Convention**"), which is not yet into force. The rules apply to large commercial seagoing vessels flying the flag of an EU Member State, and to ships flying the flag of a third country calling at EU ports or anchorages. The Regulation prohibits and restricts the installation and use of certain hazardous materials on ships. As of December 31, 2020, all EU ships and third-country ships calling at an EU port or anchorage are required to carry an inventory list of hazardous materials. Ships have to be recycled in special ship recycling facilities, registered by the EU. The Hapag-Lloyd Group has implemented a green ship recycling policy on a voluntary basis. Selected ship recycling yards have to comply with ISO 14001 and the Hong Kong Convention. All newbuilds have an inventory list of hazardous materials.

Chemicals

The EU Regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) 1907/2006) ("**REACH**"), as amended, imposes significant obligations concerning chemical substances. Most of the burden of complying with REACH is on the chemical industry and the carriage of dangerous substances and of dangerous mixtures by inland waterways and sea is excluded from its scope. However, REACH includes a number of restrictions on the use of chemicals

and requirements for authorization to use certain chemicals which may affect the ability to use certain substances or require the need for substitutes authorized in the EU for the construction of new ships, repair of existing ships and for the type of equipment used on board. In this respect, Regulation (EC) 782/2003 on the prohibition of organotin compounds on ships also specifically lays down rules on the use of certain substances in anti-fouling and ship coating.

Maritime spatial planning

Directive 2014/89/EU of July 23, 2014 establishes a framework for maritime spatial planning, which could affect maritime transport routes and traffic flows. EU Member States must deliver national maritime spatial plans at the latest by March 31, 2021, which should aim to cover all maritime sectors and activities, and enhance environmental protection.

United States

In the United States, ship operators are subject to a number of federal and state laws and regulations with respect to protection of the environment in the course of ship operations in U.S. trade lanes. These laws include the Oil Pollution Act of 1990 ("**OPA**"), and similar state statutes, with respect to oil spill liability; the Comprehensive Environmental Response, Compensation, and Liability Act ("**CERCLA**") with respect to spills or releases of hazardous substances; the Federal Water Pollution Control Act of 1972, commonly referred to as the Clean Water Act ("**CWA**"); the Clean Air Act ("**CAA**"); and the National Invasive Species Act of 1996 ("**NISA**") with respect to ballast water management.

Under the OPA, ship owners, operators and demise charterers deemed "responsible parties" may be subject to strict joint and several liability for all removal costs and other damages (including natural resource and property damages and lost revenues and profit) caused by oil spills from their ships. Although the OPA primarily regulates oil tanker vessels (which we do not operate), it also applies to non-tanker vessels with respect to the bunker fuel carried on board such vessels. The OPA can, in some instances limit the liability for a non-tanker vessel to the greater of US$1,200 per gross (North American) ton or US$997,100 per incident, which may be adjusted periodically for inflation. However, the liability limits do not apply if the incident was caused by the responsible party's gross negligence, willful misconduct, or violation of an applicable federal safety, construction or operating regulation. In addition, the liability is not limited if the responsible party fails to report the incident or fails to cooperate or comply with a removal order. The OPA and the CWA also impose civil and criminal penalties relating to certain spill incidents.

CERCLA governs spills or releases of hazardous substances other than petroleum, natural gas and related products. CERCLA imposes liability that is strict, as well as joint and several, on the owner or operator of a vessel, vehicle or facility from which there has been a release, as well as other responsible parties. Spills or releases could occur during shipping, land transportation, terminal or transport related operations. Damages may include past, present and future removal costs, natural resource damages and economic losses, without regard to physical damage to a proprietary interest. Liability under CERCLA is generally limited to the greater of US$300 per gross ton or US$5 million for vessels carrying any hazardous substances, such as cargo or residue, or the greater of US$300 per gross ton or US$500,000 for any other vessel, per release of or incident involving hazardous substances. These limits of liability do not apply if the incident is caused by gross negligence, willful misconduct or a violation of certain regulations, in which case liability is unlimited.

Responsible parties under the OPA and CERCLA, including operators of vessels, must establish and maintain evidence of financial responsibility sufficient to meet the maximum liability (calculated under the assumption that the limits available in the preceding paragraph are applicable) to which it could be subject hereunder. In instances where a responsible party owns or operates more than one vessel, financial responsibility is determined based solely on the particular vessel owned or operated by such responsible party that has the greatest maximum liability. Financial responsibility may be established by one or any combination of the following: evidence of insurance, surety bond, guarantee, letter of credit, qualification as self-insurer or other evidence of financial responsibility. We have met our financial responsibility obligations under the OPA and CERCLA by purchasing the maximum insurance coverage available under our protection and indemnity policies to cover damages that might arise under such laws. For information on insurance policies, see "*Our Business—Insurance.*" However, the OPA specifically preserves state law liability and remedies, whether by statute or at

common law. Some U.S. states have enacted legislation providing for unlimited liability for oil spills both in terms of removal costs and damages. As such, cumulative liability under certain U.S. state laws for a spill could be unlimited, and could theoretically exceed our available insurance coverage in the case of a catastrophic spill.

The CWA prohibits the discharge of pollutants, oil or hazardous substances and imposes strict liability in the form of civil penalties for damages and remedial costs. Liability can be imposed under the CWA in addition to the OPA and CERCLA. EPA regulates the discharge of ballast water and other substances under the CWA. EPA regulations require commercial vessels 79 feet in length or longer operating as a means of transportation (other than commercial fishing vessels) to obtain coverage under a Vessel General Permit ("**VGP**") authorizing discharges of ballast waters and other wastewaters incidental to the operation of vessels when operating within the three-mile territorial waters or inland waters of the U.S. The VGP requires vessel owners and operators to comply with a range of best management practices and reporting and other requirements for a number of incidental discharge types. EPA issued a new VGP in 2013, which became effective on December 19, 2013 (the "**2013 VGP**").

On December 4, 2018, the Vessel Incidental Discharge Act ("**VIDA**") was enacted. The VIDA requires EPA to develop new national standards of performance for commercial vessel incidental discharges and the U.S. Coast Guard to develop corresponding implementing regulations. Pursuant to the VIDA, until EPA publishes future standards and the U.S. Coast Guard publishes corresponding implementing regulations under the VIDA, existing vessel discharge requirements established through the 2013 VGP will remain applicable to vessel owners and operators. The EPA regulations must be promulgated no later than December 4, 2020 and the U.S. Coast Guard must start enforcing the regulations within two years from the date they are published by EPA, or no later than December 4, 2022. The Hapag-Lloyd Group is in compliance with the 2013 VGP for all of its container ships that operate in U.S. waters. The costs associated with meeting the requirements under the 2013 VGP are not material.

On April 30, 2010, EPA promulgated regulations that (i) impose more stringent standards for emissions of particulate matter, sulfur dioxides and nitrogen oxides from Category 3 marine diesel engines (typically ranging in size from 2,500 to 70,000 kW (3,000 to 100,000 hp)) on vessels constructed on or after January 1, 2016 and registered or flagged in the U.S. and (ii) implement the MARPOL Annex VI requirements for U.S. and foreign flagged ships entering U.S. ports or operating in U.S. internal waters. Effective July 1, 2009, California also adopted fuel content regulations that apply to all vessels sailing within 24 miles of the California coast whose itineraries call for them to enter California ports, terminal facilities or estuarine waters. Although a risk exists that new regulations could require significant capital expenditures and otherwise increase our costs, based on the regulations proposed to date, the Company believes that no material capital expenditures beyond those currently contemplated and no material increase in costs are likely to be required, aside from those costs discussed below.

Similar to the EU, California has promulgated rules to encourage and over time oblige vessels in Californian ports to use shore power ("cold ironing") while at berth. As of January 1, 2014, at least 50% of an operator's fleet calling into ports in California must connect to shore power, and the total auxiliary engine power generated by the fleet's ships while docked at the port must achieve a 50% emission reduction across the fleet. Plans outlining how the fleet will be modified to achieve compliance with these rules had to be submitted to the California Air Resources Board ("**CARB**") by July 1, 2013. These plans had to be updated and resubmitted by July 1, 2016 to detail compliance with the 70% emission reduction requirement applicable by 2017, and again by July 1, 2019 for compliance with the ultimate 80% reduction required across the fleet by 2020. Retrofitting of vessels to meet the cold ironing rules has been a material capital expenditure and additional vessels need to be retrofitted to comply with these rules. On March 26, 2020, and on July 10, 2020, CARB proposed amendments to these rules requiring all vessels calling Californian ports to be retrofitted resulting in additional costs.

NISA was enacted in 1996 in response to growing reports of harmful organisms being released into U.S. ports through ballast water taken on by ships in foreign ports. NISA established a ballast water management program for ships entering U.S. waters calling for voluntary mid-ocean ballast water exchange, ballast water exchange in waters where such exchange does not pose an environmental threat, or the use of environmentally sound alternative ballast water management methods approved by the U.S. Coast Guard. Mid-ocean ballast exchange is mandatory prior to calling at Californian ports and the mandatory keeping of records throughout the United States began as of January 2004. Other

states could adopt additional regulations that could increase the cost of operating in state waters. In March 2012, the U.S. Coast Guard adopted new standards requiring, amongst other things, ship owners and operators to install, operate and maintain U.S. Coast Guard approved on-board ballast water management systems to meet the new treatment standards for living organisms in ballast water. This requirement applies to all new vessels constructed on or after December 1, 2013. Vessels constructed before December 1, 2013 with a ballast water capacity of less than 1500 cubic meters or more than 5000 cubic meters as of the first dry-docking have been subject to these requirements since January 1, 2016. A ship may also use an alternative management system (approved by another flag state and meeting IMO Ballast Water Management Convention criteria) for up to five years. In February 2004, an IMO diplomatic conference adopted a convention on ballast water controls (the "**BWM Convention**") that sets forth worldwide rules that will take effect twelve months after ratification by 30 member states that collectively represent 35% of the world's shipping tonnage. The BWM Convention entered into force on September 8, 2017. Compliance with the BWM Convention has resulted in additional costs. This effect has been exacerbated by rules in the United States for ballast water management and treatment. New York and California, for example, have enacted ballast water legislation that is much more stringent than current international and U.S. legislation. However, the VIDA was enacted to establish uniform national standards for the regulation of discharges incidental to the normal operation of a commercial vessel in U.S. navigable waters, including ballast water. Under the VIDA, EPA is responsible for establishing performance standards relating to the discharge of pollutants from vessels, and the U.S. Coast Guard is responsible for prescribing, administering and enforcing regulations in respect of vessel management practices, design, construction, testing, approval, installation and use of marine pollution control devices that are consistent with the EPA standards. The VIDA generally preempts states from setting or enforcing state-specific ballast water management regulations which are different from those established by EPA and the U.S. Coast Guard, although states may petition EPA and the U.S. Coast Guard to establish emergency orders for invasive species and water quality concerns, and states in certain regions, such as the Great Lakes, may develop enhanced performance standards subject to EPA and U.S. Coast Guard approval. Compliance with the VIDA and any state-specific ballast water management regulations may result in additional costs.

Economic and trade sanctions

The United Nations, the United States, the EU and other governments such as the United Kingdom impose trade and economic sanctions or other restrictions, which could impact our activities. These sanctions include list-based 'blocking' sanctions targeting designated individuals and entities (including vessels), as well as restrictions or bans on specific activities involving sanctioned countries or regions (such as Iran, North Korea, Russia, Crimea and Syria).

European Union

The EU imposes economic and financial sanctions which could impact the operations of the Hapag-Lloyd Group. The EU broadly imposes two different types of sanctions: 1) sectoral sanctions targeted at particular activities or sectors, including trade restrictions or bans, product-related export/import restrictions on specified items (and related financing, brokering and technical assistance) either involving a specific country/region (such as Iran, North Korea, Russia, Crimea and Syria) or certain end-users, and 2) list-based sanctions targeting designated individuals and entities connected to such third countries and/or more generally associated with terrorist organizations ("**EU Asset Freeze**"). Under the EU Asset Freeze, all funds and economic resources belonging to, owned, held or controlled by certain designated individuals or entities ("**Restricted Parties**") in the EU are frozen. It is also generally prohibited to make funds or economic resources available, directly or indirectly (*i.e.*, through third parties), to or for the benefit of the Restricted Parties. The concepts 'funds' and 'economic resources' are interpreted very broadly to include anything that can be used to obtain funds, goods or services. This means most commercial activities involving Restricted Parties are prohibited, including (but not limited to) any direct or indirect receipt of funds from, and payment of funds or supply of goods, to such parties.

United States

The U.S. government implements numerous sanctions programs that have an impact on the shipping industry. Over the last several years, the U.S. government's implementation of sanctions measures has had a particular focus on this industry, not only has the U.S. government issued

numerous sanctions measures related to shipping, but it has also issued several advisories for individuals and entities in the shipping industry. The primary impact on the shipping industry is the blocking of vessels. When a vessel is blocked, nearly all transactions by U.S. persons or involving the United States that relate to that vessel are prohibited. This can extend beyond transactions at port to include payments related to goods on such vessels (including the processing by banks of letters of credit relating to such goods), repairs and maintenance of such vessels, and the provision of insurance for such vessels. Any such transactions that are denominated in U.S. dollars would normally be processed through a bank in the United States, and would therefore generally be prohibited. Additionally, as a practical matter, even when there is no applicable prohibition, non-U.S. governments and other non-U.S. persons may refuse to engage in such transactions due to concerns about a potential U.S. response. The U.S. government lists some, but not all, vessels that are blocked on its list of Specially Designated Nationals and Blocked Persons (commonly known as the SDN List).

A vessel becomes blocked by the U.S. government when the U.S. government imposes blocking sanctions on a person (individual or entity) that has an "interest" (broadly defined) in the vessel. Blocking sanctions result in a prohibition, by U.S. persons or within the United States, against engaging in nearly any transaction involving property in which the blocked sanctions target has any interest. This includes vessels in which a blocked person has an interest, whether as owner, charterer, operator, or potentially for other reasons. Thus, a vessel owner that has engaged in no sanctions-related activity could find its vessels blocked because some other person with an interest in the vessel has engaged in such activity and the U.S. government has imposed blocking sanctions on that person, resulting in a blocking of the vessel.

The U.S. government may impose sanctions (blocking or otherwise) on persons that it determines meet one or more criteria set forth in sanctions authorities. There are several such criteria that are vessel-related or potentially so. For example, in the Iran sanctions program, the U.S. government may impose blocking sanctions on persons determined to be part of Iran's shipping sector. If the U.S. government were to impose blocking sanctions on an operator of (or other person with an interest in) one of the company's vessels pursuant to this authority, that vessel would likely become blocked.

The U.S. government also imposes a number of prohibitions on imports into the United States and exports from the United States or by U.S. persons, from or to various countries and territories. For these purposes, exports can include transshipment through a sanctioned country. The U.S. government has taken enforcement action even against non-U.S. persons that have been involved in such transactions, in cases where such non-U.S. persons have in some way reached into the United States in furtherance of the import or export.

Finally, the U.S. government imposes various vessel-related prohibitions. For example, vessels that have engaged in certain transactions involving Cuba may not enter a U.S. port for the purpose of loading or unloading freight for a period of 180 days from the day the vessel departed Cuba, and certain vessels carrying goods or passengers to or from Cuba, or goods in which Cuba as an interest, may not enter a U.S. port with such goods or passengers on board. Similarly, no vessel that has called at a port in North Korea within the previous 180 days, and no vessel that has engaged in a ship-to-ship transfer with such a vessel within the previous 180 days, may call at a port in the United States, with limited exceptions.

MANAGEMENT

Overview

The corporate bodies of Hapag-Lloyd AG are the executive board (*Vorstand*), the supervisory board (*Aufsichtsrat*) and the general meeting (*Hauptversammlung*). Their competencies are laid down in the German Stock Corporation Act (*Aktiengesetz*) and the Company's articles of association (*Satzung*) (the "**Articles of Association**"), as well as in the rules of procedure (*Geschäftsordnungen*) of the executive board and the supervisory board.

In general, the executive board is responsible for conducting the Company's business in accordance with the law, the Articles of Association and its own rules of procedure. It represents the Company in its dealings with third parties.

The executive board is responsible for the management of the Company and decides on fundamental questions of business policy, company strategy and on annual long-term planning. The executive board must further ensure appropriate management and control of risk within the Company and its subsidiaries in order to identify at an early stage any developments jeopardizing the Company's future as a going concern. The executive board is also obliged to report to the supervisory board on a regular and at least quarterly basis on the course of business, with particular reference to revenue, profitability and the situation of the Company and of its subsidiaries, and at the supervisory board's final meeting of the financial year to report on its planned business policy and other fundamental issues relating to corporate planning (including financial, investment and personnel planning).

The executive board is also obliged to duly report to the supervisory board and – if necessary – ask for approval of such transactions as may be of considerable importance to the Company's profitability (in particular the return on equity) or liquidity, so that the supervisory board may have an opportunity to express its opinion and – if necessary – grant approval on such transactions before they are concluded. The supervisory board may also request a report at any time on matters concerning the Company, on the legal and commercial relationships with affiliated companies or on commercial operations at these companies that may have a significant impact on the Company's situation.

The supervisory board determines the exact number of members of the executive board, appoints the members of the executive board and is entitled to dismiss them for good cause (*aus wichtigem Grund*). The supervisory board advises the executive board on the management of the Company and monitors its conduct of business. Under the German Stock Corporation Act (*Aktiengesetz*), the supervisory board is not authorized to exercise management functions.

Simultaneous membership of the executive board and the supervisory board is generally prohibited in companies under German law. However, simultaneous membership that results from a member of the supervisory board taking a seat on the executive board of the same German stock corporation for a maximum period of one year is permissible in exceptional cases. During this period, such individual may not perform any duties for the supervisory board.

As set out in the German Stock Corporation Act (*Aktiengesetz*), the supervisory board advises on, and oversees, the executive board's management of the Company, but is not itself authorized to manage it. The Articles of Association or the rules of procedure of the supervisory board or executive board must, however, designate the types of transactions that may only be made with the approval of the supervisory board unless the delay of such transactions until the approval of the supervisory board has been granted would involve significant disadvantages for the Company or its subsidiaries. The supervisory board may issue a general authorization for a specific type of business in advance.

The members of the executive board and of the supervisory board have duties of loyalty and care towards the Company. In discharging those duties, the members of these corporate bodies must consider a wide range of interests, in particular and foremost those of the Company, then of its shareholders, employees and creditors. The executive board must also take due account of the shareholders' right to equal treatment and equal information. The members of the executive board or of the supervisory board shall be jointly and severally liable to the Company for any damages that may arise if they fail to discharge their duties.

Shareholders may generally not bring an action in court against members of the executive board or members of the supervisory board for breaches of their duties towards the Company. Only the Company itself normally has the right to bring a claim for damages against members of the executive board or members of the supervisory board, whereby the Company is represented by the executive board when bringing claims against a supervisory board member and by the supervisory board when

bringing claims against an executive board member. Pursuant to a ruling by the German Federal Court of Justice, the supervisory board is obliged to bring potentially enforceable claims against the executive board unless material considerations pertaining to the interests of the corporation outweigh or are at least equivalent to those in favor of such a claim. Despite a refusal of the supervisory board to pursue a claim for damages, such a claim may be enforced (i) upon a resolution of the general meeting, (ii) upon a petition with the competent court by minority shareholders meeting certain minimum requirements as to their stake in the Company, or (iii) by the Company's creditors whose claims could not have been settled by the Company.

Under German law, no individual shareholder (or any other person) may exert its influence in the Company, to cause a member of the executive board or the supervisory board to engage in any act detrimental to the Company. Shareholders with a controlling interest may not use it to cause the Company to act against its own interests unless the prejudice to its interests is compensated for. Anyone using their interest in the Company to cause a member of the executive board, a member of the supervisory board or a person who holds a power of attorney or is authorized to act for the Company to engage in any act detrimental to the Company or to the Company's shareholders must compensate the Company and its shareholders for any loss suffered as a result thereof.

Executive Board

Current Composition of the Executive Board

The Company's Articles of Association stipulate that the executive board is to be composed of at least two persons. The supervisory board determines how many members sit on the executive board and appoints the members of the executive board. It may also appoint the chairman and deputy chairmen of the executive board.

The members of the executive board are appointed by the supervisory board for a term not exceeding three years. They may be reappointed or their term of office may be extended, in each instance for a period of up to five years. The supervisory board may revoke the appointment of a member of the executive board before the end of their term of office for good cause, such as gross breach of duty or if the general meeting no longer has confidence in them. The position established by the appointment of an executive board member is distinct from the member's employment relationship with the Company. The latter also has a maximum term of five years.

The executive board has overall responsibility for the Company's business. In accordance with the executive board's rules of procedure, each member of the executive board is assigned an area of responsibility defined in a plan forming part of the rules of procedure, which sets out the allocation of duties. Notwithstanding the overall responsibility held by the executive board, each member of the executive board is responsible for the area allocated to him. Pursuant to the rules of procedure of the executive board, certain management actions may only be taken and certain types of transactions may only be concluded with the approval of the supervisory board or of a competent committee of the supervisory board. Meetings of the executive board shall be held at least every two weeks. According to the provisions of the rules of procedure for the executive board, the executive board has a quorum when at least half of its members are present at the executive board's meeting. In case of resolutions passed outside of meetings of the executive board, the executive board has a quorum when at least half of its members vote on the resolution. Resolutions by the executive board are adopted by simple majority. Should a vote by the executive board result in a tie, the vote of the chairman of the executive board decides if the executive board consists of more than two members.

The Company is represented by two members of the executive board or by one member of the executive board together with an authorized officer (*Prokurist*) or two authorized officers.

Members of the Executive Board

As of the date of this Offering Memorandum, the persons set forth below are members of the Company's executive board:

Name	Age	Member since	Appointed until	Current Responsibility
Rolf Habben Jansen	54	April 1, 2014	March 31, 2024	Chief Executive Officer
Dr. Maximilian Rothkopf	40	May 1, 2019	April 30, 2022	Chief Operating Officer
Mark Frese	56	November 25, 2019	November 24, 2022	Chief Financial Officer
Joachim Schlotfeldt	66	April 1, 2018	March 31, 2023	Chief Personnel and Global Procurement Officer

The members of the executive board of the Company can be contacted at the Company's business address: Ballindamm 25, 20095 Hamburg, Germany.

The following description provides summaries of the *curricula vitae* of the current members of the Company's executive board and indicates their principal activities outside the Hapag-Lloyd Group to the extent those activities are significant with respect to the Company.

Rolf Habben Jansen: Rolf Habben Jansen was born in Spijkenisse near Rotterdam on August 27, 1966. He graduated in economics from the Erasmus University in Rotterdam in 1991. In the same year, he embarked on his career as a trainee at the former Dutch shipping company Royal Nedlloyd. He held a number of different positions both there and at the Swiss logistics firm Danzas, before the latter merged with DHL, a subsidiary of Deutsche Post AG. From 2001, he was responsible at DHL for contract logistics for large parts of Europe, and from 2006 he was in charge of the services group's 100 most important customers as Head of Global Customer Solutions. As Chief Executive Officer from 2009, he spent five years heading up the global logistics company Damco. Rolf Habben Jansen has been a member of Hapag-Lloyd AG's executive board since April 2014, and took office as Chief Executive Officer on July 1, 2014.

Alongside his office as chairman of the executive board and Chief Executive Officer, Mr. Habben Jansen is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- World Shipping Council (Co-Chairman of the Board of Directors)
- Stolt-Nielsen Ltd (Member of the Board of Directors)

Previously:

- None

Other than listed above, Mr. Habben Jansen has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Dr. Maximilian Rothkopf: Dr. Maximilian Rothkopf was born in Munich on June 13, 1980. He studied business administration and technology management at the Ludwig-Maximilians-University and Technical University in Munich with stays abroad at Lund University in Sweden and at the University of California, Berkeley. In 2004, he achieved his master's degree in business administration. He completed his doctorate in economic sciences at the European Business School, Oestrich-Winkel, in 2008. He started his career at the management-consulting firm McKinsey & Company in 2005. There he was a member of the global Travel, Transport and Logistics leadership team and became a partner in 2014. During these years, he has particularly provided advice to larger liner shipping companies, airlines and numerous other globally operating logistics companies in the areas of strategy, commercial excellence and operations.

Dr. Rothkopf has been a member of Hapag-Lloyd AG's executive board since May 2019, and took over the responsibility for the global shipping business as Chief Operating Officer as from July 1, 2019.

Alongside his office as member of the executive board and Chief Operating Officer, Dr. Rothkopf is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- The Britannia Steam Ship Insurance Association Ltd. (Member of the Supervisory Board)

Previously:

- McKinsey & Company Inc. (Partner)

Other than listed above, Dr. Rothkopf has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Mark Frese: Mark Frese was born in Dortmund on April 27, 1964. He holds a degree in economics and studied at Witten/Herdecke University as well as McGill University in Montreal, Canada. He started his career in 1993 as an analyst at Finck & Co, a private bank in Düsseldorf. In 1994, he switched to Kaufhof Holding AG, where he held several management positions in finance and corporate strategy before becoming head of the Controlling & Projects unit in 2004. In 2009, Mr. Frese became head of the Planning & Controlling unit of Metro AG. He became the chief financial officer of Metro Cash & Carry in 2010, and was appointed chief financial officer of the Metro Group in January 2012. After the company was split into two in 2016, Mr. Frese worked as the chief financial officer of Metro's successor company, Ceconomy AG, which operates the Media Markt and Saturn chains, the consumer-electronics and digital division of the Metro Group.

Mr. Frese was appointed to the executive board of Hapag-Lloyd AG effective November 25, 2019 and became Chief Financial Officer as his predecessor's term of office ended on March 1, 2020.

Alongside his office as member of the executive board and Chief Financial Officer, Mr. Frese is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- AMF Asset Management AG (Executive Partner)
- Hapag-Lloyd Grundstückholding GmbH (Member of the Board of Director)
- United Arab Shipping Company Ltd. (Member of the Board of Director)
- x+bricks S.A. (Member of the Supervisory Board)

Previously:

- Ceconomy AG (Member of the Management Board)
- Galeria Kaufhof AG (Chairman of the Supervisory Board)
- Kaufhof Holding AG / Kaufhof Warenhaus AG (Chairman of the Supervisory Board)
- Media Markt Saturn Retail Group (Chairman of the Advisory Board)
- Metro Re AG (Member of the Supervisory Board)
- Metro AG (Member of the Management Board)
- Metro Cash & Carry (Member of the Executive Board)
- Metro Cash & Carry Europe/MENA (Member of the Executive Board)
- Metro Cash & Carry Germany (Chairman of the Supervisory Board)
- Real GmbH (Member of the Supervisory Board)

Other than listed above, Mr. Frese has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Joachim Schlotfeldt: Joachim Schlotfeldt was born in Bordesholm, Germany on June 18, 1954. He joined Hapag-Lloyd AG in 1979. After completing a shipping merchant apprenticeship, he worked in Hamburg as supervisor of a pool of consortia accounts and later as executive in the Far East Department. For a decade, he then held a number of positions for the Hapag-Lloyd Group in China/Taiwan, Japan and Singapore mainly in sales and marketing before becoming managing director of Area Iberia (including Spain, Portugal and Africa at the time) in 2002 and, later, of Area North & Central China. From 2007 to 2009, he was responsible for the Region Asia and, from 2009 to 2013, Mr. Schlotfeldt was managing director of Region Europe. Starting in 2013, he was managing director of Region Asia.

Mr. Schlotfeldt was appointed a member of the executive board of Hapag-Lloyd AG in April 2018, as Chief Personnel and Global Procurement Officer.

Alongside his office as member of the executive board and Personnel and Global Procurement Officer, Mr. Schlotfeldt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- HHLA Container Terminal Altenwerder GmbH (Deputy Chairman of the Supervisory Board)

Previously:

- None

Other than listed above, Mr. Schlotfeldt has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Compensation and Other Benefits of the Executive Board Members

The compensation of the members of the executive board consists of fixed and variable, performance-based components: (i) annual fixed salary, which amounts to €750,000 for Mr. Habben Jansen as Chief Executive Officer, €450,000 (€ 300,000 for 2019) for Dr. Rothkopf as Chief Operating Officer, €600,000 (€60,000 for 2019) for Mr. Frese as Chief Financial Officer and €450,000 for Mr. Schlotfeldt as Chief Personnel and Global Procurement Officer; (ii) an annual bonus, which is linked to achievements in the most recently completed financial year of €900,000 for Mr. Habben Jansen as Chief Executive Officer, €600,000 for Dr. Rothkopf as Chief Operating Officer, €660,000 for Mr. Frese as member of the executive board and €600,000 for Mr. Schlotfeldt as Chief Personnel and Global Procurement Officer, (iii) fringe benefits in a total amount of €525,689 (including fringe benefits of Nicolás Burr, who was a member of the executive board until February 29, 2020); and (iv) a long-term variable component ("**LTIP**"), to be granted only if the term of office has lasted at least three years. Under LTIP, a fixed amount in euros is granted to the executive board members per calendar year. This allocation amount is divided into a retention component and a performance component.

Moreover, the members of the executive board are entitled to further benefits such as severance payments in certain events, usage of company cars, lease of apartments, and continued payment of fixed salary in case of sickness, disability or death as well as health benefits.

In the financial year ended December 31, 2020, the total compensation paid to the members of the executive board of Hapag-Lloyd AG amounted to €8.4 million (2019: €7.4 million).

The members of the executive board active in 2020 received the following compensation payments in the financial year ended December 31, 2020.

Name	Fixed compensation	Bonus payment	Fringe benefits	Components with long-term incentive effects ("Virtual Shares")	Payments for board mandates within the Hapag-Lloyd Group	Total
				(in €)		
Rolf Habben Jansen(1)	750,000	900,000	172,078	700,000	—	2,522,078
Dr. Maximilian Rothkopf(2)	450,000	600,000	106,369	500,000	—	1,656,369
Mark Frese(3)	600,000	660,000	189,587	500,000	—	1,949,587
Joachim Schlotfeldt(4)	450,000	600,000	12,842	500,000	—	1,562,842
Nicolás Burr(5)	75,000	74,917	44,813	500,000	—	694,730

(1) Mr. Habben Jansen is a member of the executive board since April 1, 2014.

(2) Dr. Rothkopf is a member of the executive board since May 1, 2019.

(3) Mr. Frese is a member of the executive board since November 25, 2019.

(4) Mr. Schlotfeldt is a member of the executive board since April 1, 2018.

(5) Nicolás Burr was a member of the executive board until February 29, 2020. In the financial year ended December 31, 2020, Nicolás Burr was allocated 7,230 virtual shares, each for a price of €69.17.

Pension provisions recognized for former members of the executive board amounted to €31.8 million as of December 31, 2020.

The members of the executive board are also covered by directors and officers insurance ("**D&O-Insurance**") policies with a limitation of the indemnity of €275 million (per claim and for all claims during the policy period) for all of the Company's members of the executive board in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz*). The D&O-Insurance policies cover financial losses arising from a breach of duty on part of the members of the executive board in the course of their duties.

Shareholdings of Executive Board Members

As of the date of this Offering Memorandum, members of the executive board hold the following numbers of shares in the Issuer:

Executive Board Member	Number of Shares
Rolf Habben Jansen	11,786
Dr. Maximilian Rothkopf	4,000
Mark Frese	—
Joachim Schlotfeldt	—

Supervisory Board

Current Composition of the Supervisory Board

The current composition of the supervisory board of the Company is regulated in its Articles of Association: pursuant to Section 9.1 of the Articles of Association the supervisory board shall consist of sixteen members; eight are elected by the general meeting (representatives of the shareholders), and eight are elected in accordance with the German Act on Company Co-Determination (*Mitbestimmungsgesetz—MitbestG*) (representatives of the employees).

Insofar as the general meeting does not decide on a shorter term of office for prospective members at the time of the election or for all the members of the supervisory board, the members of the supervisory board are elected in accordance with the Articles of Association for the term ending upon conclusion of the general meeting at which the supervisory board is discharged of its duties for the fourth financial year following commencement of the term of office (Section 9.2 Articles of Association). The financial year in which the term of office commences is not counted.

In accordance with the Articles of Association, any member of the supervisory board may resign at any time without providing a reason for doing so. Generally, two weeks' notice must be given, except when resigning due to extraordinary reasons.

According to Article 5.4 of the rules of procedure for the supervisory board, the supervisory board has a quorum when at least half of the total number of members required to serve on the supervisory board vote on the resolution. Unless otherwise required by law, resolutions by the supervisory board are adopted by simple majority. Should a vote by the supervisory board result in a tie, a second vote shall take place immediately afterwards. In the event of a second tie, the chairman of the supervisory board shall have the casting vote.

The supervisory board shall normally hold one meeting every quarter, with at least two meetings every half year. The supervisory board issues its rules of procedure in accordance with Article 11.1 of the Articles of Association. The supervisory board has issued rules of procedure by resolution passed on November 11, 2020.

Members of the Supervisory Board

The persons set forth below are the members of the Company's supervisory board as of the date of this Offering Memorandum.

Name	Age	Member since	Appointed until [1]	Current Responsibility	Principal Activity
Michael Behrendt	69	December 3, 2014	2024	Chairman	Former Chairman of the Executive Board, Hapag-Lloyd AG
Klaus Schroeter[2]	61	August 26, 2016	2021	Deputy Chairman	Federal Group Leader Shipping of ver.di Vereinte Dienstleistungsgewerkschaft

Name	Age	Member since	Appointed until (1)	Current Responsibility	Principal Activity
Oscar Eduardo Hasbún Martínez	52	December 3, 2014	2022	Second Deputy Chairman	Chief Executive Officer, Compañía Sud Americana de Vapores S.A.
Felix Albrecht(2)	33	March 11, 2019	2021(3)	Member	Second Engineer Officer, Chairman of the Maritime Works Council Hapag-Lloyd AG
Turqi Alnowaiser	44	July 10, 2018	2022	Member	Head of International Investments, Public Investment Fund of the Kingdom of Saudi Arabia
H.E. Sheikh Ali bin Jassim Al-Thani	60	May 29, 2017	2022	Member	Advisor to the CEO of Qatar Investment Authority
Nicola Gehrt	50	August 26, 2016	2021	Member	Director, Head of Group Investor Relations, TUI Group
Karl Gernandt	60	March 23, 2009	2021	Member	Executive Chairman, Kühne Holding AG
Annabell Kröger(2)	55	June 10, 2017	2022	Member	Commercial Clerk, Hapag-Lloyd AG
Arnold Lipinski(2)	63	June 29, 2001	2021(3)	Member	Head of Fleet Management, Hapag-Lloyd AG
Sabine Nieswand(2)	56	August 26, 2016	2021(3)	Member	Chairwoman of the Works Council, Hapag-Lloyd AG
Dr. Isabella Niklas	48	June 5, 2020	2025	Member	Spokeswoman of the Management, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH
José Francisco Pérez Mackenna	63	December 3, 2014	2022	Member	Chief Executive Officer, Quiñenco S.A.
Maya Schwiegershausen-Güth(2)	37	October 26, 2018	2021(3)	Member	Head of Treaty Office of the ITF “flag of convenience” Campaign, Federal Department of Maritime Economy ver.di Bundesverwaltung Berlin
Svea Stawars(2)	33	July 31, 2020	2025	Member	Commercial Clerk, Hapag-Lloyd AG
Uwe Zimmermann(2)	58	August 26, 2016	2021(3)	Member	Commercial Clerk, Hapag-Lloyd AG

(1) Ending upon conclusion of the general meeting at which the supervisory board is discharged of its duties for the fourth financial year following commencement of the term of office. The financial year in which the term of office commences is not counted.

(2) Employee representative according to the German Co-determination Act (*Mitbestimmungsgesetz*).

(3) It is intended to submit applications for the judicial re-appointment or appointment of new members to the supervisory board immediately following the 2021 general meeting.

The members of the supervisory board of the Company can be contacted at the Company’s business address: Ballindamm 25, 20095 Hamburg, Germany.

The following description provides summaries of the *curricula vitae* of the current members of the Company's supervisory board and indicates their principal activities outside the Hapag-Lloyd Group to the extent those activities are significant with respect to the Company.

Michael Behrendt was born on June 19, 1951. He studied law at the University of Hamburg, finalizing his training at the Higher Regional Court of Hamburg (*Hanseatisches Oberlandesgericht*) and graduating by passing the "Assessor" examination. While a student, Mr. Behrendt gained practical experience at various companies in the U.S. He joined VTG Vereinigte Tanklager und Transportmittel GmbH in 1985 and was appointed Managing Director in 1994. Following the merger between VTG and Lehnkering AG, Mr. Behrendt was appointed Management Board Chairman of VTG Lehnkering AG and member of the executive board of Hapag-Lloyd AG in 1999. He served as Chairman of the executive board of Hapag-Lloyd AG between January 2002 and June 2014. Mr. Behrendt is President of the Übersee-Club in Hamburg and a member of various supervisory and advisory boards. Michael Behrendt replaced Dr-Ing. E.h. Jürgen Weber as chairman of the supervisory board after the closing of the Business Combination with CSAV/CCS.

Alongside his office as chairman of the supervisory board, Mr. Behrendt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Barmenia Versicherungen a.G. (Deputy Chairman of the Supervisory Board)
- Barmenia Allgemeine Versicherungs AG (Deputy Chairman of the Supervisory Board)
- Barmenia Krankenversicherung AG (Deputy Chairman of the Supervisory Board)
- Barmenia Lebensversicherung a.G. (Deputy Chairman of the Supervisory Board)
- ExxonMobil Central Europe Holding GmbH (Member of the Supervisory Board)
- MAN SE (Member of the Supervisory Board)
- MAN Energy Solutions SE (Member of the Supervisory Board)
- MAN Truck & Bus SE (Member of the Supervisory Board)

Previously:

- Esso Deutschland GmbH (Member of the Supervisory Board)
- RENK Aktiengesellschaft (Member of the Supervisory Board)

Other than listed above, Mr. Behrendt has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Klaus Schroeter was born on May 18, 1959. He graduated with a degree in the social sciences before joining Germany's Food, Beverages and Catering Union ("**NGG**") in 1987. During his time with NGG, Mr. Schroeter served as head of the wage negotiation team and as political assistant to the union chairman. In 2014, Mr. Schroeter joined German labor union ver.di. There he served as head of the seafarers' section of the International Transport Workers' Federation flags of convenience campaign. Mr. Schroeter later took responsibility for the coordination of collective bargaining agreements on behalf of the union's transport division.

Mr. Schroeter has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Oscar Eduardo Hasbún Martínez was born on February 23, 1969. He graduated in Business Administration from Universidad Católica in Santiago. From 1998 to July 2002 he was a member of the Management Board of Michelin, Chile. In August 2002 he started working for the Luksic Group in several positions. He terminated his commitment with the Luksic Group in December 2014. Since May 2011 he is the CEO of Compañia Sud Americana de Vapores S.A. Since January 2015 he is a member of Hapag-Lloyd AG's supervisory board and serves as a member of the Audit Committee. Furthermore, Mr. Hasbún Martínez is the chairman of the board of directors of SM-SAAM.

Alongside his office as second deputy chairman of the supervisory board, Mr. Hasbún Martínez is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Compañía Sud Americana de Vapores S.A. (Chief Executive Officer)
- Florida International Terminal LLC. (Member of the Board of Directors)
- Invexans S.A. (Member of the Board of Directors)
- NEXANS S.A. (Chairman of the Strategy Committee, Member of the Board of Directors)
- San Antonio Terminal Internacional S.A. (Member of the Board of Directors)
- San Vicente Terminal Internacíonal S.A. (Member of the Board of Directors)
- SM-SAAM S.A. (Chairman of the Board of Directors)
- Sociedad Portuaria De Caldera (SPC) S.A. (Member of the Board of Directors)
- Sociedad Portuaria Granelera De Caldera (SPGC) (Member of the Board of Directors)

Previously:

- ATLAS Real Estate d.d. (Chief Executive Officer and Board Member)
- EXCELSA (Chief Executive Officer)
- Hotel Argentina d.d. (Member of the Board)
- Hotel Croatia d.d. (Chairman of the Board)
- Hotel Odisej d.o.o. (Vice-President of the Board and Board Member)
- Inversiones Dalmacia Ltd. (Chief Executive Officer)
- Plava Laguna d.d. (Chairman of the Board and Board Member)
- Quaestus Real Estate Fund (Member of the Board)
- SANDYPOINT México (Chairman of the Board)
- Signus Capital Investment (Chief Executive Officer)
- SM-Sudamericana Agencias Aéras y Marítimas S.A. (Chairman of the Supervisory Board)

Other than listed above, Mr. Hasbún Martínez has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Felix Albrecht was born on August 14, 1987. He graduated from the Flensburg University of Applied Sciences with a Bachelor Degree in Engineering before joining Hapag-Lloyd AG as Engineer of the Watch in 2014. In 2017, he made Second Engineer Officer. He was appointed as an employee representative in the supervisory board by the Hamburg district court (*Amtsgericht*) with effect from March 11, 2019.

Mr. Felix Albrecht has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Turqi Alnowaiser was born on February 10, 1977. He studied International Business at King Saudi University and graduated with a Bachelor of Arts degree in 1999. In 2003, he graduated from the University of San Francisco with a MBA degree. From 2004 to 2007 he worked as a senior credit analyst for the Saudi Industrial Development Fund. In 2008, he became a senior associate at Morgan Stanley before starting work as head of product development at Saudi Fransi Capital in 2011. From 2015 to 2016 he worked at the Public Investment Fund of the Kingdom Saudi Arabia as senior adviser later as head of international investment as of 2016. On July 10, 2018, he was elected to the supervisory board as a shareholder representative by the annual general meeting.

Currently:

- Lucid Motors (Member of the Board of Directors)
- Noon Investment Company (Member of the Board of Directors)

- Saudi Information Technology Company (SITCO) (Member of the Board of Directors)
- Sanabil Investments (Member of the Board of Directors)

Previously:

- None

H.E. Sheikh Ali Bin Jassim Al-Thani was born on December 31, 1960. He joined the Investment Department of the Qatari Ministry of Finance as a senior analyst in 1984, and subsequently held numerous positions before joining the Supreme Council for Economic Affairs and Investments as the Head of Direct Investments in 2001. Since 2007, H.E. Sheikh Al Thani has served as Senior Adviser for Strategic and Direct Investments for the Qatar Investment Authority.

Alongside his office as member of the supervisory board, H.E. Sheikh Ali Bin Jassim Al-Thani is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Al Rayan Bank (Member of the Board of Directors)
- Libyan Qatari Bank (Deputy Chairman of the Board of Directors)
- SCI Elysees 26 (Member of the Board of Directors)
- Qatar Holding LLC (Member of the Board of Directors)

Previously:

- Qatar Abu Dhabi Investment Company P.Q.S.C. (Member of the Board of Directors)
- Qatar Navigation Q.P.S.C. (Chairman, Managing Director and Member of the Board of Directors)
- United Arab Shipping Company Limited (Member of the Board of Directors)

Other than listed above, H.E. Sheikh Ali Bin Jassim Al-Thani has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Nicola Gehrt was born on July 21, 1970. She graduated from the University of Applied Sciences in Munich with a degree in economics in 1995. She has held different management positions in corporate finance and investor relations. From 1998 to 2000, she worked for PricewaterhouseCoopers as a consultant in Munich. She then served as head of investor relations at CPU Softwarehouse AG in Augsburg from 2000-2001 and at IVU Technologies AG in Berlin in the same position from 2001 to 2002. She joined the investor relations department of TUI Group in 2003 where she is currently serving as the director, head of group investor relations.

Alongside her office as member of the supervisory board, Ms. Gehrt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- TUI Deutschland GmbH (Member of the Supervisory Board)

Previously:

- None

Other than listed above, Ms. Gehrt has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Karl Gernandt was born on July 21, 1960. After his training as a bank clerk at Deutsche Bank AG and completing his masters' degree in business administration at Hochschule St. Gallen, Switzerland, he started his career at Deutsche Bank where he held several positions between 1988 and 1996. From 1997 until 1999, he was part of the "Financial Institution Group" at A.T. Kearney GmbH, specializing

in strategic planning. In 1999 and 2000, Karl Gernandt was appointed chief financial officer and chief executive officer, respectively, of Holcim Deutschland AG; in 2000, he was appointed to the European board of Holcim Ltd. and in 2007, he was appointed CEO of Holcim Region Western Europe. On October 1, 2008, Klaus-Michael Kühne, majority shareholder of Kuehne+Nagel-Group and president of the administrative board of Kuehne+Nagel International AG, appointed Karl Gernandt as his successor for important functions in his fields of interest. Karl Gernandt currently is the executive chairman of the administrative board of Kühne Holding AG and vice chairman of Kuehne+Nagel International AG as well as the Kühne Foundation. In addition, he functions as a member of the management board of the Klaus-Michael Kühne Foundation and as chairman of the supervisory board of KLU Kühne Logistics University, Hamburg, Germany.

Alongside his office as member of the supervisory board, Mr. Gernandt is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Kühne Holding AG (Chairman of the Board of Directors)
- Kühne + Nagel International AG (Deputy Chairman of the Board of Directors)
- Kühne & Nagel (AG & Co.) KG (Chairman of Supervisory Board)
- Kühne + Nagel AG, Luxembourg (Chairman of the Supervisory Board)
- Kühne Logistics University (Chairman of the Supervisory Board)
- Kühne Real Estate AG (Chairman of the Board of Directors)
- Signa Prime Selection AG: Member of the Supervisory Board

Previously:

- HSV Fußball AG (Member of the Supervisory Board)
- Kühne + Nagel International AG (Chairman of the Board of Directors)
- Kühne Maritime GmbH (Managing Director)
- Kühne Real Estate Australia Pty Ltd. (Chief Executive Officer)
- Kühne Real Estate Canada Ltd. (Chief Executive Officer)
- Kühne Stiftung (Member of the Foundation Board)
- LogIndex AG (Member of the Board of Directors)
- VTG AG (Member of the Supervisory Board)

Other than listed above, Mr. Gernandt has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Annabell Kröger was born on March 25, 1965. She completed her banking apprenticeship in 1984. From 1984 to 1989 she worked for Vereins und Westbank. In October 1989 she joined Hapag-Lloyd AG Treasury & Finance. Currently she holds the position of senior manager cash management at Hapag-Lloyd AG.

Annabell Kröger has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Arnold Lipinski was born on July 20, 1957. Following his training (*Ausbildung*) as a deckhand at Hapag-Lloyd AG in 1976, he received his Navigator's Diploma in 1985. Additionally, he completed his ship operation engineering marine engineering studies in 1991. Mr. Lipinski functioned as an officer and, later on, captain for Hapag-Lloyd AG's fleet until 2001. As of 2021, he is Hapag-Lloyd AG's Senior Director for Fleet Management.

Mr. Lipinski has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Sabine Nieswand was born on June 25, 1964. After her apprenticeship as a legal assistant, she held several positions as a controller and accountant at Kühne + Nagel, Senator Lines, and DAL (*Deutsche*

Afrika Linie). Since 2006, Ms. Nieswand is employed by Hapag-Lloyd AG as a controller. Since 2014, she is Chairwoman of the Works Council in Hamburg.

Ms. Nieswand has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Dr. Isabella Niklas was born on April 22, 1972. After her law studies at the University in Hamburg, she joined White & Case LLP in 2004. In 2006, she moved to PwC AG before becoming a lawyer and founding partner of WKN Lawyers in 2008. After her time at WKN lawyers, she moved to Osborn Clarke Lawyer Tax Consultant in Hamburg as partner in division and renewable energies. Since 2018, Dr. Isabella Niklas has been working as managing director at Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH. She was elected as a member of the supervisory board on June 5, 2020.

Alongside her office as managing director Dr. Isabella Niklas is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- GMH Gebäudemanagement Hamburg GmbH (Member of the Supervisory Board)
- HADAG Seetouristik und Fährdienste AG, Hamburg (Member of the Supervisory Board)
- Hamburger Hafen und Logistik AG (Member of the Supervisory Board)
- Hanseatischen Wertpapierbörse Hamburg (Member of the Exchange Council)
- SBH Schaltbau Hamburg (Member of the Administrative Council)
- Stromnetz Hamburg GmbH (Member of the Supervisory Board)
- Wärme Hamburg GmbH (Member of the Supervisory Board)

Previously:

- PINE AG (Member of the Supervisory Board)

José Francisco Pérez Mackenna was born on March 16, 1958. He graduated in Business Administration from Universidad Católica in Santiago de Chile and holds an MBA degree from the University of Chicago. Since 1998 José Francisco Pérez Mackenna is Chief Executive Officer of Quiñenco S.A., Santiago de Chile, a shareholder of Compañía Sud Americana de Vapores S.A. Prior to joining Quiñenco S.A., between 1990 and 1998, he was Chief Executive Officer of Compañia Cervecerías Unidas. Since December 2014, José Francisco Pérez Mackenna is member of the supervisory board of Hapag-Lloyd AG.

Alongside his office as member of the supervisory board, Mr. Pérez Mackenna is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- Banchile Corredores de Seguros Limitada (Member of the Board of Directors)
- Banco de Chile (Member of the Board of Directors)
- Compañia Cervecerías Unidas S.A. (Member of the Board of Directors)
- Compañia Cervecerías Unidas Argentina S.A. (Member of the Board of Directors)
- Cervecera CCU Limitada (Member of the Board of Directors)
- Central Cervecera de Colombia S.A.S. (Member of the Board of Directors)
- Compañia Pisquera de Chile S.A. (Member of the Board of Directors)
- Compañia Sud Americana de Vapores S.A. (Chairman of the Board of Directors)
- Embotelladoras Chilenas Unidas S.A. (Member of the Board of Directors)
- Empresa Nacional de Energía ENEX S.A. (Chairman of the Board of Directors)
- Invaxans S.A. (Chairman of the Board of Directors)

- Invexans Ltd. (UK) (Member of the Board of Directors)
- Inversiones IRSA Limitada (Member of the Board of Directors)
- Inversiones LQ-SM Limitada (Member of the Board of Directors)
- Inversiones y Rentas S.A. (Member of the Board of Directors)
- LQ Inversiones Financieras S.A. (Member of the Board of Directors)
- Nexans S.A. (Member of the Board of Directors)
- Sociedad Matríz SAAM S.A. (Member of the Board of Directors)
- Tech Pack S. A. (Chairman of the Board of Directors)
- Viña San Pedro Tarapacá S.A. (Member of the Board of Directors)
- Zona Franca Central Cervecera S.A.S. (Member of the Supervisory Board)
- Enex Corporation Ltd; Enex CL Ltd

Previously:

- Agricola Manantiales Limitada (Partner)
- Cervecera CCU Chile LTDA (Member of the Management Body)
- Compañia Industrial Cervecera S.A. (Member of the Board of Directors)
- Excelsa Establishment (Member of the Board of Directors)
- Hidrosur S.A. (Chairman of the Board of Directors)

Other than listed above, Mr. Pérez Mackenna has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Maya Schwiegershausen-Güth was born on March 5, 1984. She has a degree in political science, sociology, economic and social history. Alongside her studies she worked part-time in the department of education, science and research as well as in the field of professional education for ver.di Germany and later for ver.de North Rhine-Westphalia from 2007 to 2012. From 2013 to 2016 she worked at ver.di Germany as tariff coordinator of the federal department of traffic, and as trade union secretary in the ports section. Since 2016 she is the head of treaty office of the ITF "flag of convenience" campaign at the federal department of maritime economy at ver.di Germany. Ms. Maya Schwiegershausen-Güth was appointed as a member of the supervisory board by the district court of Hamburg with effect from October 26, 2018.

Alongside her office as member of the supervisory board, Maya Schwiegershausen-Güth is, or has been within the last five years, a member of the administrative, management or supervisory bodies of and/or a partner in the following companies and partnerships outside the Hapag-Lloyd Group:

Currently:

- HHLA Hamburger Hafen und Logistik AG (Member of the Supervisory Board)

Previously:

- None

Other than listed above, Maya Schwiegershausen-Güth has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Svea Stawars was born on October 24, 1987. She holds a bachelor of science in nautics and a master's license. She joined Hapag-Lloyd AG in 2014 and worked as a navigational watchkeeping officer until 2017. From 2017, Svea Stawars was a chief officer and, in 2020, started to work as a manager in vessel planning. Svea Stawars was appointed as a member of the supervisory board by the district court of Hamburg with effect from July 31, 2020.

Svea Stawars has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Uwe Zimmermann was born on March 15, 1963. He joined Hapag-Lloyd AG in 1998 as manager of finance and accounting in Düsseldorf. Previously, Uwe Zimmerman worked as team leader in finance/accounting/controlling for LTK Travel in Düsseldorf, as commercial clerk in finance at Travel Agency Accounting in Bonn, and as an accountant at Lufthansa City Center finance department in Essen.

Mr. Zimmermann has not been a member of any administrative, management or supervisory body of any other company or partnership outside the Hapag-Lloyd Group within the last five years.

Supervisory Board Committees

The Articles of Association stipulate that the supervisory board must form a mediation committee (*Vermittlungsausschuss*) pursuant to section 27(3) German Co-Determination Act (*Mitbestimmungsgesetz*). The supervisory board may also form further committees comprising its members and set down its duties and powers. The supervisory board has established the committees provided for by its rules of procedure. The rules of procedure (*Geschäftsordnung*) of the supervisory board provide for three further committees to be formed of its members: the presidential and personnel committee (*Präsidial- und Personalausschuss*), the audit and finance committee (*Prüfungs- und Finanzausschuss*) and the nomination committee (*Nominierungsausschuss*).

Mediation Committee

The purpose of the mediation committee is to make proposals if, when an appointment to the executive board is made or revoked, a majority of at least two-thirds of the votes of the supervisory board is not reached. The mediation committee consists of the chairman of the supervisory board, the deputy chairman, one member elected by the majority of the votes cast by the supervisory board members representing the shareholders and one member elected by the majority of the votes cast by the supervisory board members representation the employees.

The current members of the mediation committee are:

Name	Position
Michael Behrendt	Chairman
Felix Albrecht	Member
José Francisco Pérez Mackenna	Member
Klaus Schroeter	Member

Presidential and Personnel Committee

Pursuant to Article 8.3 of the rules of procedure of the supervisory board, the presidential and personnel committee is responsible for the coordination of the activities of the supervisory board and the supervisory board committees and permanent contact with the executive board. It prepares the supervisory board's meetings and supervises the application of the supervisory board's resolutions.

The committee is responsible for the standing contact with the executive board as well as the ongoing advice of the executive board between the meetings of the supervisory board. The presidential and personnel committee selects prospective members of the executive board and prepares the appointment and dismissal of the members of the executive board.

The presidential and personnel committee, *inter alia*, decides on legal transactions with members of the executive board and the supervisory board (Article 8.5 of the rules of procedure of the supervisory board). In the case of urgent matters and if a decision of the supervisory board cannot be obtained on time, the presidential and personnel committee may take resolutions instead of the supervisory board if necessary to avert material damage to the Company.

The presidential and personnel committee consists of the members of the mediation committee as well as three additional representatives of the shareholders and three additional representatives of the employees.

The current members of the presidential and personnel committee are:

Name	Position
Michael Behrendt	Chairman
Felix Albrecht	Member
H.E. Sheikh Ali bin Jassim Al-Thani	Member
Karl Gernandt	Member
Arnold Lipinski	Member
Sabine Nieswand	Member
Dr. Isabella Niklas	Member
José Francisco Pérez Mackenna	Member
Klaus Schroeter	Member
Uwe Zimmerman	Member

Audit and Finance Committee

The audit and finance committee is responsible for the preparation of advice and resolution of accounting matters (Article 9 of the rules of procedure of the supervisory board). This includes questions relating to accounting and risk management and the requisite independence of the external auditor and commissioning an external auditor to audit the annual financial statements of the Company. The audit and finance committee shall consist of eight members, four of which are representatives of the shareholders and four of which are representatives of the employees. At least one member of the audit and finance committee shall be an independent member having expertise knowledge in the fields of accounting and annual auditing within the meaning of the German Corporate Governance Code.

The current members of the audit and finance committee are:

Name	Position
Karl Gernandt	Chairman
Turqi Alnowaiser	Member
Oscar Eduardo Hasbún Martínez	Member
Annabell Kröger	Member
Arnold Lipinski	Member
Dr. Isabella Niklas	Member
Klaus Schroeter	Member
Uwe Zimmermann	Member

Nomination Committee

The nomination committee is responsible for proposing to the supervisory board suitable candidates for recommendation to the shareholders' meeting for election (Article 10.1 of the rules of procedure of the supervisory board). The nomination committee consists of the representatives of the shareholders in the presidential and personnel committee.

The current members of the nomination committee are:

Name	Position
Michael Behrendt	Chairman
H.E. Sheikh Ali bin Jassim Al-Thani	Member
Karl Gernandt	Member
Dr. Isabella Niklas	Member
José Francisco Pérez Mackenna	Member

Compensation of the Members of the Supervisory Board

Each ordinary member of the supervisory board receives a fixed remuneration in the amount of €60,000.00 for every full business year of its membership in the supervisory board (Art. 12.1 of the Articles of Association). The chairman of the supervisory board receives a fixed annual remuneration of €180,000.00. The deputy chairman of the supervisory board receives a fixed annual remuneration in the amount of €90,000.00. Members of the audit and finance committee receive an additional remuneration of €20,000.00. The chairman of the audit and finance committee receives an additional remuneration of €40,000.00. Members of the presidential and personnel committee receive an additional remuneration of €15,000.00. The chairman of the presidential and personnel committee receives an additional remuneration of €30,000.00.

Additional remuneration for chairmen and members of the committees within the supervisory board is as follows:

	Chairman	**Members (including deputy chairman)**
	(in €)	
Mediation Committee	0	0
Presidential and Personnel Committee	30,000	15,000
Audit and Finance Committee	40,000	20,000
Nomination Committee	0	0

Additionally, the members of the supervisory board receive attendance fees and reimbursement of expenses. If a supervisory board member only serves for a part of the year as member of the supervisory board or in a certain function, the compensation is granted *pro rata temporis*.

The aggregate compensation paid to the members of the Company's supervisory board amounted to €2.3 million in the financial year 2020 (2019: €2.0 million). No pensions are granted to members of the supervisory board in such function; thus, no provisions for pensions for members of the supervisory board are recognized. The members of the supervisory board are not entitled to any severance payments or other benefits at the end of their business relationship with the Company.

Shareholdings of Supervisory Board Members

As of the date of this Offering Memorandum, members of the supervisory board hold the following numbers of shares in the Issuer:

Supervisory Board Member	**Number of Shares**
Annabell Kröger	10
Sabine Nieswand	10

Other than as disclosed above, no other members of the supervisory board of Hapag-Lloyd AG hold any shares in the Issuer as of the date of this Offering Memorandum.

Certain Information Regarding the Members of the Executive Board and Supervisory Board

During the last five years, no member of the executive board or supervisory board of Hapag-Lloyd AG has been convicted of any fraudulent offense. In addition, no member of either board has been publicly incriminated or sanctioned by statutory or regulatory authorities (including professional associations) or, acting in the capacity of a member of a management or supervisory entity or as founder of an issuer, been associated with any bankruptcies and/or insolvencies, receiverships or liquidations. No member of the executive board or supervisory board has ever been deemed by a court to be unfit for membership in a management or supervisory entity of a company or to be unfit to exercise management duties for or manage the business of an issuer during the past five years.

There are no conflicts of interest or potential conflicts of interest between the duties of members of the executive board and duties of members of the supervisory board of the Company *vis-à-vis* the Company and their private interests or other duties other than by virtue of Mr. Karl Gernandt and Mr. Oscar Eduardo Hasbún Martínez being managing directors of direct shareholders of the Company, Mr. Oscar Eduardo Hasbún Martínez being chief executive officer of one of the Company's indirect shareholders, Dr. Isabella Niklas being spokeswoman of the management of one of the Company's direct shareholders, Mr. José Francisco Pérez Mackenna being chairman of the board of directors and chief executive officer of indirect shareholders of the Company, and Mr. Turqi Alnowaiser and H.E. Sheikh Ali Bin Jassim Al-Thani being employed by a direct and indirect shareholder of the Company, respectively.

No member of the executive board or the supervisory board has entered into a service agreement with a company of the Hapag-Lloyd Group that provides for special benefits, such as severance pay, at the end of the business relationship (other than pensions or compensation in the case of an early termination of the service agreement, which is determined on the basis of the remaining term of the agreement and the contractually agreed compensation). The members of the executive board are not bound by restrictive covenants and may therefore engage in competing activities following the end of their office.

There are no family relationships between the members of the executive board and those of the supervisory board, either among themselves or in relation to the members of the other body.

General Meeting

Pursuant to Section 175 of the German Stock Corporation Act (*Aktiengesetz*), the annual general shareholders' meeting takes place within the first eight months of each financial year and, pursuant to the Articles of Association, has to be held at the Company's registered office or in another German city with more than 100,000 residents. Pursuant to the Articles of Association, the annual general shareholders' meeting must be called at least 30 days before the day of the meeting and the agenda must be published in the Federal Gazette (*Bundesanzeiger*). The general meeting is generally convened by the executive board. The supervisory board may call a general meeting if the wellbeing of the company so requires. Shareholders whose holdings together constitute at least 5% of the share capital may also call a general meeting.

Shareholders are entitled to participate in the general meeting and to exercise their voting rights if they are entered in the Company's share register and have given notification of attendance which must be received at least six days prior to the meeting.

Voting rights may be exercised by proxies. If neither a bank nor a shareholders' association is named as proxy, authority to attend and vote by proxy must be granted (i) in textual form (*Textform*) in accordance with Section 126b of the German Civil Code (*Bürgerliches Gesetzbuch*) or via the internet or (ii) directly to the proxy in textual form (*Textform*) in accordance with Section 126b of the German Civil Code (*Bürgerliches Gesetzbuch*). If a proxy is instructed directly, the proxy will be required to produce documentation of its authority at the general meeting.

Each share entitles the shareholder who holds it to one vote at the general meeting. The general meeting adopts resolutions concerning, for example:

- appointment of members of the supervisory board (representatives of the shareholders);
- use of annual profit;
- relieving members of the executive board and the supervisory board;
- appointment of the auditor;
- capital procurement and reduction measures; and
- amendments to the Articles of Association.

Resolutions at the general meeting shall be passed by a simple majority of the votes cast, unless statutory law or the Articles of Association stipulate otherwise. Under German company law, resolutions of fundamental importance require the approval of at least three quarters of the share capital represented at the vote. Resolutions of fundamental importance (*grundlegende Bedeutung*) include those relating to:

- changes in the corporate purpose;
- capital increases;
- amendments to the Articles of Association;
- reductions in capital;
- creation of authorized or conditional capital;
- transformations pursuant to the German Transformation Act (*Umwandlungsgesetz*), including mergers, divisions, transfer of assets (*Vermögensübertragung*) and changes in the legal form;
- sale of all or substantially all of the Company's assets pursuant to Section 179a of the German Stock Corporation Act (*Aktiengesetz*);
- conclusion of enterprise agreements (*Unternehmensverträge*), such as domination and profit and loss transfer agreements; and
- the dissolution of the Company.

In response to the COVID-19 pandemic, and pursuant to the German Act on Reducing the Effects of the COVID-19 Pandemic in Civil, Insolvency and Criminal Procedure Law (*Gesetz zur Abmilderung*

der Folgen der COVID-19-Pandemie im Zivil-, Insolvenz- und Strafverfahrensrecht) dated March 27, 2020 (the "**COVID-19 Act**"), as extended by regulation of the Federal Ministry of Justice and Consumer Protection (*Bundesministerium der Justiz und für Verbracherschutz*) dated October 20, 2020, the executive board may decide, with the approval of the supervisory board, to hold shareholders' meetings on or before December 31, 2021 as virtual shareholders' meetings without physical attendance of the shareholders or their representatives, provided that the following requirements are fulfilled:

- the entire general meeting is broadcast via audio and video transmission;
- shareholder may exercise their voting rights via electronic communication (absentee voting or electronic participation) and y authorizing proxy representatives;
- shareholders are granted the opportunity to ask questions via electronic communication; and
- shareholders who have exercised their voting rights are offered the opportunity to object to resolutions of the general meeting without the requirement to attend in person at the general meeting.

Under the COVID-19 Act, the executive board, with the consent of the supervisory board, may shorten certain periods in connection with the conversion of, registration and providing evidence of shareholding for general meetings held on or before December 31, 2021. In particular, the shareholders' meeting may be convened as late as on the 21st day prior to the day of the meeting.

Under Section 17.2 of the Articles of Association, resolutions on amendments to Articles of Association require a majority of at least three fourths of the nominal capital represented when the resolution is adopted, provided that no mandatory statutory provisions prescribe a larger majority or in so far as Articles of Association prescribe no other form of majority. Under Section 17.3 of the Articles of Association the amendment of certain provisions of the Articles of Association stipulating the Company's legal seat, place of effective management (*Verwaltungssitz*), management (*Unternehmensleitung*), staff functions (*Stabsfunktionen*) and its essential business operations (*wesentlicher Geschäftsbetrieb*) requires a majority of at least 90% of the share capital represented at the general meeting at which the resolution is adopted. The same majority requirement applies to an amendment of Section 17.3 of the Articles of Association itself.

Under section 17.4 of the Articles of Association the following resolutions require a majority of at least 75% of the share capital represented at the general meeting at which the resolution is adopted:

- transformations pursuant to Section 190 et seq. German Transformation Act (*Umwandlungsgesetz*);
- split-ups (*Aufspaltungen*) pursuant to Section 123 (1), 124 et. seq. of the German Transformation Act (*Umwandlungsgesetz*) or split-offs (*Abspaltungen*) pursuant to Section 123 (2), 124 et seq. German Transformation Act (*Umwandlungsgesetz*);
- the obligation of the company to transfer substantially all of its corporate assets; and
- the conclusion of enterprise agreements (*Unternehmensverträge*) between the Company and one of its shareholders.

The same majority requirement applies for an amendment of Section 17.4 of the Articles of Association itself.

Neither German law nor the Articles of Association restrict the right of shareholders who are resident outside of Germany or possess foreign nationality to hold shares in the Company or exercise the voting rights the shares confer.

Corporate Governance

The German Corporate Governance Code as resolved by the Commission (*Regierungskommission Deutscher Corporate Governance Kodex*) on December 16, 2019 (entered into force upon publication in the Official Gazette on March 20, 2020; hereinafter referred to as the "**Code**") provides recommendations ("should provisions") and suggestions ("can provisions") for the management and supervision of German companies listed on a stock exchange. The Code incorporates nationally and internationally recognized standards of good and responsible corporate governance. The purpose of the Code is to make the German system of corporate governance and supervision transparent for investors. The Code includes recommendations and suggestions for management and supervision with regard to

shareholders and shareholders' meetings, management and supervisory boards, transparency, accounting and auditing.

There is no obligation to comply with the recommendations or suggestions of the Code. However, the German Stock Corporation Act (*Aktiengesetz*) requires that the executive board and supervisory board of a German listed company declares on a yearly basis, either that the recommendations have been or will be applied, or which recommendations have not been or will not be applied and explain why the executive board and the supervisory board do not/will not apply the recommendations that have not been or will not be applied. This declaration is to be made permanently accessible to shareholders. However, deviations from the suggestions contained in the Code need not be disclosed. The declaration of compliance must, however, be publicly available on the Company's website at all times.

On March 25, 2021, the Company published the following declaration of conformity in relation to the recommendations of the German Corporate Governance Code Commission in accordance with section 161 of the German Stock Corporation Act (*Aktiengesetz*).

Within the declaration, the Company (i) comments on its past compliance with the "Recommendations of German Corporate Governance Code Commission" in the version of February 7, 2017, published in the official section of the Federal Gazette (*Bundesanzeiger*) on April 24, 2017 ("**GCGC 2017**") since its last declaration of conformity of March 19, 2020, and (ii) comments on its present and future compliance with the "Recommendations of the Government Commission on the German Corporate Governance Code" in the version of December 16, 2019, published in the official section of the Federal Gazette (*Bundesanzeiger*) on March 20, 2020 ("**GCGC 2020**").

"The Executive Board and the Supervisory Board of Hapag-Lloyd Aktiengesellschaft hereby declare that the Company has, since its last declaration of conformity of March 19, 2020, complied with the Recommendations of the German Corporate Governance Code Commission" in the version of February 7, 2017 published in the official section of the Federal Gazette (*Bundesanzeiger*) on April 24, 2017 (GCGC 2017) with the following exception:

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

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

Purely as a precaution, a deviation from Recommendations C.7, C.10 sentence 1 var. 2, sentence 2 and D.4 sentence 1 GCGC 2020 is declared. According to Recommendation C.7 GCGC 2020, more than half of the shareholder representatives on the Supervisory Board shall be independent from the company and its Executive Board. When assessing the independence of their members from the company and its Executive Board, the shareholder representatives shall in particular take into account whether the Supervisory Board member (i) holding a position of responsibility at a company outside the group currently has or has had a significant business relationship with the company or a company controlled by the latter or (ii) has been a member of the Supervisory Board for more than 12 years. Of the eight shareholder representatives on the Supervisory Board of Hapag-Lloyd Aktiengesellschaft, four hold positions of responsibility in (group companies of) the core shareholders of Hapag-Lloyd Aktiengesellschaft: Dr. Isabella Niklas being Spokesperson of the Management Board of HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH in Germany (HGV), José Francisco Pérez Mackenna being Chief Executive Officer of Quiñenco S.A. in Chile (Quiñenco), Oscar Eduardo Hasbún Martínez being Chief Executive Officer of Compañía Sudamericana de Vapores S.A. in Chile (CSAV), and Karl Gernandt being Executive Chairman of Kühne Holding AG in Switzerland (Kühne). Hapag-Lloyd Aktiengesellschaft maintains a material

business relationship with group companies of HGV, Quiñenco-group, to which CSAV belongs, and the Kühne-group. Moreover, Mr. Gernandt has been a member of the Supervisory Board of Hapag-Lloyd Aktiengesellschaft for more than 12 years. Considering these circumstances, one indicator (mentioned in C.7 GCGC 2020) is fulfilled with regard to Dr. Isabella Niklas, José Francisco Pérez Mackenna and Oscar Eduardo Hasbún Martínez respectively and two indicators are fulfilled with regard to Karl Gernandt for a lack of independence from the company according to the GCGC 2020. A deviation from Recommendation C.7 GCGC 2020 is therefore declared as a precautionary measure.

According to Recommendation C.10 sentence 1 var. 2, sentence 2 and D.4 sentence 1 GCGC 2020, the Chair of the Audit Committee shall be independent from the company and the Executive Board as well as independent from the controlling shareholder. The Chair of the Audit and Financial Committee of Hapag-Lloyd Aktiengesellschaft, Karl Gernandt, is also the managing director of a shareholder with a significant direct interest in Hapag-Lloyd Aktiengesellschaft, with whom, as described above, there exists also a significant business relationship. Against the background of the unclear prerequisites of the concept of independence from a controlling shareholder and the indicators of a lack of independence from the Company fulfilled in the present case, a deviation from Recommendation C.10 sentence 1 var. 2, sentence 2 and D.4 sentence 1 GCGC 2020 is declared as a precautionary measure. The Supervisory Board is convinced that the exercise of the office of Chair of the Audit and Financial Committee by Mr. Gernandt is in the interest of the Company and all its shareholders, as Mr. Gernandt is perfectly suited to chair the Audit and Financial Committee. Besides, there are no doubts as to the independent exercise of their offices by the four aforementioned members of the Supervisory Board.

Recommendation G.1, bullet 3 GCGC 2020 is partly not complied with. According to this recommendation, the financial and non-financial performance criteria relevant for the granting of variable remuneration components are to be defined. The remuneration system for the members of the Executive Board of Hapag-Lloyd Aktiengesellschaft resolved on by the Supervisory Board on March 17, 2021, which applies to new contracts to be concluded or contract extensions, does not provide for any already applicable or specific non-financial performance criteria; an individual performance criterion for short-term variable remuneration is not specified. In the opinion of the Supervisory Board, it is not in the interests of the Company to provide for specific non-financial performance criteria in the remuneration system, as this would restrict the Supervisory Board's scope for action in response to Company-specific developments not insignificantly. An individual performance criterion has not been included with regard to short-term variable remuneration, as it is the opinion of the Supervisory Board the assessment of this remuneration component on the basis of EBIT is in the interest of the Company. In the future, however, the Supervisory Board intends to include non-financial performance criteria in the remuneration system. This is already laid down in the principles of the remuneration system, which aim, among other things, to promote the sustainable development of the Company through the remuneration of the Executive Board.

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

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

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

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

PRINCIPAL SHAREHOLDERS

Shareholder Structure

The Issuer's share capital as of the date of this Offering Memorandum amounts to €175,760,293.00 divided into 175,760,293 ordinary registered shares with no par value (*Stückaktien*). On the basis of the notifications received by the Issuer as of the date of this Offering Memorandum in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz—WpHG*) and pursuant to information provided by the respective shareholders, the following shareholders directly or indirectly hold more than 3% of the Issuer's ordinary shares as of the date of this Offering Memorandum. The percentage values shown in the table below are based on the amount of voting rights last notified to the Issuer by the respective shareholder in relation to the Issuer's share capital as of the date of this Offering Memorandum. It should be noted that the number of voting rights last notified could have changed since such notifications were submitted to the Issuer without requiring the relevant shareholder to submit a corresponding voting rights notification if no notifiable thresholds have been reached or crossed.

	Shareholding	
Shareholder	**Number of shares**	**Direct or indirect ownership in the Issuer (in %)**
CSAV Germany Container Holding GmbH ("**CG Hold Co**")[1]	52,729,038	30.0
Kühne Maritime GmbH and Kühne Holding AG (together, "**Kühne**")[1]	52,730,000	30.0
HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH ("**HGV**")[1]	24,363,475	13.9
Qatar Holding Germany GmbH ("**Qatar Holding Germany**")	21,581,986	12.3
The Public Investment Fund of the Kingdom of Saudi Arabia ("**PIF**")	17,909,251	10.2
Free float	6,446,543	3.6
Total	**175,760,293**	**100.0**

(1) Pursuant to a shareholders' agreement, CG Hold Co, HGV and Kühne Maritime GmbH ("**Kühne Maritime**") have agreed to uniformly exercise any and all voting rights pertaining to the shares held in Hapag-Lloyd AG by issuing a common voting proxy and binding instructions to an agent. (see "*—Shareholders' Agreement*").

The following is a brief description of each of our main beneficial shareholders:

CSAV is a leading South American shipping line, operating car carrier, reefer and bulk services and is headquartered in Valparaíso, Chile.

HGV is the investment holding company of the City of Hamburg. HGV owns controlling stakes in numerous regional utility, infrastructure, transportation and real estate companies.

Kühne Maritime is an investment vehicle of Klaus Michael Kühne, the majority shareholder of Kuehne+Nagel, a leading worldwide logistics provider.

Qatar Holding is a private equity firm specializing in strategic and direct investments in strategic private and public equity. It is an indirect 100% subsidiary of Qatar's sovereign wealth fund, Qatar Investment Authority ("**QIA**").

PIF is a sovereign wealth fund owned by Saudi Arabia, founded for the purpose of investing funds on behalf of the Government of the Saudi Arabia.

Each share carries one voting right.

Pursuant to a shareholders' agreement among CG Hold Co, HGV and Kühne Maritime GmbH ("**Kühne Maritime**") (as amended and acceded to by CSAV and Tollo Shipping Co. S.A. ("**Tollo**") on November 17, 2014 and further amended from time to time, the "**Shareholders' Agreement**"), CG Hold Co, HGV and Kühne Maritime have agreed that, from the day of the annual general meeting 2017 onwards, to uniformly exercise any and all voting rights pertaining to the shares held by them in Hapag-Lloyd AG by issuing a common voting proxy and binding instructions to an agent. CG Hold Co, HGV and Kühne Maritime together hold 73.9% of the Issuer's shares as of the date of this Offering Memorandum.

Shareholders' Agreement

On April 16, 2014, CG Hold Co, HGV and Kühne Maritime entered into a shareholders' agreement regarding their investment in Hapag-Lloyd AG (as amended and acceded to by CSAV and Tollo on

November 17, 2014 and further amended and restated from time to time the "**Shareholders' Agreement**"), according to which the parties have agreed to pool their voting rights in Hapag-Lloyd AG. Originally, such pooling took place through a consortium company, Hamburg Container Lines Holding GmbH & Co. KG.

Previously, under the Shareholders Agreement, CG Hold Co, HGV and Kühne Maritime's respective shares in Hapag-Lloyd AG were subject to transfer restrictions with regard to the shares that were subject to the voting proxies. In relation to their residual shares in Hapag-Lloyd AG, the parties had no transfer restrictions. After five years, HGV was also entitled to request the release of 50% of its shares in Hapag-Lloyd AG that are subject to the voting proxy for purposes of a sale.

In conjunction with the business combination of Hapag-Lloyd AG with UASC Limited on March 24, 2017, CG Hold Co, HGV and Kühne Maritime revised, amended and restated the Shareholders' Agreement (the "**New Shareholder's Agreement**") according to which the pooling as set forth above was only applied until the date of Hapag-Lloyd AG's regular annual general meeting in 2017. From that point in time onwards, CG Hold Co, HGV and Kühne Maritime have agreed to uniformly exercise any and all voting rights pertaining to the shares held by them in Hapag-Lloyd AG, representing approximately 73.9% of the shares issued by Hapag-Lloyd AG as of the date of this Offering Memorandum, by issuing a common voting proxy and binding instructions to an agent.

It is the New Shareholders' Agreement parties' aim that their voting rights in Hapag-Lloyd AG shall be exercised uniformly in the general meeting of Hapag-Lloyd AG at all times. In order to agree on a uniform voting in a general meeting, prior to a general meeting the parties shall adopt a resolution of how the pooled votes shall be cast in such general meeting. It shall be the parties' aim to resolve unanimously on the parties' position regarding all agenda items. If the parties cannot adopt a unanimous resolution for any agenda item, they shall refer such issue to the competent decision making bodies of the ultimate shareholders of the New Shareholders' Agreement parties to resolve upon such issue prior to the respective general meeting of Hapag-Lloyd AG.

If the ultimate shareholders of the parties cannot adopt a unanimous decision, CG Hold Co, HGV and Kühne Maritime shall cast the votes (i) against the measure with regard to resolutions requiring a majority of at least 75% of the votes cast or the registered share capital present at the time of the adoption of the resolution pursuant to mandatory law or the articles of association of Hapag-Lloyd AG ("**Articles of Association**"), or (ii) each at its own discretion regarding the respective shares of each of CG Hold Co, HGV and Kühne Maritime in Hapag-Lloyd AG with regard to resolutions requiring a simple majority of the votes cast pursuant to mandatory law or the Articles of Association.

Through the coordination of their voting rights, the shareholders will be in a position to exert substantial influence on the general shareholders' meeting of Hapag-Lloyd AG and, consequently, on matters decided by the general shareholders' meeting, including the distribution of dividends, any proposed capital increase or the appointment of the supervisory board.

Even though the New Shareholders' Agreement shall have a regular fixed term until November 30, 2024, its parties are free to dispose of their shares in Hapag-Lloyd AG and the parties of the New Shareholders' Agreement have granted to each other a right of first refusal for their shares if one party intends to sell shares representing a certain portion of the voting rights in Hapag-Lloyd AG in a private transaction (over-the-counter).

The New Shareholders' Agreement will terminate (i) if the aggregated participation of the parties in the voting rights in Hapag-Lloyd AG drops below the threshold of 25% of the issued share capital of Hapag-Lloyd AG at any given time or (ii) if the participation of one party in the voting rights in Hapag-Lloyd AG drops below the threshold of 5% and the other parties cannot agree on the terms for a continuation of the New Shareholders' Agreement. In addition, the Shareholders' Agreement may be terminated prior to November 30, 2024 by any party whose nominee was not elected to the supervisory board of Hapag-Lloyd AG.

With respect to the dividend distributions of Hapag-Lloyd AG, the parties of the New Shareholders' Agreement have agreed to undertake to vote in favor of the distribution of a significant proportion of the total annual group profit (IFRS) of Hapag-Lloyd AG as a dividend in the range of 50% to 70%, but not below 50%, to the extent distributable. Should the profit resulting from valuation adjustments and/or comparable non-cash events exceed 50% of the annual group profit, the New Shareholders' Agreement provides that its parties shall agree on the percentage of such annual profit that shall be distributed as a dividend. For further information on our dividend policy, see "*Dividend Policy.*"

With respect to the composition of the supervisory board of Hapag-Lloyd AG, it has been agreed in the New Shareholders' Agreement that CG Hold Co shall nominate two members and HGV as well as Kühne Maritime shall nominate one member each; CG Hold Co, HGV and Kühne Maritime shall jointly nominate two further members, one of such members being the designated chairman of the supervisory board. In the event that any of the parties' shareholdings is reduced under a certain portion of voting rights in Hapag-Lloyd AG, these nomination rights shall be adjusted accordingly.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as the Issuer or that are in control of or controlled by the Issuer must be disclosed unless they are already included as consolidated companies in the Issuer's audited consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in the Issuer or, by virtue of an agreement, has the power to control the financial and operating policies of the Issuer's management. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures) as well as transactions with persons who have significant influence on the Issuer's financial and operating policies, including close family members and intermediate entities. This includes the members of the executive board and supervisory board and close members of their families, as well as those entities over which the members of the executive board and supervisory board or their close family members are able to exercise a significant influence or in which they hold a significant share of the voting rights.

Set forth below is a summary of such transactions with related parties for the financial years ended December 31, 2020, 2019 and 2018 up to and including the date of this Offering Memorandum. Further information, including quantitative amounts of related party transactions are contained in the notes to the Issuer's audited consolidated financial statements as of and for the fiscal years ended December 31, 2020 and 2019, which are all included in "Index to Financial Information" of this Offering Memorandum. Business relationships between companies of the Hapag-Lloyd Group, which are consolidated in the consolidated financial statements, are not included. Those companies which are directly or indirectly controlled by the Issuer are listed in the notes to the Issuer's audited consolidated financial statements as of and for the financial years ended December 31, 2020 and 2019.

As part of its business, companies of the Hapag-Lloyd Group have entered into several transactions with related parties, including the Issuer's principal shareholders. All such transactions are on arm's length terms.

The following is a summary of the most significant transactions of companies of the Hapag-Lloyd Group with related parties for the financial years ended December 31, 2018, 2019, 2020 up to and including the date of this Offering Memorandum.

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

The following tables set forth transactions with related parties (excluding management in key positions) for the periods indicated:

	Delivered goods and services and other income recognized			Goods and services received and other expenses recognized		
	As of and for the year ended December 31,			As of and for the year ended December 31,		
	2018	2019	2020	2018	2019	2020
	(in € million)					
	(audited)			(audited)		
Shareholders	461.4	537.5	608.1	68.9	93.6	90.7
Affiliated non-consolidated companies	—	0.0	0.0	0.7	0.0	0.1
Associated companies and joint ventures	7.2	8.3	9.4	206.9	260.2	236.4
Total	**468.6**	**545.8**	**617.5**	**276.5**	**353.8**	**327.2**

	Receivables			Liabilities		
	As of and for the year ended December 31,			As of December 31,		
	2018	2019	2020	2018	2019	2020
	(in € million)					
	(audited)			(audited)		
Shareholders	40.9	45.0	47.8	10.1	9.4	5.2
Affiliated non-consolidated companies	—	—	0.2	0.3	0.2	0.6
Associated companies and joint ventures	0.6	0.0	—	33.1	30.6	26.3
Total	**41.5**	**45.0**	**48.0**	**43.5**	**40.2**	**32.2**

The amounts arising from transactions with related parties contained in the above table result from services rendered (2020: €617.5 million; 2019: €545.8 million; 2018: €468.6 million).

Of the expenses shown above, in the financial year ended December 31, 2020, €326.7 million result from operating services (2019: €353.0 million; 2018: €275.9 million) and €0.5 million are from other services (2019: €0.8 million; 2018: €0.6 million).

Except as mentioned above and for transactions in the ordinary course of business, there have been no material transactions with related parties since December 31, 2020.

The remuneration of key management personnel in the Hapag-Lloyd Group to be disclosed under IAS 24 encompasses the remuneration paid to the active members of the executive board and supervisory board of Hapag-Lloyd AG. For further information on the remuneration of the members of the executive board and supervisory board see "*Management—Executive Board—Compensation and Other Benefits of the Executive board,*" "*Management—Supervisory Board—AG Compensation of the Members of the Supervisory Board,*" as well as the notes to the Issuer's audited consolidated financial statements as of and for the fiscal years ended December 31, 2020 and 2019, which are all included in the Section "*Financial Information*" of this Offering Memorandum on page F-1 et seq.

Members of our management, our supervisory board and certain of our shareholders may place orders for and purchase Notes.

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following summary of the material terms of certain financing arrangements to which the Issuer and certain of its subsidiaries are a party does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying documents. For further information regarding our existing indebtedness, see "Use of Proceeds," "Capitalization," and "Management's Discussion and Analysis of Financial Conditions and Results of Operations."

Overview of Our Financing Arrangements

Our financing arrangements as of December 31, 2020 relate to the following assets and activities (shown without accrued interest and amortized transaction costs) and their respective average interest rates are as follows:

	Existing Notes(*)	Revolving Credit Facilities	Other Liabilities to Banks			Other Financial Debt	Average Interest Rate
			Unsecured Financings	*Secured Financings*	*Capital Leases*		
			(in US$ million) **(unaudited)**				
Corporate	368.3	—	64.0	100.0	—	—	4.14%
Vessels	—	—	—	1,224.6	431.9	884.9	3.21%
Containers	—	—	—	—	1,233.8	209.2	3.64%
Ballindamm Financing	—	—	—	90.4	—	—	2.70%
Other Financial Debt	—	—	—	—	—	12.5	6.07%
Total	**368.3**	—	**64.0**	**1,415.0**	**1,665.7**	**1,106.7**	**3.45%**

(*) The Existing Notes will be redeemed with the proceeds of the Offering.

Revolving Credit Facilities

CTA Revolving Credit Facility Agreement

General

By an originally US$360,000,000 (reduced to US$95,000,000, subsequently increased to US$200,000,000 and, upon the effectiveness of the last amendment, further increased to US$360,000,000) secured revolving facility agreement originally dated October 1, 2010 for Hapag-Lloyd AG as borrower with, *amongst others*, Credit Suisse AG, London Branch, Deutsche Bank Luxembourg S.A. and Goldman Sachs International as mandated lead arrangers and UniCredit Bank AG as facility agent and security agent, certain banks and financial institutions (including BNP Paribas, Crédit Agricole Corporate and Investment Bank, Credit Suisse AG, London Branch, HSBC Trinkaus & Burkhardt AG, KfW IPEX-Bank GmbH, UniCredit Bank AG, Citibank, N.A., London Branch, Deutsche Bank Luxembourg S.A., DZ Bank AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main, Goldman Sachs International Bank, Hamburg Commercial Bank AG and Société Générale S.A. Frankfurt Branch) as lenders (as amended from time to time, the "**CTA Revolving Credit Facility Agreement**") have agreed to make available to Hapag-Lloyd AG a secured revolving credit facility in the total amount of up to US$360,000,000 (the "**CTA Revolving Credit Facility**") for general corporate purposes, except for certain defined purposes.

Repayment / Maturity / Clean Down

Loans under the CTA Revolving Credit Facility Agreement must (subject to rollover) be repaid on the last day of the interest period of the relevant loan.

Hapag-Lloyd AG shall ensure that for a period of not less than five successive business days in each of its financial years, no loans shall be outstanding. Not less than three months shall elapse between two such periods.

All loans outstanding under the CTA Revolving Credit Facility Agreement shall be repaid in full on the applicable final termination date.

The initial final termination date under the CTA Revolving Credit Facility Agreement is October 1, 2022. Hapag-Lloyd AG may request an extension of the final termination date for an additional one and/or two years, provided that only revolving commitments of lenders agreeing to such

extension(s) will be extended. However, Hapag-Lloyd AG may request a lender that has not agreed to the relevant extension to transfer all of its rights and obligations under the CTA Revolving Credit Facility Agreement to any lender willing to assume and which does assume all of the rights and obligations of that transferring lender under the CTA Revolving Credit Facility Agreement.

The CTA Revolving Credit Facility is available for utilization until and including the date falling one month prior to the applicable final termination date.

As of December 31, 2020, no amounts were outstanding under the CTA Revolving Credit Facility Agreement.

Undertakings and Financial Covenants

The CTA Revolving Credit Facility Agreement contains certain information undertakings (including the provision of financial information and other information regarding Hapag-Lloyd AG's and its subsidiaries' financial condition), financial covenants and restrictive covenants which are customary for a facility of this nature taken out by a borrower operating in the business sector of Hapag-Lloyd AG, including restrictions on financial indebtedness, guarantees, loans out, disposals, acquisitions, joint ventures, payments to shareholders and reorganization measures as well as a negative pledge (*i.e.*, restrictions on the granting and subsistence of security), in each case subject to agreed exceptions.

Our financial condition is monitored by financial covenants, which require us to ensure that (on the level of Hapag-Lloyd AG and its respective subsidiaries): (i) our equity in euro tested on each testing date shall not be less than the higher of (A) €2.75 billion and (B) 30% of the total assets (*Bilanzsumme*) shown in the consolidated financial statements of Hapag-Lloyd AG for the financial quarter ending on that testing date and (ii) minimum liquidity in an amount of at least US$350,000,000 is maintained at all times, which will be tested in U.S. dollars on each testing date.

The financial covenants will be at all times tested as of the last day of each financial quarter of Hapag-Lloyd AG.

The CTA Revolving Credit Facility Agreement generally, subject to certain exemptions, permits payments to direct or indirect shareholders of Hapag-Lloyd AG only if (i) at the time of the payment no default under the CTA Revolving Credit Facility Agreement has occurred and is continuing or would result from the payment and (ii) immediately following the payment, a minimum liquidity of Hapag-Lloyd AG and its subsidiaries (cash and cash equivalent investments) is at least equal to US$350,000,000.

Interest Rates and Fees

The interest rate on each loan under the CTA Revolving Credit Facility Agreement for each interest period is the percentage rate per annum equal to the aggregate of (i) the applicable margin, and (ii) LIBOR (for loans denominated in U.S. dollars) or EURIBOR (for loans denominated in euro).

Customary fees are payable in connection with the CTA Revolving Credit Facility, including commitment fees, utilization fees, participations fees, agency fees, security agency fees and extension fees.

Security

The CTA Revolving Credit Facility is secured by first, second and third ranking pledges of Hapag-Lloyd AG's shares in HHLA Container Terminal Altenwerder GmbH ("**CTA**").

Mandatory Prepayments

Upon the occurrence of a defined change of control event or the sale of all or substantially all of the assets of Hapag-Lloyd AG and its subsidiaries, each lender shall (i) not be obliged to fund a loan (except for a rollover loan), and (ii) have the right, within a period of 15 days following notification by the agent of the occurrence of a change of control or a sale (the last day of such period the "**Notification Date**"), to demand prepayment of its participation in all outstanding loans and all ancillary outstandings, together with accrued interest, and all other respective amounts accrued under the CTA Revolving Credit Facility Agreement and relating finance documents and cancellation of its commitments. Other than to the extent an agreement is reached between Hapag-Lloyd AG and a lender

who requests (a "**Requesting Lender**") the repayment of its participation in all outstanding loans and cancellation of its commitments during a period of up to 30 days after the Notification Date (the "**Negotiation Period**"), Hapag-Lloyd AG must (on the earlier of (i) the last day of the then current interest period and (ii) the date falling 15 days after the last day of the Negotiation Period repay the respective participation of each relevant Requesting Lender in all outstanding loans and all ancillary outstandings, together with accrued interest and all other respective amounts accrued under the CTA Revolving Credit Facility Agreement and relating finance documents, and the commitment of the relevant Requesting Lender will be cancelled. If no negotiations are requested within 10 business days after receipt of a Requesting Lender's notice of demand for repayment and cancellation (the "**Negotiation Request Period**"), the commitments of all Requesting Lenders will be cancelled and Hapag-Lloyd AG must repay the participation in all outstanding loans and all ancillary outstandings, together with accrued interest and all other respective amounts accrued under the CTA Revolving Credit Facility Agreement and relating finance documents owing to all Requesting Lenders on the earlier of (i) the last day of the then current interest period and (ii) the date falling 15 days after the last day of the Negotiation Request Period.

A change of control will occur if:

(i) the Initial Investors and the Anchor Investors (each as defined below) (in aggregate) cease to hold (directly or indirectly) more than 25% of the voting share capital in Hapag-Lloyd AG; and/or

(ii) the Anchor Investors (in aggregate) hold, directly or indirectly, a higher percentage of the voting rights in Hapag-Lloyd AG than the Initial Investors in aggregate;

and/or

(iii) any person or group of persons acting in concert (within the meaning of Section 2 para. 5 of the German Takeover Code (*WpÜG*)) (other than (A) any of the Initial Investors and/or (B) any of the Anchor Investors) hold, directly or indirectly, a higher percentage of the voting rights in Hapag-Lloyd AG than:

(A) the Initial Investors; and

(B) the Anchor Investors,

in aggregate;

and/or

(iv) if any of Kühne Maritime GmbH, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH or Compañía Sud Americana de Vapores S.A. individually (but in each case together with any of its affiliates) hold (directly or indirectly) 50% or more of the voting rights in Hapag-Lloyd AG,

provided that, in respect of paragraphs (i) to (iv) above,

(A) any voting pooling agreements and/or similar arrangements entered into by any of the Initial Investors and/or any Anchor Investor with regard to their shareholding (including their voting rights) in Hapag-Lloyd AG with any person, shall be disregarded when ascertaining the voting rights in Hapag-Lloyd AG held by an Initial Investor and/or any Anchor Investor; and

(B) for the avoidance of doubt – any transformation of Hapag-Lloyd AG into a European Company (*Societas Europaea* – SE) shall not constitute a Change of Control.

"**Anchor Investor**" is any person or group of persons holding, directly or indirectly, voting rights in Hapag-Lloyd AG who has/have entered into a voting pooling agreement and/or any similar arrangement with regard to its shareholding (including its/their voting rights) in Hapag-Lloyd AG with any of the Initial Investors.

"**Initial Investors**" are each and any of (i) Kühne Maritime GmbH, (ii) HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, (iii) IDUNA Vereinigte Lebensversicherung auf Gegenseitigkeit für Handwerk, Handel und Gewerbe, (iv) HanseMerkur Krankenversicherung AG, (v) HanseMerkur Lebensversicherung AG, (vi) the M.M.Warburg & CO. Gruppe (GmbH & Co) KGaA, (vii) Compañía Sud Americana de Vapores S.A and (viii) subsidiary of any Initial Investor referred to under (i) to (vii) (each inclusive) above.

To the extent that the relevant lender has not been replaced by Hapag-Lloyd AG, prepayments must also be made upon the occurrence of illegality. No amounts so prepaid may be re-borrowed.

The CTA Revolving Credit Facility Agreement does not contain sweeps of asset disposal proceeds, insurance proceeds, debt issue proceeds, equity issue proceeds or excess cash flow.

Events of Default

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the CTA Revolving Credit Facility Agreement and any related finance documents may (in whole or in part) be accelerated (*i.e.*, declared immediately due and payable or payable on demand, exercise or direct the security agent to exercise any or all of its rights, remedies, powers or discretions under the CTA Revolving Credit Facility Agreement and any related finance documents) by the agent (the agent shall do so if so directed by a majority of the lenders) in case an event of default has occurred and is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the CTA Revolving Credit Facility Agreement or any related finance document, breach of any other obligation (including non-compliance with (i) financial covenants described above or (ii) information undertakings), misrepresentation, cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more ("**Cross Default**") and other events of default customary for this type of financing transaction.

Further, the occurrence of any event(s) or circumstance(s) which is reasonably likely to have a material adverse effect on (i) the business, assets or financial condition of the group (taken as a whole) which would affect the ability of an obligor to comply with the financial covenants, (ii) the ability of an obligor to perform its payment obligations under the finance documents, or (iii) the validity or enforceability of any security (or the ranking and effectiveness of such security) granted for the finance documents or the rights and remedies of any finance party under any of the finance documents (a "**Material Adverse Effect**"), also constitutes an event of default under the CTA Revolving Credit Facility Agreement entitling the agent to accelerate.

Governing Law

The CTA Revolving Credit Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by German law.

Container Revolving Credit Facility Agreement

General

Hapag-Lloyd AG has entered into an original US$135,000,000 (subsequently increased to US$210,000,000 and, upon the effectiveness of the last amendment, further increased to US$230,000,000) senior secured revolving loan agreement originally dated August 6, 2015 relating to the (re)financing of a portfolio of new containers and certain existing containers between, *amongst others*, Hapag-Lloyd AG as borrower and beneficial owner of the containers, Hapag-Lloyd Container (No. 3) Ltd. as legal owner of the containers, ING Bank N.V. and ABN AMRO Bank N.V. as arrangers, ING Bank N.V. as agent and security agent, ING Bank Belgium SA/NV and ABN AMRO Bank N.V. and Crédit Industriel et Commercial as lenders and ING Belgium SA/NV as original hedging bank (as amended from time to time, the "**Container Revolving Credit Facility Agreement**") under which an original US$135,000,000 (subsequently increased to US$210,000,000 and, upon the effectiveness of the last amendment, further increased to US$230,000,000) senior secured revolving credit facility was made available (the "**Container Revolving Credit Facility**").

Legal ownership of the containers has been transferred from, amongst others, Hapag-Lloyd AG to Hapag-Lloyd Container (No. 3) Ltd. in accordance with a certain trust agreement, which has also been entered to the benefit of the finance parties.

Repayment / Maturity

Loans under the Container Revolving Credit Facility Agreement must (subject to rollover) be repaid on the last day of the interest period of the relevant loan. The interest periods for loans under the Container Revolving Credit Facility Agreement may be one, three or six months or any other shorter period agreed between the borrower and all of the lenders. All loans and other amounts outstanding under the Container Revolving Credit Facility Agreement shall be repaid in full on the applicable final maturity date.

The maturity date of the Container Revolving Credit Facility Agreement is June 19, 2023. Hapag-Lloyd AG may from time to time (but not later than 90 days prior to the end of the then applicable availability period) request extensions of the maturity date (and corresponding extensions of the availability period), in each case for additional 364 days or any other period, provided that all lenders (at their sole discretion) approve such extension in writing. Upon such approval, the relevant applicable maturity date shall be extended as requested. Upon the extension becoming effective, Hapag-Lloyd AG shall pay to the lenders a non-refundable extension fee to be agreed between it and the lenders. No limit applies to the number of times Hapag-Lloyd AG may request the extension of the relevant applicable maturity date.

The Container Revolving Credit Facility is available for utilization until and including one month prior to the applicable maturity date.

As of December 31, 2020, no amounts were outstanding under the Container Revolving Credit Facility Agreement.

Undertakings and Financial Covenants

The Container Revolving Credit Facility Agreement contains certain information undertakings (including the provision of financial information relating to Hapag-Lloyd AG and its subsidiaries), undertakings as to insurance, container covenants and general undertakings in each case customary for an asset financing facility of this nature, including certain restrictive covenants such as a negative pledge in relation to the financed containers, related manufacturing agreements, related leases, insurances and any other assets or rights being subject of any security provided in connection with the Container Revolving Credit Facility Agreement, restrictions on disposals of financed containers and restrictions on corporate and business acquisitions and reorganization measures, in each case subject to agreed exceptions. In addition, our financial and operating performance is monitored by financial covenants, which are in all respects substantially as described under "*—CTA Revolving Credit Facility Agreement—Undertakings and Financial Covenants.*"

In addition the lenders under the Container Revolving Credit Facility Agreement benefit from any financial covenants that Hapag-Lloyd AG will grant to lenders under any other loan facility or facilities in an (aggregate) amount of at least €25,000,000 entered into after the date of the Container Revolving Credit Facility Agreement as long as such parallel financial covenants are applicable under such other financing arrangement (such concept of the application of parallel financial covenants being referred to in the following as "**Most Favored Nation Position**").

Interest and fees

Under the Container Revolving Credit Facility Agreement, Hapag-Lloyd AG is required to pay interest to the lenders at a rate per annum equal to the aggregate of (i) LIBOR plus (ii) a fixed margin, plus (iii) any mandatory costs of the lenders.

Mandatory Prepayments

If, at any date, as of which a borrowing base certificate shall be given by Hapag-Lloyd AG to the agent in accordance with the Container Revolving Credit Facility Agreement, the relevant borrowing base certificate specifying amongst other things the product of an advance rate of 80 per cent. and the aggregate net book value of certain specified eligible containers (such product being referred to as the "**Borrowing Base**"), shows that the outstanding loan amount less any amount standing to the credit of the blocked account, established in connection with the Container Revolving Credit Facility Agreement for the purposes of mandatory prepayments and reduction of the outstanding loan amounts in relation to the Borrowing Base, is in excess of the Borrowing Base, then Hapag-Lloyd AG shall repay the loans to the extent required to reduce the outstanding loan amount less any amount standing to the credit of such blocked account to an amount equal to the Borrowing Base. Any such prepayment shall be made on the last day of the then current interest period if it amounts to less than US$300,000. If any such prepayment amounts to equal to or in excess of US$300,000 the prepayment amount shall be paid into the blocked account immediately after the corresponding Borrowing Base Certificate Date and is to be applied in prepayment of the loans on the last day of the then current interest period to avoid any break costs.

In addition, the loans (together with all other amounts accrued) under the Container Revolving Credit Facility Agreement must (subject to a negotiation concept) be prepaid upon occurrence of a

change of control with respect to Hapag-Lloyd AG, in all material respects substantially as described under "*—CTA Revolving Credit Facility Agreement—Mandatory Prepayments*" above.

Prepayments must also be made upon the occurrence of illegality.

Security

All obligations under the Container Revolving Credit Facility Agreement are secured by (including but not limited to) mortgages over the containers (re)financed by the Container Revolving Credit Facility and assignments of rights and claims with respect to the containers as well as shares mortgages over the shares in Hapag-Lloyd Containers (No. 3) Limited, being the legal owner of the containers and an account pledge in relation to the blocked account.

Events of Default

The total commitments may be cancelled and the utilizations and other amounts outstanding under the Container Revolving Credit Facility Agreement and any related finance documents may (in whole or in part) be accelerated (*i.e.*, declared immediately due and payable or payable on demand) by the agent (the agent shall do so if so directed by a majority of the lenders) in case an event of default has occurred and is continuing. The events of default include non-payment of any amount due and payable pursuant to the terms of the Container Revolving Credit Facility Agreement or any related finance document, breach of any other obligation (including non-compliance with financial covenants described above) as well as misrepresentation, cross-default relating to financial indebtedness or commitment for financial indebtedness in an aggregate amount of €40,000,000 or more and occurrence of a Material Adverse Effect (substantially as defined under "*—CTA Revolving Credit Facility Agreement—Events of Default*") and other events of default customary for this type of asset financing transaction.

Governing Law

The Container Revolving Credit Facility Agreement and any non-contractual obligations arising out of or in connection with it are governed by German law.

Other Liabilities to Banks

Corporate Debt

Gulf Bank Facility Agreement

By a US$80,000,000 facility agreement dated November 2, 2015 and as amended and restated as of May 12, 2017, with Gulf Bank K.P.S.C. as lender, the lender has agreed to make available to UASC Limited an unsecured term loan facility for its general corporate purposes (as amended and/or restated from time to time, the "**Gulf Bank Facility Agreement**"). All obligations of the borrower under the Gulf Bank Facility Agreement are guaranteed by Hapag-Lloyd AG.

The loan shall be repaid by seven consecutive semi-annual installments and the final installment is due on November 30, 2022 (being the final repayment date). As of December 31, 2020, the principal amount of the loan outstanding under the Gulf Bank Facility Agreement was US$64.0 million.

The Gulf Bank Facility Agreement contains certain information undertakings (including the provision of financial information relating to UASC Limited), and certain other general undertakings, subject to certain agreed exceptions. UASC Limited undertakes to ensure or procure that there is a minimum annual turnover of US$100,000,000 per calendar year through a current account held by UASC Limited with the lender. The lender benefits from a right of set off with respect to the amounts in the current account.

Under the terms of its guarantee, Hapag-Lloyd AG agrees to comply with customary covenants, including standard reporting and financial covenants.

The Gulf Bank Facility Agreement authorizes voluntary prepayments (subject to customary conditions), and includes mandatory prepayments upon the occurrence of certain events, including in the event of illegality affecting a lender or a change of control affecting UASC Limited or Hapag-Lloyd AG.

The total commitments may be cancelled and the utilizations and all other amounts outstanding under the Gulf Bank Facility Agreement may (in whole or in part) be accelerated or declared to be

payable on demand in case an event of default has occurred and which is continuing. The Gulf Bank Facility Agreement provides for customary events of default, including failure to make timely payment and breach of representations and covenants.

Asset Backed Securities Program

General

Pursuant to a purchase and sale agreement between Hapag-Lloyd AG as originator and seller and Hapag-Lloyd Special Finance DAC as purchaser originally dated April 7, 2011 and amended and restated from time to time, subject to certain conditions and a special procedure, Hapag-Lloyd AG offered to sell, assign and transfer absolutely (and not by way of security) to the purchaser certain freight receivables owed by debtors resident in, or organized under the laws of any state or province of the United States, Canada and certain countries of Europe (other than governmental authorities) and the purchaser purchased and accepted the absolute assignment and transfer, without recourse, from Hapag-Lloyd AG of all of Hapag-Lloyd AG's rights, title and interest in such freight receivables and related security (as amended and/or restated from time to time, the "**Receivables Purchase and Sale Agreement**").

By an up to US$550,000,000 loan and servicing agreement among Hapag-Lloyd Special Finance DAC as borrower, Hapag-Lloyd AG as servicer, Hannover Funding Company LLC as conduit lender and Norddeutsche Landesbank Girozentrale as agent originally dated April 7, 2011, the lender agreed to make available to the borrower funds to finance the acquisition of the freight receivables (as amended and/or restated from time to time, the "**Loan and Servicing Agreement**"). The borrower's obligations under the Loan and Servicing Agreement are secured by security interests the borrower granted in favor of the agent over all transferred receivables, related rights and the Receivables Purchase and Sale Agreement.

By a shareholder loan agreement between Hapag-Lloyd AG as lender and Hapag-Lloyd Special Finance DAC as borrower dated April 7, 2011 (as amended and/or restated from time to time the "ABS Shareholder Loan Agreement"), Hapag-Lloyd AG agreed to make certain loans available to the borrower on a revolving basis for the purposes of funding a portion of the purchase price of the freight receivables subject to the Receivables Sale and Purchase Agreement.

Further, a sub-servicing agreement and a back-up servicing agreement have been entered into between, as applicable, Hapag-Lloyd AG as servicer, Finacity Corporation as sub-servicer, the borrower, the agent and the conduit lender, each dated April 7, 2011 in relation to the servicing (or, as the case may be, and sub-servicing), administration and collection of the assigned freight receivables for the benefit of, amongst others, the borrower and the agent respectively.

Receivables Purchase and Sale Agreement

The parties to the Receivables Purchase and Sale Agreement expressly intend that the transfers of the freight receivables and related rights by Hapag-Lloyd AG to Hapag-Lloyd Special Finance DAC shall be treated as sales (without recourse unless otherwise agreed in the Receivables Purchase and Sale Agreement) of all of Hapag-Lloyd AG's right, title and interest in the freight receivables and related rights and not as loans secured by the freight receivables and related rights.

The Receivables Purchase and Sale Agreement contains certain information undertakings and restrictive covenants which are customary for an agreement of this nature, including restrictions on mergers, acquisitions and sales, in each case subject to agreed exceptions provided for in the Receivables Purchase and Sale Agreement.

The Receivables Purchase and Sale Agreement can be terminated by Hapag-Lloyd Special Finance DAC, amongst other things, upon the occurrence of a termination event under the Loan and Servicing Agreement or by Hapag-Lloyd AG with 30 days' notice prior to the initial advance (or any business day after the initial advance but prior to the termination date).

Loan and Servicing Agreement

The Loan and Servicing Agreement's purpose is to provide funds to the borrower for the acquisition of such receivables purchased under the Receivables Purchase and Sale Agreement. Hapag-Lloyd AG acting as servicer will administer the collection of the receivables purchased under the Receivables Purchase and Sale Agreement. It is responsible for making claims under and enforcing credit insurance policies and negotiating any dispute arising under a transferred receivable.

Discount. Under the Loan and Servicing Agreement, the borrower is required to pay a discount on a monthly basis until the final payout date. Discount accrues on the loan balance from the date of the initial advance under the Loan and Servicing Agreement through the final payout date (being the date after the termination date of the Loan and Servicing Agreement on which no loan balance or discount is outstanding).

Undertakings. The Loan and Servicing Agreement contains certain information undertakings and restrictive covenants which are customary for a contract of this nature, including restrictions on changes to the corporate existence of the borrower and the servicer and the maintenance of records regarding the receivables. The borrower and the servicer made several covenants to comply with the Receivables Purchase and Sale Agreement and the other contracts named in the Loan and Servicing Agreement as transaction documents. Certain reporting obligations are transferred to Finacity Corporation by way of the sub-servicing agreement.

Cross Termination. The agent is permitted to terminate the Loan and Servicing Agreement and to enforce the security granted thereunder, amongst other things, in the event of the occurrence of a termination event under the Receivables Purchase and Sale Agreement. The Loan and Servicing Agreement also includes other customary events of default.

Facility Termination Date. The facility terminates on December 31, 2022.

ABS Shareholder Loan Agreement

Hapag-Lloyd AG as lender has agreed to make loans to Hapag-Lloyd Special Finance DAC as borrower under the ABS Shareholder Loan Agreement (only) until a termination date under the Receivables Purchase and Sale Agreement has occurred.

Subordination. Hapag-Lloyd Special Finance DAC as borrower to Hapag-Lloyd AG as lender have both covenanted that any amount payable by Hapag-Lloyd Special Finance DAC as borrower to Hapag-Lloyd AG as lender is subordinated to payments that have to be made under the Loan and Servicing Agreement.

As of December 31, 2020, a loan in a total principal amount of US$100.0 million was outstanding under the Asset Backed Securities Program.

Secured Financings

Vessel Financings

We currently have 36 vessels financed under various mortgaged facility agreements. As of December 31, 2020, the amount of our obligations outstanding under such vessel financing arrangements totaled US$1,224.6 million.

Hapag-Lloyd AG generally is either the borrower or the guarantor under the mortgaged facility agreements, in the latter case the borrowers are subsidiaries of Hapag-Lloyd AG, being UASC Limited or special-purpose vehicles. The mortgaged facility agreements are arranged with a bank bilaterally or with a syndicate of banks to finance the purchase of the vessels.

As customary for this type of financing, security interests, among others, in the form of a first ranking mortgage on the financed vessel and assignment of insurance and requisition compensation, are granted for the benefit of the finance parties. The provision of additional collateral if the value of the mortgaged vessel falls below certain thresholds is another common feature of such financings.

Vessel mortgaged loan facility agreements authorize voluntary prepayments (subject to customary conditions) and include mandatory prepayments upon the occurrence of certain events, including in case of sale or total loss of a vessel or cancellation of the shipbuilding contract. We generally make customary representations and are subject to customary covenants, including standard reporting and financial covenants. The facility agreements further provide for customary events of default, such as failure to make timely payment or breach of representations and covenants.

The table below identifies our outstanding vessel mortgaged loan facilities, listed by maturity order, as of December 31, 2020.

	Maturity	Outstanding Amount (in US$ million)
Fleet Financing 2015	2023	30.0
Fleet Refinancing 2016 (also known as "Conosur Financing")	2023	29.5
K-Sure II Financing	2026	357.8
K-Sure III Financing	2029	254.5
DVB Vessel Financing	2024	27.2
Scrubber Financing	2025	28.9
CACIB Vintage Vessel Financing	2026	57.5
Burgan Vessel Financing	2029	183.7
QNB Vessel Financing	2028	177.2
Fleet 2018 (also known as "EMTC Refi")	2027	78.3

Container Financings

All outstanding obligations under our secured container financings were redeemed and any security was released as of December 31, 2020.

Ballindamm Financing

Hapag-Lloyd Grundstücksholding GmbH, a 94.9% subsidiary of Hapag-Lloyd AG and 5.1% subsidiary of Hapag-Lloyd Stiftung, has entered into a €85,000,000 credit agreement dated August 23, 2016 as borrower with Deutsche Genossenschafts-Hypothekenbank AG as lender for the purposes of the refinancing financial indebtedness incurred for the acquisition of the property Ballindamm 25/Ferdinandstrasse 56, 58, 62/Gertrudenstrasse 17, 20095 Hamburg (as amended from time to time, the "**Ballindamm Financing**").

As of December 31, 2020, a loan in a total principal amount of €73.7 million (equivalent to US$90.4 million) was outstanding under the Ballindamm Financing and a blended fixed interest rate of 2.700% per annum was payable on the outstanding loans.

Undertakings. The Ballindamm Financing contains certain undertakings customary for this type of financing, including negative pledge on the financed property.

Security. All obligations under the Ballindamm Financing are secured by several land charges (Grundschulden) over the financed property, including related abstract acknowledgements of debt by the borrower, in an aggregate amount of €85 million and assignment of rental income.

Mandatory Prepayment / Increase of repayment installment. Subject to certain exceptions, the borrower is obliged to prepay the outstanding loan in event of a change of control, which will occur, *inter alia*, if a new investor holds more than 50% of the shares in Hapag-Lloyd AG. Subject to customary break fees, the relevant amount of repayment installments will be increased from 3.0% per annum to 5.0% per annum in the event the principal amount of the initially disbursed loan to the current market value of the property exceeds 80%.

Expiry Date. The Ballindamm Financing terminates on August 31, 2026.

Capital Leases

Vessel Financings

Vessel JOLCOs

For the purpose of refinancing of container vessels, Hapag-Lloyd AG and UASC Limited have entered into several sale and lease-back transactions provided through Japanese operating lease with a call option ("**JOLCO**") structures. The vessels were purchased from Hapag-Lloyd AG or UASC Limited acting together with subsidiaries of UASC Limited by one or more Japanese special purpose companies (as lessor) for each vessel. The financing of the vessel purchase was made available through a combination of loan and equity contributions. The equity is contributed by Japanese investors through a Japanese Equity Arranger. The loan portion is provided by a bank or a syndicate of banks pursuant to certain loan agreements. The vessels are leased back ultimately to Hapag-Lloyd AG through bareboat charter agreements with the Japanese special purpose company and, as the case may be, through inter-group sub-charter arrangements. All obligations of UASC Limited as lessee under the JOLCO transactions are guaranteed by UASC Limited and Hapag-Lloyd AG.

Principal and interest under the JOLCO transactions are payable quarterly in arrear ending on the final repayment date with a final balloon instalment due on the final repayment date. The final balloon instalment for each JOLCO transaction is subject to the exercise of an option to purchase the vessel at the end of the lease term for a fixed purchase option price. In case the purchase option is not exercised, the lease continues for a certain period until the vessel has to be returned to the lessor according to certain return conditions customary to JOLCO transactions of this nature.

As customary for this type of financing, security interests, among others, in the form of a first ranking mortgage on the financed vessels, assignment of insurance and requisition compensation, are granted to the benefit of the finance parties. The provision of additional collateral if the value of the mortgaged vessel falls below certain thresholds is another common feature of such financings.

The JOLCO transactions include mandatory prepayments upon the occurrence of certain events, including illegality (subject to a mitigation regime) or total loss of a vessel. The lessor is required to transfer title of the ship to Hapag-Lloyd AG or UASC Limited, as the case may be, once the termination sum (covering all amounts payable to the finance parties pursuant to the transaction documents) under the bareboat charter agreement has been paid and all other obligations have been performed thereunder.

The JOLCO transactions contain certain information undertakings and other general undertakings customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants, covenants to preserve and protect the collateral and financial reporting requirements.

Hapag-Lloyd AG, as lessee and/or guarantor, generally makes customary representations and is subject to customary covenants, including standard reporting and financial covenants. The facility agreement further provide for customary events of default, such as failure to make timely payment or breach of representations and covenants.

The table below identifies our outstanding JOLCO transactions, listed by maturity order, as of December 31, 2020.

	Maturity	Outstanding Amount (in US$ million)
BNP Vessel JOLCO 2019	2026	82.4
Crédit Agricole Vessel JOLCO 2019	2027	85.1
BNP Vessel JOLCO 2018	2026	194.5
Soc Gen Vessel JOLCO 2020	2027	69.9

Container Financings

For the purpose of refinancing the acquisition of certain marine cargo containers operated by Hapag-Lloyd AG or subsidiaries of Hapag-Lloyd AG and by UASC Limited have entered into several sale and lease-back transactions provided through JOLCO structures. The marine cargo containers were purchased from Hapag-Lloyd AG or subsidiaries of UASC Limited by a Japanese special purpose company (as lessor). The financing of the container purchase is made available through a combination of loan and equity contributions. The equity is contributed by Japanese investors through a Japanese Equity Arranger. The loan portion is provided by a bank or a syndicate of banks pursuant to certain loan agreements. The marine cargo containers are leased back ultimately to Hapag-Lloyd AG through lease agreements with the Japanese special purpose company and, as the case may be, through inter-group sub-leasing arrangements. All obligations of subsidiaries of UASC Limited as lessees under the JOLCO transactions are guaranteed by UASC Limited and Hapag-Lloyd AG.

Principal and interest under the JOLCO transactions are payable quarterly in arrear ending on the final repayment date with a final balloon installment due on the final repayment date. The final balloon installment under each JOLCO transaction is subject to the exercise of an option to purchase the containers at the end of the lease term for a fixed purchase option price. In case the purchase option is not exercised the lease continues for a certain period until the marine cargo containers have to be returned to the lessor according to certain return conditions customary to JOLCO transactions of this nature.

All obligations are secured by asset securities customary for this type of asset financing transaction, including a mortgage over the financed containers in favor of the lenders, and a general assignment by each of Hapag-Lloyd AG and/or UASC Limited and its respective subsidiary, and the Japanese special purpose company in favor of the lenders of their respective rights in the insurances and transaction documents.

The JOLCO transactions contemplate mandatory prepayments upon the occurrence of certain events, including in case of sale or total loss of containers in excess of certain thresholds.

The JOLCO transactions contain certain information undertakings and other general undertakings customary for an asset financing facility of this nature, including single-purpose entity restrictive covenants, covenants to preserve and protect the collateral and financial reporting requirements.

Hapag-Lloyd AG, as lessee and/or guarantor, generally makes customary representations and is subject to customary covenants, including standard reporting and financial covenants. The facility agreements further provide for customary events of default, such as failure to make timely payment or breach of representations and covenants.

The table below identifies our outstanding JOLCO transactions, listed by maturity order, as of December 31, 2020.

	Maturity	Outstanding Amount (in US$ million)
Japanese Operating Leases HLAG	2021-2028	1,007.6
Al-Mutanabbi JOLCO Financing	2021	14.9
Wakrah JOLCO Financing	2022	16.2
Busaiteen JOLCO Financing	2022	22.1
Manamah JOLCO Financing	2022	35.6
Hira JOLCO Financing	2021	22.4
Al Madinah JOLCO Financing	2022	39.9
Al Oyun JOLCO Financing	2022	75.1

Other Financial Debt

Vessel Capital Leases

Hapag-Lloyd AG as seller and lessee entered into sale and lease-back transactions in relation to certain container vessels pursuant to certain bareboat charter agreements in connection with respective purchase agreements, each amended and/or restated from time to time, between the relevant obligor, as seller and lessee, and certain special purpose companies, as purchaser and lessor, owned and set-up by Chinese leasing companies. The bareboat charter requires Hapag-Lloyd AG to pay all costs and expenses in connection with the use, operation, maintenance and repair of the container vessels.

As customary for this type of financing, security interests, among others, in the form of a first ranking mortgage on the financed vessel and assignment of insurance and requisition compensation are granted to the benefit of the finance parties.

Vessel capital lease facility agreements authorize voluntary prepayments, subject to customary conditions, and include mandatory prepayments upon the occurrence of certain events, including in case of total loss of a vessel. We generally make customary representations and are subject to customary covenants, including standard reporting and financial covenants, which are the same for all our financing facilities. The facility agreements further provide for customary events of default, such as failure to make timely payment or breach of representations and covenants.

The table below identifies the outstanding vessel capital lease facilities, listed by maturity order, as of December 31, 2020.

	Maturity	Outstanding Amount (in US$ million)
China Lease I	2027	154.8
China Lease II	2027	94.9
China Lease III	2027	96.3
China Lease IV	2032	439.0
China Lease V	2032	100.0

Container Capital Leases

Hapag-Lloyd AG as lessee entered into or succeeded UASC Limited as lessee in certain lease agreements with container leasing companies as lessors relating to certain marine cargo containers, either by sale-and-lease-back transactions or pursuant to purchase order assignments in relation to the leased containers (as amended from time to time). The lease agreements provide for net leases and,

therefore, Hapag-Lloyd AG is obliged to pay all costs and expenses in connection with the use, operation, maintenance and repair of the equipment.

Generally the rent is payable on a monthly basis and is dependent on a US$-denominated per diem rental rate per container unit. At the end of the lease term the lessor usually provides for a right of Hapag-Lloyd AG to purchase all of the container units upon the expiration date and to pay to the lessor on such date a certain purchase price per container unit.

The lease agreements provide for certain information undertakings, undertakings as to insurance and general undertakings in each case customary for an asset lease agreement of this nature. Hapag-Lloyd AG agreed to grant security interests, subject to certain conditions, to the lessor in any and all rights, title and interests which Hapag-Lloyd AG now or may have in the relevant container units.

The lessor may, subject to applicable cure periods, terminate the respective lease agreement in the case an event of default, such as failure to make timely payment or breach of representations and covenants, has occurred.

The table below identifies our outstanding container finance leases, listed by maturity order, as of December 31, 2020.

	Maturity	Outstanding Amount (in US$ million)
TAL Container Finance Lease July 2013	2021	6.2
SeaCube Container Finance Lease 2013	2021	21.9
TAL Container Finance Lease September 2013	2021	9.1
Beacon Intermodal Lease Agreement 2016	2024	21.1
Dong Fang Lease Addendum	2022	3.2
Textainer Finance Leases 2015	2023	15.3
Beacon Intermodal Sale and Lease Back Agreement 2017	2021	0.3
Japanese Operating Leases Equity	2023	85.3
China Lease Container I	2032	46.8

Available Financing Commitments

The table below sets forth our available financing commitments as of December 31, 2020 (excluding commitments under the CTA Revolving Credit Facility Agreement, Container Revolving Credit Facility Agreement and the Asset Backed Securities Program), listed by order of end of availability period.

	End of Availability Period	Remaining available financing commitment (in US$ million)
ABN Container Financing	January 31, 2021	82.5
Scrubber I	March 31, 2021	65.3
SocGen JOLCO Al Riffa	April 30, 2021	68.0
BNP Vessel JOLCO 2019	July 31, 2021	22.4
China Lease V – Barzan	September 30, 2021	100.0
China Lease Container	December 31, 2021	113.2
Scrubber II	June 30, 2021	40.0
KSure IV – Newbuilds	December 26, 2023; February 25, 2024; April 27, 2024	417.0
China Lease Newbuilds	May 27, 2024; July 14, 2024; July 27, 2024	472.3

Secured Vessel Financing Commitments

Scrubber I & Scrubber II

By agreements dated September 2 and September 30, 2020, Hapag-Lloyd AG and United Arab Shipping Company Limited, as borrowers, entered into a US$100,000,000 facility agreement (Scrubber I) and a US$40,000,000 facility agreement (Scrubber II) (in each case, as amended and restated from time to time), respectively, with KfW IPEX-Bank GmbH for purposes of the re-financing of the purchase and installation of scrubber equipment on vessels. The aforementioned facility agreements include certain undertakings customary for this type of financing. The obligations under the facility

agreements are secured by certain vessels. Subject to certain exceptions, the borrowers are required to repay any outstanding amounts in the event of a change of control, which will occur, *inter alia,* if a new investor acquires more than 50% of the shares in Hapag-Lloyd AG.

As of December 31, 2020, the Scrubber I facility has an available remaining commitment of US$65.3 million and an availability period until March 31, 2021. We intend to draw on our commitment prior to the end of the availability period.

As of December 31, 2020, the Scrubber II facility has an available remaining commitment of US$40.0 million and an availability period until June 30, 2022.

The aforementioned agreements terminate 4.5 years following the respective draw downs (in relation to Scrubber I) and 4 years following the respective draw downs (in relation to Scrubber II).

KSure IV Newbuilds

By agreement dated December 22, 2020, Hapag-Lloyd AG, as borrower, entered into a US$417,000,000 facility agreement with a bank syndicate as lenders for purposes of financing a part of the post-delivery payment obligations in relation to three 23,660 TEU LNG-fueled newbuild container vessels.

The aforementioned facility agreement includes certain undertakings customary for this type of financing. The obligations under the facility agreement are secured by certain vessels. Subject to certain exceptions, the borrowers are required to repay any outstanding amounts in the event of a change of control, which will occur, *inter alia,* if a new investor acquires more than 50% of the shares in Hapag-Lloyd AG. The facility agreement sets forth availability periods for vessels 1, 2 and 3 until December 26, 2023, February 25, 2024 and April 27, 2024, respectively, and terminates 12 years following the respective draw downs.

As of December 31, 2020 and as of the date of this Offering Memorandum, the aforementioned facility was undrawn.

Secured Container Financing Commitment

ABN Container Financing

By agreement dated November 2, 2020, Hapag-Lloyd AG, as borrower, entered into a US$82,500,000 facility agreement with a bank syndicate as lenders for purposes of refinancing a portfolio of new containers and certain existing containers.

The aforementioned facility agreement includes certain undertakings customary for this type of financing. The obligations under the facility agreement are secured by certain vessels. Subject to certain exceptions, the borrowers are required to repay any outstanding amounts in the event of a change of control, which will occur, *inter alia,* if a new investor acquires more than 50% of the shares in Hapag-Lloyd AG.

As of December 31, 2020, the aforementioned facility was undrawn. As of the date of this Offering Memorandum, the aggregate outstanding amount was US$78.3 million.

Vessel Capital Lease Commitments

BNP Vessel JOLCO 2019

By agreement dated May 15, 2019, as amended from time to time, Hapag-Lloyd AG entered into a purchase agreement with NF Shipping Maritime 3 Ltd., NLSHIP1901 Ltd. and Balena Leasing Co., Ltd. (as purchasers) in relation to the sale and transfer of title of one container vessel. Pursuant to the related bareboat charter agreements with the purchasers, as owners, Hapag-Lloyd AG has agreed to charter the container vessel “Brussels Express.” For the refinancing of costs incurred in connection with the conversion of “Brussels Express” into a LNG-fueled container vessel, as of December 31, 2020, a commitment of US$22.4 million remains available under the BNP Vessel Jolco 2019 which must be utilized by July 31, 2021, at the latest.

SocGen Jolco Al Riffa

For the refinancing of the vessel “Al Riffa” Hapag-Lloyd AG and United Arab Shipping Company Limited have entered into a term-sheet and commitment letter with NTT TC Leasing Co., Ltd. and

Société Générale, Tokyo Branch to enter into a vessel purchase agreement, bareboat charter agreement, facility agreement and security documents until April 30, 2021, between the purchasers as owners, United Arab Shipping Company Limited as charterer and Hapag-Lloyd as guarantor for the refinancing of one 13,100 TEU container vessel "Al Riffa" in an amount of up to US$68 million.

China Lease V – Barzan

By agreements dated November 5, 2020, Hapag-Lloyd AG, as guarantor, and United Arab Shipping Company Limited, as seller and lessee, entered into a purchase agreement and bareboat charter agreement with Hai Kuo Shipping 2022C Limited, as purchaser and lessor for purposes of refinancing the container vessel "MV Barzan." Pursuant to the purchase agreement, the seller has agreed to sell the "MV Barzan" for an amount of US$100.0 million no later than by September 30, 2021 and to, in turn, lease back the aforementioned vessel from the purchaser and lessor.

As of December 31, 2020, United Arab Shipping Company Limited has not received any payments under the aforementioned agreement.

China Lease Newbuilds

By agreements dated January 8, 2021, Hapag-Lloyd AG, as seller and lessee, entered into three purchase agreements and three bareboat charter agreements with Hai Kuo Shipping 2025C Limited, Hai Kuo Shipping 2026C Limited, Hai Kuo Shipping 2037G Limited as purchasers and lessors for purposes of financing parts of the pre- and post-delivery payment obligations in relation to the acquisition of three 23,660 TEU LNG-fueled newbuild container vessels mentioned above.

Pursuant to the purchase agreements, the seller has agreed to sell to the each of the aforementioned purchasers and lessors one of the newbuild container vessels for an aggregate purchase price of US$472.32 million no later than by May 27, 2024 (with respect to Hai Kuo Shipping 2025C Limited), July 14, 2024 (with respect to Hai Kuo Shipping 2026C Limited) and July 27, 2024 (with respect to Hai Kuo Shipping 2037G Limited) and to, in turn, lease back such vessel from the relevant purchaser and lessor.

As of the date of this Offering Memorandum, Hapag-Lloyd AG has not received any payments under the aforementioned agreements.

Container Capital Lease Commitments

China Lease Container

For the refinancing of new containers Hapag-Lloyd AG has entered into a letter of intent with ICBC Financial Leasing Company to enter into container purchase agreements, equipment lease agreements and security agreements, with Hapag-Lloyd AG as seller and lessee and certain special purpose companies belonging to ICBC Financial Leasing Company as purchasers and lessors in relation to the sale and transfer of title to the container units.

The aforementioned facility has an available remaining commitment of US$113.2 million and an availability period until December 31, 2021.

DESCRIPTION OF THE NOTES

*The definitions of certain terms used in this description are set forth under the subheading "—Certain Definitions." In this "Description of the Notes," the word "**Issuer**" refers only to Hapag-Lloyd Aktiengesellschaft and not to any of its Subsidiaries.*

The Issuer will issue €300.0 million aggregate principal amount of Sustainability-Linked Senior Notes due 2028 (the "**Notes**") under an indenture to be dated April 6, 2021 (the "**Indenture**") among the Issuer, Deutsche Bank Luxembourg S.A., as registrar and transfer agent, Deutsche Trustee Company Limited, as trustee (the "**Trustee**") and Deutsche Bank AG, London Branch, as paying agent. The word "Notes" refers also to "Book-Entry Interests" in the Notes, as defined herein. Except as set forth herein, the terms of the Notes include those set forth in the Indenture.

The following description is only a summary of the material terms of the Indenture. It does not, however, restate the Indenture in its entirety, and where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all the provisions of the Notes and the Indenture. You should read the Indenture because it contains additional information and because it and not this description defines your rights as a holder of the Notes. A copy of the form of the Indenture may be obtained by requesting it from the Issuer at the address indicated under "*Listing and General Information.*"

The Indenture will not be qualified under or be subject to the Trust Indenture Act. Consequently, the Holders of Notes generally will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture, including those requiring the Trustee to resign in the event of certain conflicts of interest and to inform the Holders of Notes of certain relationships between it and the Issuer.

The Issuer has made an application for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and traded on the Euro MTF Market. See "*—Payments on the Notes; Paying Agent, Registrar and Transfer Agent for the Notes*."

The registered holder of a Note will be treated as the owner of it for all purposes. Only registered holders will have rights under the Indenture.

Brief Description of the Notes

The Notes will be general unsecured obligations of the Issuer. The Notes will mature on April 15, 2028.

The Guarantees

In the future, under certain circumstances, certain Subsidiaries (the "**Guarantors**" and each, a "**Guarantor**") of the Issuer may guarantee (the "**Guarantees**") the Notes as described under "*—Limitation on Guarantees of Debt by Restricted Subsidiaries*."

Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor.

Ranking of the Notes and the Guarantees

The Notes

The Notes will be senior debt of the Issuer and will:

(a) rank *pari passu* in right of payment with all the Issuer's existing and future indebtedness that is not subordinated in right of payment to the Notes;

(b) rank senior in right of payment to any and all the Issuer's existing and future indebtedness that is subordinated in right of payment to the Notes;

(c) effectively be subordinated in right of payment to any and all the Issuer's existing and future indebtedness that is secured including indebtedness financing Vessels and containers to the extent of the value of the assets securing such indebtedness; and

(d) be structurally subordinated to all existing and future obligations of the Issuer's subsidiaries.

As of December 31, 2020, after giving effect to the offering of the Notes and the application of the proceeds therefrom:

(a) the Issuer would have had total indebtedness of €5,125.4 million, which includes €3,367.5 million of secured indebtedness; and

(b) all Restricted Subsidiaries would have had liabilities in the aggregate amount of €1,195.5 million, comprising among others (i) United Arab Shipping Company Ltd. with €479.7 million, (ii) UASC Ships (No. 7) Limited with € 150.4 million, (iii) UASC Ships (No. 8) Limited with €144.8 million, (iv) Hapag-Lloyd Special Finance DAC with €81.6 million and (v) Hapag-Lloyd Grundstücksholding GmbH with €73.8 million.

As of the Issue Date, none of the Issuer's Subsidiaries will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will likely be required to repay financial and trade creditors before distributing any assets to the Issuer.

As of the Issue Date, all the Issuer's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under the caption "*—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*," the Issuer will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries of the Issuer will not be subject to any of the restrictive covenants in the Indenture.

Although the Indenture will contain limitations on the amount of additional Debt that the Issuer and the Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial.

Principal, Maturity and Interest

The Notes will mature on April 15, 2028. 100% of the respective principal amount of such Notes shall be payable on such respective date, unless redeemed prior thereto as described herein. The Issuer will issue an aggregate principal amount of €300.0 million of Notes in this offering. Subject to the covenant described under "*—Certain Covenants—Limitation on Debt*," the Issuer will be permitted to issue additional Notes ("**Additional Notes**"), from time to time, as further issuances under the Indenture. The Notes and the Additional Notes subsequently issued under the Indenture will be treated as a single class for all purposes of the Indenture, including waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture: *provided* that, if any Additional Notes subsequently issued are not fungible for U.S. federal income tax purposes with any Notes previously issued, such Additional Notes shall trade separately from such previously issued notes under a separate ISIN number but shall otherwise be treated as a single class with all other Notes issued under the Indenture. Unless the context otherwise requires, references to the "Notes" for all purposes of the Indenture and in this "Description of the Notes" include references to any Additional Notes that are actually issued.

Interest on the Notes will accrue at the rate of 2.50% *per annum*. Interest on the Notes will be payable semi-annually in arrears from the Issue Date or from the most recent interest payment date to which interest has been paid or provided for, whichever is the later.

From and including October 15, 2025, the interest rate payable on the Notes shall be increased by 0.25% per annum (the "**Target Step-Up**"), unless the Issuer has notified the Trustee and Paying Agent in writing (such notification, the "**Target Satisfaction Notice**") no later than July 31, 2025, that it has determined that the Issuer has attained the Sustainability Performance Target and received an Assurance Letter. The Trustee and Paying Agent shall be entitled to conclusively rely on the Target Satisfaction Notice from the Issuer, shall have no duty to inquire as to or investigate the accuracy of any Target Satisfaction Notice or Assurance Letter, verify the attainment of the Sustainability Performance Target or Assurance Letter, or make calculations, investigations or determinations with respect to the attainment of the Sustainability Performance Target or Assurance Letter. The Trustee and Paying Agent shall have no liability to the Issuer, any Holder or any other Person in acting in good faith on any Target Satisfaction Notice.

Interest will be payable on each Note on April 15 and October 15 of each year, commencing on October 15, 2021. The Issuer will pay interest on each Note to holders of record of each Note in respect

of the principal amount thereof outstanding as of the immediately preceding April 14 and October 14 as the case may be. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months on the aggregate nominal outstanding and will be paid on overdue principal and other overdue amounts at the same rate.

Form of Notes

The Notes will be issued on the Issue Date only in fully registered global form without coupons and only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act ("**Rule 144A**") will initially be represented by a Global Note in registered form without interest coupons attached (the "**144A Global Notes**"). The 144A Global Notes will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by a Global Note in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the 144A Global Notes, the "**Global Notes**"). The Regulation S Global Notes will be deposited, on the closing date, with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. Prior to the date that is 40 days after the later of the commencement of the offering or the closing date, beneficial interests in the Regulation S Global Notes may be held only through Euroclear and Clearstream. See "*Book-Entry, Delivery and Form.*"

Transfer and Exchange

The Global Notes may be transferred in accordance with the Indenture. Ownership of interests in the Global Notes (the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Notice to Investors" and "Transfer restrictions." In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants. Book-Entry Interests in the 144A Global Note, or the "**Restricted Book-Entry Interests**," may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note, or the "**Regulation S Book-Entry Interests**," only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

If definitive registered Notes in certificated form ("**Definitive Registered Notes**") are issued, they will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof upon receipt by the Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Transfer restrictions*."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents to the Registrar, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any Taxes payable in connection with such transfer or exchange; *provided* that if the Issuer or any Guarantor is a party to the transfer or exchange, the Holder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Issuer will not be required to register the transfer of any Definitive Registered Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of the Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date; or

(4) which the holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer, Excess Proceeds Offer or Notes Offer.

During the 40-day distribution compliance period, Book-Entry Interests in the Global Notes may be transferred only to non-U.S. persons under Regulation S under the Securities Act or to persons whom the transferor reasonably believes are "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act in a transaction meeting the requirements of Rule 144A or otherwise in accordance with applicable transfer restrictions and any applicable securities laws of any state of the United States or any other jurisdiction. The Notes will be subject to certain other restrictions on transfer and certification requirements, as described under "*Notice to Investors*" and "*Transfer Restrictions*."

Payments on the Notes; Paying Agent, Registrar and Transfer Agent for the Notes

The Issuer will maintain one or more paying agents (each, a "**Paying Agent**" and, together, the "**Paying Agents**") for the Notes in the City of London and Luxembourg for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require. Currently, the rules of the Luxembourg Stock Exchange do not require a paying agent in Luxembourg. The initial Paying Agent will be Deutsche Bank AG, London Branch in London.

The Issuer may change the Paying Agents, the Registrar or the Transfer Agent without prior notice to the holders of the Notes. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange (*www.bourse.lu*)

In addition, the Issuer or any of its Subsidiaries may act as paying agent in connection with the Notes other than for the purposes of effecting a redemption described under "*—Optional Redemption*" or an offer to purchase the Notes described under "*—Purchase of Notes upon a Change of Control*" or "*—Certain Covenants—Limitation on Sale of Certain Assets*." The Issuer will make payments on the Global Notes to the Paying Agent for further credit to Euroclear or Clearstream (as applicable) which will in turn, distribute such payments in accordance with its procedures. The Issuer will make all payments in same-day funds.

The Issuer will also maintain one or more registrars (each, a "**Registrar**") with offices in Luxembourg, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require. The Issuer will also maintain a transfer agent in Luxembourg. The initial Registrar will be Deutsche Bank Luxembourg S.A. in Luxembourg for the Notes. The initial transfer agent will be Deutsche Bank Luxembourg S.A. in Luxembourg. No service charge will be made for any registration of a transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange (but not for a redemption).

Additional Amounts

All payments that the Issuer makes under or with respect to the Notes or that the Guarantors make under or with respect to the Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other similar liabilities

related thereto) of whatever nature (collectively, "**Taxes**") imposed or levied on such payments by or on behalf of any jurisdiction in which the Issuer or any Guarantor is incorporated, resident or doing business for tax purposes or from or through which any payment on the Notes is made (including the jurisdiction of any Paying Agent) or by or within any political subdivision or governmental authority of or in any of the foregoing having power to tax (each, a "**Relevant Taxing Jurisdiction**"), unless the Issuer or such Guarantor, as the case may be, is required to withhold or deduct Taxes by law. If any amounts for or on account of Taxes imposed or levied on behalf of a Relevant Taxing Jurisdiction are required to be withheld or deducted from any payment made under or with respect to the Notes or any Guarantee, the Issuer or the Guarantor, as the case may be, will pay additional amounts ("**Additional Amounts**") as may be necessary to ensure that the net amount received after such withholding or deduction (including any withholding or deduction in respect of any Additional Amounts) will not be less than the amount that would have been received if such Taxes had not been withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor any Guarantor will, however, pay Additional Amounts in respect or on account of:

(a) any Taxes, to the extent such Taxes are imposed or levied by a Relevant Taxing Jurisdiction by reason of the holder's or beneficial owner's present or former connection with such Relevant Taxing Jurisdiction, including, without limitation, the holder or beneficial owner being, or having been, a citizen, national, or resident, being, or having been, engaged in a trade or business, or having or having had a permanent establishment in a Relevant Taxing Jurisdiction (but not including, in each case, any connection arising from the mere receipt, ownership, holding or disposition of Notes, or by reason of the receipt of any payments in respect of any Note or any Guarantee, or the exercise or enforcement of rights under any Notes or any Guarantee);

(b) any Taxes to the extent such Taxes are imposed or withheld by reason of the failure of the holder or beneficial owner of Notes, following the Issuer's or Guarantor's written request addressed to the relevant holder or beneficial owner made at a time that would enable the holder or beneficial owner acting reasonably to comply with such request, to comply with any certification, identification, information or other reporting requirements (to the extent such holder or beneficial owner is legally eligible to do so), whether required by statute, treaty, regulation or administrative practice of a Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction);

(c) any estate, inheritance, gift, sales, transfer, personal property or similar Taxes;

(d) any Tax which is payable otherwise than by deduction or withholding from payments made under or with respect to the Notes or any Guarantee;

(e) any Tax imposed on or with respect to any payment by the Issuer or Guarantor to the holder if such holder is a fiduciary, partnership, limited liability company or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had the sole beneficial owner been the holder of such Note;

(f) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where presentation is required in order to receive payment) more than 30 days after the relevant payment is first made available to the holder (except to the extent that the holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 days' period);

(g) any Taxes withheld or deducted on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly referred to as "**FATCA**"), any treaty, law, regulation or other official guidance enacted by any jurisdiction implementing FATCA, any agreement between either of the Issuer, any Guarantor or any other person and the United States or any jurisdiction implementing FATCA, or any intergovernmental agreement between the United States and any jurisdiction implementing FATCA (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement);

(h) any combination of items (a) through (g) above.

The Issuer or the relevant Guarantors, as the case may be, will (i) make such withholding or deduction as is required by applicable law and (ii) remit the full amount deducted or withheld to the relevant taxing authority in accordance with applicable law.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes or any Guarantee is due and payable, if the Issuer or a Guarantor will be obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes or any Guarantee is due and payable, in which case it will be promptly thereafter), the Issuer or the relevant Guarantor (as the case may be) will deliver to the Trustee (copied to the Paying Agent) an Officers' Certificate stating that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Paying Agent to pay such Additional Amounts to holders on the payment date. The Trustee and Paying Agent shall be entitled to rely solely on such Officers' Certificate as conclusive proof that such payments are necessary. The Issuer or the relevant Guarantor (as the case may be) will promptly publish a notice in accordance with the provisions set forth in "—Selection and Notice" stating that such Additional Amounts will be payable and describing the obligation to pay such amounts.

In addition, the Issuer or the Guarantors (as the case may be) will pay any present or future stamp, issue, registration, court, documentary, excise or property taxes or other similar taxes, charges and duties, including without limitation, interest and penalties with respect thereto, imposed by any Relevant Taxing Jurisdiction in respect of the execution, issue, delivery, registration or enforcement of the Notes or any Guarantee or any other document or instrument referred to thereunder (other than on or in connection with a transfer of the Notes other than the initial resale by the Initial Purchasers) or the receipt of any payments with respect thereto (limited, solely in the case of taxes attributable to the receipt of any payments with respect thereto, to any such taxes not excluded under clauses (a) through (c) or (e) through (g) or any combination thereof).

Upon written request, the Issuer or a Guarantor (as the case may be) will furnish to the Trustee or a holder within a reasonable time certified copies of tax receipts evidencing the payment by the Issuer or such Guarantor (as the case may be) of any Taxes imposed or levied by a Relevant Taxing Jurisdiction, in accordance with the procedures described in "—Selection and Notice" hereafter, in such form as provided in the normal course by the taxing authority imposing such Taxes and as is reasonably available to the Issuer or such Guarantor. If, notwithstanding the efforts of the Issuer or Guarantor to obtain such receipts, the same are not obtainable, the Issuer or such Guarantor will provide the Trustee or such holder with other evidence reasonably satisfactory to the Trustee or holder of such payments by the Issuer or Guarantor.

Whenever the Indenture or this "Description of the Notes" refers to, in any context, the payment of principal, premium, if any, interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to a Guarantee), such reference includes the payment of Additional Amounts, if applicable.

The preceding provisions will survive any termination, defeasance or discharge of the Indenture and shall apply *mutatis mutandis* to any jurisdiction in which any successor person to the Issuer or any Guarantor is incorporated, resident or doing business for tax purposes or any jurisdiction from or through which any payment is made on the Notes (or any Guarantee) (including the jurisdiction of any Paying Agent) and any political subdivision or taxing authority or agency thereof or therein.

Currency Indemnity

The sole currency of account and payment for all sums payable under the Notes and the Indenture is euro. Any amount received or recovered in respect of the Notes in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Subsidiary or otherwise) by the Trustee or a holder of the Notes in respect of any sum expressed to be due to such holder from the Issuer will constitute a discharge of their obligation only to the extent of the euro amount, which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If the euro amount to be recovered is less than the euro amount expressed to be due

to the recipient under any Note, as applicable, the Issuer will indemnify the recipient against the cost of making any further purchase of euro, in an amount equal to the difference. These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from the Issuer's other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any holder of a Note or Trustee from time to time; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Optional Redemption

Optional Redemption prior to April 15, 2024, upon Public Equity Offering

At any time prior to April 15, 2024, upon not less than 10 nor more than 60 days' written notice, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Notes issued under the Indenture on the date of the Indenture at a redemption price equal to 102.50% of the principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the redemption date (subject to the rights of holders of Notes on the relevant record date to receive interest on the relevant interest payment date), with the net cash proceeds from one or more Public Equity Offerings. The Issuer may only do this, however, if:

(a) at least 60% of the aggregate principal amount of the Notes that were initially issued under the Indenture (excluding Notes held by the Issuer or any of its Subsidiaries) would remain outstanding immediately after the occurrence of such proposed redemption; and

(b) the redemption occurs within 90 days after the closing of such Public Equity Offering.

Notice of any redemption upon any Public Equity Offering may be given prior to the completion thereof, and any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent, including, but not limited to, completion of the related Public Equity Offering.

Optional Redemption of the Notes prior to April 15, 2024

At any time prior to April 15, 2024 upon not less than 10 nor more than 60 days' written notice, the Issuer may also redeem all or part of the Notes, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium of the Notes plus accrued and unpaid interest on the Notes to, but not including, the redemption date. Any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent.

Optional Redemption of the Notes on or after April 15, 2024

At any time on or after April 15, 2024, other than in the event of a Target Step-Up, and prior to maturity, upon not less than 10 nor more than 60 days' written notice, the Issuer may redeem all or part of the Notes. These redemptions will be in amounts of €100,000 or integral multiples of €1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to, but not including, the redemption date, if redeemed during the 12-month period commencing on April 15 of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

Year	Redemption Prices
2024	101.375%
2025	100.688%
2026 and thereafter	100.000%

Any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent.

Optional Redemption of the Notes on or after April 15, 2026 in the Event of a Target Step-Up

At any time on or after April 15, 2026, in the Event of a Target Step-Up and prior to maturity, upon not less than 10 nor more than 60 days' written notice, the Issuer may redeem all or part of the Notes. These redemptions will be in amounts of €100,000 or integral multiples of €1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest, if any, to, but not including, the redemption date, if redeemed during the 12-month period commencing on April 15 of the years set forth below. This redemption is subject to the right of holders of record on the relevant regular record date that is prior to the redemption date to receive interest due on an interest payment date.

Year	Redemption Prices
2026	100.344%
2027 and thereafter	100.000%

Any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent.

Redemption upon Changes in Withholding Taxes

If, as a result of:

(a) any amendment to, or change in, the laws (or regulations or rulings promulgated thereunder) or relevant treaties of any Relevant Taxing Jurisdiction; or

(b) any change in the official application or official interpretation or administration of such laws, regulations or rulings or relevant treaties (including by virtue of a holding, judgment or order by a court of competent jurisdiction or a change in published practice) of any Relevant Taxing Jurisdiction (each of the foregoing clauses (a) and (b), a "**Change in Tax Law**"),

the Issuer or any Guarantor would be obligated to pay, on the next date for any payment, Additional Amounts as described above under "*—Additional Amounts*," which obligation the Issuer or such Guarantor cannot avoid by the use of reasonable measures available to it (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable and, in the case of a payment by a Guarantor, that the payment giving rise to such requirement to pay Additional Amounts cannot be made by the Issuer or another Guarantor without the obligation to pay Additional Amounts), then the Issuer may redeem all, but not less than all, of the Notes, at any time thereafter, upon not less than 10 nor more than 60 days' notice (which notice shall be irrevocable and given in accordance with the procedures described in "*—Selection and Notice*"), at a redemption price of 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date and all Additional Amounts (if any) then due and that will become due on the redemption date as a result of the redemption or otherwise. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that is a Relevant Taxing Jurisdiction at the date of the Indenture, such Change in Tax Law must become effective on or after the date of the Indenture. In the case of redemption due to withholding as a result of a Change in Tax Law in a jurisdiction that becomes a Relevant Taxing Jurisdiction after the date of the Indenture, such Change in Tax Law must become effective on or after the date the jurisdiction becomes a Relevant Taxing Jurisdiction. Prior to the giving of any notice of the redemption described in this paragraph, the Issuer or the Guarantor (as the case may be) will deliver to the Trustee and the Paying Agent:

(a) an Officers' Certificate of the Issuer or a Guarantor (as the case may be) stating that the obligation to pay such Additional Amounts cannot be avoided by the Issuer's or such Guarantor's taking reasonable measures available to it; and

(b) a written opinion of independent legal counsel of recognized standing addressed to the Issuer or Guarantor (as the case may be) qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer or such Guarantor has or will become obligated to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept, and shall be entitled to rely on, such Officers' Certificate and opinion of counsel, delivered in compliance with clauses (a) and (b) above, as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the holders of the Notes.

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 90 days prior to the earliest date on which the Issuer or Guarantor (as the case may be) would be obliged to make such payment of Additional Amounts if a payment in respect of the Notes, were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

The foregoing provisions shall apply *mutatis mutandis* to any Guarantor (and the related Guarantee) to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

The Issuer will publish a notice of any optional redemption of the Notes described above in accordance with the caption entitled "*—Selection and Notice*."

Post-Tender Redemption

In connection with any tender offer for the Notes, if holders of Notes of not less than 90% in aggregate principal amount of the outstanding Notes validly tendered and did not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer *in lieu* of the Issuer, purchases all of the Notes validly tendered and not withdrawn by such Holders, all of the holders of the Notes will be deemed to have consented to such tender or other offer and, accordingly, the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior written notice, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase, at a price equal to the price offered to each other holder of Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding such redemption date.

Sinking Fund; Offers to Purchase; Open Market Purchases

The Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the captions "*—Purchase of Notes upon a Change of Control*" and "*—Certain Covenants—Limitation on Sale of Certain Assets.*" The Issuer and any Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise.

Purchase of Notes upon a Change of Control

If a Change of Control occurs at any time, then the Issuer must make an offer (a "**Change of Control Offer**") to each holder of Notes to repurchase all or any part (equal to €100,000 or in integral multiples of €1,000 in excess thereof) of such holder's Notes, at a purchase price (the "**Change of Control Purchase Price**") in cash in an amount equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the date of purchase (the "**Change of Control Purchase Date**") (subject to the rights of holders of record on relevant regular record dates that are prior to the Change of Control Purchase Date to receive interest due on an interest payment date). Purchases made under a Change of Control Offer will also be subject to other procedures set forth in the Indenture.

Unless the Issuer has unconditionally exercised its right to redeem all the Notes in accordance with the Indenture and all conditions to such redemption have been satisfied or waived, within 30 days following any Change of Control, the Issuer will deliver a notice to each holder of the Notes at such holder's registered address or otherwise deliver a notice in accordance with the procedures described under "*—Selection and Notice*," stating that a Change of Control Offer is being made and offering to repurchase Notes on the Change of Control Purchase Date, and the notice will state:

(i) that a Change of Control has occurred, and the date it occurred and offering to purchase the Notes on the date specified in the notice;

(ii) the circumstances and relevant facts regarding such Change of Control (including, but not limited to, applicable information with respect to *pro forma* historical income, cash flow and capitalization after giving effect to the Change of Control);

(iii) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a Business Day no earlier than 10 days nor later than 60 days from the date such notice is

mailed, or such later date as is necessary to comply with requirements under the Exchange Act and any applicable securities laws or regulations;

(iv) that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid;

(v) that any Note (or part thereof) not tendered will continue to accrue interest; and

(vi) any other procedures that a holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

The Paying Agent will promptly mail (or cause to be delivered) to each holder of Notes properly tendered the Change of Control Purchase Price for such Notes. The Trustee (or the authenticating agent appointed by it) will promptly authenticate and deliver (or cause to be transferred by book-entry) to each holder a new Note or Notes equal in principal amount to any unpurchased portion of Notes surrendered, if any, to the holder of Notes in global form or to each holder of certificated Notes; *provided* that each new Note will be in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

The ability of the Issuer to repurchase Notes pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that would constitute a Change of Control could constitute a default under the Senior Credit Facilities. In addition, certain events that may constitute a change of control under the Senior Credit Facilities may not constitute a Change of Control under the Indenture. The future indebtedness of the Issuer or the Issuer's Subsidiaries may also require such indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the holders of the Notes of their right to require a repurchase of the Notes upon a Change of Control could cause a default under such indebtedness, even if the Change of Control itself does not, due to the possible financial effect on the Issuer of such repurchase.

If a Change of Control Offer is made, the Issuer cannot provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by holders of the Notes seeking to accept the Change of Control Offer. If the Issuer fails to make or consummate a Change of Control Offer or pay the Change of Control Purchase Price when due, such failure would result in an Event of Default and would give the Trustee and the holders of the Notes the rights described under "*—Events of Default*."

Even if sufficient funds were otherwise available, the terms of the other indebtedness of the Issuer and its Subsidiaries may prohibit the prepayment of the Notes prior to their scheduled maturity. If the Issuer was not able to prepay any indebtedness containing any such restrictions or obtain requisite consents, the Issuer would be unable to fulfill its repurchase obligations to holders of Notes who exercise their right to redeem their Notes following a Change of Control, which would cause a Default under the Indenture. A Default under the Indenture, unless waived by holders, would result in a cross default under certain of the financing arrangements described under "Description of Certain Financing Arrangements."

The Issuer will not be required to make a Change of Control Offer if (1) a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer, or (2) a notice of redemption has been given pursuant to the Indenture as described above under the caption "*—Optional Redemption*," unless and until there is a default in payment of the applicable redemption price. The Change of Control provisions described above will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the provisions of the Indenture will not give holders the right to require the Issuer to repurchase the Notes in the event of certain highly leveraged transactions, or certain other transactions, including a reorganization, restructuring, merger or similar transaction that may adversely affect holders of the Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including the "*—Limitation on Debt*" covenant. The existence of a holder of the Notes' right to require the Issuer to repurchase such holder's Notes upon a Change of Control may deter a third-party from acquiring the Issuer or its Subsidiaries in a transaction which constitutes a Change of Control.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such conflict.

"**Change of Control**" means the occurrence of any of the following events:

(a) the consummation of any transaction (including, without limitation, any merger or consolidation), the result of which is that any person or group, other than one or more Permitted Holders, is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer;

(b) the sale, transfer, conveyance or other disposition (other than by way of merger, consolidation or transfer of the Issuer's Voting Stock) of all or substantially all the assets (other than Capital Stock, Debt or other securities of any Unrestricted Subsidiary) of the Issuer and its Restricted Subsidiaries, taken as a whole, to any person other than to one or more Permitted Holders or, in the case of the sale, transfer, conveyance or other disposition of assets of the Issuer or any Restricted Subsidiary, if any person or group other than one or more Permitted Holders, is or as a result of such transaction becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the transferee entity; or

(c) the Issuer is liquidated or dissolved or adopts a plan of liquidation or dissolution other than in a transaction which complies with the provisions described under "*—Certain Covenants—Consolidation, Merger and Sale of Assets*."

For the purposes of this definition, (i) "person" and "group" have the meanings they have in Sections 13(d) and 14(d) of the Exchange Act; (ii) "beneficial owner" is used as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time; and (iii) a person or group will be deemed to beneficially own all Voting Stock of an entity held by a parent entity, if such person or group is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power of the Voting Stock of such parent entity.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Selection and Notice

Notices of redemption may be made subject to conditions precedent.

If fewer than all the Notes are to be redeemed at any time, the Paying Agent or the Registrar will select the Notes for redemption on a proportionate basis by way of pool factor in accordance with the applicable procedures of Euroclear or Clearstream unless otherwise required by law or applicable stock exchange. Neither the Paying Agent nor the Registrar shall be liable for any selections made by it in accordance with this paragraph.

Notices of redemption will be mailed by first class mail at least 10 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note will state the portion of the principal amount of that Note that is to be redeemed. While the Notes are held in certificated form, a new Note in principal amount equal to the unredeemed portion of the original

Note will be issued in the name of the holder of Notes upon cancellation of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes or portions of Notes redeemed.

For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the Luxembourg Stock Exchange so require, any such notice to the holders of the relevant Notes shall also be published in a newspaper having a general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding.

Suspension of Certain Covenants When Notes Rated Investment Grade

If on any date following the Issue Date, the Notes have an Investment Grade Rating from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing under the Indenture (a "**Suspension Event**"), beginning on the day of the Suspension Event and continuing until such time (the "**Suspension Period**"), if any, at which the such Notes cease to have an Investment Grade Rating from each Rating Agency (the "**Reversion Date**"), the provisions of the applicable Indenture summarized under the following captions, and, in each case, any related default provision of the applicable Indenture, will not apply to such Notes:

(1) "*—Certain Covenants—Limitation on Debt*;"

(2) "*—Certain Covenants—Limitation on Restricted Payments*;"

(3) "*—Certain Covenants—Limitation on Transactions with Affiliates*;"

(4) "*—Certain Covenants—Limitation on Sale of Certain Assets*;"

(5) "*—Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries*;"

(6) "*—Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*;"

(7) "*—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*;" and

(8) "*—Certain Covenants—Consolidation, Merger and Sale of Assets*" (but only clause (c) of such covenant).

Such covenants and any related default provisions will again apply according to their terms on and after the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of the Restricted Subsidiaries properly taken during the Suspension Period, and the "*—Certain Covenants—Limitation on Restricted Payments*" covenant will be interpreted as if it had been in effect since the date of the Indenture except that no default will be deemed to have occurred solely by reason of a Restricted Payment made during the Suspension Period. On the Reversion Date, all Debt incurred during the continuance of the Suspension Period will be classified as having been incurred pursuant to clause (2)(e) of the covenant described under "*—Certain covenants—Limitation on Debt*." Upon the occurrence of a Suspension Period, the amount of Excess Proceeds shall be reset at zero.

The Issuer shall notify the Trustee that the two conditions set forth in the first paragraph under this covenant have been satisfied, *provided* that such notification shall not be a condition for the suspension of the covenants set forth above to be effective. The Trustee shall not be obliged to notify holders of such event.

Certain Covenants

The Indenture will contain, among others, the following covenants:

Limitation on Debt

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "incur" or, as appropriate, an "incurrence"), any Debt (including any Acquired Debt); *provided* that the Issuer and any other Guarantor will be permitted to incur Debt (including Acquired Debt) if, after giving effect to the incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, the Consolidated Fixed Charge Coverage Ratio for the four full fiscal quarters for which financial statements are available immediately preceding the incurrence of such Debt, taken as one period, would be greater than 2.0 to 1.0.

(2) This covenant will not, however, prohibit the following (collectively, "**Permitted Debt**"):

(a) the incurrence by the Issuer of Debt represented by the Notes issued on the Issue Date and the guarantee of the Notes by any Restricted Subsidiary;

(b) the incurrence by the Issuer or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount not to exceed the greater of (i) €900.0 million and (ii) 6.0% of Total Assets, including all Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (b);

(c) [***Reserved***];

(d) the incurrence by the Issuer or any Restricted Subsidiary of intercompany Debt between the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided* that:

(i) if the Issuer is the obligor on any such Debt and the payee is not the Issuer or a Guarantor, (x) unless required by a Credit Facility, such Debt is unsecured and (y) it is subordinated in right of payment to the Notes or Guarantees, as applicable; and

(ii) (x) any disposition, pledge or transfer of any such Debt to a Person (other than a disposition, pledge or transfer to the Issuer or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing by the Issuer or a Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an incurrence of such Debt not permitted by this clause (d);

(e) any Debt of any Restricted Subsidiary (other than Debt described in clauses (a) and (b) of this paragraph) outstanding on the date of the Indenture after giving effect to the use of proceeds of the issuance of the Notes on the Issue Date;

(f) guarantees of the Issuer's Debt or Debt of any Restricted Subsidiary by the Issuer or any Restricted Subsidiary; *provided* that the Restricted Subsidiary complies with the provisions of the "*—Limitation on Guarantees of Debt by Restricted Subsidiaries*" covenant described below;

(g) the incurrence by the Issuer or any Restricted Subsidiary of Debt arising from customary agreements providing for guarantees, indemnities or obligations in respect of earnouts or other purchase price adjustments or, in each case, similar obligations, in connection with the acquisition or disposition of any business or assets or Person or any shares of Capital Stock of a Subsidiary, other than guarantees or similar credit support given by the Issuer or any Restricted Subsidiary of Debt incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the net proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received from such disposition;

(h) the incurrence by the Issuer or any Restricted Subsidiary of Debt under Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements, in each case entered into not

for speculative purposes (as determined in good faith by the board of directors or a member of senior management of the Issuer) (collectively, "**Hedging Obligations**");

(i) the incurrence by the Issuer or any Restricted Subsidiary of Debt :

(x) represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations or other Debt, in each case, incurred in connection with the financing of all or any part of the purchase price, charter expense, lease expense, rental payments or cost of design, construction, installation or improvement of Vessels, containers, port terminal facilities (including bunkering stations (but excluding bunker fuel stored except where incidental to such purchase or acquisition) and dry port facilities) and logistics assets related to such Vessels, containers or port terminals (including in each case Capital Stock of any Person the principal business of which consists of the provision of Vessels, containers, port terminal facilities (including bunkering stations and dry port facilities) or logistics assets related to such Vessels, containers or port terminals) used in the business of the Issuer or any of its Restricted Subsidiaries (including any reasonable related fees or expenses incurred in connection therewith), whether through the charter of, leasing of, or the direct purchase of, or of the Capital Stock of any Person owning, such Vessels or containers (including any Debt deemed to be incurred in connection with such purchase) (it being understood that any such Debt may be incurred after the acquisition, purchase, charter or leasing or the construction, installation or the making of any improvement with respect to any such Vessel or container); *provided* that the principal amount of Debt incurred pursuant to this clause (i)(x), including all Debt incurred pursuant to this clause (i)(x) to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (i)(x), does not, at the time of incurrence, exceed (i) in the case of a completed Vessel, 85% of its Fair Market Value, (ii) in the case of an uncompleted Vessel, 85% of the contract price for the acquisition of such Vessel, as determined on the date on which the agreement for construction of such Vessel was entered into by the Issuer or any Restricted Subsidiary, plus any other Ready for Sea Cost of such Vessel, (iii) in the case of a completed container, 100% of its Fair Market Value; (iv) in the case of an uncompleted container, 100% of the contract price for the acquisition of such container, as determined on the date on which the agreement for construction of such container was entered into by the Issuer or any Restricted Subsidiary and (v) in the case of such port terminal facilities and logistics assets related to such Vessels, containers or port terminals, 100% of their Fair Market Value;

(y) represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Debt, in each case incurred in connection with Vessels, containers, port terminal facilities (including bunkering stations (but excluding bunker fuel stored) and dry port facilities) and logistics assets related to such Vessels, containers or port terminals (including in each case Capital Stock of any Person the principal business of which consists of the provision of Vessels, containers, port terminal facilities (including bunkering stations and dry port facilities) or logistics assets related to such Vessels, containers or port terminals) used in the Issuer or any Restricted Subsidiary's business (including any reasonable related fees or expenses Incurred in connection therewith); *provided* that the principal amount of such Debt so incurred pursuant to this clause (i)(y) does not, when incurred, exceed 85% of such assets' Fair Market Value; and *provided*, further, that, solely for the purposes of this clause (i)(y) and in the case of a Capitalized Lease Obligation related to a Vessel or Vessels, the Debt incurred (or deemed to be incurred) in respect of such Vessel or Vessels (as the case may be) shall be reduced by the amount of any equity contribution made by any party (other than the Issuer, any Restricted Subsidiary or any Affiliate thereof) in connection with such Capitalized Lease Obligation that is shown as Debt on the consolidated balance sheet of the Issuer; and

(z) represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Debt, in each case incurred in connection with Vessels (including in each case Capital Stock of any Person the principal business of which consists of the provision of Vessels) used in the Issuer or any Restricted Subsidiary's business (including any reasonable related fees or expenses incurred in connection therewith); *provided* that the principal amount of such Debt so incurred pursuant to this clause (i)(z) does not, when incurred, exceed 100% of any such Vessel's Fair Market Value; and

provided, further, that the aggregate principal amount of any outstanding Debt incurred pursuant to this clause (i)(z) does not exceed €350.0 million;

(j) the incurrence by the Issuer or any Restricted Subsidiary of Debt to finance the replacement (through construction or acquisition) of a Vessel upon the total loss, destruction, condemnation, confiscation, requisition, seizure or forfeiture of, or other taking of title or use of, such Vessel (collectively, a "**Total Loss**") in an aggregate amount no greater than the Ready for Sea Cost for such replacement Vessel, in each case less all compensation, damages and other payments (including insurance proceeds other than in respect of business interruption insurance) received by the Issuer or any of its Restricted Subsidiaries from any Person in connection with such Total Loss in excess of amounts actually used to repay Debt secured by the Vessel subject to such Total Loss and any costs and expenses incurred by the Issuer or any of its Restricted Subsidiaries in connection with such Total Loss;

(k) the incurrence by the Issuer or any Restricted Subsidiary of Debt in relation to (i) regular maintenance required on any of the Vessels owned or chartered by the Issuer or any of its Restricted Subsidiaries, (ii) scheduled dry-docking of any of the Vessels owned by the Issuer or any of its Restricted Subsidiaries and (iii) any expenditures that are, or are reasonably expected to be, recoverable from insurance on such Vessels;

(l) the incurrence by the Issuer or any Restricted Subsidiary of Debt through the provision of bonds, guarantees, letters of credit or similar instruments required by the United States Federal Maritime Commission or other governmental or regulatory agencies, including, without limitation, customs authorities; in each case, for Vessels owned or chartered by, or in the ordinary course of business of, the Issuer or any of its Restricted Subsidiaries;

(m) the incurrence by the Issuer or any of its Restricted Subsidiaries of Debt in the form of customer deposits and advance payments received in the ordinary course of business from customers for services purchased in the ordinary course of business;

(n) the incurrence by the Issuer or any Restricted Subsidiary of Debt in any Qualified Securitization Financing;

(o) the incurrence by the Issuer or any Restricted Subsidiary of Debt in respect of workers' compensation and claims arising under similar legislation, captive insurance companies, or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

(p) the incurrence by the Issuer or any Restricted Subsidiary of Debt arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; *provided* that such Debt is extinguished within five Business Days of incurrence, (ii) bankers' acceptances, performance, surety, judgment, appeal or similar bonds, instruments or obligations, (iii) completion guarantees or performance or appeal bonds provided or letters of credit obtained by the Issuer or any Restricted Subsidiary in the ordinary course of business, (iv) VAT or other tax guarantees in the ordinary course of business, (v) the financing of insurance premiums in the ordinary course of business and (vi) any customary cash management, cash pooling or netting or setting off arrangements;

(q) Debt of any Person incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary of the Issuer or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary (other than Debt incurred (i) to provide all or any portion of the funds used to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (ii) otherwise in connection with or contemplation of such acquisition); *provided*, *however*, with respect to this clause (q), that at the time of such acquisition or other transaction pursuant to which such Debt is deemed to be incurred, (x) the Issuer could incur at least €1.00 of additional Debt under paragraph (1) of this covenant, after giving *pro forma* effect to such acquisition or other transaction or (y) the Consolidated Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such acquisition or other transaction;

(r) any Debt incurred by any Restricted Subsidiaries consisting of local lines of credit and overdraft facilities in an aggregate principal amount at any time outstanding not exceeding the greater of (i) €50.0 million and (ii) 0.3% of Total Assets;

(s) the incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge Debt incurred by it pursuant to, or described in, paragraph (1) and clauses 2(a), 2(e), 2(j), 2(q) and this 2(s) of this covenant, as the case may be;

(t) Contribution Debt;

(u) the incurrence by the Issuer or any Restricted Subsidiary of Debt represented by IFRS 16 Lease Obligations; and

(v) the incurrence by the Issuer or any Restricted Subsidiary of Debt (other than and in addition to Debt permitted under clauses (a) through (u) above) in an aggregate principal amount at any one time outstanding, including all Permitted Refinancing Debt incurred to renew, refund, replace, refinance, defease or discharge any Debt incurred pursuant to this clause (v), not to exceed greater of (i) €100.0 million and (ii) 0.6% of Total Assets.

Accrual of interest or dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the obligation to pay commitment fees, the reclassification of preferred stock as Debt due to a change in accounting principles and the payment of interest or dividends in the form of additional Debt or in the form of additional shares of the same class will not be deemed to be an incurrence of Debt for purposes of this covenant.

(1) For purposes of determining compliance with any restriction on the incurrence of Debt in euro where Debt is denominated in a different currency, the amount of such Debt will be the Euro Equivalent determined on the date of such determination; *provided* that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Debt, the amount of such Debt expressed in euro will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt incurred in the same currency as the Debt being refinanced will be the Euro Equivalent of the Debt refinanced determined on the date such Debt being refinanced was initially incurred, except to the extent that such Euro Equivalent was determined based on a Currency Agreement (with respect to euro), in which case the amount of such Permitted Refinancing Debt will be adjusted to take into account the effect of such agreement. Notwithstanding any other provision of this covenant, for purposes of determining compliance with this "*—Limitation on Debt*" covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies or currency values will not be deemed to exceed the maximum amount that the Issuer or a Restricted Subsidiary may incur under this "*—Limitation on Debt*" covenant.

(2) For purposes of determining compliance with this "*—Limitation on Debt*" covenant, when calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Acquisition or an Irrevocable Payment, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements or actions for such Limited Condition Acquisition or Irrevocable Payment are entered into or taken, and such baskets or ratios shall be calculated with such *pro forma* adjustments as are appropriate and consistent with the pro forma provisions set forth in the definition of Consolidated Fixed Charge Coverage Ratio, after giving effect to such Limited Condition Acquisition or Irrevocable Payment and the other transactions to be entered into in connection therewith (including any incurrence of Debt and the use of proceeds thereof) as if they occurred at the beginning of the applicable period for purposes of determining the ability to consummate any such Limited Condition Acquisition or Irrevocable Payment (and not for purposes of any subsequent availability of any basket or ratio), and, for the avoidance of doubt, (1) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in the Total Assets or Consolidated EBITDA of the Issuer or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Acquisition or Irrevocable Payment, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Acquisition or Irrevocable Payment is permitted

hereunder and (2) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Acquisition, Irrevocable Payment or related transactions; *provided*, further, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement or action, any such transactions (including any incurrence of Debt and the use of proceeds therefrom) shall be deemed to have occurred on the date the definitive agreements or action are entered or taken and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement or action and before the consummation of such Limited Condition Acquisition or Irrevocable Payment.

(3) For purposes of determining any particular amount of Debt under this "*—Limitation on Debt*" covenant:

   (a) obligations with respect to letters of credit, guarantees or Liens, in each case supporting Debt otherwise included in the determination of such particular amount will not be included; and

   (b) any Liens granted pursuant to the equal and ratable provisions referred to in the "*—Limitation on Liens*" covenant will not be treated as Debt.

(4) The amount of any Debt outstanding as of any date will be:

   (a) in the case of any Debt issued with original issue discount, the amount of the liability in respect thereof determined in accordance with IFRS;

   (b) the principal amount of the Debt, in the case of any other Debt; and

   (c) in respect of Debt of another Person secured by a Lien on the assets of the specified Person, the lesser of:

      (i) the Fair Market Value of such assets at the date of determination; and

      (ii) the amount of the Debt of the other Person.

(5) If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Debt of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date (and, if such Debt is not permitted to be incurred as of such date under the covenant described under this "*—Certain Covenants—Limitation on Debt*," the Restricted Subsidiary shall be in Default of this covenant).

(6) In the event that an item of Debt meets the criteria of more than one of the types of Debt described in the "*—Limitation on Debt*" covenant, the Issuer, in its sole discretion, will classify items of Debt and will only be required to include the amount and type of such Debt in one of such clauses and the Issuer will be entitled to divide and classify an item of Debt in more than one of the types of Debt described in the "*—Limitation on Debt*" covenant, and may change the classification of an item of Debt (or any portion thereof) to any other type of Debt described in the "*—Limitation on Debt*" covenant at any time.

Limitation on Restricted Payments

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a "**Restricted Payment**" and which are collectively referred to as "**Restricted Payments**"):

   (a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of the Issuer's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger or consolidation involving the Issuer or any Restricted Subsidiary) (other than (i) to the Issuer or any Restricted Subsidiary or (ii) to all holders of Capital Stock of such Restricted Subsidiary on a *pro rata* basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer or such Restricted Subsidiary would receive on a *pro rata* basis); or make any payment of cash interest on Deeply Subordinated Funding, except for dividends or distributions payable solely in shares of the Issuer's Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock;

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation), directly or indirectly, any shares of the Issuer's Capital Stock or any Capital Stock of any direct or indirect parent company of the Issuer held by persons other than the Issuer or a Restricted Subsidiary or any options, warrants or other rights to acquire such shares of Capital Stock;

(c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Debt (excluding any intercompany debt between or among the Issuer or any of its Restricted Subsidiaries) except (i) a payment of interest or principal at the Stated Maturity thereof or (ii) the purchase, repurchase or other acquisition of Debt purchased in anticipation of satisfying a scheduled sinking fund obligation, principal installment or scheduled maturity, in each case due within one year of the date of such purchase, repurchase or other acquisition;

(d) [***Reserved***]; or

(e) make any Investment (other than any Permitted Investment) in any Person.

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the Fair Market Value of the asset to be transferred as of the date of transfer.

(2) Notwithstanding paragraph (1) above, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment;

(b) the Issuer could incur at least €1.00 of additional Debt under paragraph (1) of the "*—Limitation on Debt*" covenant; and

(c) the aggregate amount of all Restricted Payments declared or made after the date of the Indenture (including Restricted Payments permitted by clauses (3)(a), (h) and (q) below, but excluding all other Restricted Payments described in paragraph (3) below) does not exceed the sum of (without duplication):

(i) 50% of aggregate Consolidated Adjusted Net Income on a cumulative basis during the period beginning on January 1, 2021 and ending on the last day of the Issuer's most recently ended fiscal quarter for which financial statements are available at the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Adjusted Net Income shall be a negative number, minus 100% of such negative amount); *plus*

(ii) the aggregate net cash proceeds received by the Issuer after the date of the Indenture as capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of the Issuer's Qualified Capital Stock or Deeply Subordinated Funding (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of the Issuer's Qualified Capital Stock or Deeply Subordinated Funding (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Deeply Subordinated Funding as set forth in clause (b) or (c) of paragraph (3) below) (excluding the net cash proceeds from the issuance of the Issuer's Qualified Capital Stock or Deeply Subordinated Funding financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid); *plus*

(iii) (x) the amount by which the Issuer's Debt or Debt of any Restricted Subsidiary is reduced on the Issuer's consolidated balance sheet after the date of the Indenture upon the conversion or exchange (other than by the Issuer or its Restricted Subsidiary) of such Debt into the Issuer's Qualified Capital Stock or Deeply Subordinated Funding, and (y) the aggregate net cash proceeds received after the date of the Indenture by the Issuer from the issuance or sale (other than to any Restricted Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for the Issuer's Qualified Capital Stock or Deeply Subordinated Funding, to the extent such Redeemable Capital Stock was

originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate net cash proceeds received by the Issuer at the time of such conversion or exchange (excluding Excluded Contributions and the net cash proceeds from the issuance of the Issuer's Qualified Capital Stock or Deeply Subordinated Funding financed, directly or indirectly, using funds borrowed from the Issuer or any Restricted Subsidiary until and to the extent such borrowing is repaid); *plus*

(iv) (x) in the case of any Investment that is sold, disposed of or otherwise cancelled, liquidated or repaid, constituting a Restricted Payment made after the date of the Indenture, an amount equal to 100% of the aggregate amount received in cash and the Fair Market Value of the property and marketable securities received by the Issuer or any Restricted Subsidiary, and (y) in the case of the redesignation of an Unrestricted Subsidiary as a Restricted Subsidiary or is merged or consolidated into the Issuer or a Restricted Subsidiary or the assets are transferred to the Issuer or a Restricted Subsidiary (as long as the redesignation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Issuer's interest in such Subsidiary as of the date of such redesignation or at the time of such merger, consolidation or transfer of assets; *plus*

(v) to the extent that any Investment constituting a Restricted Payment that was made after the Issue Date is made in an entity that subsequently becomes a Restricted Subsidiary, the Fair Market Value of such Investment of the Issuer and its Restricted Subsidiaries as of the date such entity becomes a Restricted Subsidiary; *plus*

(vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary, to the extent that such dividends or distributions were not otherwise included in the Consolidated Adjusted Net Income of the Issuer for such period.

(3) Notwithstanding paragraphs (1) and (2) above, the Issuer and any Restricted Subsidiary may take the following actions so long as (with respect to clauses (h), (q) and (r) below) no Default or Event of Default has occurred and is continuing:

(a) the payment of any dividend within 60 days after the date of its declaration if at such date of its declaration such payment would have been permitted by the provisions of this covenant;

(b) the making of any Restricted Payment in exchange for, or out of or with the net cash proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Capital Stock or Deeply Subordinated Funding, or from the substantially concurrent contribution of common equity capital to the Issuer; *provided* that the amount of any such net cash proceeds that are utilized for any such Restricted Payment will be excluded from clause (2)(c)(ii) above;

(c) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt in exchange for, or out of the net cash proceeds of an incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;

(d) the purchase, redemption, defeasance or other acquisition or retirement for value of any Subordinated Debt of the Issuer or the Issuer (other than any Subordinated Debt held by Affiliates of the Issuer) upon a Change of Control or Asset Sale to the extent required by the agreements governing such Debt, but only if the Issuer shall have complied with the "Change of Control" or "Asset Sale" covenant, as the case may be, and the Issuer repurchased all Notes tendered pursuant to the offer required by such covenants prior to offering to purchase, purchasing or repaying such Debt;

(e) the repurchase of Capital Stock deemed to occur upon the exercise of stock options to the extent such Capital Stock represents a portion of the exercise price of those stock options;

(f) payments of cash, dividends, distributions, advances or other Restricted Payments by the Issuer or any of its Restricted Subsidiaries to allow the payment of cash *in lieu* of issuing fractional shares upon (i) the exercise of options or warrants or (ii) the exchange or conversion of Capital Stock of any such Person;

(g) cash payments, advances, loans or expense reimbursements made to any direct or indirect parent company of the Issuer to permit any such company to pay (i) general operating expenses, customary directors' fees, accounting, legal, corporate reporting and administrative expenses incurred in the ordinary course of business in an amount not to exceed €2.0 million in the aggregate in any fiscal year, (ii) any taxes, duties or similar governmental fees of any such parent company to the extent such tax obligations are directly attributable to its ownership of the Issuer and its Restricted Subsidiaries, (iii) costs (including all professional fees and expenses) incurred by any direct or indirect parent company of the Issuer in connection with reporting obligations under or otherwise incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Indenture or any other agreement or instrument relating to Debt of the Issuer or any of its Restricted Subsidiaries and (iv) fees and expenses of any direct or indirect parent company of the Issuer incurred in relation to any public offering or other sale of Capital Stock or Debt (x) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or any of its Restricted Subsidiaries or (y) in a prorated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed;

(h) the declaration or payment of dividends or distributions, or the making of any cash payments, advances, loans or expense reimbursements on the common stock or common equity interests of the Issuer or any direct or indirect parent company of the Issuer; *provided* that the aggregate amount of all such dividends or distributions under this clause (h) shall not exceed in any fiscal year the greater of (x) 5% of the Market Capitalization, *provided*, that after giving *pro forma* effect to the payment of any such dividend or making of any such distribution, the Consolidated Leverage Ratio of the Issuer would not exceed 3.25 to 1.0 and (y) 6% of the net cash proceeds received from any Public Equity Offering or subsequent public offering or contributed to the capital of the Issuer, or the Issuer in any form other than Debt or Excluded Contributions but including Subordinated Debt by any direct or indirect parent company of the Issuer;

(i) the payment of any Securitization Fees and purchases of Securitization Assets and related assets pursuant to a Securitization Repurchase Obligation in connection with a Qualified Securitization Financing;

(j) Restricted Payments that are made with Excluded Contributions;

(k) advances or loans to (i) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or a Restricted Subsidiary, or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (ii) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or a Restricted Subsidiary; *provided* that the total aggregate amount of Restricted Payments made under this clause (k) does not exceed €5.0 million in any calendar year (with any unused amounts in any calendar year carried over to the succeeding years);

(l) the repurchase, redemption or other acquisition or retirement for value of any Qualified Capital Stock of the Issuer held by any current or former officer, director, employee or consultant of the Issuer or any of its Restricted Subsidiaries pursuant to any equity subscription agreement, stock option agreement, restricted stock grant, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Qualified Capital Stock may not exceed €5.0 million in any calendar year (with unused amounts in any calendar year being carried over to succeeding calendar years); and *provided*, *further*, that such amount in any calendar year may be increased by an amount not to exceed the cash proceeds from the sale of Qualified Capital Stock of the Issuer or a Restricted Subsidiary received by the Issuer or a Restricted Subsidiary during such calendar year, in each case to members of management, directors or consultants of the Issuer or any of its Restricted Subsidiaries or any direct or

indirect parent company of the Issuer to the extent the cash proceeds from the sale of Qualified Capital Stock have not otherwise been applied to the making of Restricted Payments pursuant to clause (c)(ii) of the preceding paragraph or clauses (b) or (c) of this paragraph;

(m) [***Reserved***];

(n) payments or other transactions pursuant to any tax sharing agreement or arrangement among the Issuer or any of its Restricted Subsidiaries and any other Person with which the Issuer or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation in amounts not otherwise prohibited by the Indenture; *provided*, *however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe without taking into account such other Person;

(o) [***Reserved***];

(p) the making of any payments and any reimbursements as contemplated in the section entitled "*Use of Proceeds*" in this Offering Memorandum;

(q) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any dividend, distribution, loan or other payment to any direct or indirect parent company of the Issuer (w) in an aggregate amount not to exceed €50.0 million in any fiscal year, provided that after giving *pro forma* effect to any such dividend, distribution, loan or other payment the Consolidated Leverage Ratio would not exceed 4.5 to 1.0, (x) in an aggregate amount not to exceed €75.0 million in any fiscal year, provided that after giving *pro forma* effect to any such dividend, distribution, loan or other payment the Consolidated Leverage Ratio would not exceed 4.0 to 1.0, and (y) in an aggregate amount not to exceed €100.0 million in any fiscal year, provided that after giving *pro forma* effect to any such dividend, distribution, loan or other payment the Consolidated Leverage Ratio would not exceed 3.5 to 1.0;

(r) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment, *provided* that, on the date of any such Restricted Payment, the Consolidated Leverage Ratio would not exceed 2.75 to 1.0 on a *pro forma* basis after giving effect thereto; and

(s) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (r) since the Issue Date does not exceed the greater of (i) €100.0 million and (ii) 0.6% of Total Assets.

Limitation on Transactions with Affiliates

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with, or for the benefit of, any Affiliate of the Issuer or any Restricted Subsidiary's Affiliate involving aggregate payments or consideration in excess of €15.0 million unless:

(a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's length transaction with third parties that are not Affiliates (as determined in good faith by the board of directors or a member of senior management of the Issuer);

(b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or provision of services, in each case having a value greater than €35.0 million, the Issuer will deliver a resolution of its board of directors (set out in an Officers' Certificate to the Trustee) certifying that such transaction complies with clause (a) above and that the fairness of such transaction has been approved by a majority of the Disinterested Directors (or in the event there is only one Disinterested Director, by such Disinterested Director) of the Issuer's board of directors; and

(c) in the case that there are no Disinterested Directors or with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than €50.0 million, the Issuer will obtain a written opinion of an accounting, appraisal, investment banking or advisory firm of international standing, or other recognized independent expert of international standing with experience appraising the terms and conditions of the type of transaction or series of related transactions for which an opinion is required, stating that the transaction or series of transactions is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view taking into account all relevant circumstances or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate.

Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

(i) customary directors' fees, indemnification and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting fees, employee salaries, bonuses, employment agreements and arrangements, compensation or employee benefit arrangements, including stock options or legal fees (as determined in good faith by the board of directors or a member of senior management of the Issuer);

(ii) any employment agreement, collective bargaining agreement, consultant, employee benefit arrangements with any employee, consultant, officer or director of the Issuer or any Restricted Subsidiary, including under any stock option, stock appreciation rights, stock incentive or similar plans, entered into in the ordinary course of business;

(iii) any Restricted Payments not prohibited by the "*—Limitation on Restricted Payments*" covenant and Permitted Investments;

(iv) transactions pursuant to, or contemplated by any agreement or arrangement in effect on the Issue Date and transactions pursuant to any amendment, modification, supplement or extension thereto; *provided* that any such amendment, modification, supplement or extension to the terms thereof is not more materially more disadvantageous to the holders of the Notes than the original agreement or arrangement as in effect on the Issue Date;

(v) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Issuer solely because the Issuer owns, directly or through a Restricted Subsidiary, Capital Stock in, or controls, such Person;

(vi) payments or other transactions pursuant to any tax sharing agreement or arrangement among the Issuer or any of its Restricted Subsidiaries and any other Person with which the Issuer or any of its Restricted Subsidiaries files or filed a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is or was part of a consolidated group for tax purposes or any tax advantageous group contribution made pursuant to applicable legislation in amounts not otherwise prohibited by the Indenture; *provided*, *however*, that such payments, and the value of such transactions, shall not exceed the amount of tax that the Issuer or such Restricted Subsidiaries would owe without taking into account such other Person;

(vii) transactions with customers, clients, suppliers, or purchasers or sellers of goods or services, in each case in the ordinary course of business and otherwise in compliance with the terms of the Indenture that are fair to the Issuer or the Restricted Subsidiaries or are on terms at least as favorable as might reasonably have been obtained at such time from an unaffiliated Person, in each case, as determined in good faith by the board of directors or a member of senior management of the Issuer;

(viii) loans or advances to directors, officers, employees or consultants in the ordinary course of business in accordance with the past practices of the Issuer or its Restricted Subsidiaries, but in any event not to exceed €5.0 million in the aggregate outstanding at any one time outstanding;

(ix) the payment of reasonable fees and indemnities to employees, officers and directors of the Issuer and its Restricted Subsidiaries in the ordinary course of business;

(x) any issuance of Redeemable Capital Stock of the Issuer to Affiliates of the Issuer which is permitted under "*Certain Covenants—Limitation on Debt*;"

(xi) the granting and performance of registration rights for the Issuer's securities;

(xii) (A) issuances or sales of Qualified Capital Stock of the Issuer or Deeply Subordinated Funding and (B) any amendment, waiver or other transaction with respect to any Deeply Subordinated Funding in compliance with the other provisions of the Indenture;

(xiii) Management Advances;

(xiv) any transaction effected as part of or in connection with a Qualified Securitization Financing;

(xv) transactions between or among the Issuer and the Restricted Subsidiaries or between or among Restricted Subsidiaries;

(xvi) transactions with any Permitted Holder or Affiliate which is a financial institution (acting in its capacity as a financial institution);

(xvii) any of the Transactions, the use of proceeds from the Offering as contemplated in the section entitled "*Use of Proceeds*" in this Offering Memorandum; and

(xviii) with respect to real property identified in this Offering Memorandum, rental payments and expenses for real property and rental payments and expenses for real property in the ordinary course of business.

Limitation on Liens

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, incur, assume or suffer to exist any Lien of any kind (except for Permitted Liens) securing Debt upon any of their property or assets, whether owned at or acquired after the Issue Date unless:

(a) in the case of any Lien securing Subordinated Debt, the Issuer's obligations in respect of the Notes are directly secured by a Lien on such property, assets or proceeds that is senior in priority to the Lien securing the Subordinated Debt until such time as the Subordinated Debt is no longer secured by a Lien; and

(b) in the case of any other Lien, the Issuer's obligations in respect of the Notes and all other amounts due under the Indenture are equally and ratably secured with the obligation or liability secured by such Lien until such time as such obligations are no longer secured by a Lien.

Limitation on Sale of Certain Assets

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:

(a) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold or Capital Stock issued or sold or otherwise disposed of; and

(b) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Sale consists of (i) cash; (ii) Cash Equivalents; (iii) any securities, notes or other obligations received by the Issuer or any such Restricted Subsidiary from such transferee that are converted by the Issuer or such Restricted Subsidiary into cash or Cash Equivalents within 90 days following the closing of the Asset Sale, to the extent of the cash or Cash Equivalents received in that conversion; (iv) the assumption by the purchaser of any liabilities, as recorded on the balance sheet of the Issuer or any Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes), that are assumed by the transferee of any such assets and as a result of which the Issuer and its Restricted Subsidiaries are no longer obligated with respect to such liabilities or are indemnified against further liabilities; (v) Debt of any Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, to the extent that the Issuer and each other Restricted Subsidiary are released from any Guarantee of such Debt in connection with such Asset Sale; (vi) any Capital Stock or assets of the kind referred to in clauses (2)(d) or (f) of the next paragraph of this covenant; or (vii) a combination of the consideration specified in clauses (i) to (vi).

(2) If the Issuer or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds from such Asset Sale, within 365 days after the consummation of such Asset Sale, may be used or committed in a binding commitment to be used (*provided* that such Net Cash Proceeds are actually used within the later of 365 days from the consummation of the Asset Sale or 90 days from the date of such binding commitment) at the option of the Issuer or such Restricted Subsidiary:

(a) to purchase the Notes pursuant to an offer to all holders of Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase (a "**Notes Offer**");

(b) to purchase, or permanently prepay or redeem or repay, any Debt of a Restricted Subsidiary other than the Issuer or any Guarantor (and to effect a corresponding commitment reduction if such Debt is revolving credit borrowings);

(c) to purchase, or permanently prepay or redeem or repay, any *Pari Passu* Debt so long as the Issuer or such Restricted Subsidiary makes an offer on a *pro rata* basis to all holders of Notes at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon and Additional Amounts, if any, to (but not including) the date of purchase;

(d) to purchase, or permanently prepay or redeem or repay, any Debt that is secured by a Lien on any of the property or assets, whether owned at or acquired after the Issue Date, of the Issuer or any Restricted Subsidiary (and to effect a corresponding commitment reduction if such Debt is revolving credit borrowings);

(e) to acquire all or substantially all of the assets of, or any Capital Stock of, another Permitted Business, if, after giving effect to any such acquisition of Capital Stock, the Permitted Business is or becomes a Restricted Subsidiary;

(f) to make a capital expenditure;

(g) to acquire other assets (other than Capital Stock) that are used or useful in a Permitted Business; or

(h) any combination of the foregoing.

(3) Pending the final application of any Net Cash Proceeds (including cash or Cash Equivalents received from the conversion of any securities, notes or other obligations), the Issuer (or the applicable Restricted Subsidiary) may temporarily reduce revolving credit borrowings or otherwise invest such Net Cash Proceeds in any manner that is not prohibited by the Indenture.

(4) Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clause (2) of this covenant will constitute "**Excess Proceeds**." The Issuer may also at any time, and the Issuer will within ten Business Days after the aggregate amount of Excess Proceeds exceeds €50.0 million, make an offer to purchase (an "**Excess Proceeds Offer**") from all holders of Notes and from the holders of any *Pari Passu* Debt, to the extent required by the terms thereof, on a *pro rata* basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such *Pari Passu* Debt, the maximum principal amount (expressed as a multiple of €1,000) of the Notes and any such *Pari Passu* Debt that may be purchased with the amount of the Excess Proceeds (plus in each case all accrued interest on the Debt and the amount of all fees and expenses, including premiums, incurred in connection therewith). The offer price as to each Note and any such *Pari Passu* Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note and (solely in the case of *Pari Passu* Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such *Pari Passu* Debt, plus in each case accrued and unpaid interest, if any, to the date of purchase and Additional Amounts, if any, to the date of purchase, prepayment or redemption.

To the extent that the aggregate principal amount of Notes and any such *Pari Passu* Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Issuer may use the amount of such Excess Proceeds not used to purchase Notes and *Pari Passu* Debt for general corporate purposes that are not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any such *Pari Passu* Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such *Pari Passu* Debt to be purchased will be selected by the Trustee on a *pro rata* basis (based

upon the principal amount of Notes and the principal amount or accreted value of such *Pari Passu* Debt tendered by each holder) or in the manner described under "*—Selection and Notice*." Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

(5) If the Issuer is obligated to make an Excess Proceeds Offer, the Issuer will purchase the Notes and *Pari Passu* Debt, at the option of the holders thereof, in whole or in part in integral multiples of €1,000, on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such holders, or such later date as may be required under the Exchange Act; *provided* that no Note of less than €100,000 remains outstanding thereafter.

(6) If the Issuer is required to make an Excess Proceeds Offer, the Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this covenant, the Issuer will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this covenant by virtue thereof.

Limitation on Guarantees of Debt by Restricted Subsidiaries

(1) The Issuer will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of (i) any Debt of the Issuer or any other Restricted Subsidiary under any Credit Facilities incurred pursuant to clause (2)(b) of the covenant "*—Limitation on Debt*" or (ii) any Public Debt of the Issuer or any Guarantor (other than the Notes), unless:

    (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary on the same terms as the guarantee of such Debt; and

    (b) with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary's Guarantee with respect to the Notes at least to the same extent as such Subordinated Debt is subordinated to the Notes.

    This paragraph (1) will not be applicable to any guarantees of any Restricted Subsidiary:

    (i) existing on the date of the Indenture;

    (ii) that existed at the time such Person became a Restricted Subsidiary if the guarantee was not incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary;

    (iii) arising solely due to the granting of a Permitted Lien that would not otherwise constitute a guarantee of Debt of the Issuer; or

    (iv) given to a bank or trust company having combined capital and surplus and undivided profits of not less than €500.0 million, whose debt has a rating, at the time such guarantee was given, of at least A or the equivalent thereof by S&P and at least A2 or the equivalent thereof by Moody's, in connection with the operation of cash management programs established for the Issuer's benefit or that of any Restricted Subsidiary.

    In addition, notwithstanding anything to the contrary herein:

    (i) no Guarantee shall be required if such Guarantee could reasonably be expected to give rise to or result in (A) personal liability for the officers, directors or shareholders of such Restricted Subsidiary, (B) any violation of applicable law that cannot be avoided or otherwise prevented through measures reasonably available to the Issuer or such Restricted Subsidiary or (C) any significant cost, expense, liability or obligation (including with respect of any Taxes) other than reasonable out of pocket expenses and other than reasonable expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to clause (B) undertaken in connection with, such Guarantee, which cannot be avoided through measures reasonably available to the Issuer or the Restricted Subsidiary; and

(ii) each such Guarantee will be limited as necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

(2) A Guarantor's Guarantee (and the Guarantee, if any, of any Subsidiary of such Guarantor) will be automatically and unconditionally released (and thereupon shall terminate and be discharged and be of no further force and effect):

(a) upon any sale or disposition of (i) Capital Stock of a Guarantor (or any parent entity thereof) following which such Guarantor is no longer a Restricted Subsidiary or (ii) all or substantially all the properties and assets of a Guarantor (including by way of merger or consolidation) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a Restricted Subsidiary and that does not violate the covenant described in "*—Certain Covenants—Limitation on Sale of Certain Assets*;"

(b) upon the designation of such Guarantor (or any parent entity thereof) as an Unrestricted Subsidiary;

(c) such Guarantor is unconditionally released and discharged from its liability with respect to Debt in connection with which such guarantee was executed pursuant to the covenant described under the caption "*—Certain Covenants—Limitation on Guarantees of Debt by Restricted Subsidiaries*;"

(d) legal defeasance, covenant defeasance or satisfaction and discharge of the Indenture as provided below under the caption "*—Legal Defeasance or Covenant Defeasance of Indenture*;" and

(e) upon repayment of the Notes.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;

(b) pay any Debt owed to the Issuer or any other Restricted Subsidiary;

(c) make loans or advances to the Issuer or any other Restricted Subsidiary; or

(d) transfer any of its properties or assets to the Issuer or any other Restricted Subsidiary;

provided that (x) the priority of any preferred stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill period to) loans or advances made to the Issuer or any Restricted Subsidiary to other Debt incurred by the Issuer or any Restricted Subsidiary, shall not be deemed to constitute such an encumbrance or restriction.

(2) The provisions of the covenant described in paragraph (1) above will not apply to encumbrances or restrictions existing under or by reason of:

(a) the Notes (including Additional Notes), the Indenture, the Senior Credit Facilities and the security documents related thereto or by other indentures or agreements governing other Debt we incur ranking equally with the Notes; *provided* that the encumbrances or restrictions imposed by such other indentures or agreements are not materially more restrictive, taken as a whole, than the encumbrances or restrictions imposed by the Indenture;

(b) any agreements with respect to Debt of the Issuer or any Restricted Subsidiary permitted to be incurred subsequent to the Issue Date pursuant to the provisions of "*—Limitation on Debt*," and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Notes

than is customary in comparable financings (as determined in good faith by the board of directors or a member of senior management of the Issuer);

(c) any agreement in effect on the Issue Date and any amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings of those agreements; *provided* that the amendments, restatements, modifications, renewals, supplements, refundings, replacements or refinancings are not materially more restrictive, taken as a whole, with respect to such dividend and other payment restrictions than those contained in those agreements on the Issue Date (as determined in good faith by the board of directors or a member of senior management of the Issuer);

(d) customary non-assignment and similar provisions in contracts, leases and licenses entered into in the ordinary course of business;

(e) any agreement or other instrument of a Person (including its Subsidiaries), acquired by the Issuer or any Restricted Subsidiary in effect at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired (including its Subsidiaries);

(f) any agreement for the sale or other disposition of the Capital Stock or all or substantially all of the property and assets of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending its sale or other disposition;

(g) Liens permitted to be incurred under the provisions of the covenant described above under the caption "—*Liens*" that limit the right of the debtor to dispose of the assets subject to such Liens;

(h) applicable law, rule, regulation or order or the terms of any governmental licenses, authorizations, concessions, franchises or permits;

(i) encumbrances or restrictions on cash or other deposits or net worth imposed by customers or suppliers or required by insurance, surety or bonding companies, in each case, under contracts entered into the ordinary course of business;

(j) customary limitations on the distribution or disposition of assets or property in joint venture agreements, asset sale agreements, sale-leaseback agreements, stock sale agreements and other similar agreements (including agreements entered into in connection with a Restricted Investment), which limitations are applicable only to the assets that are the subject of such agreements;

(k) purchase money obligations and mortgage financings for property acquired in the ordinary course of business and Capitalized Lease Obligations or IFRS 16 Lease Obligations that impose restrictions on the property purchased or leased of the nature described in clause (1)(d) of the preceding paragraph;

(l) any customary Productive Asset Leases for Vessels, containers and other assets used in the ordinary course of our business; *provided* that such encumbrance or restriction only extends to the Vessel, container or other asset financed in such Productive Asset Lease;

(m) any Qualified Securitization Financing; and

(n) any agreement that extends, renews, amends, modifies, restates, supplements, refunds, refinances or replaces the agreements containing the encumbrances or restrictions in the foregoing clauses (2)(a) through (m), or in this clause (2)(n); *provided* that the terms and conditions of any such encumbrances or restrictions are not materially less favorable, taken as a whole, to the holders of the Notes than those under or pursuant to the agreement so extended, renewed, amended, modified, restated, supplemented, refunded, refinanced or replaced.

Designation of Unrestricted and Restricted Subsidiaries

(1) The board of directors of the Issuer may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments

owned by the Issuer and its Restricted Subsidiaries in the Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under the covenant described above under the caption "—*Restricted Payments*" or under one or more clauses of the definition of Permitted Investments, as determined by the Issuer. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. The board of directors of the Issuer may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.

(2) Any designation of a Subsidiary of the Issuer as an Unrestricted Subsidiary will be evidenced to the Trustee by filing with the Trustee a certified copy of a resolution of the board of directors giving effect to such designation and an Officers' Certificate certifying that such designation complied with the preceding conditions and was permitted by the covenant described above under the caption "—*Restricted Payments*." If, at any time, any Unrestricted Subsidiary would fail to meet the preceding requirements as an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Debt of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary of the Issuer as of such date and, if such Debt is not permitted to be incurred as of such date under the covenant described under the caption "—*Limitation on Debt*," the Issuer will be in default of such covenant. The board of directors of the Issuer may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that such designation will be deemed to be an incurrence of Debt by a Restricted Subsidiary of any outstanding Debt of such Unrestricted Subsidiary, and such designation will only be permitted if (1) such Debt is permitted under the covenant described under the caption "—*Limitation on Debt*," calculated on a *pro forma* basis as if such designation had occurred at the beginning of the applicable reference period; and (2) no Default or Event of Default would be in existence following such designation.

Provision of Information

So long as any Notes are outstanding, the Issuer will furnish to the Trustee:

(a) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ended December 31, 2020, annual reports containing the following information: (i) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete footnotes to such financial statements and the report of the independent auditors on the financial statements; (ii) *pro forma* key financial information for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clauses (b) or (c) below (provided that such *pro forma* financial information need be provided only to the extent required to be disclosed by the Frankfurt Stock Exchange or, in the event the Issuer is no longer listed on the Frankfurt Stock Exchange, to the extent available without unreasonable expense); (iii) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition and liquidity and capital resources, and a discussion of material commitments and contingencies, capital expenditures and critical accounting policies; and (iv) material risk disclosure and material recent developments;

(b) within 60 days following the end of the first three fiscal quarters in each fiscal year of the Issuer beginning with the quarter ending March 31, 2021, all quarterly financial statements of the Issuer containing the following information: (i) an unaudited condensed consolidated balance sheet as of the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year-to-date period ending on the unaudited condensed balance sheet date, and the comparable prior year periods (which may be presented on a *pro forma* basis), together with condensed footnote disclosure; (ii) *pro forma* key financial information for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year unless *pro forma* information has been provided in a previous report pursuant to clauses (a) or (c) (provided that such *pro forma* financial information need be provided only to the extent required to be disclosed by the Frankfurt Stock Exchange or, in the event the Issuer is no longer listed on the Frankfurt Stock Exchange, to the extent available without unreasonable expense); (iii) an operating and

financial review of the unaudited financial statements, including a discussion of the consolidated financial condition and results of operations, and material changes in liquidity and capital resources of the Issuer and any material change between the current quarterly period and the corresponding period of the prior year; and (iv) material recent developments and any material changes to the risk disclosure contained in the most recent annual report; and

(c) promptly after the occurrence of any material acquisition, disposition or restructuring of the Issuer and the Restricted Subsidiaries, taken as a whole, or any senior executive officer changes at the Issuer or change in auditors of the Issuer or any other material event that the Issuer announces publicly, a report containing a description of such event.

All historical financial statements shall be prepared in accordance with IFRS on a consistent basis for the periods presented, except as may otherwise be described in such information; provided, however, that the reports set forth in clauses (a) and (b) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. Except as provided for above, no report need include separate financial statements for the Issuer or Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

The Issuer will furnish to the Trustee such other information that the Issuer is required to make publicly available (by publication on the Issuer's website or otherwise) pursuant to applicable rules and requirements of the Frankfurt Stock Exchange as a result of the Issuer having its ordinary shares admitted for trading on the Frankfurt Stock Exchange. Upon the Issuer complying with the rules and requirements of the Frankfurt Stock Exchange, to the extent that such requirements include an obligation to prepare and make publicly available (by publication on the Issuer's website or otherwise) annual financial reports as well as other information, documents and other reports in accordance with the rules and requirements of the Frankfurt Stock Exchange, the Issuer will be deemed to have complied with the provisions contained in clause (a) of the first paragraph of this covenant.

The Indenture will also provide that, so long as any of the Notes remain outstanding, the Issuer will make available to any prospective purchaser of Notes or beneficial owner of Notes in connection with any sale thereof the information required by Rule 144A(d)(4) under the Securities Act. The Issuer will also make any of the foregoing information available during normal business hours at the offices of the Issuer and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Luxembourg Stock Exchange's Euro MTF Market.

At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries, then the quarterly and annual financial information required by the first paragraph of this "Provision of Information" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

Consolidation, Merger and Sale of Assets

The Issuer will not, directly or indirectly: (i) consolidate or merge with or into another Person (whether or not the Issuer is the surviving corporation), or (ii) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:

(a) at the time of, and immediately after giving effect to, any such transaction or series of transactions, either (i) the Issuer will be the surviving corporation or (ii) the Person (if other than the Issuer) formed by or surviving any such consolidation or merger or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all the properties and assets of the Issuer and the Restricted Subsidiaries on a consolidated basis has been made (the "**Surviving Entity**"):

    (x) will be a corporation duly incorporated and validly existing under the laws of any member state of the European Union as in effect on December 31, 2003, Switzerland, Canada, the United States of America, any state thereof or the District of Columbia; and

    (y) will expressly assume, by a supplemental indenture in form satisfactory to the Trustee, the Issuer's obligations under the Notes and the Indenture;

(b) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis, no Default or Event of Default will have occurred and be continuing;

(c) the Issuer or the Person formed by or surviving any such consolidation or merger (if other than the Issuer), or to which such sale, assignment, transfer, conveyance, lease or other disposition has been made would, on the date of such transaction after giving *pro forma* effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable four-quarter period (i) be permitted to incur at least €1.00 of additional Debt pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth in the first paragraph of the "*—Limitation on Debt*" covenant or (ii) have a Consolidated Fixed Charge Coverage Ratio not less than it was immediately prior to giving effect to such transaction; and

(d) the Issuer or the Surviving Entity will have delivered to the Trustee, in form and substance satisfactory to the Trustee, an Officers' Certificate and an opinion of counsel, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this covenant.

In addition, neither the Issuer nor any Guarantor will, directly or indirectly, lease all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries, taken as a whole, in one or more transactions, to any other Person.

Nothing in the Indenture will prevent and this covenant will not apply to (i) any Restricted Subsidiary from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Issuer or any other Restricted Subsidiary or (ii) the merger, consolidation, amalgamation or other combination of any of its Restricted Subsidiaries with or into the Issuer or any of its Restricted Subsidiaries, or the sale, assignment, conveyance, transfer, lease or other disposition of all or substantially all of the assets of any of its Restricted Subsidiaries to the Issuer or any of its Restricted Subsidiaries. In addition, clause (c) above will not apply to any sale or other disposition of all or substantially all of the assets or merger or consolidation of the Issuer with or into an Affiliate solely for the purpose of reincorporating the Issuer in another jurisdiction for tax reasons.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Events of Default

(1) Each of the following will be an "**Event of Default**" under the Indenture:

(a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;

(b) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon redemption or otherwise);

(c) failure by the Issuer to (i) comply with the provisions of "*—Consolidation, Merger and Sale of Assets*" or make or (ii) consummate a Change of Control Offer in accordance with the provisions of "*—Purchase of Notes upon a Change of Control*;"

(d) failure by the Issuer for 60 days after the written notice specified in paragraph (2) below to comply with any covenant or agreement that is contained in the Indenture or the Notes (other than a covenant or agreement which is specifically dealt with in clauses (a), (b) or (c));

(e) default under the terms of any instrument evidencing or securing the Debt of the Issuer or any Restricted Subsidiary, if that default: (x) results in the acceleration of the payment of such Debt or (y) is caused by a failure to pay principal of such Debt at final maturity thereof after giving effect to any applicable grace periods and other than by regularly scheduled required prepayment, and such failure to make any payment has not been waived or the maturity of such Debt has not been extended (a "**Payment Default**"), and in either case the total amount of such Debt unpaid or accelerated exceeds €40.0 million;

(f) any Guarantee ceases to be, or shall be asserted in writing by any Guarantor, or any Person acting on behalf of any Guarantor, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indenture or any Guarantee);

(g) failure by the Issuer or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary to pay final judgments, orders or decrees (not subject to appeal) entered by a court or courts of competent jurisdiction aggregating in excess €40.0 million (exclusive of any amounts that an insurance company has acknowledged liability for), which judgments shall not have been discharged or waived and there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree (by reason of pending appeal, waiver or otherwise) shall not have been in effect; and

(h) the occurrence of certain events of bankruptcy or insolvency described in the Indenture with respect to the Issuer or any of its Significant Subsidiaries or group of Restricted Subsidiaries that taken as a whole would constitute a Significant Subsidiary.

(2) If an Event of Default (other than as specified in clauses (1)(h) above) occurs and is continuing, the Trustee or the holders of not less than 30% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer (and to the Trustee if such notice is given by the holders) may, and the Trustee, upon the written request of such holders, shall, declare the principal of, premium, if any, and any Additional Amounts and accrued interest on all the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable. In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (1)(e) above has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (1)(e) shall be remedied or cured, or waived by the holders of the Debt, or the Debt that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

(3) If an Event of Default specified in clause (1)(h) above occurs and is continuing, then the principal of, premium, if any, and Additional Amounts and accrued and unpaid interest on all the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any holder of Notes.

(4) At any time after a declaration of acceleration under the Indenture, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the holders of a majority in aggregate principal amount of the outstanding Notes, by written notice to the Issuer and the Trustee, may rescind such declaration and its consequences if:

(a) the Issuer has paid or deposited with the Trustee a sum sufficient to pay:

(i) all overdue interest and Additional Amounts on all Notes then outstanding;

(ii) all unpaid principal of and premium, if any, on any outstanding Notes that has become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Notes;

(iii) to the extent that payment of such interest is lawful, interest upon overdue interest and overdue principal at the rate borne by the Notes; and

(iv) all sums paid or advanced by the Trustee under the Indenture and the compensation, expenses, disbursements and advances of the Trustee, its agents and counsel;

(b) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction; and

(c) all Events of Default, other than the non-payment of amounts of principal of, premium, if any, and any Additional Amounts and interest on the Notes that has become due solely by such declaration of acceleration, have been cured or waived.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

(5) The holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the holders of all the Notes, waive any past defaults under the Indenture, except a continuing default in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Note held by a non-consenting holder (which may only be waived with the consent of holders of Notes holding 90% of the aggregate principal amount of the Notes outstanding under the Indenture).

(6) Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any holders of Notes unless such holders have made written request and offered to the Trustee indemnity and/or security satisfactory (including by way of pre-funding) to the Trustee against any loss, liability or expense. Except (subject to the provisions described under "*—Amendments and Waivers*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder, unless the holders of at least 30% in aggregate principal amount of the outstanding Notes have made a written request to, and offered indemnity and/or security satisfactory (including by way of pre-funding) to, the Trustee to institute such proceeding as trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 60 days after receipt of such notice and indemnity or security and the Trustee within such 60-day period has not received directions inconsistent with such written request by holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a holder of a Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

(7) The Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Indenture or that the Trustee determines is unduly prejudicial to the rights of any other holder or that would involve the Trustee in personal liability. Prior to taking any action under the Indenture, the Trustee will be entitled to indemnification or security (including by way of prefunding) satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. The Indenture will provide that if a Default occurs and is continuing and the Trustee is informed of such occurrence by the Issuer, the Trustee must give notice of the Default to the holders within 60 days after being notified in writing by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the holders.

(8) The Indenture will provide that (i) if a Default occurs for a failure to deliver a report or a required certificate in connection with another default (an "**Initial Default**"), then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Certain Covenants—Provision of Information*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

(9) The Issuer is required to furnish to the Trustee annual statements regarding compliance with the Indenture. Upon becoming aware of any Default or Event of Default, the Issuer is required to promptly deliver to the Trustee a statement specifying such Default or Event of Default.

(10) For the avoidance of doubt, it will not constitute an Event of Default if the Issuer fails to satisfy the Sustainability Performance Target by July 31, 2025, or fails to provide reports with respect to its performance against the Sustainability Performance Target, and the sole recourse of holders of the Notes in such instance shall be the right to receive the applicable increase in interest rate, in the manner described under "*—Principal, Maturity and Interest*" and the associated change to the optional redemption prices under "*—Optional Redemption of the Notes.*"

Legal Defeasance or Covenant Defeasance of Indenture

The Indenture will provide that the Issuer may, at the option of its Board of Directors as evidenced by a resolution set forth in an Officers' Certificate, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes and Guarantees ("**Legal Defeasance**"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes and Guarantees except as to:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;

(b) the Issuer's obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments in trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and

(d) the Legal Defeasance and Covenant Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Indenture ("**Covenant Defeasance**"), and thereafter any omission to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, certain events described under "*—Events of Default*" will no longer constitute an Event of Default with respect to the Notes. These events do not include events relating to non-payment or, solely with respect to the Issuer, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether they previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit or cause to be deposited in trust with the Trustee (or such other entity designated or appointed by it for this purpose), for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of internationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay and discharge the principal of, premium, if any, and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must (x) specify whether the Notes are being defeased to such Stated Maturity or to a particular redemption date; and (y) if applicable, have delivered to the Trustee an irrevocable notice to redeem all the outstanding Notes of such principal, premium, if any, or interest;

(b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling, or (ii) since the date of the Indenture, there has been a change in applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion shall confirm that, the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee to the effect that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) the Issuer must have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Issuer with the intent of preferring the holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(e) the Issuer must have delivered to the Trustee an Officers' Certificate and an opinion of counsel, reasonably acceptable to the Trustee, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

Satisfaction and Discharge

The Indenture, the Notes and the Guarantees will be discharged and will cease to be of further effect when:

(a) either:

(i) all the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Trustee for cancellation; or

(ii) all Notes that have not been delivered to the Trustee for cancellation (x) have become due and payable (by reason of the mailing of a notice of redemption or otherwise) or (y) will become due and payable within one year and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee (or each other entity designated as appointed by it for this purpose) as trust funds in trust solely for the benefit of the holders of the Notes, cash in euros, non-callable European Government Obligations or a combination thereof, in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Debt on the Notes not delivered to the Trustee for cancellation for principal, premium, if any, and accrued interest to the date of maturity or redemption; and

(b) the Issuer has paid or caused to be paid all sums payable by the Issuer under the Indenture, the Notes and the Guarantees; and

(c) the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Issuer must deliver to the Trustee an Officers' Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied; *provided* that any such counsel may rely on any Officers' Certificate as to matters of fact (including as to compliance with the foregoing clauses (a), (b) and (c)).

Amendments and Waivers

Except as provided otherwise in the succeeding paragraphs, the Indenture, the Notes or any Guarantee, may be amended or supplemented with the consent of the holders of at least a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the holders of a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes); *provided* that, if any amendment, waiver or other modification will only affect one series of the Notes, only the consent of a majority in principal amount of the then outstanding Notes of such series shall be required.

Unless consented to by the holders of at least 90% of the aggregate principal amount of then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, Notes), without the consent of each holder of Notes affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(a) change the Stated Maturity of the principal of, or any installment of or Additional Amounts or interest on, any Note;

(b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of or change the time for payment of interest on any Note;

(c) change the coin or currency in which the principal of any Note or any premium or any Additional Amounts or the interest thereon is payable;

(d) impair the right of any holder of Notes to institute suit for the enforcement of any payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date);

(e) reduce the principal amount of Notes whose holders must consent to any amendment, supplement or waiver of provisions of the Indenture (except a rescission of acceleration of the Notes by the holders of at least a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);

(f) release any Guarantee other than in accordance with the terms of the Indenture;

(g) modify any of the provisions relating to supplemental indentures requiring the consent of holders of the Notes or relating to the waiver of past defaults or relating to the waiver of certain covenants, except to increase the percentage of outstanding Notes required for such actions or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the holder of each Note affected thereby; or

(h) make any change in the preceding amendment and waiver provisions.

Any amendment, supplement or waiver consented to by at least 90% of the aggregate principal amount of the then outstanding Notes will be binding against any non-consenting holders.

Notwithstanding the foregoing, without the consent of any holder of the Notes, the Guarantors, the Issuer and the Trustee may modify, amend or supplement the Indenture or any Guarantee:

(a) to cure any ambiguity, defect or inconsistency;

(b) to provide for the assumption of the Issuer's or a Guarantor's obligations to holders of Notes and Guarantees by a successor to the Issuer or any Guarantor in the case of a merger or consolidation or sale of all or substantially all of the Issuer's or such Guarantor's assets, as applicable;

(c) to make any change that would provide any additional rights or benefits to the holders of Notes or that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;

(d) to conform the text of the Indenture, the Guarantees or the Notes to any provision of this Description of Notes to the extent that such provision in this Description of Notes was intended to be a verbatim recitation of a provision of the Indenture, the Guarantees or the Notes;

(e) to release any Guarantee in accordance with the terms of the Indenture;

(f) to allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Notes;

(g) provide for uncertificated Notes in addition to or in place of certificated Notes (*provided* that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the U.S. Internal Revenue Code of 1986, as amended);

(h) to evidence and provide the acceptance of the appointment of a successor Trustee under the terms of the Indenture or to otherwise comply with any requirement of the Indenture; or

(i) to provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture.

In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an opinion of counsel and an Officers' Certificate on which the Trustee may solely rely.

The consent of the holders of Notes is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

Concerning the Trustee

The Issuer shall deliver written notice to the Trustee immediately after becoming aware of the occurrence of a Default or an Event of Default. If the Trustee becomes a creditor of the Issuer, the Indenture limits the right of the Trustee to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The holders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory (including by way of pre-funding) to it against any loss, liability or expense. The Issuer appoints Deutsche Trustee Company Limited as the initial Trustee.

The Issuer will indemnify the Trustee for certain claims, liabilities and expenses incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with its duties.

Listing

Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and admit them to trading on the Euro MTF Market. The Issuer has initially designated Deutsche Bank Luxembourg S.A. as its agent for this purpose. The address of Deutsche Bank Luxembourg S.A. is 2, boulevard Konrad Adenauer, L-1115, Luxembourg.

Listing and General Information

So long as the Notes are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market, copies, current and future, of all of our annual audited consolidated and unconsolidated financial statements, our unaudited consolidated interim quarterly financial statements and this Offering Memorandum may be obtained, free of charge, during normal business hours at the offices of the Issuer.

No Personal Liability of Directors, Officers, Employees and Shareholders

No director, officer, employee, incorporator, member or shareholder of the Issuer will have any liability for any obligations of the Issuer under the Notes or the Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver and release may not be effective to waive liabilities under the U.S. federal securities laws.

Prescription

Claims against the Issuer for the payment of principal or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Governing Law

The Indenture and the Notes will be governed by and construed in accordance with the laws of the State of New York, and will provide for the submission of the parties to the jurisdiction of the courts in the State of New York.

Consent to Jurisdiction and Service

The Indenture will provide that the Issuer will irrevocably and unconditionally appoint an agent for service of process in any suit, action or proceeding with respect to the Indenture and the Notes and for actions brought under U.S. federal or state securities laws brought in any Federal or state court located in the City of New York and will submit to such jurisdiction.

Enforceability of Judgments

Since a substantial portion of the assets of the Issuer and the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer, including judgments with respect to the payment of principal, premium, if any, interest, Additional Amounts, redemption price and any purchase price with respect to the Notes, may not be collectable within the United States.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"**Acquired Debt**" means Debt of a Person:

(a) existing at the time such Person becomes a Subsidiary or is merged into or consolidated with such specified Person whether or not such Debt is incurred in connection with, or in contemplation of, such other Person merging with or into, or becoming a Restricted Subsidiary; or

(b) assumed in connection with the acquisition of assets from any such Person.

Acquired Debt will be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of assets from any Person.

"**Affiliate**" means, with respect to any specified Person any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling," "controlled" have meanings correlative to the foregoing.

"**AktG**" means the German Stock Companies Act (*Aktiengesetz*).

"**Applicable Redemption Premium**" means on any redemption date prior to April 15, 2024, the greater of:

(i) one percent of the principal amount of such Note and

(ii) the excess of:

  (x) the present value at such redemption date of the redemption price of such Note at April 15, 2024, plus all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and April 15, 2024, excluding accrued but unpaid interest, computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points, over

  (y) the principal amount of such Note on such redemption date.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall not be a duty or obligation of the Trustee or any Paying Agent.

"**Asset Sale**" means any sale, issuance, conveyance, transfer, lease or other disposition (including, without limitation, by way of merger, consolidation or sale and leaseback transaction) (collectively, a "**transfer**"), directly or indirectly, in one or a series of related transactions, of:

(a) any Capital Stock of any Restricted Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Restricted Subsidiary);

(b) all or substantially all the properties and assets of any division or line of business of the Issuer or any Restricted Subsidiary; or

(c) any other of the Issuer's or any Restricted Subsidiary's properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(i) any transfer or disposition of assets that is governed by the provisions of the Indenture described under "*—Certain Covenants—Consolidation, Merger and Sale of Assets*" and "*—Purchase of Notes upon a Change of Control*;"

(ii) any transfer or disposition of assets or Capital Stock between or among the Issuer and any Restricted Subsidiary;

(iii) any transfer or disposition of obsolete, worn-out or surplus equipment or facilities or other assets of the Issuer or any Restricted Subsidiary that are no longer used or useful in the ordinary course of the Issuer's or any Restricted Subsidiary's business;

(iv) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than €15.0 million;

(v) for the purposes of "*—Certain Covenants—Limitation on Sale of Certain Assets*" only, a disposition of all or substantially all the assets of the Issuer in accordance with the covenant described under "*—Certain Covenants—Consolidation, Merger and Sale of Assets*" or any disposition that constitutes a "*—Purchase of Notes upon a Change of Control*;"

(vi) the disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(vii) a disposition that is made in connection with the establishment of a joint venture which is a Permitted Investment;

(viii) the sale, lease or other disposition of equipment, inventory, property, stock-in-trade, goods, accounts receivable or other assets in the ordinary course of business;

(ix) the lease, assignment, sublease, license or sublicense of any real or personal property in the ordinary course of business;

(x) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary;

(xi) a Permitted Investment or a Restricted Payment (or a transaction that would constitute a Restricted Payment but for the exclusions from the definition thereof) that is not prohibited by the "*—Limitation on Restricted Payments*" covenant;

(xii) foreclosure, condemnation or similar action with respect to property or other assets;

(xiii) any disposition of Capital Stock, Debt or other securities of any Unrestricted Subsidiary;

(xiv) any disposition of Securitization Assets and related assets in connection with any Qualified Securitization Financing and any factoring transaction in the ordinary course of business;

(xv) sales of assets received by the Issuer or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of the Issuer or any Restricted Subsidiary;

(xvi) the sale or other disposition of cash or Cash Equivalents;

(xvii) any exchange of like property for use in a Permitted Business;

(xviii) the grant of licenses to intellectual property rights to third parties on an arms' length basis in the ordinary course of business;

(xix) the disposition of assets to a Person who is providing services (the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person) related to such assets;

(xx) the granting of Liens not otherwise prohibited by the Indenture;

(xxi) the surrender, or waiver of contract rights or settlement, release or surrender of contract, tort or other claims; or

(xxii) any IFRS 16 Lease Obligations or other sale and leaseback transactions permitted under "*—Certain Covenants—Limitation on Debt.*"

"**Assurance Letter**" means an assurance letter from the External Verifier as to whether the Sustainability Performance Target has been attained.

"**Average Life**" means, as of the date of determination with respect to any Debt, the quotient obtained by dividing:

(a) the sum of the products of:

(i) the numbers of years from the date of determination to the date or dates of each successive scheduled principal payment of such Debt multiplied by

(ii) the amount of each such principal payment;

by

(b) the sum of all such principal payments.

"**Bund Rate**" means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "Comparable German Bund Issue" means the German *Bundesanleihe* security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to April 15, 2024, and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to April 15, 2024; *provided*, *however*, that, if the period from such redemption date to April 15, 2024 is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means any dealer of German *Bundesanleihe* securities appointed by the Issuer in good faith; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt am Main, Germany time on the third Business Day preceding the relevant date.

"**Business Day**" means a day of the year on which banks are not required or authorized by law to close in Frankfurt, Germany or London, United Kingdom.

"**Capital Stock**" means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person's equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for or convertible into or to acquire such Capital Stock, whether now outstanding or issued after the date of the Indenture. "**Capitalized Lease Obligation**" means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be classified and accounted for as a capital lease obligation under IFRS, and, for purposes of the Indenture, the amount of such obligation

at any date will be the capitalized amount thereof at such date, determined in accordance with IFRS and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty (other than IFRS 16 Lease Obligations).

"**Cash Contributions**" means the aggregate amount of cash contributions made to the equity capital of the Issuer or any of its Restricted Subsidiaries described in the definition of "Contribution Debt."

"**Cash Equivalents**" means any of the following:

(a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be, and which are not callable or redeemable at the Issuer's option;

(b) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of €250.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "P-1" or higher by Moody's or "A-1" or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(c) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition;

(d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition having a term of not more than 90 days with respect to securities issued or fully guaranteed by the United States of America, the United Kingdom or an agency thereof or any member state of the European Union from time to time; and

(e) investments in money market mutual funds at least 95% of the assets of which constitute Cash Equivalents of the kind described in clauses (a) through (d) above.

"**Change of Control**" has the meaning given to such term under "*—Purchase of Notes upon a Change of Control*."

"**Commission**" means the U.S. Securities and Exchange Commission.

"**Commodity Hedging Agreements**" means, in respect of a Person, any spot, forward, swap, option or other similar agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in commodity prices.

"**Consolidated Adjusted Net Income**" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person for such period, on a consolidated basis (excluding the net income (loss) of any Unrestricted Subsidiary), as determined in accordance with IFRS and without any reduction in respect of preferred stock dividends; *provided* that:

(a) any goodwill or other intangible asset impairment charges will be excluded;

(b) the net income (loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary which is a Subsidiary of the Person;

(c) solely for the purpose of determining the amount available for Restricted Payments under clause (2)(c)(i) of the "*—Certain Covenants—Restricted Payments*" covenant, any net income (loss) of any Restricted Subsidiary (other than any Guarantor) will be excluded if such Subsidiary is subject to restrictions, directly or indirectly, on the payment of dividends or the

making of distributions by such Restricted Subsidiary, directly or indirectly, to the Issuer by operation of the terms of such Restricted Subsidiary's charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Notes or the Indenture, (iii) contractual restrictions in effect on the Issue Date with respect to the Restricted Subsidiary and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders of the Notes than such restrictions in effect on the Issue Date and (iv) any restriction listed under clauses (2)(a), (b) and (h) of the "*Certain Covenants—Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries*" covenant); except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Adjusted Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(d) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by the board of directors or a member of senior management of the Issuer) or in connection with the sale or disposition of securities will be excluded;

(e) (i) any extraordinary, exceptional or unusual gain, loss or charge, (ii) any asset impairments charges, the financial impacts of natural disasters (including fire, flood and storm and related events), (iii) any non-cash charges or reserves in respect of any restructuring, redundancy, integration or severance or (iv) any expenses, charges, reserves or other costs related to the Transactions, in each case, will be excluded;

(f) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards will be excluded;

(g) all deferred financing costs written off and premium paid or other expenses incurred directly in connection with any early extinguishment of Debt and any net gain (loss) from any write-off or forgiveness of Debt will be excluded;

(h) any one-time non-cash charges or any increases in amortization or depreciation resulting from purchase accounting, in each case, in relation to any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries will be excluded;

(i) any unrealized gains or losses in respect of Hedging Obligations or any ineffectiveness recognized in earnings related to qualifying hedge transactions or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Obligations will be excluded;

(j) any unrealized foreign currency transaction gains or losses in respect of Debt of any Person denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses relating to translation of assets and liabilities denominated in foreign currencies will be excluded;

(k) any unrealized foreign currency translation or transaction gains or losses in respect of Debt or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary will be excluded;

(l) the cumulative effect of a change in accounting principles will be excluded; and

(m) the impact of capitalized, accrued or accreting or pay-in-kind interest or accreting principal on Deeply Subordinated Funding shall be excluded.

"**Consolidated EBITDA**" means, with respect to any specified Person for any period without duplication, the sum of Consolidated Adjusted Net Income, plus in each case to the extent deducted in computing Consolidated Adjusted Net Income for such period:

(a) provision for taxes based on income, profits or capital of such Person and its Restricted Subsidiaries for such period, to the extent that such provision for taxes was deducted in computing such Consolidated Adjusted Net Income; *plus*

(b) the Consolidated Net Interest Expense of such Person and its Restricted Subsidiaries for such period; *plus*

(c) any expenses, charges or other costs related to any equity offering, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business, *provided* that such payments are made at the time of such acquisition and are consistent with the customary practice in the industry at the time of such acquisition), joint venture, disposition, recapitalization, Debt permitted to be incurred by the Indenture, or the refinancing of any other Debt of such Person or any of its Restricted Subsidiaries (whether or not successful) (including such fees, expenses or charges related to the Transactions) and, in each case, deducted in such period in computing Consolidated Adjusted Net Income; *plus*

(d) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees), and other non-cash expenses (including without limitation write downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on such Person and its Restricted Subsidiaries for such period), but excluding any non-cash items for which a future cash payment will be required and for which an accrual or reserve is required by IFRS to be made, to the extent that such depreciation, amortization and other non-cash expenses were deducted in computing such Consolidated Adjusted Net Income; *plus*

(e) the minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any non-wholly owned Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on Capital Stock held by third parties; *plus*

(f) any charge (or minus any income) attributable to a post-employment benefit scheme other than the current service costs attributable to the scheme; *plus*

(g) to the extent not otherwise included, the proceeds of any business interruption insurance; *minus*

(h) non-cash items increasing such Consolidated Adjusted Net Income for such period, other than (i) any items which represent the reversal in such period of any accrual of, or cash reserve for, anticipated charges in any prior period where such accrual or reserve is no longer required; or (ii) items related to percentage of completion accounting, in each case, on a consolidated basis and determined in accordance with IFRS.

"**Consolidated Fixed Charge Coverage Ratio**" of the Issuer means, for any period, the ratio of:

(a) Consolidated EBITDA

(b) to the sum of:

   (i) Consolidated Net Interest Expense; and

   (ii) cash and non-cash dividends due (whether or not declared) on the Redeemable Capital Stock of the Issuer and any Restricted Subsidiaries and on the Preferred Stock of any Restricted Subsidiary (to any Person other than the Issuer and any Restricted Subsidiary), in each case for such period;

provided that in calculating the Consolidated Fixed Charge Coverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the Issuer (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the Issuer (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements));

provided further, without limiting the application of the previous proviso, that:

(1) if the Issuer or any Restricted Subsidiary has incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio is an incurrence of Debt or both, Consolidated Adjusted Net Income and Consolidated Net Interest Expense for such period shall be calculated after giving effect on a *pro forma* basis to such Debt as if such Debt had been incurred on the first day of such period and the discharge of any other Debt repaid, repurchased, defeased or otherwise discharged with the proceeds of such new Debt as if such discharge had occurred on the first day of such period; *provided however*, that the *pro forma* calculation of the Consolidated Fixed Charge Coverage Ratio shall not give effect to (i) any Debt incurred on the date of determination pursuant to the provisions described in clause (2) under the covenant "*—Certain Covenants—Limitation on Debt*" or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in clause (2) under the covenant "*—Certain Covenants—Limitation on Debt*;"

(2) if, since the beginning of such period, the Issuer or any Restricted Subsidiary shall have made any Asset Sale, Consolidated Adjusted Net Income for such period shall be reduced by an amount equal to the Consolidated Adjusted Net Income (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated Adjusted Net Income (if negative) directly attributable thereto, for such period and the Consolidated Net Interest Expense for such period shall be reduced by an amount equal to the Consolidated Net Interest Expense directly attributable to any Debt of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Net Interest Expense for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(3) if, since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated Adjusted Net Income and Consolidated Net Interest Expense for such period shall be calculated after giving *pro forma* effect thereto (including the incurrence of any Debt) as if such Investment or acquisition occurred on the first day of such period; and

(4) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (2) or (3) above if made by the Issuer or a Restricted Subsidiary during such period, Consolidated Adjusted Net Income and Consolidated Net Interest Expense for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period.

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For the purposes of this definition and the definitions of Consolidated EBITDA, Consolidated Income Taxes, Consolidated Net Interest Expense and Consolidated Adjusted Net Income, calculations will be as determined in good faith by a responsible financial or accounting officer of the Issuer.

"**Consolidated Leverage**" means, with respect to any Person, the sum of the aggregate outstanding Debt of that Person and its Restricted Subsidiaries (excluding Deeply Subordinated Funding) and the aggregate liquidation preference of any preferred equity issued by a Restricted Subsidiary, less cash and Cash Equivalents, in each case, as of the relevant date of calculation.

"**Consolidated Leverage Ratio**" of the Issuer means, as of the date of determination, the ratio of (a) the Consolidated Leverage of the Issuer to (b) the aggregate Consolidated EBITDA of the Issuer for the period of the most recent four consecutive quarters for which financial statements are available under "*—Certain Covenants—Provision of Information*;" *provided* that the *pro forma* calculation of Consolidated Leverage shall not give effect to (i) any Debt incurred on the date of determination pursuant to the provisions described in clause (2) under the covenant "*—Certain Covenants—Limitation on Debt*" or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to the provisions described in clause (2) under the covenant "*—Certain Covenants—Limitation on Debt*;" *provided further*, that in calculating the Consolidated Leverage Ratio or any element thereof for any period, *pro forma* calculations will be made in good faith by a responsible financial or accounting officer of the Issuer (including any *pro forma* expenses and cost savings and cost reduction synergies that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the Issuer (regardless of whether these cost savings and cost reduction synergies could then be reflected in *pro forma* financial statements)); *provided*, *further*, that for purposes of calculating the Consolidated EBITDA for such period, if, as of such determination:

(a) since the beginning of such period such Person or any Restricted Subsidiary thereof will have disposed of any company, any business, or any group of assets constituting an operating unit of a business (any such disposition, a "**Sale**") or if the transaction giving rise to the need to calculate the Consolidated Leverage Ratio is such a Sale, Consolidated EBITDA for such period will be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the assets which are the subject of such Sale for such period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such period;

(b) since the beginning of such period such Person or any Restricted Subsidiary thereof (by merger or otherwise) will have made an Investment in any Person that thereby becomes a Restricted Subsidiary, or otherwise acquires any company, any business, or any group of assets constituting an operating unit of a business (any such Investment or acquisition, a "**Purchase**") including any such Purchase occurring in connection with a transaction causing a calculation to be made hereunder, Consolidated EBITDA for such period will be calculated after giving *pro forma* effect thereto as if such Purchase occurred on the first day of such period; and

(c) since the beginning of such period any other Person (that became a Restricted Subsidiary or was merged with or into the first Person or any Restricted Subsidiary thereof since the beginning of such period) will have made any Sale or any Purchase that would have required an adjustment pursuant to clause (1) or (2) above if made by the first Person or a Restricted Subsidiary thereof since the beginning of such period, Consolidated Cash Flow for such period will be calculated after giving *pro forma* effect thereto as if such Sale or Purchase occurred on the first day of such period.

For purposes of this definition whenever *pro forma* effect is to be given to any transaction or calculation under this definition, the *pro forma* calculations will be as determined in good faith by the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the relevant Person including any *pro forma* expense and cost reductions and other operating improvements that have occurred or are reasonably expected to occur, in the good faith judgment of the chief executive officer, chief financial officer or any person performing a similarly senior accounting role of the Issuer (regardless of whether these cost savings or operating improvements could then be reflected in *pro forma* financial statements).

"**Consolidated Net Interest Expense**" means, with respect to any specified Person for any period, without duplication and in each case determined on a consolidated basis in accordance with IFRS, the sum of:

(a) the Issuer's and the Restricted Subsidiaries' total interest expense for such period, including, without limitation:

    (i) amortization of debt discount, but excluding amortization of debt issuance costs, fees and expenses and the expensing of any bridge or other financing fees;

(ii) the net payments (if any) of Interest Rate Agreements and Currency Agreements (excluding amortization of fees and discounts and unrealized gains and losses); and

(iii) the interest portion of any deferred payment obligation (classified as Debt under the Indenture); *plus*

(b) the interest component of the Issuer's and the Restricted Subsidiaries' Capitalized Lease Obligations and IFRS 16 Leases Obligations accrued or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations and IFRS 16 Lease Obligations between or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *plus*

(c) the Issuer's and the Restricted Subsidiaries non-cash interest expenses (but excluding any non-cash interest expense attributable to the movement in the mark-to-market valuation of Hedging Obligations or other derivative instruments) and interest that was capitalized during such period; *plus*

(d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on the Issuer's or any Restricted Subsidiary's assets, but only to the extent that such interest is actually paid by the Issuer or such Restricted Subsidiary; *minus*

(e) the interest income of the Issuer and the Restricted Subsidiaries during such period.

Notwithstanding any of the foregoing, Consolidated Net Interest Expense shall not include (i) any non-cash interest expense in respect of Deeply Subordinated Funding, (ii) any commissions, discounts, yield and other fees and charges related to any Qualified Securitization Financing and (iii) any payments on any operating leases.

"**Container Revolving Credit Facility Agreement**" means an original US$135,000,000 (subsequently increased to US$210,000,000 and, upon the effectiveness of the last amendment, further increased to US$230,000,000) senior secured revolving loan agreement originally dated August 6, 2015 relating to the (re)financing of a portfolio of new containers and certain existing containers between, *amongst others*, Hapag-Lloyd AG as borrower and beneficial owner of the containers, Hapag-Lloyd Container (No. 3) Ltd. as legal owner of the containers, ING Bank N.V. and ABN AMRO Bank N.V. as arrangers, ING Bank N.V. as agent and security agent, ING Bank Belgium SA/NV and ABN AMRO Bank N.V. and Crédit Industriel et Commercial as lenders and ING Belgium SA/NV as original hedging bank, as amended from time to time.

"**continuing**" means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

"**Contribution Debt**" means Debt of the Issuer or any Restricted Subsidiary in an aggregate principal amount, together with any Debt refinancing such Debt, not greater than the aggregate amount of Cash Contributions (other than Excluded Contributions) made to the equity capital of the Issuer or such Restricted Subsidiary (other than by a Subsidiary of the Issuer) after the date of the Indenture, to the extent such net cash proceeds or cash have not been applied to make Restricted Payments pursuant to paragraph (2) or clause (3)(b) of the "*—Limitation on Restricted Payments*" covenant; *provided* that such Contribution Debt:

(1) is incurred within 180 days after the making of such Cash Contributions; and

(2) is designated as Contribution Debt pursuant to an Officers' Certificate signed by an officer or director of the Issuer no later than the date incurred.

"**Credit Facility**" or "**Credit Facilities**" means one or more debt facilities (including, without limitation, under the CTA Revolving Credit Facility Agreement and the Container Revolving Credit Facility Agreement) or commercial paper facilities, in each case with banks or other financial institutions providing for revolving credit loans, term loans, receivables financings (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), letters of credit or other forms of guarantees and assurances, or other Debt, including overdrafts, in each case, as amended, restated, modified, renewed, refunded, replaced (whether upon or after termination or otherwise), restructured, repaid or refinanced (whether by means of sales of debt securities to institutional investors and whether in whole or in part and whether or not with the original administrative agent or lenders or another administrative agent or agents or other

bank or institutions and whether provided under the CTA Revolving Credit Facility Agreement, the Container Revolving Credit Facility Agreement and one or more other credit or other agreements) and, for the avoidance of doubt, includes any agreement extending the maturity thereof or otherwise restructuring all or any portion of the indebtedness thereunder or increasing the amount loaned or issued thereunder or altering the maturity thereof.

"**CTA Revolving Credit Facility Agreement**" means an originally US$360,000,000 (reduced to US$95,000,000, subsequently increased to US$200,000,000 and, upon the effectiveness of the last amendment, further increased to US$360,000,000) secured revolving facility agreement originally dated October 1, 2010 for Hapag-Lloyd AG as borrower with, *amongst others*, Credit Suisse AG, London Branch, Deutsche Bank Luxembourg S.A. and Goldman Sachs International as mandated lead arrangers and UniCredit Bank AG as facility agent and security agent, certain banks and financial institutions, as amended from time to time.

"**Currency Agreements**" means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

"**Debt**" means, with respect to any Person, without duplication:

(a) the principal and premium amounts of any indebtedness of such Person in respect of borrowed money (including overdrafts) or for the deferred purchase price of property or services due more than one year after such property is acquired or such services are completed, excluding any trade payables and other accrued current liabilities incurred in the ordinary course of business;

(b) any indebtedness of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) all obligations, contingent or otherwise of such Person representing reimbursement obligations in respect of any letters of credit, bankers' acceptances or other similar instruments (except to the extent such obligation relates to trade payables in the ordinary course of business), *provided* that any counter indemnity or reimbursement obligation under a letter of credit shall be considered Debt only to the extent that the underlying obligation in respect of which the letter of credit has been issued would also be Debt;

(d) any indebtedness representing Capitalized Lease Obligations or IFRS 16 Lease Obligations of such Person;

(e) all obligations of such Person in respect of Interest Rate Agreements, Currency Agreements and Commodity Hedging Agreements (the amount of any such Debt to be equal at any time to either (a) zero if such Hedging Obligation is incurred pursuant to clause (2)(h) of the covenant described under "*—Certain Covenants—Limitation on Debt*" or (b) the notional amount of such Hedging Obligation if not incurred pursuant to such clause);

(f) all Debt referred to in (but not excluded from) the preceding clauses (a) through (e) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the fair market value of such property or asset and the amount of the obligation so secured);

(g) all guarantees by such specified Person of Debt referred to in this definition of any other Person (other than by endorsement of negotiable instruments for collection in the ordinary course of business);

(h) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price plus accrued and unpaid dividends; and

(i) Preferred Stock of any Restricted Subsidiary;

if and to the extent any of the preceding items (other than obligations under clauses (c) and (e) through (i)) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS *provided* that the term "Debt" shall not include (i) non-interest bearing installment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due; (ii) Debt in respect of the incurrence by the Issuer or any Restricted Subsidiary of Debt in respect of standby letters of credit, performance bonds or surety bonds provided by the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such letters of credit or bonds are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if, to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the letter of credit or bond; (iii) anything accounted for as an operating lease in accordance with IFRS as at the date of the Indenture; (iv) any pension obligations of the Issuer or a Restricted Subsidiary; (v) Debt incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (x) such Debt is borrowed from a bank or trust company, having a combined capital and surplus and undivided profits of not less than €250.0 million, whose debt has a rating immediately prior to the time such transaction is entered into, of at least A or the equivalent thereof by S&P and A2 or the equivalent thereof by Moody's and (y) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Debt, or a Subsidiary or Affiliate thereof, in amount equal to such Debt; (vi) obligations under or in respect of Qualified Securitization Financings; (vii) contingent obligations incurred in the ordinary course of business and (viii) Deeply Subordinated Funding.

For purposes of this definition, the "maximum fixed repurchase price" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the fair market value of such Redeemable Capital Stock, such fair market value will be determined in good faith by the board of directors or a member of senior management of the Issuer of such Redeemable Capital Stock; *provided*, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"**Deeply Subordinated Funding**" means any funds provided to the Issuer pursuant to an agreement, note, security or other instrument, other than Capital Stock, that pursuant to its terms, (i) is subordinated in right of payment to the Notes, (ii)(A) does not mature or require any amortization, redemption or other repayment of principal (other than through conversion or exchange of such funding into Qualified Capital Stock of the Issuer or any funding meeting the requirements of this definition), (B) does not require payment of any cash interest or any similar cash amounts and (C) contains no change of control or similar provisions and (D) does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment (other than as a result of insolvency proceedings of the Issuer), in each case, prior to the 90th day following the Stated Maturity of the Notes and all other amounts due under the Indenture, (iii) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any Restricted Subsidiary and (iv) does not (including upon the happening of any event) restrict the payment of amounts due in respect of the Notes or compliance by the Issuer with its obligations under the Notes and the Indenture.

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"**Disinterested Director**" means, with respect to any transaction or series of related transactions, a member of the Issuer's board of directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions or is not an Affiliate, or an officer, director or employee of any Person (other than the Issuer or any Restricted Subsidiary) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions.

"**Euro Equivalent**" means, with respect to any monetary amount in a currency other than euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euro with the

applicable foreign currency as published under "Currency Rates" in the section of the *Financial Times* entitled "Currencies, Bonds & Interest Rates" on the date that is two Business Days prior to such determination.

"**European Government Obligations**" means direct obligations of, or obligations guaranteed by, a member state of the European Union as in effect on December 31, 2003, and the payment for which such member state of the European Union pledges its full faith and credit.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"**Excluded Contributions**" means the net cash proceeds received by the Issuer after the Issue Date from (i) contributions to its common equity capital, and (ii) the sale (other than to a Subsidiary) of Capital Stock (other than Redeemable Capital Stock), in each case designated as "Excluded Contributions" pursuant to an Officers' Certificate (which shall be designated no later than the date on which such Excluded Contribution has been received), the net cash proceeds of which are excluded from the calculation set forth in the clause (2)(c)(ii) of the covenant described under "*—Certain Covenants—Restricted Payments*" hereof.

"**External Verifier**" means a qualified provider of third-party assurance or attestation services appointed by the Issuer to review the Sustainability Performance Target and provide related assurance services.

"**Fair Market Value**" means, with respect to any asset or property, the sale value that would be obtained in an arm's length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the board of directors or a member of senior management of the Issuer.

"**Guarantee**" means any guarantee of the Issuer's obligations under the Indenture and the Notes by the Issuer, any Restricted Subsidiary or any other Person in accordance with the provisions of the Indenture, dated as of the Issue Date. When used as a verb, "Guarantee" shall have a corresponding meaning.

"**guarantees**" means, as applied to any obligation,

(a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and

(b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

"**Hedging Obligations**" has the meaning giving to such term under clause (2)(h) of "*—Certain Covenants—Limitations on Debt*."

"**IFRS**" means International Financial Reporting Standards as endorsed by the European Union (a) for purposes of the covenant "Provision of Information," as in effect from time to time and (b) for other purposes of the Indenture, as in effect on the Issue Date. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect on the Issue Date; *provided* that at any date after the Issue Date, the Issuer may, by written notice to the Trustee, make a one-time irrevocable election to establish that IFRS means IFRS as in effect on a date that is after the Issue Date and on or prior to the date of such election.

"**IFRS 16 Lease Obligations**" means any obligations under any lease, hire, rental or similar agreement, including, for the avoidance of doubt, any bareboat charter, in each case subject to lease accounting under IFRS 16.

"**Indenture**" means the indenture pursuant to which the Issuer will issue and the Guarantors will guarantee the Notes.

"**Interest Rate Agreements**" means, in respect of a Person, any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

"**Investment**" means, with respect to any Person, any direct or indirect advance, loan or other extension of credit (including guarantees but excluding bank deposits, accounts receivable, trade credit, advances to customers, commission, travel and similar advances to officers and employees, in each case, made in the ordinary course of business) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase, acquisition or ownership by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Debt issued or owned by, any other Person and all other items, in each case that are required by IFRS to be classified on the balance sheet (excluding the footnotes) of the relevant Person in the same manner as the other investments included in this definition to the extent such transactions involve the transfer of cash or other property. In addition, the portion (proportionate to the Issuer's equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary will be deemed to be an "Investment" that the Issuer made in such Unrestricted Subsidiary at such time. The portion (proportionate to the Issuer's equity interest in such Restricted Subsidiary) of the Fair Market Value of the net assets of any Unrestricted Subsidiary at the time that such Unrestricted Subsidiary is designated a Restricted Subsidiary will be considered a reduction in outstanding Investments. "Investments" excludes extensions of trade credit on commercially reasonable terms in accordance with normal trade practices.

"**Investment Grade Rating**" shall occur when the Notes are rated Baa3 or better by Moody's and BBB- or better by S&P, as applicable (or, if either such entity ceases to rate the Notes, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization" within the meaning of Rule 15c3-(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency).

"**Irrevocable Repayment**" means any repayment, repurchase or refinancing of Debt with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered.

"**Issue Date**" means April 6, 2021.

"**Lien**" means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), privilege, security interest, hypothecation, assignment for security, standard security, assignation in security claim, or preference or priority or other encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"**Limited Condition Acquisition**" means any acquisition, including by way of merger, amalgamation or consolidation, by the Issuer or one or more of its Restricted Subsidiaries whose consummation is not conditioned upon the availability of, or on obtaining, third party financing; provided that the Consolidated Adjusted Net Income (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with the Limited Condition Acquisition, shall not include any Consolidated Adjusted Net Income of or attributable to the target company or assets associated with any such Limited Condition Acquisition unless and until the closing of such Limited Condition Acquisition shall have actually occurred.

"**Management Advances**" means loans or advances made to, or Guarantees with respect to loans or advances made to, directors, officers or employees of the Issuer or any Restricted Subsidiary:

(1) in respect of travel, entertainment or moving related expenses incurred in the ordinary course of business;

(2) in respect of moving related expenses incurred in connection with any closing or consolidation of any facility or office; or

(3) in the ordinary course of business and (in the case of this clause (3)) not exceeding €5.0 million in the aggregate outstanding at any time.

"**Market Capitalization**" means an amount equal to (i) the total number of issued and outstanding shares of Capital Stock of the Issuer on the date of the declaration of the relevant dividend, multiplied by (ii) the arithmetic mean of the closing prices per share of such Capital Stock for the 30 consecutive trading days immediately preceding the date of the declaration of such dividend.

"**Maturity**" means, with respect to any indebtedness, the date on which any principal of such indebtedness becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"**Moody's**" means Moody's Investors Service, Inc. and its successors.

"**Net Cash Proceeds**" means with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of:

(a) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;

(b) provisions for all taxes paid or payable, or required to be accrued as a liability under IFRS as a result of such Asset Sale;

(c) all distributions and other payments required to be made to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and

(d) appropriate amounts required to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve in accordance with IFRS against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as reflected in an Officers' Certificate delivered to the Trustee.

"**Officers' Certificate**" means a certificate signed by an officer of the Issuer, a Guarantor or a Surviving Entity, as the case may be, and delivered to the Trustee.

"**Original Shareholder**" means each Permitted Holder and its Affiliates and any other direct or indirect shareholder of the Issuer on the Issue Date and its Affiliates.

"***Pari Passu* Debt**" means (a) any Debt of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Guarantee, any Debt that ranks equally in right of payment to such Guarantee.

"**Permitted Business**" means (a) any businesses, services or activities engaged in by the Issuer or any of the Restricted Subsidiaries on the Issue Date and (b) any businesses, services and activities engaged in by the Issuer or any of the Restricted Subsidiaries that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

"**Permitted Debt**" has the meaning given to such term under "*—Certain Covenants—Limitation on Debt*."

"**Permitted Holders**" means each of (i) HGV Hamburger Gesellschaft für Vermögens und Beteiligungsmanagement mbH, (ii) HanseMerkur Krankenversicherung AG, (iii) HanseMerkur Lebensversicherung AG (iv) Iduna Vereinigte Lebensversicherung AG für Handwerk, Handel und Gewerbe, (v) Kühne Maritime GmbH, (vi) M.M.Warburg & CO. Gruppe (GmbH & Co.) KGaA (as well as other shareholders to whom M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA has transferred part of its original partnership interests in Hamburgische Seefahrtsbeteiligung "Albert Ballin" GmbH & Co. KG and which agreed to pool their voting rights with M.M.Warburg & CO Gruppe (GmbH & Co.) KGaA (but only as long as such pooling agreement applies)), (vii) CSAV, (ix) Qatar Holding LLC, (viii) The Public Investment Fund of the Kingdom of Saudi Arabia and (ix) in each case any person,

entity, company or corporation the voting rights and shareholdings in which are, directly or indirectly, wholly owned and held by any of the Permitted Holders referred to under (i) to (ix) (each inclusive) above and, in each case, their respective Affiliates and (x) any Person who is acting as an underwriter in connection with any public or private offering of Capital Stock of the Issuer, acting in such capacity.

"**Permitted Investments**" means any of the following:

(a) Investments in cash or Cash Equivalents;

(b) intercompany Debt to the extent permitted under clause (d) of the definition of "Permitted Debt;"

(c) Investments in (i) the form of loans or advances to, or debt securities issued by, the Issuer, (ii) the Issuer or a Restricted Subsidiary or (iii) another Person if as a result of such Investment such other Person becomes a Restricted Subsidiary of the Issuer or such other Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;

(d) Investments made by the Issuer or any Restricted Subsidiary as a result of or retained in connection with an Asset Sale permitted under or made in compliance with "*—Certain Covenants—Limitation on Sale of Certain Assets*" to the extent such Investments are non-cash proceeds permitted thereunder;

(e) expenses or advances to cover payroll, travel, entertainment, moving, other relocation and similar matters that are expected at the time of such advances to be treated as expenses in accordance with IFRS;

(f) Investments in the Notes and any other Debt of the Issuer or any Restricted Subsidiary;

(g) Investments existing on the Issue Date and any Investment consisting of an extension, modification or renewal of any Investment existing on, or made pursuant to a binding commitment existing on, the Issue Date; *provided* that the amount of any such Investment may be increased (a) as required by the terms of such Investment as in existence on the Issue Date or (b) as otherwise permitted under the Indenture;

(h) Investments in Hedging Obligations permitted under clause (2)(h) under "*—Certain Covenants—Limitation on Debt*;"

(i) any Investments received in compromise or resolution of litigation, arbitration or other disputes;

(j) loans and advances (or guarantees to third-party loans) to directors, officers or employees of the Issuer or any Restricted Subsidiary made in the ordinary course of business in an amount outstanding not to exceed at any one time €5.0 million;

(k) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business;

(l) Investments in a Person to the extent that the consideration therefor consists of Capital Stock or the net proceeds of the issue and sale (other than to any Restricted Subsidiary) of shares of Capital Stock of the Issuer or Deeply Subordinated Funding; *provided* that the net proceeds of such sale have been excluded from, and shall not have been included in, the calculation of the amount determined under clause (2)(c)(ii) of "*—Certain Covenants—Limitation on Restricted Payments*;"

(m) Investments of the Issuer or the Restricted Subsidiaries described under item (v) to the proviso to the definition of "Debt;"

(n) any Guarantee of Debt permitted to be incurred by the covenant entitled "*—Certain Covenants—Limitation on Debt*;"

(o) Management Advances;

(p) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (p) that are at the time outstanding not to exceed the greater of (i) €350.0 million and 2.25% of Total Assets,

provided, that if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to "*Certain Covenants—Restricted Payments*," such Investment, if applicable, shall thereafter be deemed to have been made pursuant to (c)(ii) or (iii) of the definition of "Permitted Investments" and not this clause;

(q) Investments resulting from the acquisition of a Person that at the time of such acquisition held instruments constituting Investments that were not acquired in contemplation of the acquisition of such Person;

(r) any Investment in connection with a Qualified Securitization Financing, including Investments of funds held in accounts permitted or required by the arrangements governing such Qualified Securitization Financing or any related Debt; and

(s) stock, obligations or securities received in satisfaction of judgments, foreclosure of liens or settlement of debts and (ii) any Investments received in compromise of obligations of such persons incurred in the ordinary course of trade creditors or customers that were incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer.

"**Permitted Liens**" means the following types of Liens:

(a) Liens existing on the Issue Date;

(b) Liens on any property or assets of a Restricted Subsidiary granted in favor of the Issuer or any Restricted Subsidiary;

(c) Liens on any of the Issuer's or any Restricted Subsidiaries' property or assets securing the Notes or any Guarantees;

(d) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(e) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith or Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution;

(f) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS, shall have been made;

(g) Liens incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business (other than obligations for the payment of money);

(h) zoning restrictions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects and incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of the Issuer and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;

(i) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(j) Liens on property or assets of, or on shares of Capital Stock or on Debt of, any Person existing at the time such Person becomes a Restricted Subsidiary; *provided* that such Liens

(i) do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets of, or shares of Capital Stock or on Debt of, such acquired Restricted Subsidiary and (ii) were not created in connection with or in contemplation of such acquisition, merger or consolidation;

(k) Liens on property or assets existing at the time such property or assets are acquired, including any acquisition by means of a merger with or into or consolidation with, the Issuer or any Restricted Subsidiary; *provided* that such Liens (i) do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than (A) the property or assets acquired or (B) the property or assets of the Person merged with or into or consolidated with the Issuer or Restricted Subsidiary and (ii) were not in connection with or in contemplation of such acquisition, merger or consolidation;

(l) Liens securing the Issuer's or any Restricted Subsidiary's Hedging Obligations permitted under clause (2)(h) under "*—Certain Covenants—Limitation on Debt*;"

(m) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance (including unemployment insurance) or deposits to secure public or statutory obligations of such Person or deposits of cash or government bonds to secure performance, bid, surety or appeal bonds and completion bonds and guarantees to which such Person is a party, or deposits as security for contested taxes or import duties or for the payment of rent, in each case incurred in the ordinary course of business;

(n) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(o) Liens incurred in connection with a cash management program established in the ordinary course of business;

(p) Liens on any property or assets of the Issuer or any of its Restricted Subsidiaries securing Debt permitted to be incurred pursuant to clauses 2(b), 2(t) and 2(v) under "*—Certain Covenants—Limitation on Debt*;"

(q) Liens on any property or assets of the Issuer or any of its Restricted Subsidiaries for the purpose of securing Capitalized Lease Obligations, IFRS 16 Lease Obligations, purchase money obligations, mortgage financings or other Debt (including in respect of clause 2(i), refinanced Debt), in each case, incurred pursuant to clauses 2(i) or (j) or (u) under "*—Certain Covenants—Limitation on Debt*" in connection with the financing of all or any part of the purchase price, lease expense, rental payment or cost of design, construction, installation or improvement of assets or property; *provided*, that any such Lien may not extend to any assets or property owned by the Issuer or any of its Restricted Subsidiaries at the time the Lien is incurred other than the assets and property (including any rights and claims arising or generated out of or in connection with any such assets or property (including the loss, impairment or destruction thereof)) acquired, improved, constructed, leased, financed or refinanced (*provided* that to the extent that any such Capitalized Lease Obligations, IFRS 16 Lease Obligations, purchase money obligations, mortgage financings or other Debt (including in respect of clause 2(i), refinanced Debt) relate to multiple assets or properties, then all such assets or properties may secure any such Capitalized Lease Obligation, IFRS 16 Lease Obligations, purchase money obligations, mortgage financings or such other Debt);

(r) Liens incurred to secure Permitted Refinancing Debt permitted to be incurred under the Indenture; *provided* that the new Lien shall be limited to all or part of the same property and assets that secured the original Lien (plus improvements and accessions to such property and assets and proceeds or distributions thereof);

(s) Liens on specific items of inventory or other goods (and the proceeds thereof) of any Person securing such Person's obligations in respect of bankers' acceptances issued or created in the ordinary course of business for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;

(t) leases, licenses, subleases and sublicenses of assets in the ordinary course of business;

(u) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third-party relating to such property or assets;

(v) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities;

(w) pledges of goods, the related documents of title and/or other related documents arising or created in the ordinary course of the Issuer or any Restricted Subsidiary's business or operations as Liens only for Debt to a bank or financial institution directly relating to the goods or documents on or over which the pledge exists;

(x) Liens over cash paid into an escrow account pursuant to any purchase price retention arrangement as part of any permitted disposal by the Issuer or a Restricted Subsidiary on condition that the cash paid into such escrow account in relation to a disposal does not represent more than 15% of the net cash proceeds of such disposal;

(y) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

(z) Liens on any proceeds loan made by the Issuer or any Restricted Subsidiary in connection with any future incurrence of Debt permitted under the Indenture and securing that Debt;

(aa) Liens over treasury stock of the Issuer or a Restricted Subsidiary purchased or otherwise acquired for value by the Issuer or such Restricted Subsidiary pursuant to a stock buy-back scheme or other similar plan or arrangement;

(bb) Liens on Securitization Assets and related assets incurred in connection with any Qualified Securitization Financing;

(cc) Liens for salvage;

(dd) Liens incurred in the ordinary course of business of the Issuer or any Restricted Subsidiary with respect to obligations that do not exceed €15.0 million at any one time outstanding; and

(ee) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (dd); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets.

"**Permitted Refinancing Debt**" means any renewals, extensions, substitutions, refinancings or replacements of any Debt of the Issuer or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, so long as:

(a) such Debt is in an aggregate principal amount (or if incurred with original issue discount, an aggregate issue price) not in excess of the sum of (i) the aggregate principal amount (or if incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;

(b) the Average Life of such Debt is equal to or greater than the Average Life of the Debt being refinanced;

(c) the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced;

(d) the new Debt is not senior in right of payment to the Debt that is being refinanced; and

(e) such Debt is unsecured if the Debt being refinanced is unsecured,

provided that Permitted Refinancing Debt will not include (i) Debt of a Subsidiary of the Issuer (other than a Guarantor) that refinances the Debt of the Issuer or any Guarantor or (ii) Debt of any Restricted Subsidiary that refinances Debt of an Unrestricted Subsidiary.

"**Person**" means any individual, corporation, limited liability company, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"**Preferred Stock**" means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person which is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person whether now outstanding, or issued after the date of the Indenture, and including, without limitation, all classes and series of preferred or preference stock of such Person; *provided* that accrued non-cash dividends with respect to any Preferred Stock shall not constitute Preferred Stock for the purposes of "*Certain Covenants—Limitation on Debt*."

"**Productive Asset Lease**" means any charter or lease of one or more Vessels and any lease of any container (other than charters or leases required to be classified and accounted for as a capital leases under IFRS).

"**Property**" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock, and other securities of, any other Person. For purposes of any calculation required pursuant to the Indenture, the value of any Property shall be its Fair Market Value.

"**Public Debt**" means any Debt consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A under the Securities Act or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such securities to registration thereof with the Commission for public resale.

"**Public Equity Offering**" means, with respect to the Issuer or any direct or indirect parent company of the Issuer, any offering of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the U.S. Securities Act to professional market investors or similar persons).

"**Public Market**" means any time after:

(1) a Public Equity Offering has been consummated; and

(2) at least 20% of the total issued and outstanding ordinary shares or common equity of the Issuer or a direct or indirect parent company of the Issuer has been distributed to investors other than the Permitted Holders pursuant to one or more Public Equity Offerings.

"**Qualified Capital Stock**" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"**Qualified Securitization Financing**" means any financing pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to any other Person or grant a security interest in, any accounts receivable (and related assets) in any aggregate principal amount equivalent to the Fair Market Value of such accounts receivable (and related assets) of the Issuer or any of its Restricted Subsidiaries; *provided* that (a) the covenants, events of default and other provisions applicable to such financing shall be on market terms (as determined in good faith by the board of directors or a member of senior management of the Issuer) at the time such financing is entered into, (b) the interest rate applicable to such financing shall be a market interest rate (as determined in good faith by the board of directors or a member of senior management of the Issuer) at the time such financing is entered into and (c) such financing shall be non-recourse to the Issuer and its Restricted Subsidiaries except to a limited extent customary for such transactions.

"**Ready for Sea Cost**" means with respect to a Vessel to be acquired or leased by the Issuer or any Restricted Subsidiary, the aggregate amount of all expenditures incurred to acquire or construct and bring such Vessel to the condition and location necessary for its intended use, including any and all inspections, appraisals, repairs, modifications, additions, permits and licenses in connection with such acquisition or lease.

"**Redeemable Capital Stock**" means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable, or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Notes or is redeemable at the option of the holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Issuer in circumstances in

which the holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "*—Certain Covenants—Limitation on Sale of Certain Assets*" and "*—Purchase of Notes upon a Change of Control*" described herein and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of such Notes as are required to be repurchased pursuant to "*—Certain Covenants—Limitation on Sale of Certain Assets" and "—Purchase of Notes upon a Change of Control*."

"**Restricted Subsidiary**" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"**S&P**" means Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"**Securitization Assets**" means any accounts receivable subject to a Qualified Securitization Financing.

"**Securitization Fees**" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not the Issuer or a Restricted Subsidiary in connection with any Qualified Securitization Financing.

"**Securitization Repurchase Obligation**" means any obligation of a seller of Securitization Assets in a Qualified Securitization Financing to repurchase Securitization Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"**Senior Credit Facilities**" means any Credit Facility of the Issuer or any Restricted Subsidiary, including any Credit Facility under the Container Revolving Credit Facility Agreement and the CTA Revolving Credit Facility Agreement.

"**Significant Subsidiary**" means, at the date of determination, any Restricted Subsidiary of the Issuer that together with its Subsidiaries which are Restricted Subsidiaries of the Issuer (i) for the most recent fiscal year, accounted for more than 10% of the consolidated revenues of the Issuer or (ii) as of the end of the most recent fiscal quarter, was the owner of more than 10% of the consolidated assets of the Issuer.

"**Stated Maturity**" means, when used with respect to any note or any installment of interest thereon, the date specified in such note as the fixed date on which the principal of such note or such installment of interest, respectively, is due and payable, and, when used with respect to any other indebtedness, means the date specified in the instrument governing such indebtedness as the fixed date on which the principal of such indebtedness, or any installment of interest thereon, is due and payable.

"**Subordinated Debt**" means Debt of the Issuer or any of the Guarantors that is subordinated in right of payment to the Notes or the Guarantees of such Guarantors, as the case may be; *provided*, that no Debt will be deemed to be subordinated in right of payment to any other Debt solely by virtue of being unsecured or by virtue of being secured on a junior Lien basis.

"**Subsidiary**" means, with respect to any Person:

(a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries thereof; and

(b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more

Subsidiaries thereof or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions), *provided* that, notwithstanding the foregoing, CSAV Austral S.A. and any of its subsidiaries shall qualify as a "Subsidiary" if fully consolidated by the Issuer in accordance with its consistently applied accounting policies.

"**Sustainability Performance Target**" means an average efficiency ratio performance lower than or equal to the applicable calibrate sustainable performance targets for the calendar year 2024 which we must report no later than July 31, 2025, as further set forth in this Offering Memorandum.

"**Total Assets**" means the consolidated total assets of the Issuer and its Restricted Subsidiaries as shown on the most recent consolidated balance sheet of the Issuer.

"**Transactions**" means the Offering and the redemption of the Existing Notes, each within the meaning given to such term in this Offering Memorandum.

"**Trust Indenture Act**" means the U.S. Trust Indenture Act of 1939, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"**Unrestricted Subsidiary**" means:

(a) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer's board of directors pursuant to the "Designation of Unrestricted and Restricted Subsidiaries" covenant); and

(b) any Subsidiary of an Unrestricted Subsidiary.

"**Vessel**" means one or more shipping vessels whose primary purpose is the maritime transportation of cargo or which are otherwise engaged, used or useful in any business activities of the Issuer and its Restricted Subsidiaries and which are owned by and registered (or to be owned by and registered) in the name of the Issuer or any of its Restricted Subsidiaries or operated or to be operated by the Issuer or any of its Restricted Subsidiaries, in each case together with all related spares, equipment and any additions or improvements.

"**Voting Stock**" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

CERTAIN INSOLVENCY LAW CONSIDERATIONS

The following is a summary of certain insolvency law considerations relevant to the EU and the Federal Republic of Germany. The descriptions below are only a summary and do not purport to be complete or to discuss all insolvency law considerations that may affect the recovery or enforceability of the obligations of the Issuer. See "*Risk Factors—Risks Relating to the Notes.*"

European Union

On June 5, 2015, Regulation (EU) 2015/848 of the European Parliament and of the Council of May 20, 2015 on insolvency proceedings (as last amended by Regulation (EU) 2018/946 of the European Parliament and of the Council of 4 July 2018, the "**EU Insolvency Regulation**") was published in the Official Gazette of the European Union.

Main Insolvency Proceedings

Pursuant to Article 3(1) of the EU Insolvency Regulation, the court which shall have jurisdiction to open insolvency proceedings in relation to a company is the court of the member state of the EU (the "**Member State**") (other than Denmark) within which the center of a debtor's main interests is situated. The "center of main interests" is defined as "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties." Pursuant to Article 3(1) of the EU Insolvency Regulation, the center of main interests of a company or legal person is presumed to be located in the Member State of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another Member State within a three-month period prior to the request for the opening of insolvency proceedings. Specifically, it is possible to refute this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests. In the event of a shift in the center of main interests, this may require informing the creditors of the new location from which the debtor is carrying out its activities in due course (*e.g.*, by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means).

If the "center of main interests" of a company at the time an insolvency application is made, is located in a Member State (other than Denmark), the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and, accordingly, a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation.

Furthermore, pursuant to Article 6 of the EU Insolvency Regulation, the courts of the Member State within the territory of which insolvency proceedings have been opened in accordance with Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

Secondary Insolvency Proceedings

Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in the other Member States (other than Denmark), although secondary proceedings may be opened in other Member States. If the "center of main interests" of a debtor is in one Member State (other than Denmark), under Article 3(2) of the EU Insolvency Regulation, the courts of another Member State (other than Denmark) have jurisdiction to open "secondary" or "territorial" insolvency proceedings only in the event that such debtor has an "establishment" in the territory of such other Member State. Secondary proceedings may be any insolvency proceeding listed in Annex A of the EU Insolvency Regulation and for the avoidance of doubt, are not limited to winding up proceedings. Territorial proceedings are, in effect, secondary proceedings which are commenced prior to the opening of main insolvency proceedings and which will usually convert to secondary proceedings on the opening of the main proceedings. "Establishment" is defined as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects

of those territorial proceedings are restricted to the assets of the debtor situated in the territory of such other Member State.

Pursuant to Article 3(4) of the EU Insolvency Regulation, where main proceedings in the Member State in which the company has its center of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another Member State where the company has an establishment and either: (a) insolvency proceedings cannot be opened in the Member State in which the company's center of main interests is situated under that Member State's law; or (b) the territorial insolvency proceedings are opened at the request of a creditor whose claim arises from or in connection with the operation of such establishment or a public authority, which has the right to request such opening under the respective Member State's law, requests the opening of such proceedings. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exemptions, be governed by the lex fori concursus; that is, the local insolvency law of the court that has assumed jurisdiction for the respective main, territorial or secondary insolvency proceedings, as the case may be, of the company.

Pursuant to Article 21 of the EU Insolvency Regulation, the insolvency officeholder appointed by the court of the main proceedings may exercise the powers conferred on him by the law of that Member State in another Member State (such as to remove assets of the company from that other Member State), subject to certain limitations, so long as no insolvency proceedings have been opened in that other Member State or any preservation measure has been taken to the contrary further to a request to open insolvency proceedings in that other Member State where the company has assets.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another Member State by giving a unilateral undertaking in respect of the assets located in the Member State in which secondary insolvency proceedings could be opened. For this purpose, the insolvency practitioner must undertake to comply with the distribution and priority rights under the relevant national law from which the local creditors would benefit if the insolvency proceedings were opened in the Member State where the assets are located. Such undertaking must be made in writing and is subject to approval by a qualified majority of known local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvency estate and if a court is requested to open secondary insolvency proceedings, it should, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Additionally, under Article 38 of the EU Insolvency Regulation, where a temporary stay of individual enforcement proceedings has been granted in order to allow for negotiations between a company and its creditors, the court, at the request of the insolvency practitioner in the main insolvency proceedings, may stay the opening of secondary insolvency proceedings for a period not exceeding three months, provided that suitable measures are in place to protect the interests of local creditors.

Under Article 46 of the EU Insolvency Regulation, the court which opened the secondary insolvency proceedings will also stay the process of realization of assets in whole or in part on receipt of a request from the insolvency practitioner in the main insolvency proceedings, for a renewable period of up to three months, unless such a request is manifestly of no interest to the creditors in the main insolvency proceedings. Such stay may be continued or renewed for similar periods. Where the court stays the process of realization of the assets, the court may require the insolvency practitioner in the main insolvency proceedings to take any suitable measure to guarantee the interests of the creditors in the secondary insolvency proceedings and of individual classes of creditors.

Pursuant to Article 4 of the EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3; such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

In the event that the Issuer or any provider of collateral experiences financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings will be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations of the Issuer and the collateral provided by any other company. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and

there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

Insolvency Proceedings Involving Members of a Group of Companies

The EU Insolvency Regulation provides for a cooperation and communication mechanism in the event that insolvency proceedings concerning two or more members of a group of companies are opened. Insolvency practitioners appointed in proceedings concerning a member of the group shall cooperate with any insolvency practitioner appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest. In this respect, the courts may, where appropriate, appoint a third party, provided that this is not incompatible with the rules applicable to them.

Germany

Insolvency

The Issuer is organized under the laws of Germany, has its registered offices in Germany and, except for shareholding interests in certain subsidiaries, substantially all of its assets are located in Germany. In the event of an insolvency of the Issuer under the laws of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely govern such proceedings. Under certain circumstances, insolvency proceedings may also be opened in Germany in accordance with German law over the assets of companies that are not established under German law (for example, if the center of main interests of such company is within Germany) or, vice versa, insolvency over the Issuer may be opened in other jurisdictions. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to your interests as creditors as the insolvency laws of other jurisdictions, including, inter alia, in respect of priority of creditors' claims, the ability to obtain post-petition interest as well as in certain circumstances priority recovery for secured creditors and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within a group of companies, there will be separate insolvency proceedings for each of the entities if an insolvency reason on the part of the relevant entity exists. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and no pooling of claims among the respective entities of a group. Recently, the German legislator adopted an act to facilitate the handling of group insolvencies *(Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) which entered into force on April 21, 2018. However, this act mainly provides for coordination of and cooperation between insolvency proceedings over the assets of group companies. The act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims amongst the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceeding; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*).

Under German insolvency law, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings can be initiated either by the debtor or by a creditor

in the event of over-indebtedness (*Überschuldung*) or illiquidity (*Zahlungsunfähigkeit*) of the debtor, meaning that the debtor is unable to pay 10% or more of its debts as and when they fall due for a period longer than three weeks. According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business is more likely than not (*überwiegend wahrscheinlich*) for a prognosis period covering the next twelve months (*positive Fortführungsprognose*).

If a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*), a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*), any other limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as personally liable shareholder finds itself in a situation of illiquidity and/or over-indebtedness, the managing director(s) of such company and, in certain circumstances its shareholders, are obliged to file for the opening of insolvency proceedings without undue delay but not later than three (3) weeks after the mandatory insolvency reason occurred, *i.e.*, illiquidity and/or over-indebtedness. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. Once illiquidity or over indebtedness occurred, any payments, may be voidable.

In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period (such period generally being 24 months). However, only the debtor, but not the creditors, is entitled (but not obligated) to file for the opening of insolvency proceedings if the debtor is likely not to be able to pay its debts as and when they fall due.

The Act to Temporarily Suspend the Obligation to File for Insolvency and to Limit Directors' Liability in the Case of Insolvency Caused by the COVID-19 Pandemic, which was adopted on March 27, 2020 (as amended from time to time, the "**COVInsAG**"), provides, *inter alia*, for a suspension of the obligation to file for insolvency until, currently, April 30, 2021. The suspension—as in force from February 19, 2021—applies to debtors who, in the period from November 1, 2020 to February 28, 2021, have applied for financial assistance under state assistance programs to mitigate the consequences of the COVID-19 pandemic or have been prevented, as eligible debtors, from filing such application for legal or factual reasons, unless the insolvency is not caused by consequences of the COVID-19 pandemic or there is no prospect of obtaining the state financial assistance or the assistance that can be obtained is insufficient to eliminate the over indebtedness or illiquidity. The COVInsAG also provides for a certain relief from claw-back provisions, if the debtor fulfilled the requirements for the suspension of filing duties, for the satisfaction of claims or the provision of collateral for these claims, which the creditor was entitled to receive and unless the creditor knew that the restructuring and refinancing efforts of the debtor were not suitable to eliminate an existing illiquidity of the debtor in the meaning of section 17 of the German Insolvency Code (*Insolvenzordnung*).

The insolvency proceedings are administered by the competent insolvency court which monitors due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures (*vorläufige Maßnahmen*) to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings as far as these protective measures are reasonable to protect the debtor's assets and/or to ensure the continuation of the debtor's business, prohibit the enforcement of any collateral granted over claims, rights or other movable assets of debtor. If the enforcement of collateral is prohibited by the insolvency court, secured creditors have to be adequately compensated by the insolvency estate.

As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession proceedings (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a preliminary trustee (*vorläufiger Sachwalter*)—with this petition not being obviously futile. The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and to preserve the debtor's property (which includes the continuation of the business carried out by the debtor), to verify the existence of an insolvency

reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator, whilst in debtor-in-possession proceedings, the debtor's management retains the right to manage business. However, the court may also order that certain disposals of the debtor may require the preliminary trustee's consent also in debtor-in-possession proceedings. The competent insolvency court shall set up during preliminary proceedings a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) if the debtor satisfies two of the following three requirements: (i) a balance sheet total in excess of €6,000,000 (after deducting an equity shortfall if the debtor is over-indebted), (ii) revenues of at least €12,000,000 in the twelve months prior to the last balance sheet date and/or (iii) 50 or more employees on an annual average. The preliminary creditors' committee will be able to participate in certain important insolvency court decisions. It will have, for example, the power to influence the following: the selection of a preliminary insolvency administrator or an insolvency administrator (*vorläufiger Insolvenzverwalter* and *Insolvenzverwalter*), orders for "debtor in possession" proceedings (*Anordnung der Eigenverwaltung*), and appointments of preliminary trustees (*vorläufiger Sachwalter*). In case the members of the preliminary creditors' committee unanimously agree on an individual, such suggestion is binding on the court (unless the suggested individual is not eligible, *i.e.*, not competent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it shall include a representative of the secured creditors, one for the large and one for the small creditors as well as one for the employees.

The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if (i) the debtor is in a situation of impending illiquidity (if the petition has been filed by the debtor) or illiquidity and/or over-indebtedness and (ii) there are sufficient assets (*Insolvenzmasse*) to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties, for instance creditors, advance the costs themselves. In the absence of such advancement, the petition for opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of main insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*) (usually the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court, unless a debtor-in-possession proceedings (*Eigenverwaltung*) is ordered. In the absence of debtor-in-possession proceedings, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by head count and amount of insolvency claims) has voted in favor of the proposed individual becoming the insolvency administrator and (ii) the proposed individual being eligible as officeholder, *i.e.*, sufficiently qualified, business experienced and impartial. Individual creditors, or the debtor, can request the insolvency court to remove the insolvency administrator only on the grounds of a lack of impartiality and only within six months from the appointment. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's operations, and satisfaction of these liabilities as preferential debts of the estate (*Masseschulden*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings (including such portion of an *in rem* secured creditor's claim which exceeds the amount obtained through a disposal of the relevant collateral).

For the holders of the Notes, the most important consequences of the opening of German insolvency proceedings against us or any subsidiary subject to the German insolvency regime would be the following:

- if the court does not order debtor-in-possession status (*Eigenverwaltung*), the right to administer and dispose of our, or such subsidiary's assets would generally pass to the (preliminary) insolvency administrator ((*vorläufiger) Insolvenzverwalter*) as sole representative of the insolvency estate;
- if the court does not order debtor-in-possession status (*Eigenverwaltung*), with respect to the Issuer or any of its relevant subsidiaries, disposals effected by our or such subsidiary's management after the opening of insolvency proceedings are null and void by operation of law;

- if, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings acquires through execution (*i.e.*, attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of the main insolvency proceedings;
- claims against us or such subsidiary may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and
- any person that has a right for separation (*Aussonderung*), *i.e.*, the relevant asset of this person does not constitute part of the insolvency estate, does not participate in the insolvency proceedings; the claim for separation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract (*Wahlrecht des Insolvenzverwalters*) unless they reflect termination rights applicable under statutory law. This will likely also relate to agreements that are not governed by German law.

All creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) or are preferred creditors (*Massegläubiger*) as opposed to a preferential right (*Absonderungsrecht*)), wishing to assert claims against the insolvent debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims in the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions of the German Insolvency Code (*Insolvenzordnung*). Any individual enforcement action (*Zwangsvollstreckung*) brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). If, during the final month preceding the date of filing for insolvency proceedings, a creditor acquires through execution (*i.e.*, attachment) a security interest in part of the debtor's property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon opening of the insolvency proceedings. Accordingly, unsecured creditors may file their claims in the insolvency proceedings and will be paid on a *pro rata* basis from the insolvency estate (to the extent sufficient assets are available). Secured creditors are generally not entitled to enforce their security interests after an insolvency petition has been filed to the extent the German Insolvency Code authorizes the insolvency administration to dispose of the relevant collateral (though, between the time when an insolvency petition is filed and the time when insolvency proceedings commence, such stay on enforcement requires a court order) outside of the insolvency proceedings. The insolvency administrator generally has the sole right to enforce security, *i.e.*, realize any moveable assets in his/the debtor's possession which are subject to preferential rights (*e.g.*, liens over movable assets (*Mobiliarsicherungsrechte*) or security transfer of title (*Sicherungsübereignung*) as well as to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security. Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds (*Absonderungsrecht*). Consequently, the enforcement proceeds minus certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*), which, in the aggregate, usually add up to 9% of the gross enforcement proceeds plus VAT (if any) and are disbursed to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims. The remaining unencumbered assets of the debtor ("**excess proceeds**") will be allocated to the insolvency estate will be allocated to the insolvency estate (*Insolvenzmasse*) (being the remaining unencumbered assets of the debtor) and would, after deduction of the costs of the insolvency proceedings (*e.g.*, fees for and expenses of the insolvency administrator and the insolvency court as well as the members of the creditors' committee), after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed

the enforcement proceeds of the security interests, the holders of the Notes. If we or a subsidiary subject to German insolvency proceedings grants security over our or its assets to creditors other than the holders of the Notes, such security may result in a preferred treatment of creditors secured by such security. The excess proceeds resulting from such collateral and after satisfaction of the secured creditors may not be sufficient to satisfy the holders of the Notes. In addition, it may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a moveable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor for any loss of value resulting from such use.

It may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Realizing the value of the insolvency estate for distribution of the proceeds among the creditors is commonly achieved by disposing of the debtor's assets, or, as the case may be, by disposing of the debtor's business as a going concern. However, following a recent amendment of German insolvency law, it is possible to implement a debt-to-equity-swap through an insolvency plan. However, it will not be possible to force a creditor into a debt-to-equity conversion if it may also file for preliminary debtor-in-possession proceedings (*Schutzschirmverfahren*). In such a case and upon request of the debtor, the court will prohibit enforcement measures (other than those with respect to immoveable assets) and may implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months if an independent expert testifies that the restructuring of the debtor's business is not obviously futile (*offensichtlich aussichtslos*) and that the debtor is not already illiquid. During such period, the debtor shall, together with its creditors and a preliminary trustee (*vorläufiger Sachwalter*), prepare an insolvency plan which ideally will be implemented in formal debtor-in-possession proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened. Given the recent enactment of these amendments, these provisions may not have been tested in practice and no judicial precedents are available in such respect.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of repayment of shareholder loans or comparable actions, but except for government developments banks and its affiliates). The restrictive nature of the covenants and undertakings in the Indenture may result in the holders of the Notes and/or the Trustee being considered in a "shareholder like" position (*gesellschafterähnliche Stellung*). In that event, in an insolvency proceeding over the assets of the Issuer, the claims arising from the Notes would be treated as a subordinated insolvency claim (*nachrangige Insolvenzforderungen*). Subordinated insolvency claims are not eligible to participate in the insolvency proceedings over the assets of the Issuer unless the insolvency court handling the case has granted special permission allowing these subordinated insolvency claims to be filed which is not granted in the vast majority of insolvency cases governed by German law. Claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. See "—*Satisfaction of Subordinated Claims*."

Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

Under the German Insolvency Code (*Insolvenzordnung*), an insolvency administrator (or in case of debtor-in-possession proceedings, the custodian (*Sachwalter*)) may also challenge (*anfechten*) transactions, performances or other acts which are deemed detrimental to insolvency creditors and which were effected prior to the commencement of main insolvency proceedings. The administrator's right to challenge transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing of the petition for the opening of insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the provision of security or the repayment of debt) may be voided according to the German Insolvency Code (*Insolvenzordnung*) in particular in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time when such act was taken and the creditor knew of such illiquidity (or of circumstances that imperatively suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances imperatively suggesting such illiquidity or filing);

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction to which such creditor was not entitled or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing; (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time; or (iii) such act was taken during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that imperatively suggest such detrimental effect);

- any transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, provided it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;

- any act by the debtor without (adequate) consideration (*e.g.*, whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;

- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing with the intent to prejudice the insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the above ten-year period is reduced to four years; "knowledge by the beneficiary of the act" in terms of such provision is presumed if the beneficiary knew that the debtor was imminently illiquid (*drohende Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction in a form or at a time to which or at which such creditor was entitled, the "knowledge by the beneficiary of the act" is presumed if the beneficiary knew that the debtor was actually illiquid (*eingetretene Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; the fact that the creditor agreed on a payment plan with the debtor or agreed to deferred payments establishes a presumption that he had no knowledge of the debtor being illiquid at this time;

- any non-gratuitous contract (*entgeltlicher Vertrag*) concluded between the debtor and a related party that directly operates to the detriment of the creditors can be voided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded;

- any act that provides security or satisfaction (*Befriedigung*) for a claim of a shareholder, for repayment of a shareholder loan made to the debtor or a similar claim if (i) in the case of the

provision of security, the act took place during the ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition; and

- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction was effected in the last year prior to the filing of a petition for commencement of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*) (in which case the shareholder has to compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor (*e.g.*, the Issuer) was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. Knowledge of pending restructuring proceedings (see "—*Preventive Restructuring Framework*") *per se* does not suffice for a creditor to be deemed to have such "knowledge." A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if it knew of the debtor's imminent illiquidity and that the transaction prejudiced the debtor's creditors. If the relevant act granted an insolvency creditor, or enabled an insolvency creditor to obtain, security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) in a form in which and at a time at which such creditor was entitled to such security or satisfaction (*kongruente Deckungshandlung*), the words "imminent illiquidity" (*drohende Zahlungsunfähigkeit*) in the preceding sentence have to be replaced by "actual illiquidity" (*eingetretene Zahlungsunfähigkeit*). With respect to a "related party," there is a general statutory presumption that such party had "knowledge." The term "related party" includes, subject to certain limitations, in the case of debtors that are corporate persons, members of the management or supervisory board, shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and persons that are spouses, relatives or members of the household of any of the foregoing persons.

The COVInsAG, however, provides for privileged treatment of new financing (*i.e.*, not only traditional cash loans but also commercial credits and other forms of financing) and shareholder loans under German insolvency law claw-back provisions during a certain time during the COVID-19 pandemic. Thus, the repayment (including reasonable interest payments) of third-party financing and shareholder loans by September 30, 2023 shall not be considered disadvantageous to creditors if the relevant financing is granted between March 1, 2020 and September 30, 2020 (in certain cases, if the debtor fulfilled the respective requirements for a further suspension of the filing duties at the time, until December 31, 2020 or April 30, 2021). Loans granted, and security taken, by certain public institutions as part of COVID-19 subsidies remain privileged even if granted or taken after that period. This privilege also covers the provision of collateral in favor of third-party financing providers, but does not apply in case of the provision of collateral to secure the repayment of shareholder loans or receivables from economically similar acts.

Furthermore, any transactions contemplated by a restructuring plan (see "—*Preventive Restructuring Framework*") are not subject to avoidance actions until a sustainable restructuring (*nachhaltige Sanierung*) of the debtor is achieved, unless the restructuring plan was based on incorrect or incomplete information presented by the debtor and the addressee of the avoidance action had knowledge thereof. This privilege does not apply to shareholder loans or economically similar transactions or collateral provided therefor.

The granting of security concurrently with the incurrence of debt may be qualified as a "cash transaction" and may as such be privileged *i.e.*, under certain circumstances, not being subject to voidness rights under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*).

Even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the

above described rules under the German Insolvency Act and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

In addition, under German law, a creditor who provided additional, or extended existing funding to a debtor or obtained security from a debtor may be liable in tort if (i) such creditor was aware of the debtor's (impending) insolvency (for which knowledge of pendent restructuring proceedings (see "—*Preventive Restructuring Framework*") *per se* does not suffice) or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted and (ii) the other creditor suffered losses caused by a delayed filing for insolvency based on the additional or extended existing funding. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the debtor, as the grantor of the guarantee or security, was close to collapse (*Zusammenbruch*) or had reason to enquire further with respect thereto. If, however, such was additional funding has been provided or existing funding has been extended or respective collateral has been granted between March 1, 2020 and September 30, 2020 (in certain cases, until December 31, 2020 or April 30, 2021), any such transaction is statutorily exempted from the lender liability concept as laid out above.

Preventive Restructuring Framework

On June 20, 2019, the European Parliament and the Council adopted a new directive, which aims to ensure that comparable restructuring measures are available in the Member States to enable debtors in financial distress to resolve their financial difficulties at an early stage and to avoid formal insolvency proceedings (Directive of the European Parliament and the Council EU 2019/1023 on preventive restructuring frameworks, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending directive (EU) 2017/1132 (the "**Preventive Restructuring Directive**")).

In Germany, the Preventive Restructuring Directive was implemented by the law on the Further Development of the German Restructuring and Insolvency Laws, which became effective on January 1, 2021. An essential part of the law is the introduction of a new Act on a Stabilisation and Restructuring Framework for Enterprises ("**Company Stabilization and Restructuring Act**"), which establishes a legal framework for out-of-court restructurings in Germany. Proceedings under the Company Stabilization and Restructuring Act ("**Restructuring Proceedings**") are initiated through a notification by the respective debtor to affected creditors and/or the competent restructuring court (*Anzeige des Restrukturierungsvorhabens*).

A debtor can access the new restructuring tools of the Company Stabilization and Restructuring Act upon the occurrence of imminent illiquidity (*drohende Zahlungsunfähigkeit*) which is triggered when it is more likely than not that the debtor will not be able to meet its future payment obligations that fall due over the next 24 months. The debtor's management is not obliged to make use of the tools of the Company Stabilization and Restructuring Act. Therefore, the debtor may alternatively file for regular insolvency proceedings if the respective requirements are met (see above under "—*Insolvency*.").

Unlike insolvency proceedings, the tools under the Company Stabilization and Restructuring Act do not necessarily cover all of a debtor's liabilities, as the debtor has a certain amount of flexibility under the Company Stabilization and Restructuring Act to adapt the scope of the available tools to cover either all of the debtor's liabilities, only certain types (*e.g.*, financial liabilities), or only selected liabilities. In addition and depending on the extent to which a debtor requires to make use of certain legal tools available under the Company Stabilization and Restructuring Act, the involvement of the competent restructuring court can be kept to a minimum and the tools can—under certain circumstances—even be used without the need for any public notices despite being binding on affected creditors. The tools available under the Company Stabilization and Restructuring Act may in the case of a group of companies only be used for each entity separately (an important exception is the ability to extend the effect of certain tools to cover security granted by entities that are connected entities (*verbundene Unternehmen*) of the debtor). However, the Company Stabilization and Restructuring Act provides for a respective application of the provisions of the German Insolvency Code which implemented the law to facilitate the mastering of group insolvencies (see above under "—*Insolvency*.").

The core component of the Company Stabilization and Restructuring Act is an out-of-court restructuring of a debtor's liabilities via a restructuring plan, including, *e.g.*, by way of changes to the principal amounts, interest rates and/or maturities of liabilities. Such restructuring plan may also negatively impact (including, *e.g.*, a release of) collateral granted for the benefit of the Notes by the debtor as well as its subsidiaries, parent and sister companies. A restructuring plan can generally be adopted and become binding for creditors upon being approved by certain majority or majorities of a debtors' creditors. The restructuring plan will be voted on in classes. The adoption of the restructuring plan requires, in principle, that in each class a majority of three-quarters of the voting rights approve the plan (whereas voting rights are determined by the amount of the claim, the value of the security and, in the case of share or membership rights, the share of the subscribed capital of the debtor). However, if more than one class is formed, the restructuring plan can even be adopted and become binding on creditors if creditor class(es) have not approved the plan, provided certain requirements are met and the restructuring court confirms the restructuring plan (cross-class cramdown).

The Company Stabilization and Restructuring Act provides for additional tools that may be used by the debtor so as to facilitate the preparation, negotiations and implementation of a restructuring plan. These tools include a stabilization order by the restructuring court (which is granted upon the application by the debtor). Such stabilization order can restrict enforcement measures by certain or all creditors. The stabilization order can initially be granted for a maximum period of up to three months, with subsequent orders to extend the stabilization order up to a maximum of eight months subject to certain conditions being satisfied.

For the holders of the Notes, among the relevant consequences of the use of any tools available under the Company Stabilization and Restructuring Act by the Issuer would be the following:

- the negotiation and drafting of a restructuring plan by the debtor potentially not subject to or only subject to a limited review and/or supervision by a court;
- restrictions on individual enforcement or foreclosure actions for all or certain creditors for a period of up to eight months due to a stabilization order;
- any claims and rights of the holder of the Notes subject to and potentially be compromised by the restructuring plan (*e.g.* in relation to claims in the form of a reduction in principal and/or interest or a deferral and in relation to security rights in the form of a release and an adjustment of the ranking of the security right);
- any collateral granted by the debtor as well as intra-group collateral may be subject to Restructuring Proceedings potentially leading to a negative impact on the respective collateral; and
- a restructuring plan being adopted and the measures therein becoming binding on any holder of the Notes without the consent of each holder of the Notes and, if the prerequisites for a cross-class cram-down are fulfilled, even without the consent of any of the holders of the Notes.

Restructuring plans which are public and confirmed by a German restructuring court will be recognized in any EU member state pursuant to the EU Insolvency Proceedings Regulation (Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings) upon such proceeding being included as a recognized proceeding in Exhibit A of that Regulation. In any other case, the recognition of the restructuring plan is subject to certain rules and regulations under applicable international private law.

Satisfaction of Subordinated Claims

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the day of the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration and (v) claims for repayment of a shareholder loan (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in

economic terms to such a loan unless a state aid bank or any of its subsidiaries which is a shareholder of the relevant company have granted the respective loan or legal transaction corresponding in economic terms to such a loan. The COVInsAG, however, suspends the statutory subordination of shareholder loans and receivables from economically similar acts in insolvency proceedings applied for up until September 30, 2023 for newly granted shareholder loans that were granted between March 1, 2020 and September 30, 2020 (in certain cases, if the debtor fulfilled the respective requirements for a further suspension of the filing duties at the time, until December 31, 2020 or April 30, 2021).

BOOK-ENTRY, DELIVERY AND FORM

General

The Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Rule 144A Global Notes**"). The Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes (the "**Rule 144A Book-Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book-Entry Interests**" and, together with the Rule 144A Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, the Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their name, will not have received physical delivery of the Notes in certificated form and will not be considered the registered owners or Holders of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the Indenture.

Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither we, the Trustee, the Paying Agent, the Transfer Agent or the Registrar, nor any of our or their agents, will have any responsibility, or be liable, for any aspect of the records, or for payments made, relating to the Book-Entry Interests.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of the Notes, reserves the right to exchange the Global Notes for definitive registered Notes in certificated form (the "**Definitive Registered Notes**"), and to distribute such Definitive Registered Notes to their participants.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

(1) if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the Issuer within 120 days; or

(2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the Indenture.

Euroclear and Clearstream have advised the Issuer that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the Issuer issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event described in clauses (1) and (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar, the Issuer will issue and the Trustee or an authenticating agent appointed by the Trustee will authenticate a replacement Definitive Registered Note if the Trustee's and the Issuer's requirements are met. The Issuer or the Trustee may require a holder requesting replacement of a Definitive

Registered Note to furnish an indemnity bond sufficient in the judgment of both the Trustee and the Issuer to protect the Issuer, the Trustee, the Registrar or the Paying Agent appointed pursuant to the Indenture from any loss, which any of them may suffer if a Definitive Registered Note is replaced. The Issuer and the Trustee may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by the Issuer pursuant to the provisions of the Indenture, the Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

To the extent permitted by law, each of the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the Notes.

The Issuer will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

Redemptions of Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that, under the existing practices of Euroclear and Clearstream, if fewer than all of its Notes are to be redeemed at any time, Euroclear and Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate; provided, however, that no Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

Payments on Global Notes

The Issuer will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the Paying Agent. The Paying Agent will, in turn make said payments to or to the order of the common depositary or its nominee for Euroclear and Clearstream.

Euroclear and/or Clearstream will distribute such payments to participants in accordance with their respective customary procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*" above, the Issuer will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding to equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, each of the Issuer, the Trustee, the Registrar, the Transfer Agent, the Paying Agent and any of their respective agents will treat the registered holders of the Global Notes (for example, Euroclear or Clearstream (or their respective nominees)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee, the Registrar, the Transfer Agent and the Paying Agent or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear or Clearstream in euro.

Transfers

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states, which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the relevant Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the Indenture.

The Global Notes will bear a legend to the effect set forth under "Transfer Restrictions." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Transfer Restrictions."

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Through and including the 40th day after the later of the commencement of the Offering and the closing of the Offering (the "**40-day Period**"), Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under "Transfer Restrictions" and in accordance with any applicable securities laws of any other jurisdiction.

After the expiration of the 40-day Period, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest without compliance with these certification requirements.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and Exchange*" and, if required, only if the transferor first delivers to the Trustee and/or the Registrar a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See "*Transfer Restrictions*."

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. The Issuer provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants.

Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed on the LxSE and admitted for trading on the LxSE's Euro MTF Market. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under "*Listing and General Informatio*n." Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system's rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuer, the Trustee, the Registrar, the Transfer Agent or the Paying Agent will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAXATION

Certain German Tax Considerations

The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state, local or church taxes, under the tax laws of Germany and any country of which they are resident or whose tax laws apply to them for other reasons.

Taxation of Current Income and Capital Gains

Tax Residents

This subsection "Tax Residents" refers to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Notes as well as capital gains from the disposal, redemption, repayment or assignment of the Notes held by an individual holder who is tax resident in Germany is in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). It should also be noted that the coalition agreement between the German Christ Democratic Party and the German Social Democratic Party for the formation of the German federal government provides that the 25% withholding tax rate shall be partially abolished for certain capital investment income. Instead, there is no draft bill available yet and a lot of details are hence still unclear. If the 25% withholding tax rate should be abolished for interest income, income from the Notes held as private investment may be taxed at individual progressive income tax rates of up to 45% in the future (plus a 5.5% solidarity surcharge thereon (see, however, below with respect to the abolishment of the solidarity surcharge), and church tax, if applicable to the private holder.

Capital gains are the difference between the proceeds from the disposal, redemption, repayment or assignment of the Notes after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition. If Notes held or managed in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains. Where Notes are acquired and/or sold in a currency other than Euro, the sales price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale date and the acquisition date respectively with the result that any currency gains or losses are part of the capital gains. If interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposition are subject to tax. The same applies to proceeds from the payment of interest claims if the Notes have been disposed of separately.

Accrued interest (*Stückzinsen*) on the Notes or other securities paid separately upon the acquisition of the respective security is tax deductible as negative investment income. Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) assessed jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld (as described under section "Withholding Tax" below). To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process, the individual holder must include his or her income and capital gains derived from the Notes in his or her annual tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and where applicable, church tax thereon). Further, an individual holder may apply for a

taxation of all investment income of a given year at his or her lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

Capital losses from the disposal, redemption, repayment or assignment of the Notes held as private assets should generally be tax-recognized irrespective of the holding period of the Notes. The losses may, however, not be used to offset other income like employment or business income but may only be offset against investment income subject to certain limitations. Losses not utilized in one year may be carried forward into subsequent years but may not be carried back into preceding years. However, if the losses result from the full or partial non-recoverability of the repayment claim under the Notes including a default of the Issuer or a (voluntary) waiver, such losses together with other losses of such kind of the same year and loss-carry forwards of previous years can only be offset up to an amount of €20,000 ("**Limited Loss Deduction**"). Any exceeding loss amount can be carried forward and offset against future investment income, but again subject to the €20,000 limitation. Given that the Limited Loss Deduction will not be applied by the German Disbursing Agent (as defined above) holding the Notes in custody, holders suffering losses which are subject to the Limited Loss Deduction are required to declare such losses in their income tax return.

Where Notes form part of a trade or business of an individual or corporate holder, the withholding tax, if any, will not satisfy the personal or corporate income tax liability. Rather, the income is subject to personal or corporate income tax (plus solidarity surcharge and where applicable, church tax). Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. The respective holder will have to include income and related (business) expenses in the annual tax return and the balance will be taxed at the holder's applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, will be refunded. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax. The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz)*. If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

Non-Tax Residents

Interest, including accrued interest, and capital gains (which include currency gains and losses, if any) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax resident in Germany (*i.e.*, holders whose residence, habitual abode, statutory seat or place of effective management and control is not located in Germany) are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income. In cases (i) and (ii) a tax regime similar to that explained above under subsection "Tax Residents" applies. Subject to certain requirements a holder who is not tax resident in Germany may benefit from tax reductions or tax exemptions provided by an applicable tax treaty.

Withholding Tax

Ongoing payments received by an individual holder of the Notes who is a German tax resident will be subject to German withholding tax if the Notes are kept or administered in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a "**Disbursing Agent**," *auszahlende Stelle*). The tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). The tax rate is in excess of the afore mentioned rate if church tax applies and is collected by the Disbursing Agent by way of withholding, which is provided for as a standard procedure unless the holders has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the holders will be assessed to church tax.

The same treatment applies to capital gains derived by an individual holder who is a German resident irrespective of any holding period provided the Notes have been held in a custodial account with the same Disbursing Agent since the time of their acquisition. If interest claims are disposed of

separately (*i.e.*, without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the redemption of interest claims if the Notes have been disposed of separately.

To the extent the Notes have not been kept in a custodial account with a Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (plus interest accrued on the Notes (*Stückzinsen*), if any), unless the Disbursing Agent has been validly provided with evidence of the actual acquisition costs of the Notes by the previous depository bank or by a statement of a bank or financial services institution within the EU, the EEA or the countries/territories Luxembourg, Austria, the Swiss Confederation, the Principality of Liechtenstein, the Republic of San Marino, the Principality of Monaco, the Principality of Andorra, Curacao and Sint Maarten. If the withholding tax on a disposal, redemption, repayment or assignment of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than from the actual gain), a German tax resident individual holder may and in case the actual gain is higher than 30% of the disposal proceeds must also apply for an assessment on the basis of his or her actual acquisition costs.

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (*e.g.*, losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct accrued interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law assessed jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent local tax office.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same may apply where the Notes form part of a trade or business (of an individual or of a commercial partnership) subject to further requirements being met.

Non-residents of Germany are, in general, not subject to German withholding tax on investment income and the solidarity surcharge thereon. However, where the investment income is subject to German taxation (as described above under subsection "—*Non-Tax Residents*") and the Notes are held in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be (partly) refunded based on an assessment to tax or under an applicable tax treaty.

Inheritance and Gift Tax

A gratuitous transfer of Notes by reason of death or as a gift will generally be subject to German inheritance or gift tax if the decedent or donor or the heir, done or other beneficiary is at the time of the transfer a resident or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Abolishment of Solidarity Surcharge

According to a bill enacted in December 2019, the solidarity surcharge has been partially abolished as of the assessment period 2021 for certain individuals. The solidarity surcharge, however, continues to apply for capital investments and, thus, on withholding taxes levied. In case the individual income tax burden for an individual holder is lower than 25% the holder can apply for his/her capital investment income being assessed at his/her individual tariff-based income tax rate in which case solidarity surcharge would be refunded.

Other Taxes

No stamp, issue, value added or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. However, under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Notes which would otherwise be tax exempt. Currently, net assets tax is not levied in Germany.

The Proposed Financial Transactions Tax (FTT)

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia. In December 2015, Estonia withdrew from the group of states supporting the proposed FTT.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

The FTT proposal remains subject to negotiation between the participating EU Member States and was (and will likely continue to be) the subject of legal challenges. It may therefore be altered prior to any implementation. Additional EU member states may decide to participate or withdraw. Therefore, it is currently uncertain whether and when the proposed FTT will be enacted by the participating EU member states and when it will take effect with regard to dealings in the Notes. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Certain United States Federal Income Tax Considerations

The following discussion is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (defined below), but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury regulations issued thereunder, and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder's particular circumstances, including any special tax accounting rules under section 451(b) of the Code, alternative minimum tax considerations or the impact of the unearned income Medicare contribution tax, or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass through entities or arrangements (or investors in such entities), persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction and persons that hold the Existing Notes that are being redeemed in the substantially contemporaneous redemption transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their "issue price" (*i.e.*, the first price at which a substantial amount of the Notes is sold to the public for cash, excluding to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia; (iii) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or if a valid election is in place to treat the trust as a U.S. person. If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is treated as a partnership for U.S. federal income tax purposes, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws and state, local, non-U.S. or other tax laws.

Characterization of the Notes

In certain circumstances (see "*Description of the Notes—Purchase of Notes upon a Change of Control*", "*Description of the Notes—Optional Redemption*", "*Description of the Notes—Post-Tender Redemption*" and "*Description of the Notes—Principal, Maturity and Interest*") we may be obligated to make payments on the Notes in excess of stated principal and interest. These payments may implicate the provisions of the Treasury regulations relating to "contingent payment debt instruments." Although not free from doubt, we intend to take the position that the possibility of any such payments should not cause the provisions of the Treasury regulations relating to contingent payment debt instruments to apply. Therefore, we intend to take the position that the Notes will not be treated as contingent payment debt instruments. Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged this position, and the Notes were treated as contingent payment debt instruments, U.S. holders could be required to accrue interest income at a rate higher than their yield to maturity, to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of a Note, and to recognize foreign currency exchange gain or loss with respect to such income. This disclosure assumes that the Notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the Notes of the contingent payment debt instrument rules and the consequences thereof.

Payments of Stated Interest

Payments of stated interest on the Notes (as well as additional amounts in respect of withholding taxes and without reduction for any taxes withheld) generally will be taxable to a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

A U.S. holder of a Note that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of stated interest on the Notes will be required to include in income the U.S. dollar value of the euro interest payment (translated at the spot rate of exchange on the date such payment is received) regardless of whether the payment is in fact converted to U.S. dollars at such time. A cash method U.S. holder will not recognize foreign currency exchange gain or loss with respect to the receipt of such payment, but may recognize exchange gain or loss attributable to the actual disposition of the euros so received.

A U.S. holder of a Note that uses the accrual method of accounting for U.S. federal income tax purposes (or who otherwise is required to accrue interest prior to receipt) will be required to include in ordinary income the U.S. dollar value of the amount of stated interest income in euros that has accrued with respect to a Note during an accrual period. The U.S. dollar value of such euro denominated accrued interest will be determined by translating such amount at the average spot rate of exchange for

the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate for the partial period within each taxable year. An accrual basis U.S. holder of a Note may elect, however, to translate such accrued interest income using the spot rate of exchange on the last day of the accrual period or, with respect to an accrual period that spans two taxable years, using the spot rate of exchange on the last day of the taxable year. Alternatively, if the last day of an accrual period is within five business days of the date of receipt of the accrued interest, a U.S. holder that has made the election described in the prior sentence may translate such interest at the spot rate of exchange on the date of receipt. The above election will apply to other obligations held by the U.S. holder and may not be changed without the consent of the IRS. A U.S. holder of a Note that uses the accrual method of accounting for U.S. federal income tax purposes will recognize exchange gain or loss with respect to accrued interest income on the date such interest is received. The amount of exchange gain or loss recognized will equal the difference, if any, between the U.S. dollar value of the euro payment received (translated at the "spot rate" of exchange on the date such payment is received) in respect of such accrual period and the U.S. dollar value of interest income that has accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars at such time. Foreign currency exchange gain or loss will generally constitute ordinary income or loss and be treated, for foreign tax credit purposes, as U.S. source income or loss, and generally not as an adjustment to interest income or expense.

Foreign Tax Credit

Subject to the discussion of exchange gain or loss above, stated interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" in computing the foreign tax credit allowable to U.S. holders under U.S. federal income tax laws. Any non-U.S. withholding tax paid by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. holder's particular circumstances. U.S. holders should consult their independent tax advisors regarding the availability of foreign tax credits.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of Notes

Generally, upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will recognize taxable gain or loss equal to the difference, if any, between the amount realized on the disposition (less any amount attributable to accrued but unpaid stated interest, which will be taxable as interest income as discussed above to the extent not previously included in income by the U.S. holder) and such U.S. holder's adjusted tax basis in the Note.

A U.S. holder's adjusted tax basis in a Note will generally equal the cost of such Note to such U.S. holder. The cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the foreign currency purchase price translated at the spot rate of exchange on the date of purchase. If the applicable Note is treated as traded on an established securities market and the relevant U.S. holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described below, such U.S. holder will determine the U.S. dollar value of the cost of such Note by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. holder.

If a U.S. holder receives foreign currency on such a sale, exchange, redemption, retirement or other taxable disposition of a Note, the amount realized generally will be based on the U.S. dollar value of the foreign currency translated at the spot rate of exchange on the date of disposition. In the case of a Note that is traded on an established securities market, a cash basis U.S. holder and, if it so elects, an accrual basis U.S. holder will determine the U.S. dollar value of the amount realized by translating such amount at the spot rate of exchange on the settlement date of the disposition. The special election available to accrual basis U.S. holders in regard to the sale or other disposition of Notes traded on an established securities market must be applied consistently to all debt instruments held by the U.S. holder and cannot be changed without the consent of the IRS. An accrual basis U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent that there are exchange rate fluctuations between the sale date and the settlement date.

Subject to the discussion of foreign currency exchange gain or loss below, gain or loss recognized upon the sale, exchange, redemption, retirement or other taxable disposition of a Note generally will be U.S. source gain or loss and generally will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, redemption, retirement or other disposition the Note has been held by such U.S. holder for more than one year. Long-term capital gain realized by a non-corporate U.S. holder will generally be eligible for taxation at a reduced rate. The deductibility of capital losses is subject to limitation. Prospective purchasers should consult their tax advisors as to the foreign tax credit implications of the sale, exchange, redemption, retirement or other taxable disposition of the Notes.

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder may recognize gain or loss that is attributable to fluctuations in currency exchange rates with respect to the principal amount of such Note. For these purposes, the principal amount of a Note is the U.S. holder's purchase price of the Note in euros. Gain or loss attributable to fluctuations in exchange rates with respect to the principal amount of such Note generally will equal the difference between (i) the U.S. dollar value of the principal amount of the Note, determined using the spot rate of exchange on the date such Note is disposed of and (ii) the U.S. dollar value of the principal amount of the Note, determined using the spot rate of exchange on the date the U.S. holder acquired such Note. Such gain or loss generally will be treated as U.S. source ordinary income or loss, respectively. In addition, exchange gain or loss may be realized with respect to accrued interest, as discussed under "*—Payments of Stated Interest*". However, upon a sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. holder will realize exchange gain or loss with respect to principal, accrued interest only to the extent of the total gain or loss realized on the disposition.

Tax Return Disclosure Requirement

Treasury regulations issued under the Code meant to require the reporting of certain tax shelter transactions cover transactions generally not regarded as tax shelters, including certain foreign currency transactions. Under the Treasury regulations, certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, exchange, retirement or other taxable disposition of a non-U.S. currency note to the extent that any such sale, exchange, retirement or other taxable disposition or receipt of non-U.S. currency results in a tax loss in excess of a threshold amount. U.S. holders should consult their tax advisors to determine the tax return disclosure obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

Certain U.S. holders that own "specified foreign financial assets" that meet certain U.S. dollar value thresholds generally are required to file an information report (on IRS Form 8938) with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements unless the Notes are held in an account at certain financial institutions (in which case, the account may be reportable if maintained by a foreign financial institution).

U.S. holders are urged to consult their tax advisors regarding the application of the foregoing disclosure requirements to their ownership of the Notes, including the significant penalties for non-compliance.

Information Reporting and Backup Withholding

In general, payments of stated interest, and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding, unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Any amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability or may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

CERTAIN ERISA CONSIDERATIONS

General

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and the Code impose certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to Title I of ERISA, other plans and arrangements that are not subject to ERISA but that are subject to Section 4975 of the Code, such as individual retirement accounts, as well as on any entity whose underlying assets are considered to include "plan assets" (within the meaning of Section 2510.3 101 of Title 29 of the United States Code of Federal Regulations, as modified by Section 3(42) of ERISA) of any such plan, account or arrangement (collectively, "**Plans**"), and on those persons who are fiduciaries with respect to such Plans. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Plan or the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of the Plan. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including, but not limited to, the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of a Plan and certain persons (referred to as "parties in interest" (as defined in Section 3(14) of ERISA) or "disqualified persons" (as defined in Section 4975 of the Code)) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A party in interest or disqualified person who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the Plan that engaged in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code.

Any Plan fiduciary, which proposes to cause a Plan to purchase the Notes should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code or any Similar Law (as defined below) to such an investment, and to confirm that such purchase and holding will not constitute or result in a nonexempt prohibited transaction or any other violation of an applicable requirement of ERISA or the Code.

Non U.S. plans, governmental plans and certain church plans, (collectively, "**Similar Law Plans**") while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to non U.S., state, local or other federal laws or regulations that are substantially similar to the foregoing provisions of ERISA and the Code ("**Similar Law**"). Fiduciaries of any such plans should consult with their counsel before purchasing the Notes to determine the need for, and the availability, if necessary, of any exemptive relief under any such Similar Law.

Each Plan should consider the fact that none of the Issuer, the Initial Purchasers, the Transfer Agent, the Paying Agent, the Trustee, or any or other persons that provide marketing services or any of their respective affiliates (the "**Transaction Parties**") is acting, or will act, as a fiduciary to any Plan with respect to the decision to purchase or hold the Notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the Notes. All communications, correspondence and materials from the Transaction Parties with respect to the Notes are intended to be general in nature and are not directed at any specific purchaser of the Notes, and do not constitute advice regarding the advisability of investment in the Notes for any specific purchaser. The decision to purchase and hold the Notes must be made solely by each prospective Plan purchaser on an arm's length basis.

Prohibited Transaction Exemptions

The fiduciary of a Plan that proposes to purchase and/or hold any Notes should consider, among other things, whether such purchase and/or holding may involve (i) the direct or indirect extension of credit to a party in interest or a disqualified person, (ii) the sale or exchange of any property between a Plan and a party in interest or a disqualified person, or (iii) the transfer to, or use by or for the benefit of, a party in interest or disqualified person, of any Plan assets. Such parties in interest or disqualified persons could include, without limitation, any Transaction Party. Depending on the satisfaction of

certain conditions, which may include the identity of the Plan fiduciary making the decision to acquire or hold the Notes on behalf of a Plan, and the relationship of the party in interest or disqualified person to the Plan, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code or certain prohibited transaction class exemptions issued by the United States Department of Labor, including Prohibited Transaction Class Exemption ("**PTCE**") 84-14 (relating to transactions effected by an independent "qualified professional asset manager"), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by insurance company general accounts) or PTCE 96-23 (relating to transactions directed by an in house asset manager) (collectively, the "**Class Exemptions**") could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. However, there can be no assurance that any of these statutory exemptions, Class Exemptions or any other exemption will be available with respect to any particular transaction involving the Notes. Fiduciaries of Plans considering acquiring and/or holding the Notes in reliance on any exemption should carefully review such exemption to ensure that it is applicable.

Representation

By its purchase of any Note, the purchaser and any subsequent transferee thereof will be deemed to have represented and warranted that (A) either: (i) no portion of the assets used by such purchaser or transferee to acquire and/or hold the Notes constitutes assets of any Plan or any Similar Law Plan, or (ii) (x) the purchase and holding of the Notes by such purchaser or transferee does not and will not constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation under any applicable Similar Law and (y) none of the Transaction Parties has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan ("**Plan Fiduciary**"), has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of the Notes and (B) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such Note or any interest therein.

Each Plan Fiduciary (and each fiduciary for non U.S., governmental or church plans subject to Similar Law) should consult with its legal advisor concerning the potential consequences to the plan under ERISA, the Code or such Similar Laws of an investment in the Notes.

The foregoing discussion is general in nature and is not intended to be all-inclusive.

PLAN OF DISTRIBUTION

General

We intend to offer the Notes through Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, Joh. Berenberg, Gossler & Co. KG, Crédit Agricole Corporate Investment Bank, DZ BANK AG Deutsche Zentral-Genossenschaftsbank, Frankfurt am Main and Société Générale (together, the "**Initial Purchasers**").

Subject to the terms and conditions contained in the purchase agreement between the Issuer and the Initial Purchasers dated as of the date of this Offering Memorandum, the Issuer has agreed to sell to the Initial Purchasers and the Initial Purchasers have agreed to purchase from the Issuer, severally and not jointly, Notes in an aggregate principal amount equal to the entire principal amount of the Notes. The obligations of the Initial Purchasers under the purchase agreement, including their agreement to purchase the Notes from the Issuer, are several and not joint. The purchase agreement provides that the Initial Purchasers are obligated, severally and not jointly, to purchase all of the Notes, if any are purchased. In the event that an Initial Purchaser fails or refuses to purchase the Notes which it has agreed to purchase, the purchase agreement provides that the purchase commitments of the other Initial Purchasers may be increased or that the purchase agreement may be terminated.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the purchase agreement, such as the receipt by the Initial Purchasers of Officers' Certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers have advised us that they propose to offer the Notes initially at the offering price listed on the cover page of this Offering Memorandum. After the initial offering, the Initial Purchasers may change the offering price and any other selling terms of the Notes at any time without notice.

The Initial Purchasers may offer and sell the Notes through certain of their affiliates.

We have agreed to pay the Initial Purchasers certain customary fees for their services in connection with this Offering and to reimburse them for certain out-of-pocket expenses. We also have agreed to indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the U.S. Securities Act, or to contribute to payments that the Initial Purchasers may be required to make in respect of those liabilities.

No Sale of Similar Securities

The Issuer has agreed, subject to certain limited exceptions, that it or its affiliates and subsidiaries will not, directly or indirectly, sell or offer to sell any of the Notes or any instrument relating to debt or preferred equity securities for a period of 90 days from the date the Notes are issued without first obtaining the written consent of the representatives of the Initial Purchasers.

New Issue of Notes

The Notes are a new issue of securities with no established trading market. We have applied to list the Notes on the Official List of the Luxembourg Stock Exchange for admission to trading on the Euro MTF Market, though we cannot assure you that such listing will be maintained. The Initial Purchasers have advised us that they presently intend to make a market in the Notes after completion of the Offering. However, the Initial Purchasers are under no obligation to do so and may discontinue any market making activities at any time without notice. In addition, any such market making activity will be subject to the limits imposed by the U.S. Securities Act and the Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, or that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you.

Stamp Tax

Prospective investors should be aware that the laws and practices of certain countries require investors to pay stamp taxes and other charges in connection with purchases of securities.

Price Stabilization and Short Positions

In connection with the offering, Deutsche Bank Aktiengesellschaft (the "**Stabilizing Manager**") (or persons acting on its behalf), may purchase and sell Notes in the open market. These transactions may include over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position for the Initial Purchasers. Stabilizing transactions involve bids to purchase the Notes in the open market for the purpose of pegging, fixing or maintaining the price of the Notes. Syndicate covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions. These transactions may be effected in the over-the-counter market or otherwise.

These activities may stabilize, maintain or otherwise affect the market price of the Notes. As a result, the price of the Notes may be higher than the prices that otherwise might exist in the open market. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, there is no obligation on the Stabilizing Manager to engage in such transactions and neither we nor the Initial Purchasers make any representation that the Stabilizing Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice. Any stabilizing action, if commenced, must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Notes.

Initial Settlement

It is expected that delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this Offering Memorandum, which will be the sixth business day following the date of pricing of the Notes (this settlement cycle is being referred to as "T+6"). Under Rule 15(c)6-1 under the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of pricing or the next three succeeding business days will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

Other Relationships

From time to time, the Initial Purchasers or their respective affiliates have provided, and may in the future provide, investment banking, commercial banking, financial advisory and other services to us, our affiliates and our shareholders. They have received, and expect to receive, customary fees and commissions for these transactions.

In the ordinary course of their business activities, the Initial Purchasers and/or their respective affiliates and parent companies may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve our securities and/or instruments or those of our affiliates. The Initial Purchasers and/or their respective affiliates and parent companies may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. They will expect to receive, customary fees and commissions for these transactions.

Selling and Transfer Restrictions

General

Each of the Initial Purchasers has represented, warranted and agreed that it will comply in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes. They will also ensure that no obligations are imposed on the Issuer in any such jurisdiction as a result of any of the foregoing actions. The Issuer will not have any

responsibility for, and the Initial Purchasers will obtain any consent, approval or permission required by it for, the sale of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. The Initial Purchasers are not authorized to make any representation or use any information in connection with the issue, subscription and sale of the Notes other than as contained in, or which is consistent with, the Offering Memorandum.

No action has been taken in any jurisdiction, including the United States, Germany and the United Kingdom, by the Issuer or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Notice to the Investors*" and "*Transfer Restrictions.*"

The Issuer has also agreed that it will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(a)(2) of the U.S. Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

United States

The Notes have not been and will not be registered under the U.S. Securities Act or qualified for sale under the securities laws of any U.S. state or any jurisdiction outside the United States and may not be offered or sold within the United States except to QIBs in reliance on Rule 144A and to non-U.S. persons in offshore transactions in reliance on Regulation S. Accordingly, the Notes will be subject to significant restrictions on resale and transfer as described under "*Notice to Investors*" and "*Transfer Restrictions.*" Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker dealers who are registered as such under the Exchange Act. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

European Economic Area

Each of the Initial Purchasers has represented, warranted and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area ("**EEA**"). For the purposes of this paragraph:

(a) the expression "retail investor" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("**MiFID II**"); or

  (ii) a customer within the meaning of Directive (EU) 2016/97, as amended where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

  (iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Prohibition of Sales to UK Retail Investors

Sales in the United Kingdom are also subject to restrictions. Each of the Initial Purchasers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Memorandum in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (11) of Article 4(1) of Directive 2014/65/EU as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA; and

(b) the expression "an offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

Other Regulatory Restrictions

Each of the Initial Purchasers has represented, warranted and agreed that it:

(1) has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA received by it in connection with the issuance or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer); and

(2) has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the Issuer and the Initial Purchasers:

(1) You acknowledge that:

(a) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and

(b) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.

(2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.

(3) You represent that you are not an affiliate (as defined in Rule 144A under the U.S. Securities Act) of the Issuer, that you are not acting on our behalf and that either:

(a) you are a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or

(b) you are not a U.S. person (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

(4) You acknowledge that neither we nor the Initial Purchasers nor any person representing the Issuer or the Initial Purchasers have made any representation to you with respect to the Issuer or the offering of the Notes other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Issuer and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Issuer and the Initial Purchasers.

(5) You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) to the Issuer or any its subsidiaries;

(b) under a registration statement that has been declared effective under the U.S. Securities Act;

(c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own

account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act; or

(e) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the Issuer, or any affiliate of the Issuer, was the owner of such note or an interest in such global note, and so may continue indefinitely.

(6) You also acknowledge that:

(a) the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) after the later of the closing date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the closing date and when the Notes or any predecessor of the Notes are first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;

(b) if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to the Issuer and the Trustee a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;

(c) the Issuer, the Registrar and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (5)(d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to each of the Issuer, the Registrar and the Trustee; and

(d) each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS [IN THE CASE OF RULE 144A NOTES:] ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY), [IN THE CASE OF REGULATION S NOTES:] 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN

RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRUSTEE'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. THE HOLDER AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY SIMILAR TO THE EFFECT OF THIS LEGEND. IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT (A) EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST THEREIN CONSTITUTES ASSETS OF ANY "EMPLOYEE BENEFIT PLAN" SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE "PLAN ASSETS" (PURSUANT TO SECTION 3(42) OF ERISA AND REGULATIONS PROMULGATED UNDER ERISA BY THE U.S. DEPARTMENT OF LABOR) OF SUCH EMPLOYEE BENEFIT PLANS, PLANS, ACCOUNTS OR ARRANGEMENTS (EACH; A "PLAN") OR A GOVERNMENTAL PLAN, CHURCH PLAN OR NON-U.S. PLAN, SUBJECT TO PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON-U.S. LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, "SIMILAR LAWS") OR (2) (X) THE ACQUISITION, HOLDING AND DISPOSITION OF THIS SECURITY OR INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS AND (Y) NONE OF THE ISSUER, INITIAL PURCHASERS, TRANSFER AGENT, PAYING AGENT, TRUSTEE, OR OTHER PERSONS THAT PROVIDE MARKETING SERVICES, NOR ANY OF THEIR AFFILIATES (COLLECTIVELY, THE "TRANSACTION PARTIES"), HAS PROVIDED, AND NONE OF THEM WILL PROVIDE, ANY INVESTMENT RECOMMENDATION OR INVESTMENT ADVICE ON WHICH IT, OR ANY FIDUCIARY OR OTHER PERSON INVESTING THE ASSETS OF THE PLAN ("PLAN FIDUCIARY"), HAS RELIED AS A PRIMARY BASIS IN CONNECTION WITH ITS DECISION TO INVEST IN THE NOTES, AND THEY ARE NOT OTHERWISE ACTING AS A FIDUCIARY, AS DEFINED IN SECTION 3(21) OF ERISA OR SECTION 4975(E)(3) OF THE CODE, TO THE PLAN OR THE PLAN FIDUCIARY IN CONNECTION WITH THE PLAN'S ACQUISITION OF THE NOTES; AND (B) IT WILL NOT SELL OR OTHERWISE TRANSFER SUCH NOTES OTHERWISE THAN

TO AN ACQUIRER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS DECISION TO ACQUIRE AND HOLD THIS SECURITY.

If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

(7) You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

(8) You represent and warrant that (A) either (i) no portion of the assets used by you to acquire and hold such Notes or interest therein constitutes assets of any "employee benefit plan" subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, ("**ERISA**"), any plan, individual retirement account or other arrangement subject to Section 4975 of the Code, an entity whose underlying assets are considered to include "plan assets" (pursuant to Section 3(42) of ERISA and regulations promulgated under ERISA by the U.S. Department of Labor) of such employee benefit plans, plans, accounts or arrangements (each, a "**Plan**") or a governmental plan, church plan or non-U.S. plan, subject to provisions under any federal, state, local, non-U.S. laws or regulations that are similar to such provisions of ERISA or the Code (collectively, "**Similar Laws**") or (ii) (x) the acquisition, holding and disposition of this security or interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws and (y) none of the Issuer, Initial Purchasers, Transfer Agent, Paying Agent, Trustee, or other persons that provide marketing services, nor any of their affiliates, has provided, and none of them will provide, any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Plan ("**Plan Fiduciary**"), has relied as a primary basis in connection with its decision to invest in the Notes, and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Plan or the Plan Fiduciary in connection with the Plan's acquisition of the Notes; and (B) it will not sell or otherwise transfer such Notes or any interest therein otherwise than to a purchaser or transferee that is deemed to make these same representations, warranties and agreements with respect to its purchase and holding of such Note or any interest therein.

(9) You acknowledge until 40 days following the commencement of this offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.

(10) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the Issuer and the Trustee that the restrictions set forth therein have been complied with.

(11) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the Issuer and the Initial Purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

(12) You understand that no action has been taken in any jurisdiction outside Luxembourg and Germany (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

LEGAL MATTERS

Certain legal matters relating to the validity of the Notes and certain other legal matters are being passed upon for us by White & Case LLP with respect to matters of U.S. federal, New York state law and German law. Certain legal matters relating to the Offering will be passed upon for the Initial Purchasers by Latham & Watkins LLP as to matters of German law and Latham & Watkins (London) LLP as to matters of U.S. federal and New York state law.

INDEPENDENT AUDITORS

The Audited Consolidated Financial Statements included in this Offering Memorandum have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft ("**KPMG**"), independent auditors, as stated in their reports appearing herein.

Each of the auditor's reports of KPMG on the Audited Consolidated Financial Statements refers to the respective group management report. The group management reports are not reprinted in this Offering Memorandum.

The examination of and the auditor's report upon such group management report are required under German auditing standards. This examination was not made in accordance with generally accepted auditing or attestation standards in the United States. Accordingly, KPMG does not express any opinion on this information or on the combined or consolidated financial statements included in this Offering Memorandum, in each case in accordance with U.S. generally accepted auditing standards or U.S. attestation standards.

The abovementioned auditor's reports and consolidated financial statements are both translations of the respective German-language documents.

AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished with a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

(1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;

(2) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and

(3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request should be directed to Mark Frese, Chief Financial Officer, at Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany.

We are not currently subject to the periodic reporting and other information requirements of the Exchange Act. However, pursuant to the Indenture governing the Notes, we will agree to furnish periodic information to the holders of the Notes. See "*Description of the Notes—Certain Covenants—Provision of Information.*"

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuer is a public stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany.

Many of the Issuer's directors, officers and other executives are neither residents nor citizens of the United States. Furthermore, most of the Issuer's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Issuer or to enforce against them or the Issuer judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer has appointed, or will appoint, an agent for the service of process in New York. It may also not be possible for investors to effect service of process within Germany upon those persons or the Issuer or its subsidiaries provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 and the German law implementing such convention if such service were deemed to infringe German sovereignty or security, which may be the case if such service violated the substantial foundations of German law, in particular the German Basic Law (*Grundgesetz*). In addition, as the Issuer's assets and the assets of our and their directors, officers and other executives are located outside of the United States, you may be unable to enforce against them or us judgments obtained in U.S. courts predicated on civil liability provisions of the federal securities laws of the United States.

The Issuer has been advised by its German counsel that there is doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an original action in Germany and that a foreign judgment based upon U.S. securities laws would be enforced in Germany. The United States and the Federal Republic of Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. The enforceability of final judgments therefore may depend on the laws of the relevant U.S. state and federal laws of the United States. Consequently, a final judgment for payment given by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. federal or state court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below.

German courts will, in particular, not recognize and enforce such judgments if the judgment is not final under applicable U.S. federal or state law or if any of the reasons for excluding enforceability set forth in section 328(1) of the German Code of Civil Procedure exist:

- if, pursuant to German law, the U.S. federal or state court having rendered the foreign judgment did not have jurisdiction;
- if process has not been duly served or has not been served in a timely fashion to permit a defense, provided that the defendant did not actively participate in such process and pleads accordingly;
- if the judgment is incompatible with a prior judgment rendered by a German court or by a foreign court which is to be recognized in Germany;
- if the judgment, or the proceeding resulting in the judgment, to be recognized is incompatible with a proceeding in Germany which was pending (*rechtshängig*) before a German court before the U.S. federal or state court entered its judgment;
- if a recognition of the judgment would be obviously incompatible with essential principles of German law, in particular, if the recognition would be incompatible with the civil rights (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*); and
- if reciprocity is not ensured (*i.e.*, the U.S. federal or state courts would not recognize and enforce a comparable judgment by a German court in equivalent circumstances).

Subject to the foregoing, holders of the Notes may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Germany. There is some German case law to the effect that reciprocity of the recognition of judgments is ensured in relation to claims relating to assets (*vermögensrechtliche Ansprüche*) with regard to various U.S. states. We cannot,

however, assure you that attempts to enforce judgments in Germany will be successful. It is also doubtful whether a German court would accept jurisdiction and impose civil liability in an original action solely predicated by U.S. federal securities laws.

In addition, the recognition and enforcement of punitive damages are usually denied by German courts as incompatible with the essential principles of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

Consequently, judgments awarding monetary damages under civil liabilities provisions of the U.S. federal securities laws may not be enforceable to the extent they provide for a compensation that would qualify as being of a penal or punitive nature.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In so far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provided for pretrial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and/or the deposition of witnesses. Evidence obtained in this matter may be decisive in the outcome of any proceeding. No such pretrial discovery process exists under German law.

If the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the Issuer or such persons will be regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re-hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States.

In addition, it may under certain circumstances also not be possible for investors to effect service of process within Germany upon the Issuer or those persons under the Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 and the German law implementing such convention if such service were deemed to infringe German sovereignty or security, which may be the case if such service violated the fundamental principles of German law, in particular the civil rights (*Grundrechte*) guaranteed by virtue of the German Constitution (*Grundgesetz*). However, the German Constitutional Court (*Bundesverfassungsgericht*) held in 2013 that service may not be denied solely because the action before the U.S. court contains claims for punitive damages.

LISTING AND GENERAL INFORMATION

1. Application has been made for the Notes to be listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF Market in accordance with the rules of that exchange. The Issuer will publish or make available any notices to the public in written form at places indicated by announcements to be published in a Luxembourg newspaper of general circulation (expected to be the *Luxemburger Wort*) or on the official website of the Luxembourg Stock Exchange, at *www.bourse.lu.*, or by any means considered to be equivalent by the Luxembourg Stock Exchange.

2. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF Market, copies of the Issuer's Articles of Association, the Offering Memorandum and the Indenture will be available free of charge at the specified office of the Listing Agent. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and are traded on the Euro MTF Market, copies of Hapag-Lloyd AG's consolidated annual financial statements and its condensed consolidated interim financial statements and those for all subsequent fiscal years will be available free of charge during normal business hours on any weekday at the offices of the Issuer.

3. The Issuer accepts responsibility for the information contained in the Offering Memorandum. To the best of its knowledge, except as otherwise noted, the information contained in the Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of the Offering Memorandum.

4. There has been no material adverse change in our financial condition since December 31, 2020.

5. Except as disclosed in this Offering Memorandum, neither the Issuer nor any of the companies of the Hapag-Lloyd Group have been involved in any litigation, administrative proceeding or arbitration relating to claims or amounts which are material in the context of the issue of the Notes, and, so far as the Issuer is aware, no such litigation, administrative proceeding or arbitration is pending or threatened.

6. The Issuer has appointed Deutsche Bank AG, London Branch as our Paying Agent in London and Deutsche Bank Luxembourg S.A. as our Transfer Agent in Luxembourg. The Issuer reserves the right to vary such appointment and/or appoint a Luxembourg Paying Agent and shall publish notice of such change of appointment in a newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*) or the Luxembourg Stock Exchange's official website, *www.bourse.lu.*

7. The Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes 232654856 and 232655089, respectively. The international securities identification number (the "**ISIN Number**") for the Notes sold pursuant to Regulation S is XS2326548562 and the ISIN Number for the Notes sold pursuant to Rule 144A is XS2326550899.

THE ISSUER

General

The Issuer was formed under German law on February 20, 2004 as a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) with the corporate name "TAMINO Vermögensverwaltungsgesellschaft mbH." It was registered with the commercial register of the local court (*Amtsgericht*) of Hamburg under the docket number HRB 89830 on February 20, 2004. With effect as of April 30, 2004, TAMINO Vermögensverwaltungsgesellschaft mbH merged with Hapag-Lloyd Container Linie GmbH and was renamed "Hapag-Lloyd Container Linie GmbH." With effect as of July 21, 2006, the Issuer was transformed into a stock corporation (*Aktiengesellschaft*) and was renamed "Hapag-Lloyd Aktiengesellschaft," which is its present corporate name. For more information on the historic origin of the Hapag-Lloyd Group, please refer to "*Our Business—Our History.*" The Issuer is registered with the commercial register of the local court (*Amtsgericht*) of Hamburg under docket number HRB 97937.

Hapag-Lloyd AG is the parent company of the Hapag-Lloyd Group. The commercial name of the Issuer is Hapag-Lloyd.

The registered seat of the Issuer is Hamburg, its business address is Ballindamm 25, 20095 Hamburg, Germany, and its telephone number is +49(0)40 3001-0.

Articles of Association

In accordance with Section 2 of the Issuer's Articles of Association ("**Articles of Association**"), its corporate purpose is

- liner shipping at sea;
- operations in the logistics business;
- operations in the ship owner, ship broker, freight forwarding, agency and storage businesses;
- operation of port facilities;
- the acquisition or sale of real estate, its development, cultivation, renting and leasing and management; and
- provision of data processing and all other related services, with the exception of activities which are subject to a regulatory approval.

The Issuer is also entitled to conduct any transactions or measures related to its corporate purpose or which appear to promote achievement of its corporate purpose; in this respect, the Issuer is also authorized to found, acquire or take participating interests in German and foreign companies of any kind, as well as to establish branch offices in Germany and abroad. The Issuer may transfer its operations, in whole or in part, to affiliated companies. The Issuer may also pursue its corporate purpose by managing affiliated companies or by participating in investment or joint venture companies.

Share Capital

The share capital of the Issuer as of the date of this Offering Memorandum amounts to €175,760,293.00 and is divided into 175,760,293 no-par-value registered shares. All shares are fully paid.

Financial Statements

Pursuant to Section 3 of the Issuer's Articles of Association, the fiscal year is the calendar year. The Issuer publishes annual financial statements as well as interim financial statements on a quarterly basis.

Trend information

There has been no material adverse change in the prospects of the Issuer since December 31, 2020.

Legal and arbitration proceedings

Except as disclosed elsewhere in this Offering Memorandum, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of

which the Issuer is aware) in the twelve months preceding the date of this Offering Memorandum which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

Approval

The Issuer has obtained all necessary consents, approvals and authorizations in the jurisdiction of its incorporation in connection with the issuance and performance of the Notes. The creation and issuance of the Notes was authorized by resolutions of the Issuer's supervisory board dated on or about March 17, 2021 and the Issuer's management board on or about March 23, 2021.

Significant change in the financial or trading position of the Issuer

There has been no significant change in the financial or trading position of the Issuer since December 31, 2020.

GLOSSARY OF SELECTED TERMS

2M Alliance (2M)	Vessel sharing agreement between Maersk and MSC, including about 185 vessels with a capacity of approx. 2.1 million TEU. Commenced its operations in January 2015.
AEO	Authorized Economic Operator.
AEO-C	AEO Certificate "Customs Simplifications."
AEO-F	AEO Certificate "Customs Simplifications/Security and Safety."
AEO-S	AEO Certificate "Security and Safety."
AER	Average Efficiency Ratio.
AESM	Anglo Eastern (Germany) GmbH.
Alliance	An integrated consortium in container liner shipping.
APL	American President Lines Ltd.
Advance Manifest Rule	Security requirement, which mandates expanded disclosure regarding a ship's cargo at least 24 hours prior to loading at the foreign port of loading.
Automated Manifest System	By electronic means, a documentation regarding the transport parties and the cargo to be loaded on board a vessel going to the United States at least 24 hours prior to loading at the foreign port of loading.
Assurance Letter	An assurance letter from the External Verifier as to whether the Sustainability Performance Target has been attained.
Bareboat charter	A form of charter, in which the ship owner provides only the vessel, while the carrier is responsible for the crew, insurance, maintenance, bunker fuel and all other operating expenses.
Break-bulk cargo	Loose, non-containerized cargo (*e.g.*, iron rods, metal sheets, sawn timber, logs, etc.).
Bulk cargo	Cargo that is transported unpackaged in large quantities, such as ores, coal, grain and liquids.
Bulk container carrier	Vessel specially designed to transport unpackaged Bulk Cargo.
Bunker fuel	A maritime term referring to fuel used aboard the ship.
CAGR	Compounded Annual Growth Rate; the year-over-year growth rate of an investment over a specified period of time. The compound annual growth rate is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered.
Capacity	The maximum number of containers as measured in TEU that could theoretically be loaded onto a container ship without taking into account operational constraints (including, but not limited to, the actual weight of any loaded containers); with reference to a fleet, a carrier or the container shipping industry, capacity is the total TEU nominal capacity of all ships in the fleet, the carrier or the industry, as applicable.
Carrier	A company providing container shipping services.
CBP	U.S. Customs and Border Protection.
Cellular container vessels	Specially designed vessels for the efficient storage of freight containers one on top of other with vertical bracings at the four corners.
CG Hold Co	CSAV Germany Container Holding GmbH.

Charter	The hire of a vessel for a specified period of time or a specific voyage, from loading to discharging port, for a fixed fee.
Charterer	The entity hiring the vessel from the ship owner.
China COSCO	China COSCO Shipping Group.
Cargo Incident Notification System (CINS)	A network of around seventeen major liner shipping companies, accounting for around 60% of the world's container slot capacity.
Classification societies	Organizations that establish and administer standards for the design, construction and operational maintenance of vessels. As a practical matter, vessels cannot operate unless they meet these standards.
Close the Cost Gap	The Company's 2015 project to increase profitability by investing in the modernization and renewal of its fleet, including putting new container ships into service and investing in new containers to increase the percentage of the Company's own containers.
CMA CGM	CMA CGM S.A.
Container (Shipping)	A reusable transport and storage unit for moving products and raw materials between locations or countries.
Container Terminal	Facility where cargo containers are transshipped between different transport vehicles for onward transportation.
Crude oil	Mixture of naturally occurring (unprocessed) hydrocarbons that is refined into *inter alia* diesel, gasoline, heating oil, jet fuel and kerosene.
CSAV	Compañía Sud Americana de Vapores S.A.
CSCL	China Shipping Container Lines.
CTA	HHLA Container Terminal Altenwerder GmbH.
C-TPAT	U.S. Customs Trade Partnership against Terrorism.
CUATRO	The Company's 2014 integration project to facilitate the post-merger integration of the CCS Activities.
Dangerous/Hazardous goods	Dangerous/Hazardous goods are solids, liquids, or gases that can harm people, other living organisms, property, or the environment. Often subject to regulations.
Deep-sea service	A service between continents or on long distances as opposed to a feeder service; same as Main service.
Demurrage	A fee charged by the terminal at the discharging port or inland yard for a delayed takeover of boxes by the customer.
Detention	A penalty charge to the customers for exceeding agreed times for returning (merchant's haulage) or stuffing/stripping (carrier's haulage) the container(s).
Deutsche Bank	Deutsche Bank AG, Frankfurt am Main, Germany.
Direct customer/direct shipper	A customer who is a producer of the goods to be shipped or an exporter or importer of such goods, in each case, with whom we have a direct contractual relationship. In contrast, with respect to an indirect customer, we only have a contractual relationship with a freight forwarder who acts as agent for the producer, importer or exporter of the goods to be shipped.
Dominant leg	The direction of shipping on a particular trade with the higher transport volumes. The opposite direction of shipping is called the "non-dominant" leg.
Door-to-door container shipment services	Service including maritime legs and land legs.

Dry-docking	An out-of-service period during which planned repairs and maintenance are carried out, including all underwater maintenance such as external hull painting. During the drydocking, mandatory classification society inspections are carried out and relevant certifications issued.
East-West trades	The East-West trades consist of the Atlantic (Europe-North America), the Transpacific (Asia-North America) and the Far East (Europe-Asia) trades.
EBIT	Abbreviation for earnings before interest and tax.
EBITDA	Abbreviation for earnings before interest, tax, depreciation and amortization.
e-Business	Our e-business solutions include electronic interaction with our customers and suppliers via bilateral EDI formats, our homepage, multi-ocean carrier portals, such as INTTRA, and our email system.
ECA	Emission Control Areas are sea areas in which stricter controls were established to minimize airborne emissions (SOx, NOx, ODS, VOC) from ships as defined by Annex V of the 1997 MARPOL Protocol which came into effect in May 2005.
EEA	Abbreviation for European Economic Area.
EEDI	The "Energy Efficiency Design Index" by the IMO for new ships is the most important technical measure and aims at promoting the use of more energy efficient (less polluting) equipment and engines. The EEDI requires a minimum energy efficiency level per capacity mile (*e.g.* tonne mile) for different ship type and size segments.
EMA	Trade within Europe, Mediterranean and to/from Africa.
EU	Abbreviation for European Union.
EU ETS	European Union's "Emissions Trading System."
Evergreen	Evergreen Marine Corp. (Taiwan) Ltd.
External verifier	A qualified provider of third-party assurance or attestation services appointed by the Issuer to review the Sustainability Performance Target and provide related assurance services.
Fair value	Valuation according to IFRS, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Federal Register	The official journal of the U.S. federal government.
Feeder services	Services that support main services by connecting hub ports with one or more smaller ports.
Feeder ships	Mostly small tonnage vessels which provide a linkage between ports and long haul vessels or main hub ports and smaller facility ports which may be inaccessible to larger vessels.
Flag State	Country, in which a vessel is registered in.
FMC	U.S. Federal Maritime Commission.
Freight Forwarder	Also known as a non-vessel operating common carrier (NVOCC), is a person or company that organizes shipments for individuals or corporations to get goods from the manufacturer or producer to a market, customer or final point of distribution. Forwarders contract with a carrier to move the goods.
Freight Rate	Price at which a certain cargo is delivered from one point to another.
FTE	Full-time equivalents.

GDP	Gross domestic product.
GDPR	General Data Protection Regulation (Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016.
Global carrier	A carrier who generally deploys significant capacity and operates extensive networks of services in the major markets.
Hamburg Süd	Hamburg Südamerikanische Dampfschiffahtsgesellschaft KG.
Hanjin	Hanjin Shipping Co., Ltd.
HanseMerkur	Hanse-Merkur Krankenversicherungs AG, HanseMerkur Lebensversicherungs AG and HanseMerkur Holding AG together.
Hapag	Hamburg-Amerikanische-Packetfahrt-Actien-Gesellschaft.
Hapag-Lloyd AG	Hapag-Lloyd Aktiengesellschaft.
Hapag-Lloyd Group	Hapag-Lloyd AG together with its consolidated subsidiaries.
Hedging	A risk management strategy used in limiting or offsetting probability of loss from fluctuations in the prices of commodities, currencies, or securities.
HGV	HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement GmbH.
HHLA	Hamburger Hafen und Logistik AG.
HLAG	Trading symbol of Hapag-Lloyd AG.
HLOT	Hapag-Lloyd Denizasiri Nakliyat A.S.
HMM	Hyundai Merchant Marine (South Korea).
HSH	HSH Nordbank AG.
Hull	Watertight body of a ship.
ISM Code	The ISM Code provides an international standard for the safe management and operation of ships and for pollution prevention.
ISO	International Organization for Standardization.
ISPS Code	From the IMO developed International Ship and Port Facility Security Code.
IFRS	International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the EU.
IGF Code	The IGF Code is mandatory under SOLAS and sets minimum requirements for the construction and operation of vessels using gases or other low-flashpoint fuels.
Imbalances	Difference in volumes in trade between dominant and non-dominant leg.
IMF	International Monetary Fund.
International Maritime Organization (IMO)	A United Nations agency that issues international trade security and environmental standards for shipping.
IVODGA	The International Vessel Operators Dangerous Goods Association. The members of the IVODGA are responsible for the safe transportation of over 75% of the ocean borne container traffic in the U.S.trades.
JWC	The Joint War Committee.
K Line	Kawasaki Kisen K.K.

Term	Definition
Knots	A unit of speed equal to one nautical mile (1.852 km) per hour.
Key Performance Indicators (KPI)	A type of performance measurement which a company uses to evaluate its success, or to evaluate the success of a particular activity in which it is engaged.
KPMG	KPMG Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Fuhlentwiete 5, 20355 Hamburg, Germany.
Kühne	Kühne Maritime GmbH and Kühne Holding AG, together.
Kühne Maritime	Kühne Maritime GmbH, a wholly owned subsidiary of Kühne Holding AG.
Liner carrier	Carrier, which operates regularly scheduled services to a series of ports, using a number of ships per week along each service, and transship cargo at their scheduled ports of call on smaller feeder ships, which carry the cargo on to the destination port.
Liner Services	Scheduled service provided by a carrier.
LNG	Liquefied natural gas.
Loan to value (LTV)	A financial term used to express the ratio of a loan to the value of an asset purchased.
Locks	A lock is a device used for raising and lowering boats, ships and other watercraft between stretches of water of different levels on river and canal waterways.
Loop	A service operating with a fixed number of ships on a continuous rotation.
Maersk	A.P. Møller-Maersk A/S.
Main line vessels	Vessels on the Main Services.
Main services	Main services are the services that we offer on our intercontinental routes as opposed to feeder services.
Manifest	Transport document that serves as a tally-sheet, and gives a detailed summary of all bills of lading issued by a carrier (or its agent) for a particular voyage of a particular vessel. For cargo carrying vessels, a manifest lists its consignor, consignee, number, origin, destination, value, and other such information primarily for use by the customs authorities.
Marine Diesel Oil (MDO)	Type of fuel oil. Blend of gasoil and heavy fuel oil, with less gasoil than intermediate fuel oil used in the maritime field.
Maritime leg	Part of the transport of goods which takes place solely on the ocean/sea.
Maritime lien	The right of a particular individual to compel the sale of a ship because he or she has not been paid a debt owed to him or her on account of such vessel. The retaining of possession of the vessel is not necessary before asserting a claim.
MARPOL	“The Convention for the Prevention of Pollution from Ships” was developed by the International Maritime Organization in an effort to minimize pollution of the oceans and seas, including dumping, oil and air pollution and is considered to be one of the most important international marine environmental conventions. It is divided into six Annexes.
MFO	Marine Fuel Oil
MOL	Mitsui O.S.K. Lines.
Moody’s	Moody’s Investors Service.

MRV . . . . Regulation (EU) 2015/757 on the monitoring, reporting and verification of carbon dioxide emissions from maritime transport.

MSC . . . . MSC Mediterranean Shipping Company S.A.

MSP . . . . Maritime Security Program of the U.S. Maritime Administration of the Department of Transportation.

NDL . . . . Norddeutscher Lloyd.

Net book value . . . . The value of an asset as it is carried on the company’s books. Net book value is calculated by subtracting accumulated depreciation from the original cost of the asset.

Niche carrier . . . . A carrier who, like a regional carrier, generally focuses on a number of smaller routes within the major markets, or within other markets and tends to offer direct services to a wider range of ports within a particular market than a global carrier. Niche carriers are usually smaller than regional carriers in their capacity and cover fewer and smaller markets.

NileDutch . . . . Nile Dutch Investments B.V.

Non-dominant leg . . . . The direction of shipping on a particular trade with the lower transport volumes. The opposite direction of shipping is called the “dominant” leg.

NOx . . . . Nitrogen oxide.

NYK . . . . Nippon Yusen Kaisha Lines.

Ocean leg . . . . The shipping of a container from base port to base port.

OCTAVE I and II . . . . The Company’s 2014 and 2016 cost and efficiency projects targeting short-term operational initiatives with effects in the areas of inland cost and bunker procurement, its fleet and network and its sales and product portfolio.

OECD . . . . Organization for Economic Co-Operation and Development.

On carriage . . . . Any inland movement activity that takes place after the container is discharged at a port of discharge.

One-stop-shop service . . . . Offering of multiple services, so that customers can get all they need in just “one stop.”

OOIL . . . . Orient Overseas (International) Limited.

Open top container . . . . A container fitted with a tarpaulin roof so the container can be loaded or unloaded from the top.

Order book . . . . Entirety of vessels that are on order or that are being built.

Out of gauge cargo . . . . Cargo, which exceeds the internal dimensions of a container by length, width or height.

Panama Canal . . . . A 77.1-kilometer ship canal in Panama that connects the Atlantic Ocean (via the Caribbean Sea) to the Pacific Ocean. The canal cuts across the Isthmus of Panama and is a key conduit for international maritime trade. There are locks at each end to lift ships up to Gatun Lake, an artificial lake created to reduce the amount of excavation work required for the canal, 26 meters (85 ft) above sea level. The current locks are 33.5 meters (110 ft) wide. A third, wider lane of locks opened in June 2016, allowing the passage of vessels with a size of up to 14,000 TEU. The new locks are 49 meters wide.

PIF . . . . Public Investment Fund of the Kingdom of Saudi Arabia.

Port, canal and terminal costs . . . . Costs charged by the ports, canal charges for passages especially through the Suez and Panama Canal as well as terminal handling

and loading charges. The port and canal costs are largely fixed cost components, whereas terminal costs are considered to be fully variable and directly linked to the individual transport. In relation to terminal costs, port and canal costs account for only a small portion of the overall cost position.

Pre-carriage . . . . Any inland movement activity that takes place prior to the container being loaded at a port of loading.

Qatar Holding . . . . Qatar Holding LLC.

Qatar Holding Germany . . . . Qatar Holding Germany GmbH.

QIA . . . . Qatar Investment Authority.

Reefer Cargo . . . . Shipment requiring controlled-temperature environment, especially perishable goods, pharmaceuticals and healthcare products.

Refrigerated ("reefer") container . . . . . . The generic name for a temperature controlled container with a refrigeration plant built into the rear of the container. The containers, which are insulated, are specifically designed to allow temperature controlled air circulation within the container.

Regional carrier . . . . A carrier who generally focuses on a number of smaller routes within the major markets, or within other markets, such as Australasia (between Australia and Asia) and Africa, and tends to offer direct services to a wider range of ports within a particular market than global carriers.

Rotterdam Rules . . . . Treaty comprising international rules that revises the legal and political framework for maritime carriage of goods.

Scrapping . . . . Scrapping is the process by which, at the end of its life, a vessel is sold to a shipbreaker who strips the ship and sells the steel as "scrap."

Scrubbers . . . . Exhaust gas cleaning systems.

SEEMP . . . . The Ship Energy Efficiency Management Plan is an operational measure that establishes a mechanism to improve the energy efficiency of a ship in a cost-effective manner.

Services . . . . A service refers to a specific route for shipping cargo between sea ports.

Ship Broker . . . . Shipbroking is a financial service, which forms part of the global shipping industry. Shipbrokers are specialist intermediaries/ negotiators (*i.e.* brokers) between ship owners and charterers who use ships to transport cargo, or between buyers and sellers of vessels.

Short Sea Shipping . . . . Coastal trade, coastal shipping, coasting trade and coastwise trade, which encompass the movement of cargo mainly by sea along a coast, without crossing an ocean.

"short-term" charters, "medium-term" charters, "long-term" charters . . . . Charters for a term of (i) up to twelve months, (ii) including twelve months and through 36 months and (ii) more than 36 months, respectively.

Slot . . . . The space required for one TEU on board a vessel.

Slot charter agreement . . . . An arrangement under which one container shipping company will rent container space on one of its vessels to another container shipping company.

Slot swap/slot exchange agreement . . . . An agreement under which carriers exchange slots on each other's vessels.

Slow steaming	The reduction in the ships' average operational speed.
SOLAS	The International Convention for the Safety of Life at Sea.
SOx	Sulfur oxide.
Special equipment	Equipment necessary for special cargo business, *e.g*. flat racks, open tops, hard tops.
SPT	Sustainable performance targets.
STSM	Southern Trade Shipmanagement.
Standard & Poor's	Standard & Poor's Global Ratings.
Stevedore	A terminal operator who is designated to facilitate the operation of loading and discharging vessels and various other related operating activities.
Sustainability Performance Target	An AER performance lower than or equal to the applicable SPT(s) for the calendar year 2024 no later than July 31, 2025.
Sustainability-Linked Bond Framework	Our sustainability-linked bond framework adopted in March 2021. The Sustainability-Linked Bond Framework can be found on our website at www.hapag-lloyd.com.
TC3	Container Terminal 3 of Port Tanger Med 2 located in Morocco.
Terminal handling charge	Charges collected by terminal authorities at each port against handling equipment and maintenance.
TEU	A 20-foot equivalent unit (referring to a standard container with dimensions of 20-foot x 8-foot x 8-foot, 6-inches), the standard unit of measurement of volume used in the container shipping industry.
TTEU	Refers to 1,000 TEU.
THE Alliance	Cooperation between Hapag-Lloyd AG, Ocean Network Express Pte. Ltd. (Singapore) (jointly owned by Kawasaki Kisen Kaisha Ltd. (Japan), Mitsui O.S.K. Lines Ltd. (Japan), Nippon Yusen Kabushiki Kaisha Ltd. (Japan), Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming) and Hyundai Merchant Marine (South Korea).
Time charter	A form of charter where the vessel owner provides a manned and fully equipped vessel to the charterer, and the charterer employs the vessel during the contractual period for the agreed service against payment of hire. All voyage costs are paid by the charterer.
Tollo	Tollo Shipping Co. S.A.
Trade	A trade combines liner services between two land masses. The global container shipping market is typically divided into the East-West trades, the North-South trades and several other trades, including the Intra-Asia trade, the Middle East trade and the Indian trade.
Trade flow	Buying and selling of goods and services between countries. Trade flows measure the balance of trade.
Trade lane	The direction of trade, *e.g*. United States to Europe.
TUI	TUI Aktiengesellschaft.
UASC	United Arab Shipping Company Limited and its subsidiaries.
UASC BCA	Business Combination Agreement between Hapag-Lloyd AG and UASC.

UASC Limited	United Arab Shipping Company Limited (formerly United Arab Shipping Company (S.A.G.) excluding its subsidiaries.
UNCITRAL	United Nations Commission on International Trade Law.
UNFCCC	United Nations Framework Convention on Climate Change.
Ultra-large container vessels (ULCVs)	Segment of container vessels with a capacity of 18,000 TEU or higher.
Vessel	A nautical term for all kinds of craft designed for transportation on water, such as ships, boats or submarines.
Vessel time charter agreement	An agreement, under which a vessel is provided by a ship owner to a container carrier for a fixed period of time with the vessel owner typically also providing the vessel's crew, insurance and maintenance.
WACC	Weighted Average Cost of equity and debt Capital.
Yang Ming	Yang Ming Marine Transport Corp.

FINANCIAL INFORMATION

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HAPAG-LLOYD AG PREPARED IN ACCORDANCE WITH IFRS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

Consolidated Income Statement F-2

Consolidated Statement of Comprehensive Income F-3

Consolidated Statement of Financial Position F-4

Consolidated Statement of Cash Flows F-6

Consolidated Statement of Changes In Equity F-7

Notes to the Audited Consolidated Financial Statements F-9

Auditor's Report F-84

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HAPAG-LLOYD AG PREPARED IN ACCORDANCE WITH IFRS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Consolidated Income Statement F-91

Consolidated Statement of Comprehensive Income F-92

Consolidated Statement of Financial Position F-93

Consolidated Statement of Cash Flows F-95

Consolidated Statement of Changes In Equity F-96

Notes to the Audited Consolidated Financial Statements F-98

Auditor's Report F-174

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2020

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
as at 31 December 2020

ASSETS

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
as at 31 December 2020

EQUITY AND LIABILITIES

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

CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2020

	1.1.-31.12.2020	1.1.-31.12.2019
	million EUR	
Group profit / loss	935.4	373.4
Income tax expenses (+) / income (–)	45.8	42.9
Other finacial Items	3.5	–1.6
Interest result	330.5	396.7
Depreciation, amortisation and impairment (+) / write-backs (–)	1,385.2	1,174.4
Impairment (+) / write-backs (–) of financial assets	0.1	—
Profit (–) / loss (+) from disposals of non-current assets	–12.2	–18.5
Income (–) / expenses (+) from equity accounted investees and dividends from other investments	–32.2	–35.7
Other non-cash expenses (+) / income (–)	39.5	–0.8
Increase (–) / decrease (+) in inventories	59.1	–5.6
Increase (–) / decrease (+) in receivables and other assets	–225.4	–54.0
Increase (+) / decrease (–) in provisions	17.9	69.8
Increase (+) / decrease (–) in liabilities (excl. financial debt)	355.5	110.8
Payments received from (+) / made for (–) income taxes	–21.9	–29.4
Payments received for interest	17.1	5.8
Cash inflow (+) / outflow (–) from operating activities	**2,897.9**	**2,028.2**
Payments received from disposals of property, plant and equipment and intangible assets	31.0	41.6
Payments received from dividends	35.9	30.2
Payments made for investments in property, plant and equipment and intangible assets	–534.1	–426.1
Payments made for investment in financial assets	—	–10.6
Payments made for the issuing of loans	–10.4	–4.7
Cash inflow (+) / outflow (–) from investing activities	**–477.6**	**–369.5**
Payments made for dividends	–203.5	–39.5
Payments received from raising financial debt	1,593.8	924.3
Payments made for the redemption of financial debt	–2,742.3	–1,733.2
Payments made for the redemption of lease liabilities	–514.3	–456.7
Payments made for leasehold improvements	–26.3	–18.1
Payments made for interest and fees	–315.6	–397.3
Payments received (+) and made (–) from hedges for financial debt	16.1	–103.7
Change in restricted cash	—	6.6
Cash inflow (+) / outflow (–) from financing activities	**–2,192.1**	**–1,817.6**
Net change in cash and cash equivalents	**228.2**	**–158.9**
Cash and cash equivalents at beginning of period	**511.6**	**657.1**
Change in cash and cash equivalents due to exchange rate fluctuations	–58.5	13.4
Net change in cash and cash equivalents	228.2	–158.9
Cash and cash equivalents at end of period	**681.3**	**511.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2020

	Equity attributable to shareholders of Hapag-Lloyd AG											
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit pension plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put options on non-controlling interests	Cumulative other equity	Total	Non-controlling interests	Total equity
	million EUR											
As at 1.1.2019	**175.8**	**2,637.4**	**3,117.4**	**–112.6**	**–0.8**	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,248.7**	**10.6**	**6,259.3**
Effect from the first-time application of IFRS 16	—	—	–17.4	—	—	—	—	—	—	–17.4	—	–17.4
Adjusted as at 1.1.2019	**175.8**	**2,637.4**	**3,100.0**	**–112.6**	**–0.8**	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,231.3**	**10.6**	**6,241.9**
Total comprehensive income (adjusted)	**—**	**—**	**362.0**	**–60.8**	**–13.2**	**–14.1**	**120.8**	**—**	**32.8**	**394.8**	**11.7**	**406.5**
thereof												
Group profit / loss	—	—	362.0	—	—	—	—	—	—	362.0	11.4	373.4
Other comprehensive income	—	—	—	–60.8	–13.2	–14.1	120.8	—	32.8	32.8	0.4	33.1
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	**—**	**—**	**—**	**—**	**—**	**11.7**	**—**	**—**	**11.7**	**11.7**	**—**	**11.7**
Transactions with shareholders	**—**	**—**	**–31.2**	**—**	**—**	**—**	**—**	**—**	**—**	**–31.2**	**–8.3**	**–39.5**
thereof												
Distribution to shareholder	—	—	–26.4	—	—	—	—	—	—	–26.4	—	–26.4
Distribution to non-controlling interests	—	—	–4.8	—	—	—	—	—	—	–4.8	–8.3	–13.2
As at 31.12.2019	**175.8**	**2,637.4**	**3,430.8**	**–173.3**	**–14.0**	**–10.2**	**560.5**	**–0.5**	**362.6**	**6,606.6**	**14.0**	**6,620.6**
As at 1.1.2020	**175.8**	**2,637.4**	**3,430.8**	**–173.3**	**–14.0**	**–10.2**	**560.5**	**–0.5**	**362.6**	**6,606.6**	**14.0**	**6,620.6**
Total comprehensive income	**—**	**—**	**926.8**	**–36.0**	**5.8**	**–27.9**	**–602.5**	**—**	**–660.6**	**266.2**	**7.4**	**273.5**
thereof												
Group profit / loss	—	—	926.8	—	—	—	—	—	—	926.8	8.6	935.4
Other comprehensive income	—	—	—	–36.0	5.8	–27.9	–602.5	—	–660.6	–660.6	–1.3	–661.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2020

	Equity attributable to shareholders of Hapag-Lloyd AG											
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit pension plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put options on non-controlling interests	Cumulative other equity	Total	Non-controlling interests	Total equity
	million EUR											
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	**—**	**—**	**—**	**—**	**–4.2**	**36.2**	**—**	**—**	**32.0**	**32.0**	**—**	**32.0**
Transactions with shareholders	**—**	**—**	**–197.6**	**—**	**—**	**—**	**—**	**—**	**—**	**–197.6**	**–5.9**	**–203.5**
thereof												
Distribution to shareholder	—	—	–193.3	—	—	—	—	—	—	–193.3	—	–193.3
Distribution to non-controlling interests	—	—	–4.2	—	—	—	—	—	—	–4.2	–5.9	–10.1
Reclassification from reserve for Remeasurements from defined benefit pension plans	**—**	**—**	**–0.7**	**0.7**	**—**	**—**	**—**	**—**	**0.7**	**—**	**—**	**—**
Deconsolidation	**—**	**—**	**0.5**	**—**	**—**	**—**	**–0.5**	**—**	**–0.5**	**—**	**—**	**—**
As at 31.12.2020	**175.8**	**2,637.4**	**4,159.9**	**–208.6**	**–12.4**	**–1.9**	**–42.4**	**–0.4**	**–265.8**	**6,707.2**	**15.5**	**6,722.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

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

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

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

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

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

Accounting principles

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

New accounting standards

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

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

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

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

Standards that were not yet mandatory in the financial year

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

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

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

EU endorsement has been given

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

The amendments expand on the requirements for the first phase of the project, and apply whenever one interest rate benchmark is replaced by another. In terms of the way financial instruments are represented, the following aspects are particularly significant. Firstly, where contractual cash flows change for reasons connected solely with IBOR reform, the amended IFRS 9 means there is no requirement to adjust or derecognise the carrying amount of financial instruments. Instead, the effective interest rate should be adjusted accordingly under certain conditions. As far as hedge accounting is concerned, the company may exceptionally adjust the formal designation as recorded at the beginning of the hedging relationship at the point of the transition to the new interest rate benchmark in order to reflect the change in the alternative interest rate benchmark. Consequently, from the point of transition to the new benchmark interest rate, the accrued amount of the cash flow hedge reserves should be calculated using estimated future cash flows, which should themselves be based on the new benchmark interest rate. Companies remain under an obligation to disclose information regarding new risks arising from the reform and, in addition, to publish details of how they are handling the transition to the alternative benchmark interest rate. Alongside the amendments to IFRS 9, IAS 39 and IFRS 7, minor changes have also been made to IFRS 4 and IFRS 16. As at 31 December 2020, Hapag-Lloyd Group held variable-interest loans on the basis of the USD LIBOR. These loans are

affected by the IBOR reform. The USD LIBOR will be replaced by the alternative interest rate benchmark known as the SOFR by the end of 2021 at the latest. This is not expected to have any significant effect on the Group net result.

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

EU endorsement still pending

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

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

Amendments to IFRS 3: Reference to the Conceptual Framework

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

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

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

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

The amendments to IAS 1 relate to an adjustment of the criteria for classification of liabilities as current or non-current. They clarify that the classification of liabilities as current should be based on

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

Consolidation principles and methods

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

Subsidiaries

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

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

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

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

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

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

Joint arrangements

Joint arrangements are contractual arrangements based on which two or more parties establish a commercial activity that they jointly control. Joint control exists if the two parties must work together

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

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

Associated companies and joint ventures

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

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

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

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

Group of consolidated companies

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

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

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

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

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

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

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

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

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

Currency translation

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

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

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

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

Exchange rates of significant currencies:

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

Accounting and measurement

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

Goodwill

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

Other intangible assets

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

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

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

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

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

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Impairment testing

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

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

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

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

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

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

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

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

Leases

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

Lessee

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

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

(1) rented container vessels

(2) rented containers

(3) rented office buildings, office space and parking spaces

(4) rented vehicles

(5) other rented business equipment

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

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

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

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

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

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

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

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

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

Lessor

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

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

Sale and leaseback transactions

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

Financial instruments

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

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

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

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

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

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

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

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

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

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

Primary financial liabilities are measured either at amortised cost or at fair value through profit or loss. They will be measured at fair value through profit or loss if they are held for trading or, upon

initial recognition, they have been designated—subject to certain preconditions—as “at fair value through profit or loss” (FV option). In the Hapag-Lloyd Group, primary financial liabilities only exist in the category “financial liabilities measured at amortised cost”.

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

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

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

Primary financial assets

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

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

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

Primary financial liabilities

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

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

Derivative financial instruments and hedge accounting

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

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

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

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

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

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

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in other comprehensive income and is not recognised with effect on the

consolidated income statement until the transaction occurs. If the future transaction is no longer expected to occur, the cumulative gains or losses recognised outside the scope of the consolidated income statement must immediately be recognised through profit or loss.

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

Inventories

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

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

Pensions and similar obligations

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

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

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

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

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

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

Other provisions

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

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

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

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

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

Contract liabilities

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

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

Put options on non-controlling interests

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

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

Share-based payments

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

Realisation of income and expenses

Realisation of revenue

In the Hapag-Lloyd Group, revenue is mainly generated in connection with transport services within the scope of revenue resulting from contracts with customers. Under IFRS 15, there is one performance obligation per shipment, which is rendered on a period-related basis, i. e. for the duration

of transport. Combining several shipments on a single voyage produces essentially the same results with regard to the amount of revenue recognised and when it is recognised as are produced when the revenue is recognised on the basis of a single shipment. Revenue is recognised in accordance with the input-oriented method for measurement of performance progress.

Other realisation of income and expenses

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

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

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

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

Earnings per share

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

Taxes

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

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

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

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

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

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

Fair value

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

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

Level 1:

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

Level 2:

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

Level 3:

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

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

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

Government assistance

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

Significant assumptions and estimates

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

This specifically applies to the following cases:

- Review of useful lives and residual values for intangible assets and property, plant and equipment
- Determination of the term of leases with extension and termination options and mutual cancellation right

- Measurement of the expected credit losses on receivables and other financial assets
- Recognition of deferred tax assets on loss carry-forwards
- Specification of parameters for measuring pension provisions
- Recognition and measurement of other provisions
- Determination of the demurrage and detention to be recognised
- Determination of the non-manifested discounts recognised during the year
- Classification of present liabilities as contingent liability

Review of useful lives and residual values for intangible assets and property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Recognition of deferred tax assets on loss carry-forwards

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

Specification of parameters for measuring pension provisions

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

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

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

Recognition and measurement of other provisions

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

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

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

Determination of the demurrage and detention to be recognised

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

Determination of the non-manifested discounts recognised during the year

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

Classification of present liabilities as contingent liability

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

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

Risks and uncertainties

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

Measures taken in connection with the COVID-19 pandemic

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

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

SEGMENT REPORTING

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

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

Transport volume per trade

	1.1.–31.12. 2020	1.1.–31.12. 2019
	TTEU	
Atlantic	1,817	1,960
Transpacific	1,851	1,945
Far East	2,286	2,327
Middle East	1,476	1,391
Intra-Asia	831	900
Latin America	2,889	2,837
EMA (Europe—Mediterranean—Africa)	689	676
Total	**11,838**	**12,037**

Freight rates per trade

	1.1.–31.12. 2020	1.1.–31.12. 2019
	USD / TEU	
Atlantic	1,383	1,389
Transpacific	1,467	1,318
Far East	979	910
Middle East	837	744
Intra-Asia	605	541
Latin America	1,131	1,153
EMA (Europe—Mediterranean—Africa)	1,051	1,046
Total (weighted average)	**1,115**	**1,072**

Revenue per trade

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Atlantic	2,201.6	2,431.9
Transpacific	2,379.9	2,290.8
Far East	1,961.7	1,891.7
Middle East	1,081.6	924.8
Intra-Asia	440.0	435.4
Latin America	2,863.2	2,921.6
EMA (Europe—Mediterranean—Africa)	634.8	631.7
Revenue not assigned to trades	1,209.6	1,080.0
Total	**12,772.4**	**12,607.9**

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

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

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**2,700.4**	**1,985.8**
Depreciation and amortisation	–1,385.2	–1,174.4
EBIT	**1,315.2**	**811.4**
Earnings before taxes (EBT)	**981.3**	**416.3**
Share of profit of equity-accounted investees	**32.1**	**35.5**

Non-current assets

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

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

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

Revenue streams

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

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

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

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

Contract balances

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

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

Performance obligations and methods for recognising revenue

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

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

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

Transaction price and transaction price components

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

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

(2) Transport expenses

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Transport expenses for finished voyages	9,089.6	9,721.1
Bunker	1,407.3	1,625.6
Handling and haulage	4,716.7	4,922.7
Equipment and repositioning[1]	1,134.7	1,205.0
Vessel and voyage (excluding bunker)[1]	1,830.8	1,967.8
Change in transport expenses for pending voyages[2]	50.6	–14.0
Total	**9,140.2**	**9,707.0**

1 Including lease expenses for short-term leases.

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

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

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

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

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

The fall in container and repositioning expenses of EUR 70.2 million to EUR 1,134.7 million was essentially due to active cost management under the PSP programme and the resulting decline in expenses associated with loading and unloading empty containers at the terminals. Efforts to optimise

container utilisation on voyages from Europe to Asia in the fourth quarter of 2020 also played a significant role.

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

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

(3) Personnel expenses

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Wages and salaries	563.4	562.8
Social security costs, pension costs and other benefits	119.5	119.7
Total	**683.0**	**682.5**

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

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

The average number of employees was as follows:

	1.1.–31.12. 2020	1.1.–31.12. 2019
Marine personnel	2,007	2,026
Shore-based personnel	10,857	10,655
Apprentices	221	225
Total	**13,085**	**12,905**

(4) Depreciation, amortisation and impairment

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Scheduled amortisation / depreciation	1,286.3	1,174.4
Amortisation of intangible assets	131.7	99.6
Depreciation of property, plant and equipment	1,154.7	1,074.7
Impairment	98.8	—
Impairment of property, plant and equipment	98.8	—
Total	**1,385.2**	**1,174.4**

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

The scheduled depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers. The year-on-year increase in depreciation and amortisation resulted

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

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

(5) Other operating result

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Other operating income	**69.1**	**81.2**
Income from the reversal of provisions	13.8	11.4
Gains and losses from disposal of assets	13.1	20.2
Income from own cost capitalized	9.7	6.8
Miscellaneous operating income	32.5	42.8
Other operating expenses	**348.8**	**350.0**
IT & Communication expenses	175.9	155.7
Office & Administration expenses	33.8	41.8
Charges, fees, consultancy and other professional services	32.7	35.8
Training and other personnel expenses	20.1	26.9
Exchange rate gains / losses	15.4	10.2
Other taxes	12.6	12.5
Car and Travel expenses	6.4	19.4
Bank charges	5.9	8.3
Miscellaneous operating expenses	46.0	39.4
Total	**–279.7**	**–268.8**

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

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

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

(6) Interest result

The interest result was as follows:

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Interest income	17.0	8.5
Other interest and similar income	17.0	8.5
Interest expenses	343.8	428.9
Net interest expenses from the valuation of pensions and similar obligations	3.7	5.4
Interest expenses for lease liabilities	69.6	72.6
Other interest and similar expenses	270.5	350.9
Effects from the result of embedded derivatives	–3.7	23.6
Total	**–330.5**	**–396.7**

Other interest and similar income relates in particular to income from the completion of financing arrangements for 2 vessels and income from interest on bank balances. Other interest and similar

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

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

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

(7) Other financial items

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

(8) Income taxes

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

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

Income taxes were as follows:

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Actual income taxes	34.0	40.4
thereof domestic	4.5	5.9
thereof foreign	29.5	34.5
Deferred tax income / expenses	11.8	2.5
thereof from temporary differences	2.9	2.0
thereof from loss carry-forwards	8.9	0.5
Total	**45.8**	**42.9**

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

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

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

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

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

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

Reconciliation statement

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Earnings before taxes	981.3	416.3
thereof under tonnage tax	723.5	176.8
thereof under regular income tax	257.8	239.5
Expected income tax expense (+) /income (–) (tax rate 32.3%)	**83.2**	**77.3**
Difference between the actual tax rates and the expected tax rates	–43.5	–24.9
Changes in tax rate or tax law	—	0.2
Effects of income not subject to income tax	–1.2	–0.4
Non-deductible expenses and trade tax additions and reductions	10.4	4.1
Effects from reassessments	–1.9	–4.5
Effective tax expenses and income relating to other periods	1.5	–5.6
Tax effect from equity-acounted investees	–10.5	–11.4
Exchange rate differences	0.4	0.6
Other differences	2.9	3.3
Income tax expense under regular income tax	**41.3**	**38.7**
Income tax expense under tonnage tax base	4.5	4.2
Reported income tax expenses (+) / income (–)	**45.8**	**42.9**

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

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

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

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

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

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

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

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

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

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

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

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

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

(9) Earnings per share

	1.1.–31.12. 2020	1.1.–31.12. 2019
Profit / loss attributable to shareholders in million EUR	926.8	362.0
Weighted average number of shares	175.8	175.8
Basic earnings per share in EUR	**5.27**	**2.06**

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

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

(10) Intangible assets

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

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

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

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

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

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

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

(11) Property, plant and equipment

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

1 As a result of the first-time application of IFRS 16 in the 2019 financial year, acquisition and production costs are shown net (taking account of accumulated depreciation).

2 Additions amounting to EUR 4.3 million relate to changes in the group of consolidated companies.

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

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

As described in the "Accounting and measurement" section under "Impairment testing", impairments were recognised for 5 container vessels as at the end of the financial year. These vessels were tested individually for impairment, and their recoverable amounts were estimated by an

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

(12) Equity-accounted investees

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

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

1 Ship agents and local liner shipping companies

2 Container terminals

3 Service company at the container terminal

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

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

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

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

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

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

(13) Trade accounts receivable and other assets

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

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

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

Credit risks

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

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

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

Loss allowances

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

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

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

(14) Derivative financial instruments

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

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

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

(15) Inventories

The inventories were as follows:

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

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

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

(16) Cash and cash equivalents

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

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

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

(17) Subscribed capital and capital reserves

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

Authorised capital

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

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

(18) Retained earnings

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

Dividend distribution 2020

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

Use of retained earnings

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

(19) Cumulative other equity

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

The reserve for remeasurements from defined benefit pension plans (31 December 2020: EUR -208.6 million; 31 December 2019: EUR –173.3 million) contains gains and losses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive

income, among other things due to the change in actuarial and financial parameters in connection with the measurement of pension obligations and the associated fund assets. The effect of remeasuring pension obligations and the associated plan assets recognised in other comprehensive income in the 2020 financial year resulted in an increase of EUR 36.0 million in the negative reserve (prior year period: EUR 60.8 million).

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

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

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

(20) Non-controlling interests

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

(21) Provisions for pensions and similar obligations

Defined benefit pension plans

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

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

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

Pension commitments are provided to former Executive Board members based on a separate defined benefit plan. These also include entitlements to pension, survivorship annuity and disability

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

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

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

Financing status of the pension plans

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

Composition and management of plan assets

The Group’s plan assets are as follows:

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

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

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

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

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

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

Development of the present value of defined benefit obligations

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

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

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

Development of the fair value of the plan assets

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

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

Net pension expenses

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

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Current service cost	12.8	10.9
Interest expenses	6.3	9.0
Interest income	–2.6	–3.7
Past service cost	0.6	–0.3
Plan settlements / plan reductions	—	–4.0
Net pension expenses	**17.1**	**12.0**

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

	1.1.–31.12. 2020	1.1.–31.12. 2019
	million EUR	
Personnel expenses	13.4	6.7
Interest expenses (+) / interest income (–)	3.7	5.4
Total	**17.1**	**12.0**

Actuarial assumptions

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

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

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

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

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

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

Remeasurements

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

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

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

Future contribution and pension payments

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

Sensitivity analyses

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

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

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

Defined contribution pension plans

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

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

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

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

(22) Other provisions

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

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

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

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

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

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

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

The maturities of the other provisions are as follows:

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

(23) Financial debt and lease liabilities

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

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

Financial debt by currency exposure

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

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

Liabilities to banks and other financial debt

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

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

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

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

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

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

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

Bonds

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

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

Lease liability

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

Credit facilities

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

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

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

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

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

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

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

(25) Derivate financial instruments

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

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

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

(26) Financial instruments

Financial risks and risk management

Risk management principles

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

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

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

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

Market risk

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

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

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

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

Currency risk

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

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

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

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

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

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

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

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

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

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

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

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

Fuel price risk

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

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

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

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

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

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

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

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

Interest rate risk

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

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

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

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

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

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

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

As part of the IBOR reform, the existing reference interest rates (interbank offered rates—IBOR) are to be replaced by alternative risk-free interest rates by the end of 2021. To ensure that hedging relationships can still be recognised in financial statements, Hapag-Lloyd has adopted the resulting changes to IFRS 9, IAS 39 and IFRS 7 since 1 January 2020. In the Hapag-Lloyd Group, only the hedging relationships for interest rate risks are directly affected by these amendments. The reference

interest rate that the hedged variable cash flows are based on is the USD LIBOR. As at 31 December 2020, the nominal volume of the financial instruments in a hedging relationship for hedging interest rate risks was USD 1,014.6 million.

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

Credit risk

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

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

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

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

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

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

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

Liquidity risk

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

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

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

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

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

Cash flows of financial instruments (31.12.2019)

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

Cash flows of financial instruments (31.12.2020)

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

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

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2020 were included. Amounts in foreign currencies were translated at

the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the reporting date were used for the following periods as well.

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

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

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

Derivative financial instruments and hedging relationships

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

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

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

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

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

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

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

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

An analysis of the host contracts conducted on the bonds issued by Hapag-Lloyd resulted in the identification of embedded derivatives in the form of early buy-back options. These are presented at their fair values as separate derivatives independently of the host contract. The market value of the

embedded derivatives is calculated using the Hull-White model in combination with a trinomial decision tree based on current market values.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 The fuel price risks shown in the reserve for cost of hedging includes only amounts in connection with the time values of commodity options to hedge against transaction related hedged items.

Financial instruments—additional disclosures, carrying amounts and fair values

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

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

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

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

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

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

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

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

2 Part of other liabilities.

3 n/a means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

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

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

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

2 Part of other liabilities.

3 n/a means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

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

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

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

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

1 Part of other liabilities

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

Net earnings

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

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

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

Capital management

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

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

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

OTHER NOTES

(27) Government assistance

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

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

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

(28) Contingencies

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

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

(29) Legal disputes

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

Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2020. Such payment obligations will not have any

significant influence on the Group's net asset, financial and earnings position. As at the reporting date, there was EUR 7.6 million in contingent liabilities from legal disputes not classified as probable (previous year: EUR 9.1 million).

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

(30) Leases

Lessee

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Lessor

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

(31) Other financial obligations

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

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

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

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

(32) Share-based payment

Executive Board members

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

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

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

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

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

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

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

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

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

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

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

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

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

Upper management levels

The long-term variable remuneration paid to upper management levels was also changed with effect from 1 January 2020 as part of the Long-Term Incentive Plan 2020 (LITP 2020). The significant

provisions regarding the amendments to long-term variable remuneration for upper-level managers are in line with the provisions governing the long-term variable remuneration paid to Executive Board members. The amended long-term variable remuneration paid to staff at upper management levels is recognised in accordance with the provisions of IAS 19.

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

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

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

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

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

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

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

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

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

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

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

- Hapag-Lloyd Grundstücksholding GmbH, Hamburg

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

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

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

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

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

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

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

Other services relate to support services for safeguarding quality.

(35) Related party disclosures

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

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

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

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

Voting rights

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

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

	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
	1.1.-31.12.2020	1.1.–31.12.2019	1.1.–31.12.2020	1.1.–31.12.2019
	million EUR			
Shareholders	608.1	537.5	90.7	93.6
Affiliated non-consolidated companies	—	—	0.1	—
Associated companies and Joint Ventures	9.4	8.3	236.4	260.2
Total	**617.5**	**545.8**	**327.2**	**353.8**

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

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

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

Remuneration of key management personnel

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

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

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

In the 2020 financial year, the employee representatives on the Supervisory Board received EUR 0.6 million (previous year: EUR 0.6 million) as part of their employment contracts, in addition to their

Supervisory Board emoluments. These are included in the remuneration for members of the Supervisory Board pursuant to IAS 24.

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

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

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

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

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

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

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

(37) Significant transactions after the balance sheet date

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

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

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Affiliated consolidated companies			
Head office			
Hamburg-Amerika Linie GmbH	Hamburg	EUR	100.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	EUR	94.90
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
North Europe			
CMR Container Maintenance Repair Hamburg GmbH	Hamburg	EUR	100.00
Hapag-Lloyd (Austria) GmbH	Vienna	EUR	100.00
Hapag-Lloyd (France) S.A.S.	Asnières-sur-Seine	EUR	100.00
Hapag-Lloyd (Ireland) Ltd.	Dublin	EUR	100.00
Hapag-Lloyd (Schweiz) AG	Basel	CHF	100.00
Hapag-Lloyd (Sweden) AB	Gothenburg	SEK	100.00
Hapag-Lloyd (UK) Ltd.	Barking	GBP	100.00
Hapag-Lloyd Polska Sp.z.o.o.	Gdansk	PLN	100.00
Hapag-Lloyd Special Finance DAC	Dublin	USD	100.00
Oy Hapag-Lloyd Finland AB	Helsinki	EUR	100.00
UASAC (RUS) LLC	St. Petersburg	RUB	100.00
South Europe			
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	TRY	65.00
Hapag-Lloyd (Egypt) Shipping S.A.E.	Alexandria	EGP	49.00[4]
Hapag-Lloyd (Italy) S.R.L.	Assago	EUR	100.00
Hapag-Lloyd Portugal LDA	Lisboa	EUR	100.00
Hapag-Lloyd Spain S.L.	Barcelona	EUR	90.00
Norasia Container Lines Ltd.	Valletta	USD	100.00
United Arab Shipping Agency Company (Denizcilik Nakliyat) A.S.	Istanbul	TRY	100.00
Asia			
CSAV Group (China) Shipping Co. Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Australia) Pty. Ltd.	Pyrmont	AUD	100.00
Hapag-Lloyd Business Services (Suzhou) Co. Ltd.	Suzhou	CNV	100.00
Hapag-Lloyd Business Services (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd (Cambodia) Co., Ltd.	Phnom Penh	KHR	100.00
Hapag-Lloyd (China) Ltd.	Hong Kong	HKD	100.00
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Japan) K.K.	Tokyo	JPY	100.00
Hapag-Lloyd (Korea) Ltd.	Seoul	KRW	100.00
Hapag-Lloyd (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd (New Zealand) Ltd.	Auckland	NZD	100.00
Hapag-Lloyd Pte.Ltd.	Singapore	USD	100.00
Hapag-Lloyd (Taiwan) Ltd.	Taipei	TWD	100.00
Hapag-Lloyd (Thailand) Ltd.	Bangkok	THB	49.90
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00
UASC (Thailand) Ltd.	Bangkok	THB	74.97
United Arab Shipping Agency Co. (Asia) Pte Ltd.	Singapore	USD	100.00
United Arab Shipping Co. (Asia) Pte. Ltd.	Singapore	SGD	100.00
Middle East			
Aratrans Transport and Logistics Service LLC	Dubai	AED	49.00[1]

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Hapag-Lloyd Africa (PTY) Ltd.	Durban	ZAR	100.00
Hapag-Lloyd Bahrain Co. WLL	Manama	BHD	49.00
Hapag-Lloyd Business Services LLP	Mumbai	INR	100.00
Hapag-Lloyd (Ghana) Ltd.	Tema	GHS	65.00
Hapag-Lloyd Global Services Pvt. Ltd.	Thane	INR	100.00
Hapag-Lloyd India Private Ltd.	Mumbai	INR	100.00
Hapag- Lloyd (Jordan) Private Limited Company (formerly United Arab Shipping Agencies Company Private Shareholding Company)	Amman	JOD	50.00
Hapag-Lloyd Kenya Ltd	Nairobi	KES	100.00
Hapag-Lloyd Middle East Shipping LLC	Dubai	AED	49.00[1]
Hapag-Lloyd Nigeria Shipping Limited	Lagos	NGN	100.00
Hapag-Lloyd Pakistan (Pvt.) Ltd.	Karachi	PKR	100.00
Hapag-Lloyd Qatar WLL	Doha	QAR	49.00
Hapag-Lloyd Quality Service Center Mauritius	Ebène	MUR	100.00
Hapag-Lloyd Saudi Arabia Ltd.	Jeddah	SAR	60.00
Hapag-Lloyd Shipping Company – State of Kuwait (K.S.C.C.)	Kuwait City	KWD	49.00[1]
Middle East Container Repair Company LLC	Dubai	AED	49.00[2]
United Arab Shipping Agencies Co. LLC	Dubai	USD	49.00[1]
United Arab Shipping Company Ltd.	Dubai	USD	100.00
United Arab Shipping Company for Maritime Services LLC	Baghdad	IQD	100.00
United Arab Shipping Company Services DMCCO	Dubai	AED	100.00
North America			
Florida Vessel Management LLC	Wilmington	USD	75.00
Hapag-Lloyd (America) LLC	Wilmington	USD	100.00
Hapag-Lloyd (Canada) Inc.	Montreal	CAD	100.00
Hapag-Lloyd USA LLC	Wilmington	USD	100.00
Latin America			
Agencias Grupo CSAV Mexico S.A. de C.V.	Mexico City	MXN	100.00
Andes Operador Multimodal Ltda.	São Paulo	BRL	100.00
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	UYU	100.00
CSAV Austral SpA	Santiago de Chile	USD	49.00
CSAV Ships S.A.	Panama City	USD	100.00
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	ARS	100.00
Hapag-Lloyd Bolivia S.R.L.	Santa Cruz de la Sierra	BOB	100.00
Hapag-Lloyd Chile SpA	Valparaíso	USD	100.00
Hapag-Lloyd Colombia Ltda.	Bogotá	COP	100.00
Hapag-Lloyd Costa Rica S.A.	San José	CRC	100.00
Hapag-Lloyd Ecuador S.A.	Guayaquil	USD	45.00
Hapag-Lloyd Guatemala, S.A.	Guatemala City	GTQ	100.00
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	MXN	100.00
Hapag-Lloyd (Peru) S.A.C.	Lima	USD	60.00
Hapag-Lloyd Quality Service Center Bogotá S.A.S.	Bogotá	COP	100.00
Hapag-Lloyd Uruguay S.A.	Montevideo	UYU	100.00
Hapag-Lloyd Venezuela C.A.	Caracas	VEF	100.00
Libra Serviços de Navegação Limitada	São Paulo	BRL	100.00
Norasia Alya S.A.	Panama City	USD	100.00
Rahue Investment Co. S.A.	Panama City	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	MXN	100.00
Other			
Afif Ltd.	Majuro	USD	100.00
Ain Esnan Ltd.	Valletta	EUR	100.00
Al Dahna Ltd.	Valletta	EUR	100.00
Al Dhail Ltd.	Majuro	USD	100.00
Al Jasrah Ltd.	Majuro	USD	100.00
Al Jmeliyah Ltd.	Majuro	USD	100.00
Al Jowf Ltd.	Valletta	USD	100.00
Al Madinah Ltd.	George Town	USD	100.00
Al Mashrab Ltd.	Majuro	USD	100.00
Al Murabba Ltd.	Majuro	USD	100.00
Al Mutanabbi Ltd.	George Town	USD	100.00
Al Nasriyah Ltd.	Majuro	USD	100.00
Al Nefud Ltd.	Valletta	EUR	100.00
Al Oyun Ltd.	George Town	USD	100.00
Al Qibla Ltd.	Valletta	USD	100.00
Al Riffa Ltd.	Valletta	EUR	100.00
Al Wakrah Ltd.	George Town	USD	100.00
Al Zubara Ltd.	Valletta	EUR	100.00
Barzan Ltd.	Valletta	EUR	100.00
Busaiteen	George Town	USD	100.00
CSBC Hull 900 Ltd.	Douglas	USD	100.00
Dhat Al Salasil Ltd.	George Town	USD	100.00
Hira Ltd.	George Town	USD	100.00
Hull 1975 Co. Ltd.	Majuro	USD	100.00
Hull 1976 Co. Ltd.	Majuro	USD	100.00
Jebel Ali Ltd.	Valletta	EUR	100.00
Linah Ltd.	Majuro	USD	100.00
Manamah Ltd.	George Town	USD	100.00
Sajid Ltd.	Majuro	USD	100.00
Salahuddin Ltd.	Majuro	USD	100.00
Ship Management (No. 1) Ltd.	Dubai	USD	99.80
Ship Management (No. 2) Ltd.	Dubai	USD	99.80
Tihama Ltd.	Valletta	EUR	100.00
UASC Ships (No. 1) Ltd.	Dubai	USD	100.00
UASC Ships (No. 4) Ltd.	Dubai	USD	100.00
UASC Ships (No. 5) Ltd.	Dubai	USD	100.00
UASC Ships (No. 7) Ltd.	Dubai	USD	100.00
UASC Ships (No. 8) Ltd.	Dubai	USD	100.00
Umm Qarn Ltd.	Majuro	USD	100.00
Umm Salal Ltd.	Valletta	EUR	100.00
Joint Venture			
Consorcio Naviero Peruano S.A.	Lima	USD	47.93[5]
Texas Stevedoring Services LLC	Wilmington	USD	50.00
Associated companies			
Djibouti Container Services FZCO	Djibouti	DJF	19.06[3]
Hapag-Lloyd Lanka (Private) Ltd.	Colombo	LKR	40.00
HHLA Container Terminal Altenwerder GmbH	Hamburg	EUR	25.10
Affiliated non-consolidated companies			
Al Muraykh Ltd.	Valletta	EUR	100.00
Alula Ltd.	Valletta	EUR	100.00
Ash-Shahaniyah Ltd.	George Town	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Brunswick Investment Co. Inc.	Nassau	USD	100.00
Chacabuco Shipping Ltd.	Majuro	USD	100.00
CSBC Hull 898 Ltd.	Douglas	USD	100.00
Hamburg-Amerikanische-Packetfahrt-Gesellschaft mbH	Hamburg	EUR	100.00
Hapag-Lloyd Container (No. 3) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Ships (No. 2) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Ships Ltd.	Barking	EUR	100.00
Hull 1794 Co. Ltd.	Majuro	USD	100.00
Hull 2082 Co. Ltd.	Majuro	USD	100.00
Malleco Shipping Co. S.A.	Panama City	USD	100.00
Maule Shipping Co. S.A.	Panama City	USD	100.00
Norddeutscher Lloyd GmbH	Bremen	EUR	100.00
Onayzah Ltd.	Valletta	EUR	100.00
Palena Shipping Ltd.	Majuro	USD	100.00
Qurtuba Ltd.	George Town	USD	100.00
Servicios de Procesamiento Naviero S.R.L. i.L.	Montevideo	USD	100.00
Tayma Ltd.	Valletta	EUR	100.00
UASAC Uruguay (S.A.)	Montevideo	UYU	94.00
United Arab Shipping Agency Co. (Egypt) S.A.E	Alexandria	EGP	49.00[1]
United Arab Shipping Agency Company (Hong Kong) Ltd.	Hong Kong	HKD	100.00
UASC Holding (Thailand) Ltd.	Bangkok	THB	49.95
United Arab Shipping Agency Company (Thailand) Ltd.	Bangkok	THB	49.00
United Arab Shipping Agency Company (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00

1 A further 51.00% is held by a trustee on behalf of the Hapag-Lloyd Group.

2 A further 5.64% is held by a trustee on behalf of the Hapag-Lloyd Group.

3 A further 2.19% is held by a trustee on behalf of the Hapag-Lloyd Group.

4 A further 16.00% is held by a trustee on behalf of the Hapag-Lloyd Group.

5 A further 2.07% is held by a trustee on behalf of the Hapag-Lloyd Group.

Hamburg, 2 March 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

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

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

Hamburg, 2 March 2021

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

INDEPENDENT AUDITOR'S REPORT

To Hapag-Lloyd Aktiengesellschaft, Hamburg

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

Opinions

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

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

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

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

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

Basis for the Opinions

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

Key Audit Matters in the Audit of the Consolidated Financial Statements

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

Accounting for unfinished voyages

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

The financial statement risk

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

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

Our audit approach

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

Our observations

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

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

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

The financial statement risk

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

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

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

Our audit approach

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

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

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

Our observations

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

Other information

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

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

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

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

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

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

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

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

The Executive Board is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the Executive Board is

responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the Executive Board and the reasonableness of estimates made by the Executive Board and related disclosures.

- Conclude on the appropriateness of the Executive Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue

as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

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

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

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

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

OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

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

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

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

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

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

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

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

Further information pursuant to Article 10 of the EU Audit Regulation

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

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

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

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

Hamburg, 5 March 2021

KPMG AG

Wirtschaftsprüfungsgesellschaft

Madsen
Wirtschaftsprüfer
[German Public Auditor]

Dr. Röhricht
Wirtschaftsprüferin
[German Public Auditor]

CONSOLIDATED FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2019

	Notes	1.1.–31.12.2019	1.1.–31.12.2018[1]
		million EUR	
Revenue	(1)	12,607.9	11,617.5
Transport expenses	(2)	9,707.0	9,586.4
Personnel expenses	(3)	682.5	645.0
Depreciation, amortisation and impairment	(4)	1,174.4	695.1
Other operating result	(5)	–268.8	–290.9
Operating result		**775.2**	**400.1**
Share of profit of equity-accounted investees	(13)	35.5	30.7
Result from investments and securities	(6)	0.7	12.7
Earnings before interest and taxes (EBIT)		**811.4**	**443.5**
Interest income and similar income	(7)	12.2	15.8
Interest expenses and similar expenses	(7)	408.9	381.0
Other financial items	(8)	1.6	–0.5
Earnings before taxes		**416.3**	**77.8**
Income taxes	(9)	42.9	31.8
Group profit / loss		**373.4**	**46.0**
thereof attributable to shareholders of Hapag-Lloyd AG		362.0	36.8
thereof attributable to non-controlling interests	(21)	11.4	9.2
Basic / diluted earnings per share (in EUR)	**(10)**	**2.06**	**0.21**

1 Due to the adjustment of the structure of the consolidated income statement, the items in the consolidated income statement +have changed. Comparability with the previous year's values is thus limited. For better comparability with the current reporting period, the previous year's values have been adjusted (see also "Change of presentation in the consolidated income statement"). Comparability with the previous year's values is limited due to the first-time application of IFRS 16 Leases.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2019

	Notes	1.1.–31.12.2019	1.1.–31.12.2018
		million EUR	
Group profit / loss		**373.4**	**46.0**
Items that will not be reclassified to profit and loss:			
Remeasurements from defined benefit plans after tax	(20)	–60.8	6.2
Remeasurements from defined benefit plans before tax		–63.0	7.2
Tax effect		2.2	–1.0
Cash flow hedges (no tax effect)	(20)	—	19.1
Effective share of the changes in fair value		—	19.0
Currency translation differences		—	0.1
Cost of hedging (no tax effect)	(20)	–12.4	–18.3
Changes in fair value		–12.3	–18.1
Currency translation differences		–0.2	–0.2
Currency translation differences (no tax effect)	(20)	121.2	272.2
Items that may be reclassified to profit and loss:			
Cash flow hedges (no tax effect)	(20)	–13.2	–4.5
Effective share of the changes in fair value		–31.7	–57.5
Reclassification to profit or loss		18.5	52.9
Currency translation differences		—	0.1
Cost of hedging (no tax effect)	(20)	–1.7	0.2
Changes in fair value		–28.6	–29.2
Reclassification to profit or loss		27.0	29.4
Other comprehensive income after tax		**33.1**	**274.9**
Total comprehensive income		**406.5**	**320.9**
thereof attributable to shareholders of Hapag-Lloyd AG		394.8	311.3
thereof attributable to non-controlling interests	(21)	11.7	9.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
as at 31 December 2019

ASSETS

	Notes	31.12.2019	31.12.2018[1]
		million EUR	
Goodwill	(11)	1,600.7	1,568.8
Other intangible assets	(11)	1,716.9	1,773.2
Property, plant and equipment	(12)	10,064.9	9,119.7
Investments in equity-accounted investees	(13)	333.6	328.1
Other assets	(14)	23.7	10.5
Derivative financial instruments	(15)	27.6	4.5
Receivables from income taxes	(9)	4.7	4.2
Deferred tax assets	(9)	39.7	36.0
Non-current assets		**13,811.8**	**12,845.0**
Inventories	(16)	248.5	238.1
Trade accounts receivable	(14)	1,239.8	1,217.7
Other assets	(14)	346.9	300.8
Derivative financial instruments	(15)	14.5	3.6
Income tax receivables	(9)	27.4	39.0
Cash and cash equivalents	(17)	511.6	657.1
Current assets		**2,388.6**	**2,456.3**
Total assets		**16,200.4**	**15,301.3**

1 Comparability with the previous year's values is limited due to the first-time application of IFRS 16 Leases.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF HAPAG-LLOYD AG
as at 31 December 2019

EQUITY AND LIABILITIES

	Notes	31.12.2019	31.12.2018[1]
		million EUR	
Subscribed capital	(18)	175.8	175.8
Capital reserves	(18)	2,637.4	2,637.4
Earned consolidated equity	(19)	3,430.8	3,117.4
Cumulative other equity	(20)	362.6	318.1
Equity attributable to shareholders of Hapag-Lloyd AG		**6,606.6**	**6,248.7**
Non-controlling interests	(21)	14.0	10.6
Equity		**6,620.6**	**6,259.3**
Provisions for pensions and similar obligations	(22)	327.6	265.2
Other provisions	(23)	65.7	75.6
Financial debt	(24)	4,445.1	5,241.2
Lease liabilities[2]	(24)	710.9	60.4
Other liabilities	(25)	5.3	9.1
Derivative financial instruments	(26)	22.8	8.5
Deferred tax liabilities	(9)	8.7	5.3
Non-current liabilities		**5,586.2**	**5,665.3**
Provisions for pensions and similar obligations	(22)	12.6	8.3
Other provisions	(23)	399.3	343.5
Income tax liabilities	(9)	50.0	52.3
Financial debt	(24)	758.7	677.7
Lease liabilities[2]	(24)	482.4	38.6
Trade accounts payable	(25)	1,779.4	1,774.1
Contract liabilities	(25)	372.9	260.3
Other liabilities	(25)	126.6	157.9
Derivative financial instruments	(26)	11.6	64.0
Current liabilities		**3,993.6**	**3,376.7**
Total equity and liabilities		**16,200.4**	**15,301.3**

1 Comparability with the previous year's values is limited due to the first-time application of IFRS 16 Leases.

2 Under the first-time application of IFRS 16 Leases, from the first half of 2019 lease liabilities are shown as a separate balance sheet item and no longer as part of financial debt. Financial debt has been reduced accordingly. The previous year's values reported in the new balance sheet item relate to finance lease liabilities in accordance with IAS 17.

CONSOLIDATED STATEMENT OF CASH FLOWS OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2019

	1.1.–31.12.2019	1.1.–31.12.2018[1]
	million EUR	
Group profit / loss	373.4	46.0
Income tax expenses (+) / income (–)	42.9	31.8
Other financial Items	–1.6	0.5
Interest result	396.7	365.2
Depreciation, amortisation and impairment (+) / write-backs (–)	1,174.4	695.1
Profit (–) / loss (+) from disposals of non-current assets	–18.5	–24.5
Income (–) / expenses (+) from equity accounted investees and dividends from other investments	–35.7	–30.8
Other non-cash expenses (+) / income (–)	–0.8	–21.1
Increase (–) / decrease (+) in inventories	–5.6	–41.6
Increase (–) / decrease (+) in receivables and other assets	–54.0	–46.6
Increase (+) / decrease (–) in provisions	69.8	1.1
Increase (+) / decrease (–) in liabilities (excl. financial debt)	110.8	120.7
Payments received from (+) / made for (–) income taxes	–29.4	–28.7
Payments received for interest	5.8	5.8
Cash inflow (+) / outflow (–) from operating activities	**2,028.2**	**1,072.9**
Payments received from disposals of property, plant and equipment and intangible assets	41.6	33.1
Payments received from the disposal of other investments	—	142.3
Payments received from dividends	30.2	34.4
Payments received from the disposal of assets held for sale	—	15.2
Payments made for investments in property, plant and equipment and intangible assets	–426.1	–328.9
Payments made for the issuing of loans	–4.7	—
Payments made for investment in financial assets	–10.6	—
Net cash Inflow (+) / outflow (–) from acquisition	—	–0.4
Cash inflow (+) / outflow (–) from investing activities	**–369.5**	**–104.3**
Payments received from capital increases	—	0.2
Payments made for capital increases	—	–1.9
Payments made for dividends	–39.5	–115.7
Payments received from raising financial debt	924.3	782.1
Payments made for the redemption of financial debt	–1,733.2	–1,316.0
Payments made for the redemption of lease liabilities[2]	–456.7	–29.4
Payments made for leasehold improvements	–18.1	—
Payments made for interest and fees	–397.3	–317.7
Payments received (+) and made (–) from hedges for financial debt	–103.7	9.4
Change in restricted cash	6.6	43.4
Cash inflow (+) / outflow (–) from financing activities	**–1,817.6**	**–945.6**
Net change in cash and cash equivalents	**–158.9**	**23.0**
Cash and cash equivalents at beginning of period	**657.1**	**604.9**
Change in cash and cash equivalents due to exchange rate fluctuations	13.4	29.2
Net change in cash and cash equivalents	–158.9	23.0
Cash and cash equivalents at end of period	**511.6**	**657.1**

1 Due to the new structure of the consolidated income statement (see chapter "Change in presentation of the consolidated income statement") the previous year's values for 2018 in the consolidated statement of cash flows for other financial items have been adjusted from the previous EUR 0.0 million by EUR 0.5 million and other non-cash expenses (+) / income (–) from the previous EUR 12.7 million by EUR–33.8 million. The item profit (–) / loss (+) from hedging transactions for financial debt is no longer presented (previously EUR–33.3 million) as this is now included in the item other financial items.

2 Under the first-time application of IFRS 16, since first half of 2019 the payments made for redemption of lease liabilities are shown as a separate item in the consolidated statement of cash flows. The item payments made for the redemption of financial debt has been reduced accordingly. The previous year's value recognised in the new item relates to payments made for the redemption of finance lease liabilities in accordance with IAS 17.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2019

	Equity attributable to shareholders of Hapag-Lloyd AG											
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit pension plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put options on non-controlling interests	Cumulative other equity	Total	Non-controlling interests	Total equity
	million EUR											
As at 1.1.2018	**175.8**	**2,637.4**	**3,174.9**	**–118.8**	**11.0**	**–1.0**	**167.5**	**–1.0**	**57.7**	**6,045.8**	**12.5**	**6,058.3**
Effect from the first-time application of IFRS 9	—	—	10.3	—	—	—	—	—	—	10.3	—	10.3
Adjusted as at 1.1.2018	**175.8**	**2,637.4**	**3,185.2**	**–118.8**	**11.0**	**–1.0**	**167.5**	**–1.0**	**57.7**	**6,056.1**	**12.5**	**6,068.6**
Total comprehensive income (adjusted)	**—**	**—**	**36.8**	**6.2**	**14.6**	**–18.1**	**271.8**	**—**	**274.5**	**311.3**	**9.6**	**320.9**
thereof												
Group profit / loss	—	—	36.8	—	—	—	—	—	—	36.8	9.2	46.0
Other comprehensive income	—	—	—	6.2	14.6	–18.1	271.8	—	274.5	274.5	0.4	274.9
Hedging gains and losses transferred to the cost of inventory	**—**	**—**	**—**	**—**	**–26.4**	**11.4**	**—**	**—**	**–15.0**	**–15.0**	**—**	**–15.0**
Transactions with shareholders	**—**	**—**	**–104.2**	**—**	**—**	**—**	**—**	**0.5**	**0.5**	**–103.7**	**–11.5**	**–115.2**
thereof												
Distribution to shareholder	—	—	–100.2	—	—	—	—	—	—	–100.2	—	–100.2
Anticipated acquisition of shares from non-controlling interests	—	—	—	—	—	—	—	0.5	0.5	0.5	—	0.5
Capital increase for non-controlling interests	—	—	—	—	—	—	—	—	—	—	0.2	0.2
Distribution to non-controlling interests	—	—	–4.6	—	—	—	—	—	—	–4.6	–11.6	–16.2
Disposal of shares and other transactions with non-controlling interests	—	—	0.6	—	—	—	—	—	—	0.6	–0.1	0.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF HAPAG-LLOYD AG
for the period 1 January to 31 December 2019

	Equity attributable to shareholders of Hapag-Lloyd AG											
	Subscribed capital	Capital reserves	Retained earnings	Remeasurements from defined benefit pension plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put options on non-controlling interests	Cumulative other equity	Total	Non-controlling interests	Total equity
	million EUR											
Deconsolidation	**—**	**—**	**–0.4**	**—**	**—**	**—**	**0.4**	**—**	**0.4**	**—**	**—**	**—**
As at 31.12.2018	**175.8**	**2,637.4**	**3,117.4**	**–112.6**	**–0.8**	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,248.7**	**10.6**	**6,259.3**
As at 1.1.2019	**175.8**	**2,637.4**	**3,117.4**	**–112.6**	**–0.8**	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,248.7**	**10.6**	**6,259.3**
Effect from the first-time application of IFRS 16	—	—	–17.4	—	—	—	—	—	—	–17.4	—	–17.4
Adjusted as at 1.1.2019	**175.8**	**2,637.4**	**3,100.0**	**–112.6**	**–0.8**	**–7.7**	**439.7**	**–0.5**	**318.1**	**6,231.3**	**10.6**	**6,241.9**
Total comprehensive income	**—**	**—**	**362.0**	**–60.8**	**–13.2**	**–14.1**	**120.8**	**—**	**32.8**	**394.8**	**11.7**	**406.5**
thereof												
Group profit / loss	—	—	362.0	—	—	—	—	—	—	362.0	11.4	373.4
Other comprehensive income	—	—	—	–60.8	–13.2	–14.1	120.8	—	32.8	32.8	0.4	33.1
Hedging gains and losses transferred to the cost of inventory	**—**	**—**	**—**	**—**	**—**	**11.7**	**—**	**—**	**11.7**	**11.7**	**—**	**11.7**
Transactions with shareholders	**—**	**—**	**–31.2**	**—**	**—**	**—**	**—**	**—**	**—**	**–31.2**	**–8.3**	**–39.5**
thereof			—									
Distribution to shareholder	—	—	–26.4	—	—	—	—	—	—	–26.4	—	–26.4
Distribution to non-controlling interests	—	—	–4.8	—	—	—	—	—	—	–4.8	–8.3	–13.2
As at 31.12.2019	**175.8**	**2,637.4**	**3,430.8**	**–173.3**	**–14.0**	**–10.2**	**560.5**	**–0.5**	**362.6**	**6,606.6**	**14.0**	**6,620.6**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

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

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

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

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

These consolidated financial statements encompass the financial year from 1 January to 31 December 2019 and were approved by the Executive Board of Hapag-Lloyd AG for passing on to the Supervisory Board on 10 March 2020. The Supervisory Board will review and approve the Notes to the consolidated financial statements on 19 March 2020.

Accounting principles

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

These financial statements are the Group's first financial statements in which IFRS 16 Leases has been applied. The related changes in the key accounting and measurement principles are outlined in the "New accounting standards" section.

New accounting standards

The following changes to existing standards published by the IASB, which have already been endorsed, had to be applied for the first time in the 2019 financial year:

- Amendments to IFRS 9: Prepayment Features with Negative Compensation,
- IFRS 16: Leases,
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement,
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures,
- Annual improvements to the IFRS, 2015–2017 cycle (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23),
- IFRIC 23: Uncertainty over Income Tax Treatments.

The following describes the significant changes for the Hapag-Lloyd Group resulting from the first-time application of standard IFRS 16 in the 2019 financial year. The remaining standards, which are to be adopted for the first time in the 2019 financial year, have no significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

IFRS 16 Leases

i. general

IFRS 16 Leases was published by the IASB in January 2016 and adopted by the EU into European law on 31 October 2017. For companies that report in accordance with IFRS as applicable in the EU, IFRS 16 establishes the recognition, measurement, presentation and disclosure requirements of leases. IFRS 16 replaces IAS 17 Leases as well as the associated interpretations IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 comprises different regulations for lessees and lessors. For lessees, the standard provides a single accounting model. With regard to leases, rights of use for the leased asset and the corresponding lease liabilities that represent the payment obligation will be recognised in the statement of financial position. Lessors will continue to differentiate between finance leases and operating leases for accounting purposes.

The new regulations significantly affect Hapag-Lloyd as a lessee, in particular in terms of its recognition and measurement of rented and leased assets which were previously classified as operating leases. This relates to the following asset classes:

(1) rented container ships

(2) rented containers

(3) rented office buildings, office space and parking spaces

(4) rented vehicles

(5) other rented business equipment.

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

Since Hapag-Lloyd only operates as a lessor to a very limited extent, IFRS 16 has no effect on the Group's net asset, financial and earnings position.

As at 1 January 2019, Hapag-Lloyd has applied the financial reporting standard IFRS 16 Leases for the first time in accordance with the modified retrospective approach, without making any adjustments for the reference period 2018. For this reason, the cumulative effect of the first-time application of IFRS 16 has been recognised as an adjustment to the opening values for retained earnings as at 1 January 2019. The figures for 2018 are presented in accordance with the provisions of IAS 17 and the aforementioned interpretations.

Based on the operating lease requirements as at 31 December 2018, the following reconciliation with the opening value for lease liabilities existed as at 1 January 2019:

	1.1.2019
	million EUR
Obligations from operating leases reported as at 31 December 2018 (undiscounted)	**1,102.9**
Discounting	–149.5
Obligations from operating leases reported as at 31 December 2018 (discounted)	**953.4**
Plus liabilities from finance leases recognised as at 31 December 2018	99.0
(less) leases in accordance with IFRS 16.4 for other intangible assets	–157.0
(less) short-term leases recognised as an expense on a straight-line basis	–146.1
(less) contracts reassessed as service contracts	–126.8
(less) leases of low-value assets recognised as an expense on a straight-line basis	–0.3
Plus terminable operating leases	291.4
Plus adjustments due to different estimates of contract options	100.2
Plus other adjustments	32.8
Lease liabilities recognised as at 1 January 2019	**1,046.6**

The lease liabilities were discounted using the incremental borrowing rate as at 1 January 2019. The weighted average interest rate was 6.0%.

The first-time application of IFRS 16 as at 1 January 2019 has had the following effects on the following balance sheet items:

	1.1.2019
	million EUR
Right of use assets reported under property, plant and equipment	858.2
Retained earnings	–17.4
Liabilities from lease contracts reported under financial debt	947.6
Other liabilities	–41.2
Other provisions	–30.7

The reported rights of use assets and lease liabilities do not include any assets and liabilities that were accounted for under finance leases in accordance with IAS 17 until 31 December 2018. The finance leases accounted for in accordance with IAS 17 until 31 December 2018 resulted in carrying amounts of EUR 172.1 million for right of use assets and EUR 99.0 million for lease liabilities as at 1 January 2019.

ii. Main accounting principles

Hapag-Lloyd uses the simplification rule to retain the definition of a lease in the changeover to IFRS 16. The Group therefore applies IFRS 16 at the point of first-time application to the agreements which were previously classified as leases using IAS 17 and IFRIC 4. The definition of a lease under IFRS 16 is applied to agreements which were concluded or changed on or after 1 January 2019.

The single accounting model pursuant to IFRS 16 requires that all assets and liabilities relating to leases be recognised in the statement of financial position unless (in each case an option) (1) the lease term is 12 months or less or (2) the underlying asset has a low value. If the lessee makes use of one of the two practical expedients outlined above, the presentation in the statement of financial position is the same as with the previous operating leases.

If the practical expedients are not made use of, the right of use will be measured at the beginning at cost of acquisition. The subsequent measurement occurs at cost of acquisition less cumulative depreciation, amortisation, impairment and certain remeasurements of the lease liability due to modifications. The lease liability is measured at the beginning at the fair value of the future lease payments. The lease payments are discounted using the interest rate implicitly specified in the leases or, in most cases, the incremental interest rate.

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

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

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

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

The new rules have not been applied for leases of intangible assets.

iii. transition date

As lessee, Hapag-Lloyd recognises a lease liability for leases in all asset classes which were previously classified as operating leases under IAS 17 and for which it did not make use of any practical expedient at the point of first-time application. This lease liability is measured at the fair value of the remaining lease payments and discounted using the incremental borrowing rate as at 1 January 2019. As lessee, Hapag-Lloyd also recognises a right of use for leases in all asset classes which were previously classified as operating leases under IAS 17.

As a rule, Hapag-Lloyd measures the right of use from the lease liability individually and in the asset classes (1), (2), (3) and (4) at the amount of the lease liability which has been adjusted by the amount of the lease payments paid in advance or deferred, which in turn were recognised in the consolidated statement of financial position as at 31 December 2018. For asset classes (1) and (2), Hapag-Lloyd uses the carrying amount in certain cases to measure the right of use as if the standard had already been applied since the date of transition and this amount discounted using the incremental borrowing rate at the point of first-time application. At this stage, there is a cumulative effect of applying the new standard for the first time, which is offset against retained earnings directly in equity at the point of first-time application.

On the transition date as at 1 January 2019, Hapag-Lloyd also made use of the following practical expedients:

Hapag-Lloyd applies IFRS 16 to a portfolio of similarly structured container leases.

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

Hapag-Lloyd makes use of the practical expedient in the case of leases which are onerous agreements pursuant to IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and adjusts the right of use as at 1 January 2019 by the amount which was recognised as a provision for onerous agreements in the statement of financial position as at 31 December 2018.

At the point of first-time acquisition, Hapag-Lloyd treats leases for all asset classes whose term ends within 12 months of 1 January 2019 as short-term leases pursuant to IFRS 16. The corresponding expenses, which essentially result from container ship agreements expiring in 2019, are reported in the disclosures for the expenses for short-term leases for the 2019 financial year.

Initial direct costs were not taken into account at the point of first-time application when calculating the amount of the right of use.

There are no material effects on the Hapag-Lloyd Group's existing finance leases. As lessee, Hapag-Lloyd recognises as at 1 January 2019 the carrying amount of the right of use and of the lease liability for leases which were previously classified as finance leases under IAS 17 at the amount of the carrying amount which results from measuring the leased asset and the lease liability pursuant to IAS 17 as at 31 December 2018. From 1 January 2019, the provisions of IFRS 16 are applied to these leases.

Adjustments were made to all finance agreements that contain lending conditions as regards the required minimum equity ratio at Group level (financial covenant). In the Hapag-Lloyd Group, the application of IFRS 16 will not have any effect on its ability to meet the lending conditions in terms of the required minimum equity ratio at Group level.

Standards that were not yet mandatory in the financial year

The following amended standards and interpretations that were adopted by the IASB at the time these consolidated financial statements were prepared were not yet mandatory in the 2019 financial year.

Standard / Interpretation		Mandatory application as per	Adopted by EU Commission
IFRS 3	Amendments to IFRS 3: Definition of a Business	1.1.2020	nein
IFRS 9 IAS 39 IFRS 7	Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1.1.2020	ja
IAS 1 IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material	1.1.2020	ja
Frame-work	Amendments to referrences to the Conceptual Framework in IFRS	1.1.2020	ja
IFRS 17	Insurance Contracts	1.1.2021	nein
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1.1.2022	nein
IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	offen	nein

These are regulations which will not be mandatory until the 2020 financial year or later. The Hapag-Lloyd Group has decided against early adoption of these standards. Only the provisions which are relevant to the Hapag-Lloyd Group are explained below.

EU endorsement has been given

amendments to IfRs 9, Ias 39 and IfRs 7: Interest Rate benchmark Reform

The amendments to IFRS 9, IAS 39 and IFRS 7 are intended to mitigate effects on financial reporting resulting from the reform of interest rate benchmarks (known as IBOR reform). The purpose of these simplification rules is the continuation of hedge accounting which would otherwise have to be terminated due to the uncertainties associated with the expected replacement of various interest rate benchmarks. In the Hapag-Lloyd Group, only the hedging relationships for interest rate risks are directly affected by these amendments. The application of these amendments means that these hedges will be continued in spite of the uncertainties regarding the replacement of specific interest rate benchmarks. The Hapag-Lloyd Group has not opted for early adoption of these amendments. This has likewise not had any effect on the hedging relationships reported in these consolidated financial statements.

amendments to Ias 1 and Ias 8: definition of Material

The amendments to IAS 1 and IAS 8 create a uniform and precise definition in the IFRS of the materiality of the information provided in financial statements. This definition is supplemented by accompanying examples. The definitions in the conceptual framework, IAS 1, IAS 8 and the IFRS Practice Statement 2: Making Materiality Judgements have been harmonised in this respect. These amendments are not expected to have any significant effect on the Hapag-Lloyd consolidated financial statements.

amendments to references to the conceptual framework in IfRs

The revised conceptual framework consists of a new general section "Status and purpose of the conceptual framework" as well as 8 complete sections. The framework now includes sections on "The reporting entity" and "Presentation and disclosure"; the "Recognition" section now also includes "Derecognition". Contents have also been modified. For instance, the "income" distinction between "revenues" and "gains" has been abandoned. In line with the amended conceptual framework, references to the conceptual framework have been adjusted in various standards. The amendments of the conceptual framework references in the standards have not had any significant impact on the Hapag-Lloyd consolidated financial statements.

EU endorsement still pending

amendments to IfRs 3: definition of a business

Through its amendment of IFRS 3, the IASB clarifies that a business encompasses a group of activities and assets which include at least one input and a substantive process that together significantly contribute to the ability to create outputs. Moreover, the definition of the term "outputs" is narrowed to focus on goods and services provided to customers. The reference to lower costs is now excluded. The new rules also include an optional "concentration test" which is intended to simplify the identification of a business. The amendments to IFRS 3 may have an effect on the Hapag-Lloyd Group in case of such corporate transactions in future.

amendments to Ias 1: Classification of Liabilities as Current or non-current

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

Consolidation principles and methods

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

Subsidiaries

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

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

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

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

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

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

Joint arrangements

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

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

Associated companies and joint ventures

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

The acquisition date constitutes the point in time from which it becomes possible to exert significant influence or exercise joint control.

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

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

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

Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 141 (previous year: 151) companies are included in consolidated financial statements for the 2019 financial year:

	Fully consolidated		Equity method		
	domestic	foreign	domestic	foreign	Total
31.12.2018	4	141	1	5	151
Additions	0	2	0	0	2
Disposal	0	12	0	0	12
31.12.2019	**4**	**131**	**1**	**5**	**141**

Various subsidiaries which were included in the consolidated financial statements as part of the integration of CSAV's container shipping business in 2014 and the integration of the UASC Group in 2017 have been liquidated. As a result, the group of consolidated companies decreased by 8 companies in the 2019 financial year. In addition, 4 companies were removed from the group of consolidated companies since they are being wound up and are of minor overall importance to the Group's net asset, financial and earnings position. These deconsolidations have not had any significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group. The group of consolidated companies has expanded due to the establishment of 2 new companies.

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

Company	Registered office	Shareholding in %
Aratrans Transport and Logistics Service LLC	Dubai	49,0
Hapag-Lloyd Ecuador S.A.	Guayaquil	45,0
Hapag-Lloyd (Egypt) Shipping S.A.E.	Alexandria	49,0
Hapag-Lloyd Middle East Shipping LLC	Dubai	49,0
Hapag-Lloyd Shipping Company – State of Kuwait K.S.C.C.	Safat	49,0
Hapag-Lloyd (Thailand) Ltd.	Bangkok	49,9
Middle East Container Repair Company LLC	Dubai	49,0
United Arab Shipping Agencies Company PJS	Amman	50,0
Hapag-Lloyd Bahrain Co. WLL	Manama	49,0
United Arab Shipping Agencies Co. LLC (UAE)	Dubai	49,0
United Arab Shipping Agency Co. (Qatar) WLL	Doha	49,0
United Arab Shipping Agency Co. S.A.E. (Egypt)	Alexandria	49,0
United Arab Shipping Co. Holding (Thailand) Ltd.	Bangkok	49,945

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

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

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

A list of the subsidiaries and associated companies in the Hapag-Lloyd Group is provided in Note (39) List of holdings pursuant to Section 315 a of the German Commercial Code (HGB).

Currency translation

The annual financial statements are prepared in the respective functional currency of the company. The respective functional currency of a company corresponds to the currency of the primary economic environment in which the company operates. The Hapag-Lloyd Group's functional currency is the US dollar. Its reporting currency, however, is the euro.

For purposes relating to their inclusion in the consolidated financial statements, the assets and liabilities of the Hapag-Lloyd Group are translated into euros at the average exchange rate applicable

as at the balance sheet date (closing rate). The transactions listed in the consolidated statement of cash flows and the expenses and income shown in the consolidated income statement are translated at the average exchange rate for the reporting period. The resulting differences are recognised in other comprehensive income.

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

Since the 2019 reporting year, exchange rate-related gains and losses associated with operating business have been reported under other operating income, while exchange rate-related gains and losses associated with income taxes have been reported in the income taxes item. Where exchange rate-related gains and losses result from accounting for financial debt, from the current financial year on these will be reported under other financial items.

Exchange rates of significant currencies:

	Closing rate		Average rate	
	31.12.2019	31.12.2018	2019	2018
	per EUR			
US dollar	1.12230	1.14510	1.11950	1.18150
Indian rupee	80.10977	80.25200	78.83536	80.82087
Brazilian real	4.52340	4.43666	4.41678	4.31896
Chinese renminbi	7.82964	7.85905	7.73267	7.81640
British pound sterling	0.85048	0.89690	0.87725	0.88591
Canadian dollar	1.46174	1.55960	1.48537	1.53151
United Arab Emirates dirham	4.12221	4.20630	4.11189	4.33963
Japanese yen	121.77516	125.89810	122.06369	130.46391
Australian dollar	1.60074	1.62240	1.61054	1.58237

Accounting and measurement

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

Goodwill

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

Other intangible assets

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

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

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

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

	Useful life in years
Customer base	20–25
Hapag-Lloyd brand	unlimited
Other brands	5–20
Computer software	3–8

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

For intangible assets with finite useful lives, their useful life is examined at least at the end of every financial year. For intangible assets with indefinite useful lives, an annual check is carried out as to whether the assessment of an indefinite useful life can be maintained. Any changes in the anticipated useful life are treated prospectively as changes in estimates.

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

Property, plant and equipment

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

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

Subsequent expenditure will be capitalised as subsequent cost of acquisition or production if it is probable that the future economic benefit associated with this expenditure will accrue to the Hapag-Lloyd Group.

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

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

Dry dock work carried out to obtain an operating licence (vessel classification costs) is depreciated as a separate component over a period of five years. The same applies to the installation of exhaust gas cleaning systems (scrubbers) in ships. These must be considered as a separate component and have a useful economic life of 7 years. Furthermore, the level of depreciation is determined by the residual values expected at the end of the useful economic life of an asset.

The residual value of container ships is based on their scrap value.

Useful economic lives and assumed residual values are both reviewed on an annual basis during the preparation of the financial statements. Impairment tests are conducted if there are any indications of a potential loss in value of the assets.

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

In principle, rights of use within the meaning of IFRS 16 are measured individually upon recognition and, in the relevant asset categories, in the amount of the respective lease liability. The right of use is amortised over the term of the lease and, in case of impairment, is reduced in accordance with this impairment. Please see the “New accounting standards” section for detailed information on the recognition of rights of use.

Impairment testing

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

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

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

Goodwill is tested for impairment at least once a year. Impairment testing is also conducted if events or circumstances occur that indicate that it may no longer be possible to recover the carrying amount. Goodwill is tested for impairment at the level of the cash-generating unit “container shipping”.

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

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

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

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

Leases

A lease is a contract under which the right of use of an asset (the leased asset) is transferred for an agreed period of time in return for payment of a charge. This mainly relates to rented container ships, rented containers as well as rented office buildings, office space and parking spaces.

Recognition and measurement principles since 1 January 2019

Lessee

Since 1 January 2019, for all of the leases where it is a lessee Hapag-Lloyd has recognised the assets for the rights of use for the leased assets and the liabilities for the payment obligations entered

into at their present values in its consolidated statement of financial position. Please see the comments in the “New accounting standards” section for more detailed information on the recognition and measurement principles in accordance with IFRS 16.

Lessor

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

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

There are no significant differences between the recognition and measurement principles for lessor accounting under IFRS 16 (from 1 January 2019) and those under IAS 17 (up to and including 31 December 2018) in the Hapag-Lloyd Group.

sale and leaseback transactions

Hapag-Lloyd transfers assets such as container ships and containers to other companies and subsequently leases these assets back from the other company in question (these are known as sale and leaseback transactions). Since Hapag-Lloyd is entitled on the basis of the relevant contracts to repurchase the asset, the requirements of IFRS 15 regarding the reporting of an asset as a sale are generally not fulfilled. Hapag-Lloyd thus continues to recognise the transferred assets in its consolidated statement of financial position and a financial liability in the amount of the revenue resulting from the transfer in accordance with IFRS 9.

Recognition and measurement principles up to 31 december 2018

Until 31 December 2018, a lease was defined as an agreement under which the lessor transfers the right of use for an asset to the lessee for a specific period of time in return for a payment or a series of payments. On the basis of the commercial opportunities and risks inherent in a leased asset, an assessment was made of whether beneficial ownership of the leased asset is attributable to the lessee (finance lease) or the lessor (operating lease).

Lessee – finance leases

Provided that the Hapag-Lloyd Group as lessee bears all of the substantial risks and rewards associated with the lease, the leased assets are capitalised in the consolidated statement of financial position upon commencement of the lease at the leased asset’s fair value or the present value of the minimum lease payments, whichever is lower. They are subject to straight-line depreciation throughout the term of the lease or the useful life of the asset (whichever is longer), provided that it is sufficiently certain at the beginning of the lease that legal ownership of the asset will be transferred to the Company once the contractual term expires.

At the same time, a lease liability was entered which was equivalent to the carrying amount of the leased asset upon recognition. Each lease payment was divided into an interest portion and a repayment element. The interest portion was recognised as an expense in the consolidated income statement; the repayment element reduced the lease liability recognised.

Lessee – operating leases

Rental expenses from operating lease contracts were recorded in the consolidated income statement using the straight-line method over the terms of the respective contracts. One-off costs arising at the end of the period were amortised on a straight-line basis over the period.

Lessor – operating leases

If the Hapag-Lloyd Group acts as a lessor in the context of operating leases, the respective leased asset is still recorded and depreciated in the consolidated statement of financial position. Lease income from operating leases was recorded in revenue or other operating result, using the straight-line method over the term of the respective contracts.

Sale and leaseback transactions

Profits or losses from sale and leaseback transactions that result in operating lease contracts are recognised immediately if the transactions were effected at market values. If a loss is offset by future lease instalments being below the market price, this loss is deferred and amortised over the term of the lease agreement. If the agreed sales price exceeds the fair value, the profit from the difference between these two values is also deferred and amortised.

Financial instruments

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

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

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

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

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

- It is held as part of a mixed business model in which both contractual cash flows are collected and the financial assets are sold.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are exclusively repayments and interest payments on the outstanding capital amount (cash flow criterion).

If the above-mentioned criteria for classification at amortised cost or fair value through other comprehensive income are not met, the debt instruments are measured at fair value through profit or loss.

Regardless of the classification criteria described above for debt instruments in categories AC or FVOCI, a company may irrevocably categorise its financial assets upon initial recognition as “measured at fair value through profit and loss” if this will avoid or significantly reduce an accounting mismatch (fair value option).

Equity instruments are always classified and measured at fair value through profit or loss. However, for primary equity instruments not held for trading, there is an irrevocable option upon initial recognition to recognise the fair value changes in other comprehensive income (OCI option).

In the Hapag-Lloyd Group, in view of its business model and the cash flow criterion, financial assets are classified as “measured at amortised cost” and “measured at fair value through profit or loss”. Neither the fair value option nor the OCI option is made use of.

Primary financial liabilities are measured either at amortised cost or at fair value through profit or loss. They will be measured at fair value through profit or loss if they are held for trading or, upon initial recognition, they have been designated – subject to certain preconditions – as “at fair value through profit or loss” (FV option). In the Hapag-Lloyd Group, primary financial liabilities only exist in the category “financial liabilities measured at amortised cost”.

Derivative financial instruments that are not part of an effective hedging relationship in accordance with IFRS 9 (Hedge Accounting) and which are “held for trading” must be allocated to the category “measured at fair value through profit or loss”.

Non-derivative host contracts which are not financial assets within the scope of IFRS 9 are analysed in terms of whether embedded derivatives exist. Embedded derivatives are to be recognised separately from the host contract as an independent financial instrument if, among other features, the two components have different economic characteristics which are not closely linked to each other. In case of an obligation to separate them, embedded derivatives are to be measured at fair value through profit or loss.

In the 2019 financial year, as in the previous financial year, there were no reclassifications within the individual measurement categories.

Primary financial assets

Primary financial assets are reported at fair value upon initial recognition. In case of primary financial assets which are not allocated to the "fair value through profit or loss" category, transaction costs directly attributable to the purchase are also included in the initial measurement. Trade accounts receivable without a significant financing component are measured at their transaction price upon initial recognition. They are initially recognised when the unconditional right to payment arises, starting from the handover of the goods to the transport agent.

Trade accounts receivable, most other financial receivables and cash and cash equivalents are subsequently measured at amortised cost using the effective interest method.

Expected credit losses on financial assets measured at amortised cost are recognised as loss allowances. For trade accounts receivable without a significant financing component, loss allowances are always measured in the amount of the credit losses expected over the term.

To measure the expected credit losses from trade accounts receivable that are not credit-impaired, they are grouped according to the common credit risk characteristics of "geographic region" and "customer rating" using provision matrices. The probabilities of default used are forward-looking and are verified using historical credit losses. Trade accounts receivable are assumed to be credit-impaired if it is unlikely that the customer will fulfil its obligations or if trade accounts receivable are more than 90 days overdue. To measure the expected credit losses from these receivables, maturity structures, credit standing, geographic region and historical defaults are considered, while taking into account predicted future economic conditions.

A financial asset is deemed to be in default if it has not been possible to collect the contractual payments and it is assumed that they cannot be recovered.

Some other financial receivables of Hapag-Lloyd are recognised at fair value through profit or loss. These are securities and investments. The measurement gains and losses on such financial instruments are recognised in the income statement under earnings from investments and securities.

Primary financial assets are derecognised if the contractual rights in relation to the cash flows from the financial asset expire or if the rights to receive the cash flows are transferred by means of a transaction through which all of the key risks and opportunities associated with ownership of the financial asset are likewise transferred. If all the key risks and opportunities associated with ownership of a financial asset are neither transferred nor retained and if control over the transferred asset is not retained, the asset will likewise be derecognised. In addition, financial assets which are deemed to be in default will be derecognised if all of the collection measures have proved unsuccessful.

Transactions in which reported assets are transferred but all or substantially all of the risks and rewards of ownership, resulting from the transferred assets are retained will not result in any derecognition of the transferred assets.

Cash and cash equivalents

Cash and cash equivalents encompass cash in hand, bank balances and other financial investments that can be converted into defined cash amounts at any time and are only subject to minor changes in value. These transactions are recognised at the cost of acquisition.

Fully utilised overdraft facilities are not netted, but are shown as liabilities to banks under current financial debt.

Due to the short-term nature of bank balances and other cash investments and the strong credit standing of the banks involved, the expected credit losses in relation to bank balances and other cash investments are low (low default risk at the end of the reporting period) and are not recognised.

Primary financial liabilities

The initial recognition of a primary financial liability is carried out at fair value, taking account of directly allocable transaction costs. In subsequent measurements, primary financial liabilities are measured at amortised cost using the effective interest method.

Primary financial liabilities are written off if contractual obligations have been settled, annulled or expired. If a review of changes in contractual conditions using quantitative and qualitative criteria leads to the assessment that both contracts are substantially the same, the old liability will continue to exist subject to the new conditions, by adjusting the carrying amount in profit or loss. The new carrying amount of the liability is calculated on the basis of the present value of the modified cash flows, which are discounted using the original effective interest rate.

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially measured at their fair values on the day when the agreement was concluded. Subsequent measurement is also carried out at the fair value applicable on the respective balance sheet date. The method used to record gains and losses depends on whether the derivative financial instrument is designated as a hedge and on the type of hedging relationship.

Derivative financial instruments are classified either as fair value hedges of assets or liabilities (fair value hedges), or as cash flow hedges to hedge against the risks of future cash flows from recorded assets and liabilities or the risks of highly probable future transactions (cash flow hedges). Hedging relationships in accordance with IFRS 9 (Hedge Accounting) were exclusively shown as cash flow hedges in the year under review.

Upon conclusion of the transaction in accordance with IFRS 9, the hedging relationships between the hedging instrument and the hedged item and between the risk management goal and the underlying strategy are documented. In addition, an assessment is made and documented both at the beginning of the hedging relationship and on a continual basis as to the extent to which the derivatives used in the hedging relationship compensate for the changes in the fair values or cash flows of the hedged items.

The effective portion of changes in the fair value of derivatives which are designated as cash flow hedges is recognised in the reserve for cash flow hedges in other comprehensive income. The ineffective portion of such changes in fair value is recognised immediately in profit or loss. The non-designated portion of the derivative is recognised in a separate reserve for cost of hedging under other comprehensive income. In the Hapag-Lloyd Group, the changes in the time values of commodity options and the changes in the value of the forward component of currency forward contracts are excluded from the hedging relationship.

If the hedged transaction later leads to the recognition of a non-financial item, the accumulated amount recognised under equity is reclassified from the separate equity component and is recognised with the initial costs or other carrying amount for the hedged asset or liability as a basis adjustment.

For all other cash flow hedges, however, the accumulated amount recognised under equity for the period or periods where the hedged cash flows affect profit and loss is reclassified as reclassification amounts in profit and loss.

If a hedge expires, is sold or no longer meets the criteria for hedge accounting, the cumulative gain or loss remains in other comprehensive income and is not recognised through profit or loss in the consolidated income statement until the underlying transaction occurs. If the future transaction is no longer expected to occur, the cumulative gains or losses recognised outside the scope of the consolidated income statement must immediately be recognised through profit or loss.

Changes in the fair values of derivative financial instruments not meeting the criteria for hedge accounting, including embedded derivatives which must be separated, are recognised directly through profit or loss in the consolidated income statement.

Inventories

Inventories are measured at the lower of cost of acquisition or net realisable value. The measurement method applied to similar inventory items is the weighted average cost formula. The net realisable value is the estimated selling price in the ordinary course of business.

Inventories mainly comprise fuel.

Pensions and similar obligations

The valuation of defined benefit plans from pension obligations and other post-employment benefits upon termination of the employment position (e.g. healthcare benefits) is carried out in accordance with IAS 19 Employee Benefits using the projected unit credit method. The actuarial obligation (defined benefit obligation, DBO) is calculated annually by an independent actuarial expert. The present value of the DBO is calculated by discounting the expected future outflows at the interest rate of first-rate corporate bonds. The corporate bonds are issued in the currency of the payment to be made and have matching maturities with the pension obligations.

Differences between the assumptions made and the actual developments, as well as changes in the actuarial assumptions for the valuation of defined benefit pension plans and similar obligations, lead to actuarial gains and losses. As with the difference between calculated interest income and the actual return on plan assets, these are reported in full in other comprehensive income, i.e. not in the consolidated income statement.

If the benefits accruing from a plan are changed or cut, both the part of the change in benefits which relates to previous periods (past service cost) and the gains or losses arising from the plan cuts are immediately recognised through profit or loss. Gains or losses arising from a defined benefit plan being cut or paid out are recognised at the time at which the cut or payment is made.

If individual pension obligations are financed using external assets (e.g. through qualified insurance policies), provisions for pension benefits and similar obligations which match the present value of defined benefit obligations on the balance sheet date are recorded after deducting the fair value of the plan assets.

A negative net pension obligation resulting from advance payments for future contributions is included as an asset only insofar as it leads to a reimbursement from the plan or a reduction in future contributions.

With defined benefit contribution plans, the Group makes contributions to statutory or private pension insurance plans on the basis of a legal, contractual or voluntary obligation. The Group does not have any further payment obligations on top of the payment of the contributions. The contributions are recorded as personnel expenses when they fall due.

Other provisions

Provisions are recognised for all legal or factual obligations resulting from a past event and impending losses from pending transactions insofar as their utilisation is probable and their amount and date can be reliably determined. Provisions are recorded at the best commercial estimate of their repayable amount and take account of cost and price increases. The present value is assessed for provisions with terms exceeding one year. Over the course of time, the provisions are adjusted on the basis of new knowledge gained.

Releases of provisions are generally recorded in the same consolidated income statement position that was originally used for the expense. Exceptions to this rule are significant releases of provisions, which are recorded under other operating result.

If there are many similar obligations, the probability of utilisation is determined on the basis of this group of obligations. A provision is also recognised even if the probability of a charge is low in relation to an individual obligation contained within this group.

A provision is recognised for transports not yet completed at the end of the reporting period which are associated with onerous contracts. The amount to be provisioned is calculated taking into consideration the variable costs allocable to the transports as well as the pro rata fixed costs. Before a

provision is recognised, an impairment loss will be recognised for the assets associated with the contract.

Provisions for guarantee, warranty and liability risks are created on the basis of existing or estimated future damages. Provisions for restructuring measures are created if a detailed formal restructuring plan was prepared and a justified expectation existed among the affected parties.

Contract liabilities

A contract liability reflects the performance obligation still required as at the end of the reporting period in connection with unfinished voyages. The performance obligation is determined based on the unconditional right to payment of the transport price and will be recognised starting from the handover of the goods to the transport agent, in line with the related trade account receivable.

The contract liability will subsequently be released pro rata in accordance with performance progress, against revenue.

Put options on non-controlling interests

Put options written involving a commitment to buy non-controlling interests when exercised are recognised as a financial liability in the amount of the present value of the exercise price pursuant to IAS 32. This entails application of the anticipated acquisition method which is founded on the assumption that acquisition of the non-controlling interests has already occurred: a financial obligation to acquire own equity instruments is carried as a liability. The non-controlling interests are derecognised in equity and the difference between the non-controlling interests and the likely purchase price is recognised in the remaining equity. Subsequent changes in the value of the financial liability are recognised through profit or loss in the interest result.

The anticipated acquisition of non-controlling interests was disclosed separately in the statement of changes in equity.

Share-based payments

The share-based payment plans used by the Group are payment plans which are settled in cash. The debt incurred by the Group as a result is recognised in expenses at fair value at the time when the service is rendered by the eligible party (pro rata allocation). Until the end of the performance period, the fair value of the debt is remeasured at every balance sheet date. Any changes in the fair value are recognised in profit or loss.

Realisation of income and expenses

Realisation of revenue

In the Hapag-Lloyd Group, revenue is mainly generated in connection with transport services within the scope of revenue resulting from contracts with customers. Under IFRS 15, there is one performance obligation per shipment, which is rendered on a period-related basis, i.e. for the duration of transport. Combining several shipments on a single ship journey produces essentially the same results with regard to the amount of revenue recognised and when it is recognised as are produced when the revenue is recognised on the basis of a single shipment. Revenue is recognised in accordance with the input-oriented method for measurement of performance progress.

Other realisation of income and expenses

Operating expenses are recognised in profit or loss when the service has been utilised or at the time of its occurrence.

Please refer to Note (27) Financial instruments for the recording of gains and losses from derivative financial instruments used in hedges.

Dividends from non-equity-accounted investees are recorded when the legal claim to them has arisen.

Interest income and expenses are recognised pro rata using the effective interest method.

Earnings per share

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year. In both the 2019 financial year and the previous year, basic earnings per share were the same as diluted earnings per share.

Taxes

As a liner shipping company, Hapag-Lloyd AG, the largest company in the Hapag-Lloyd Group, has opted for income taxation based on tonnage. The Tonnage Tax liability is not calculated using the actual profits, but rather depends on the net tonnage and the operating days of the Company's ship fleet. All profits in direct connection with the operation of merchant ships in international trade are essentially subject to Tonnage Tax. Income from capital and equity investments is taxed according to the normal rules. The same applies to ships that do not meet the requirements of Tonnage Taxation. Current income taxes for the reporting period and for previous periods are measured as the amount at which their payment to or refund from the tax authority is anticipated. They are ascertained on the basis of the Company's tax rates as at the balance sheet date but without interest payments or interest refunds and penalties for back taxes. Tax liabilities are recognised for amounts considered in the tax returns that will probably not be realised (uncertain tax positions). The amount is determined by the best estimate of the expected tax payment (expected value or most likely value of the tax uncertainty). Tax receivables from uncertain tax positions are recognised in the balance sheet if it is predominantly probable and therefore reasonably certain that they can be realised. Only if a tax loss carryforward exists, no tax liabilities or tax assets are recognised for these uncertain tax positions; instead, deferred tax assets are adjusted for the unused tax loss carryforwards. Income tax liabilities are netted against the corresponding tax refund claims if they apply in the same fiscal territory and are of the same type and maturity.

Deferred taxes are recognised using the balance sheet liability method in accordance with IAS 12. They result from temporary differences between the recognised amounts of assets and liabilities in the consolidated statement of financial position and those in the tax balance sheet.

Expected tax savings from temporary differences or from the use of tax loss carry-forwards are capitalised if they are estimated to be recoverable in the future. In their valuation, time limitations on the loss carry-forwards are taken into account accordingly. In order to evaluate whether deferred tax assets from tax loss carry-forwards can be used, i.e. recovered, the tax-related budget of the Group is consulted. The tax-related budget is based on the medium-term budget for 2020 to 2024, which has been extended to ten years for tax purposes.

Deferred taxes are charged or credited directly to other comprehensive income if the tax relates to items likewise recognised directly in other comprehensive income.

Their valuation takes account of the respective national income tax rates prevailing when the differences are recognised.

Deferred tax claims (tax assets) and deferred tax debts (tax liabilities) are netted insofar as the Company has the right to net current income tax assets and liabilities against each other and if the deferred tax assets and liabilities relate to current income taxes.

Fair value

A number of accounting and valuation methods require that the fair value of both financial and non-financial assets and liabilities be determined. The fair value is the price that independent market participants would pay on the relevant day under normal market conditions if the asset were sold or the liability were transferred.

Fair value is measured using a three-level hierarchy based on the measurement parameters used.

Level 1:

Unchanged adoption of quoted prices on active markets for identical assets or liabilities.

Level 2:

Use of valuation parameters whose prices are not the listed prices referred to in Level 1, but which can be observed either directly or indirectly for the asset or liability in question.

Level 3:

Use of factors not based on observable market data for the valuation of the asset or liability (non-observable valuation parameters).

Every fair value measurement is set at the lowest level of the hierarchy based on the valuation parameter, provided that this is a key valuation parameter. If the method of determining the fair value of assets or liabilities to be measured on a regular basis changes, resulting in the need to assign them to a different hierarchy level, such reclassification is performed at the end of the reporting period.

Additional explanations of fair values can be found in Note (27) Financial instruments.

Government assistance

Hapag-Lloyd receives various forms of performance-related government assistance and subsidies. The assistance received is offset against related expenses.

Further information on the nature of this assistance may be found in Note (28) Government assistance.

Significant assumptions and estimates

The preparation of consolidated financial statements in accordance with IFRS requires estimates and assumptions in order to determine the assets, liabilities and provisions shown in the statement of financial position, the disclosures of contingent claims and liabilities as at the balance sheet date, and the recognised income and expenses for the reporting period. Estimates and assumptions are continuously re-evaluated and are based on historical experience and expectations regarding future events which seem reasonable in the given circumstances.

This specifically applies to the following cases:

- Review of useful lives and residual values for intangible assets and property, plant and equipment
- Determination of the term of leases with extension and termination options
- Measurement of the expected credit losses on receivables and other financial assets
- Recognition of deferred tax assets on loss carry-forwards
- Specification of parameters for measuring pension provisions
- Recognition and measurement of other provisions
- Determination of recognised demurrage and detention
- Determination of the non-manifested discounts recognised during the year
- Classification of present liabilities as contingent liability

Review of useful lives and residual values for intangible assets and property, plant and equipment

Useful lives and residual values for intangible assets and property, plant and equipment are estimated on the basis of past experience. The management regularly reviews the estimates for individual assets or groups of assets with similar characteristics based on changes in the quality of maintenance programmes, amended environmental requirements and technical developments. In the case of significant changes it adjusts the useful lives and residual values.

The estimation of residual values of container ships is affected by uncertainties and fluctuations due to the long useful life of ships, the uncertainties regarding future economic developments and the future price of steel, which is a significant parameter for determining the residual values of container

ships. As a rule, the residual value of a container ship or a class of container ships is determined by its scrap value. The scrap value is calculated on the basis of a container ship's empty weight and the average price of steel. Adjustments are made to the residual value of a container ship based on its longevity if it is expected that (long-term) market fluctuations will exist until the end of the ship's useful operating life.

Disclosures on the useful lives can be found in the "Accounting and measurement" section. The carrying amounts of intangible assets and property, plant and equipment are shown in Notes (11) Intangible assets and (12) Property, plant and equipment.

Determination of the term of leases with extension and termination options and mutual cancellation right

Within the scope of the exercise of extension and termination options for leases, discretionary decisions are made on the probability of the exercise of existing options. Hapag-Lloyd also assesses possible economic disadvantages in this regard. If, from an economic perspective for contracts with mutual cancellation right, termination of these agreements will not result in any significant disadvantages, the term of the agreement is determined while taking account of the termination notice period in the respective agreement and a possible transition period. If Hapag-Lloyd believes that there are significant disadvantages, this is taken into account when assessing the term of the agreement and the term extended until such time as the disadvantages have been resolved.

For container rental agreements with similar characteristics, the terms and in general the fixed payments to be recognized as lease payments are determined on the basis of a portfolio approach and applied consistently for all leases in the portfolio.

For further information, please see the "New accounting standards" section as well as Note (31) Leases.

Measurement of the expected credit losses on receivables and other financial assets

The measurement of expected credit losses on receivables and other financial assets includes assessments and evaluations of individual receivables and groups of receivables which are based on the credit standing of the relevant customer, geographic region, analysis of maturity structures and historical defaults as well as future economic conditions. In case of adjustments to receivables balances, a determination of whether credit losses or transaction price changes are applicable will be made based on the relevant facts and circumstances.

Recognition of deferred tax assets on loss carry-forwards

The amount of deferred taxes recognised on loss carry-forwards in the Group is dependent primarily on the estimation of the future usability of the tax loss carry-forwards. In this respect, the amount of the deferred tax assets depends on the budgeting of future tax results. As a result of discrepancies between planned and actual developments, these amounts may need to be adjusted in future periods. Further explanations of deferred taxes are given in Note (9) Income taxes.

Specification of parameters for measuring pension provisions

The valuation of provisions for pensions and similar obligations is based on, among other things, assumptions regarding discount rates, anticipated future increases in salaries and pensions and mortality tables. These assumptions may diverge from the actual figures due to changes in external factors such as economic conditions or the market situation as well as mortality rates.

The Heubeck RT 2018 G mortality tables are used for measurement of the pension obligations.

For detailed explanations, see Note (22) Provisions for pensions and similar obligations.

Recognition and measurement of other provisions

The other provisions are naturally subject to a high level of estimation uncertainty with regard to the amount of the obligations or the time of their occurrence. The Company must sometimes make assumptions on the basis of past experience regarding the likelihood of the realisation of the obligation or future developments, e.g. the costs to be estimated for the measurement of obligations. These may be subject to estimation uncertainties, particularly in the case of non-current provisions.

Provisions are made within the Group if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. Due to the uncertainties associated with this valuation, the actual losses may deviate from the original estimates and the respective provision amount. For provisions for guarantee, warranty and liability risks, there is particular uncertainty concerning the estimate of future damages.

For more detailed information, please see Note (23) Other provisions.

Determination of the demurrage and detention to be recognised

As a rule, demurrage and detention for containers are recognised once the contractually stipulated free times for a container are exceeded. Determination of the demurrage and detention to be recognised requires estimates concerning the expected amount of the receivable as well as the question of whether it is highly probable that the revenue recognised will not be subject to any significant correction in future. These estimates are based on past experience.

Determination of the non-manifested discounts recognised during the year

Non-manifested discounts are estimated monthly based on individually specified discount conditions and deducted from the transaction price, thereby reducing revenue. At the end of the year, the discount amount will be determined on the basis of the actual circumstances and reported accordingly.

Classification of present liabilities as contingent liability

Present liabilities based on past events will not be recognised if fulfilment of the relevant obligation is not probable. The management will assess whether the fulfilment of an obligation is not probable or not based on judgements made by lawyers and tax advisers.

For detailed information on the contingent liabilities resulting from tax risks which are not classified as probable, please see Note (30) Legal disputes.

Risks and uncertainties

Influencing factors which can result in deviations from expectations comprise not only macro-economic factors such as exchange rates, interest rates and bunker prices, but also the future development of container shipping.

Change of presentation in the consolidated income statement

Hapag-Lloyd modified the structure of the consolidated income statement at the start of the 2019 financial year. Up until then, the structure was based on the principal types of expense, whereby the measurement effects from currency fluctuations were recognised in the respective income statement item. The new structure is based on a separate presentation of the individual components of service provision in the Hapag-Lloyd Group and separates operating effects from measurement effects. The purpose of the change is to provide a more detailed information basis and to increase harmonisation between the externally communicated income statement structure and internal management reporting. The modifications undertaken result from the following table:

	Consolidated income statement before adjustments	Adjustments							Consolidated income statement after adjustments
	1.1.2018–31.12.2018	Reclassification foreign exchange rate effects	Reclassification subsidies	Reclassification commissions	Reclassification non-deductible indirect tax	Reclassification exchange rate gains / losses of financing	Merge of other operating income / expenses	Reclassification Others[1]	1.1.2018–31.12.2018
					million EUR				
Revenue	11,515.1	52.1	—	—	—	—	—	50.4	11,617.5
Other operating income	115.1	—	–19.8	—	—	—	–95.3	—	—
Transport expenses	–9,396.6	–32.4	—	–66.9	–40.1	—	—	–50.4	–9,586.4
Personnel expenses	–659.4	–6.3	19.8	—	—	—	—	0.9	–645.0
Depreciation, amortisation and impairment	–695.1	—	—	—	—	—	—	—	–695.1
Other operating expenses	–479.5	—	—	66.9	40.1	0.5	372.0	—	—
Other operating result (OOR)	—	–13.3	—	—	—	—	–276.7	–0.9	–290.9
Operating result	**399.6**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**400.1**
Share of profit of equity-accounted investees	30.7	—	—	—	—	—	—	—	30.7
Other financial result	12.7	—	—	—	—	—	—	—	12.7
Earnings before interest and taxes (EBIT)	**443.0**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**443.5**
Interest income	15.8	—	—	—	—	—	—	—	15.8
Interest expenses	–381.0	—	—	—	—	—	—	—	–381.0
Other financial items[2]	—	—	—	—	—	–0.5	—	—	–0.5
Earnings before taxes	**77.8**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**77.8**
Income taxes	–31.8	—	—	—	—	—	—	—	–31.8
Group profit / loss	**46.0**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**46.0**

1 The other reclassifications essentially relate to cost reimbursements.

2 The position other financial items includes realised and unrealised exchange rate effects from the currency translation of financial debt including relating hedge effects as well as fair value changes from financial instruments.

SEGMENT REPORTING

The Hapag-Lloyd Group is managed by the Executive Board as a single, global business unit with one sphere of activity. The primary performance indicators are freight rates and transport volume by geographic region as well as EBIT and EBITDA at the Group level.

The allocation of resources (use of ships and containers) and the management of the sales market and of key customers are done on the basis of the entire liner service network and deployment of all of the maritime assets. The Group generates its revenue solely through its activities as a container liner shipping company. The revenue comprises income from transporting and handling containers and from related services and commissions, all of which are generated globally. As the Hapag-Lloyd Group operates with the same product around the world throughout its entire liner service network, the Executive Board has decided that there is no appropriate measure with which assets, liabilities, EBIT and EBITDA as the key performance indicators can be allocated to different trades. All of the Group's assets, liabilities, income and expenses are thus only allocable to the one segment, container liner shipping. The figures given per trade are the transport volume and freight rate, as well as the revenue allocable to said trade.

Transport volume per trade[1]

	1.1.–31.12. 2019	1.1.–31.12. 2018
	TTEU	
Atlantic	1,960	1,856
Transpacific	1,945	1,960
Far East	2,327	2,234
Middle East	1,391	1,419
Intra-Asia	900	1,036
Latin America	2,837	2,774
EMA (Europe—Mediterranean—Africa)	676	595
Total	**12,037**	**11,874**

1 Due to organisational changes, the transport volumes to and from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to and from Oceania have been assigned to the Far East trade. The previous year's values have been adjusted accordingly.

Freight rates per trade[1]

	1.1.–31.12. 2019	1.1.–31.12. 2018
	USD / TEU	
Atlantic	1,389	1,337
Transpacific	1,318	1,271
Far East	910	943
Middle East	744	762
Intra-Asia	541	511
Latin America	1,153	1,132
EMA (Europe—Mediterranean—Africa)	1,046	967
Total (weighted average)	**1,072**	**1,044**

1 Due to organisational changes, the transport volumes to and from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to and from Oceania have been assigned to the Far East trade. The previous year's values have been adjusted accordingly.

Revenue per trade[1]

	1.1.–31.12. 2019	1.1.–31.12. 2018[2]
	million EUR	
Atlantic	2,431.9	2,099.4
Transpacific	2,290.8	2,108.7
Far East	1,891.7	1,782.9
Middle East	924.8	915.4
Intra-Asia	435.4	448.4
Latin America	2,921.6	2,658.8
EMA (Europe—Mediterranean—Africa)	631.7	486.9
Revenue not assigned to trades	1,080.0	1,117.1
Total	**12,607.9**	**11,617.5**

1 Due to organisational changes, the transport volumes to and from Djibouti, Sudan and Eritrea have been assigned to the EMA trade since 1 January 2019. Since the third quarter of 2019, transport volumes to and from Oceania have been assigned to the Far East trade. The previous year's values have been adjusted accordingly.

2 As a result of the change in presentation of the consolidated income statement, revenue for the 2018 financial year have been adjusted by EUR 102.4 million, from EUR 11,515.1 million to EUR 11,617.5 million.

Revenue not assigned to trades mainly comprises income from demurrage and detention for containers as well as income from charter rents and compensation payments for shipping space. Additionally, already recognized revenues from voyages not yet completed are assigned to revenue not assigned to trades.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were calculated on the basis of earnings before interest and taxes (EBIT) as presented in the following table. Earnings before taxes (EBT) and the share of profits of the segment's equity-accounted investees corresponded to those of the Group (see Note (13)).

	1.1.–31.12. 2019	1.1.–31.12. 2018[1]
	million EUR	
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**1,985.8**	**1,138.6**
Depreciation and amortisation	–1,174.4	–695.1
EBIT	**811.4**	**443.5**
Earnings before taxes (EBT)	**416.3**	**77.8**
Share of profit of equity-accounted investees	**35.5**	**30.7**

1 Due to the change in presentation of the consolidated income statement, the previous year's values have been adjusted. This increased EBIT for the 2018 financial year by EUR 0.5 million, from EUR 443.0 million to EUR 443.5 million.

Non-current assets

	31.12.2019	31.12.2018
	million EUR	
Goodwill	1,600.7	1,568.8
Other intangible assets	1,716.9	1,773.2
Property, plant and equipment	10,064.9	9,119.7
Investments in equity-accounted investees	333.6	328.1
Total	**13,716.1**	**12,789.8**
thereof domestic	10,765.9	9,692.2
thereof foreign	2,950.2	3,097.6
Total	**13,716.1**	**12,789.8**

When assessing the cash-generating unit (CGU), non-current assets cannot be broken down by region due to their shared use. As a result, these have primarily been assigned to the parent company in Germany. The non-current assets held abroad are attributable to the United Arab Emirates with an amount of EUR 2,777.6 million (previous year: EUR 2,877.3 million).

There was no dependency on individual customers in the 2019 financial year.

(1) Revenue

Revenue streams

The Hapag-Lloyd Group's services comprise the shipping of containers by sea as well as associated hinterland transport for customers, thus providing transport services from door to door. As a result, the Hapag-Lloyd Group primarily generates revenue from sea freight, inland container transport and terminal handling charges.

Revenue is broken down by trade in the Hapag-Lloyd Group. This breakdown can be found in the "Segment reporting" section.

Contract balances

Contract liabilities essentially comprise the remaining performance obligation as at the reporting date in connection with shipments on voyages not yet completed. The revenue which was recorded in the reporting period and included in the balance of contract liabilities at the start of the 2019 financial year came to EUR 260.3 million.

Hapag-Lloyd also has contracts with customers with terms of more than 1 year in accordance with IFRS 15. However, if one considers the recognition of the associated revenue over the course of time, it can be seen that the terms of the contracts have no effect on the time-related recognition of revenue within 1 year. The reason is that the maximum duration of a ship voyage is less than 1 year. This means that the recognition of revenue for an individual shipment will not exceed a period of 1 year. With regard to the recognition of income, the Hapag-Lloyd Group therefore only has contracts with a short-term perspective of less than 1 year. On this basis, in accordance with IFRS 15.121 (a) in conjunction with IFRS 15.122, no further information is provided on transaction costs attributable to remaining performance obligations.

Performance obligations and methods for recognising revenue

The Hapag-Lloyd Group measures revenue based on the consideration specified in a contract with a customer. The revenue is recognised by the Hapag-Lloyd Group when the transport service is rendered. The performance obligation is fulfilled and the revenue is recognised in the period when the transport service is rendered by the Hapag-Lloyd Group, i.e. they are period-based.

The recognition of revenue is determined by performance progress. To determine the performance progress in connection with shipments on voyages not yet completed as at the reporting date, Hapag-Lloyd uses the input-based method while taking account of the expenses incurred up until the reporting date. Due to the transport-related expenses allocated over the itinerary, the procedure is considered reliable and suitable. The percentage of completion / transport progress is therefore determined on the basis of the ratio of expenses incurred to expected total expenses.

Payment terms at Hapag-Lloyd vary at the local level. The payment term predominantly used by the Group constitutes payment within 30 days of receipt of the outgoing invoice.

Transaction price and transaction price components

With regard to the rendering of transport services in accordance with a customer's shipment contract, Hapag-Lloyd has a performance obligation as per IFRS 15.22(a), as the commitment made to the customer only comprises a distinguishable service. This is the commitment to transport goods from a specific origin to an agreed destination. A fixed transaction price is agreed for the transport service as part of a contract. The transaction price also includes variable components such as demurrage and detention for containers. These are recorded based on past experience as soon as the lease period of a container exceeds the agreed period in the contract.

Other transaction price components in the Hapag-Lloyd Group include discounts of any kind, e. g. cash payment discounts, volume discounts or special discounts. This pertains to both manifested and non-manifested discounts. The latter are deducted from the transaction price on a monthly basis, thereby reducing revenue, and are based on set discount conditions, which make sure that the variable

consideration is limited. They therefore lead to a reduction in the transaction price. Since the discount is granted afterwards by means of a payment to the customer, a trade account payable (refund liability) is recognised on a monthly basis for the expected utilisation. For manifested discounts, on the other hand, the discount is granted earlier, when the receivables are booked. As a result, the revenue recognised has already been reduced by the amount of the discounts.

(2) Transport expenses

	1.1.–31.12. 2019	1.1.–31.12. 2018
	million EUR	
Transport expenses for finished voyages	9,721.1	9,565.8
Bunker	1,625.6	1,585.3
Handling & haulage	4,922.7	4,744.0
Equipment and repositioning[1]	1,205.0	1,229.8
Vessel & voyage (excluding bunker)[1]	1,967.8	2,006.6
Change in transport expenses for pending voyages[2]	–14.0	20.6
Total	**9,707.0**	**9,586.4**

1 Lease expenses for short-term leases are included in expenses for ships and voyages (excluding fuel) along with containers and repositioning.

2 The amounts shown as transportation expenses for unfinished voyages represent the difference between the expenses for unfinished voyages in the current period and the expenses for unfinished voyages in the previous period. The transportation expenses for unfinished voyages recorded in the previous period are shown in the current financial year as transportation expenses for finished voyages within the expense items bunker, handling & haulage, containers and repositioning as well as ships and voyages (excluding bunker).

Expenses for handling & haulage essentially comprise expenses for inland container transport and terminal handling charges. Expenses for ships and voyages (excluding fuel) primarily relate to port and canal costs, expenses for ship and slot chartering and expenses for repairs to and maintenance of ocean-going vessels.

(3) Personnel expenses

	1.1.–31.12. 2019	1.1.–31.12. 2018
	million EUR	
Wages and salaries	562.8	526.6
Social security costs, pension costs and other benefits	119.7	118.4
Total	**682.5**	**645.0**

Pension costs include, among other things, expenses for defined benefit and defined contribution pension obligations. A detailed presentation of pension commitments is provided in Note (22) Provisions for pensions and similar obligations. Personnel expenses were reduced by the government assistance granted in the amount of EUR 10.4 million (previous year: EUR 11.2 million), which was recognised in profit and loss. In the previous year, the item was recognised under other operating income. Further details can be found under Note (28) Government assistance.

The average number of employees was as follows:

	1.1.–31.12. 2019	1.1.–31.12. 2018
Marine personnel	2,026	1,985
Shore-based personnel	10,655	10,251
Apprentices	225	234
Total	**12,905**	**12,470**

(4) Depreciation, amortisation and impairment

	1.1.–31.12. 2019	1.1.–31.12. 2018
	million EUR	
Scheduled amortisation / depreciation	1,174.4	694.2
Amortisation of intangible assets	99.6	99.3
Depreciation of property, plant and equipment1	1,074.7	594.9
Impairment	—	0.9
Impairment of intangible assets	—	0.9
Total	**1,174.4**	**695.1**

1 The Group applied IFRS 16 for the first time on 1 January 2019. In relation to this, EUR 436.5 million in depreciation and amortisation was recognised for corresponding leases in 2019.

The amortisation of intangible assets largely concerned amortisation of the customer base. The depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers. A breakdown of depreciation and amortisation can be found in the Notes to the respective balance sheet item.

(5) Other operating result[1]

	1.1.–31.12. 2019	1.1.–31.12. 2018
	million EUR	
Other operating income	**81.2**	**73.7**
Gains and losses from disposal of assets	20.2	15.0
Income from the reversal of provisions	11.4	14.4
Income from own cost capitalized	6.8	3.8
Miscellaneous operating income	42.8	40.4
Other operating expenses	**350.0**	**364.5**
IT & Communication expenses	155.7	142.1
Office & Administration expenses	41.8	65.0
Charges, fees, consultancy and other professional services	35.8	34.3
Training and other personnel expenses	26.9	27.3
Car and Travel expenses	19.4	17.4
Other taxes	12.5	11.3
Exchange rate gains / losses	10.2	36.9
Bank charges	8.3	9.1
Miscellaneous operating expenses	39.4	21.2
Total	**–268.8**	**–290.9**

1 As a result of the changes to the structure of the Income statement, other operating income and other operating expenses are combined and reported under the item “other operating income”. The previous year’s values have been adjusted accordingly. Further explanatory notes can be found in the segment “change of presentation in the consolidated income statement”.

The income from the disposal of assets primarily results from disposals of containers in the current financial year.

Income from the release of provisions mainly includes releases of provisions for guarantee, warranty and liability risks and for insurance premiums.

Miscellaneous operating income comprises items that cannot be allocated to any of the items mentioned above. This includes, among other things, income from cost transfers for services provided.

The exchange rate gains and losses are shown netted in other operating expenses and were mainly attributable to exchange rate fluctuations of assets and liabilities (excluding financial debt).

Miscellaneous operating expenses comprise items that cannot be allocated to any of the items mentioned above.

(6) Income from investments and securities

Income from investments and securities was EUR 12.7 million in the previous year and essentially comprised the profit of EUR 12.9 million from the disposal of the investment INTTRA Inc., New Jersey.

(7) Interest result

The interest result was as follows:

	1.1.–31.12. 2019	1.1.–31.12. 2018
	million EUR	
Interest income	**12.2**	**15.8**
Interest income from fund assets for the financing of pensions and similar obligations	3.7	3.4
Other interest and similar income	8.5	12.4
Interest expenses	**432.5**	**375.8**
Interest expenses from the valuation of pensions and similar obligations	9.0	8.6
Interest expenses for lease liabilities	72.6	7.9
Other interest and similar expenses	350.9	359.3
Effects from the result of embedded derivatives	23.6	–5.2
Total	**–396.7**	**–365.2**

Other interest and similar income relates in particular to income from the measurement of interest rate swaps and interest income from bank balances. Other interest and similar expenses mainly comprises interest for bonds and loans as well as interest from other financial debt.

For information on the interest expenses in relation to lease liabilities, please refer to Note (31) Leases.

(8) Other financial items

Other financial items of EUR 1.6 million essentially comprise realised and unrealised exchange rate effects from the foreign currency translation of financial debt including the associated hedging effects.

(9) Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income taxes. As in the previous year, corporate entities based in Germany are subject to a corporate income tax rate of 15.0% and a solidarity surcharge of 5.5% of the corporate income tax owed. Additionally, these companies are subject to trade earnings tax, which for the years 2019 and 2018 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. The combined income tax rate for domestic companies is therefore 32.3%. Furthermore, comparable actual income taxes are disclosed for foreign subsidiaries. In the Group, the tax rates ranged from 6.0% to 39.0% in 2019 (previous year: between 6.0% and 39.0%).

In addition, deferred taxes are recognised in this item for temporary differences in carrying amounts between the statement of financial position prepared in accordance with IFRS and the tax balance sheet as well as on consolidation measures and, where applicable, realisable loss carry-forwards in accordance with IAS 12 Income Taxes.

Income taxes were as follows:

	1.1.–31.12. 2019	1.1.–31.12. 2018
	million EUR	
Actual income taxes	40.4	41.4
thereof domestic	5.9	4.5
thereof foreign	34.5	36.9
Deferred tax income / expenses	2.5	–9.6
thereof from temporary differences	2.0	0.6
thereof from loss carry-forwards	0.5	–10.2
Total	**42.9**	**31.8**

Domestic income taxes include tax expenses of EUR 4.3 million which relate to tonnage tax (previous year: EUR 2.7 million).

Prior-period tax expenses in the amount of EUR 5.6 million are included in the actual income taxes (previous year: expenses of EUR 2.8 million).

As Hapag-Lloyd AG has opted for tonnage taxation, temporary measurement differences do not affect taxation, with the result that no deferred taxes are calculated. For domestic income which is not subject to tonnage taxation, a combined income tax rate of 32.3% was used both in 2019 and 2018 to calculate the deferred taxes.

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates applied for foreign-based companies in 2019 ranged from 8.3% to 34.9% (previous year: between 8.3% and 34.0%).

The following table shows a reconciliation statement from the expected to the reported income tax expense. To calculate the expected tax expense, the Group profit is first divided between the result that falls under tonnage taxation and the result that is subject to regular taxation. The result that is subject to regular taxation is multiplied by the statutory income tax rate of 32.3% prevailing for Hapag-Lloyd AG in the financial year, as the bulk of the Group profit was generated by Hapag-Lloyd AG.

Reconciliation statement

	1.1.–31.12. 2019	1.1.–31.12. 2018
	million EUR	
Earnings before taxes	416.3	77.8
thereof under tonnage tax	176.8	–93.7
thereof under regular income tax	239.5	171.5
Expected income tax expense (+) / income (–) (tax rate 32.3%)	**77.3**	**55.3**
Difference between the actual tax rates and the expected tax rates	–24.9	–13.3
Changes in tax rate or tax law	0.2	—
Effects of income not subject to income tax	–0.4	–2.8
Non-deductible expenses and trade tax additions and reductions	4.1	7.3
Effects from reassessments	–4.5	–13.4
Effective tax expenses and income relating to other periods	–5.6	2.8
Tax effect from equity-acounted investees	–11.4	–9.4
Exchange rate differences	0.6	0.8
Other differences	3.3	1.8
Income tax expense under regular income tax	**38.7**	**29.1**
Income tax expense under tonnage tax base	4.2	2.7
thereof: effects from reassessments	—	–1.4
Reported income tax expenses (+) / income (–)	**42.9**	**31.8**

Effects due to deviating tax rates for domestic and foreign taxes from the income tax rate of Hapag-Lloyd AG are disclosed in the above reconciliation statement under the difference between the actual tax rates and the expected tax rates.

Effects from reassessments include income of EUR 4.3 million (previous year: EUR 12.0 million) from changes in unrecognised corporate income tax loss carry-forwards both at home and abroad. A

further EUR 0.8 million (previous year: EUR 1.4 million) relates to the reduction of actual income taxes due to the use of tax losses previously not recognised.

The other differences include EUR 3.2 million in foreign withholding taxes for dividends, which are non-deductible (previous year: EUR 1.5 million).

Deferred tax assets and deferred tax liabilities result from temporary differences and tax loss carry-forwards as follows:

	31.12.2019		31.12.2018	
	Asset	Liabillity	Asset	Liabillity
	million EUR			
Recognition and measurement differences for property, plant and equipment and other non-current assets	1.3	7.0	2.3	4.2
Recognition differences for receivables and other assets	2.6	0.6	1.9	0.5
Measurement of pension provisions	6.4	0.7	5.1	0.7
Recognition and measurement differences for other provisions	4.5	—	4.3	—
Other transactions	7.6	2.1	4.7	1.3
Capitalised tax savings from recoverable loss carry-forwards	19.0	—	19.1	—
thereof: utilised by tonnage tax base	2.7	—	4.8	—
Netting of deferred tax assets and liabilities	–1.7	–1.7	–1.4	–1.4
Balance sheet recognition	**39.7**	**8.7**	**36.0**	**5.3**

The change in deferred taxes in the statement of financial position is recognised as follows:

	As at 1.1.2018	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an ex-change rate difference	As at 31.12.2018
			million EUR		
Recognition and measurement differences for property, plant and equipment and other non-current assets	–1.1	–0.8	—	—	–1.9
Recognition differences for receivables and other assets	1.8	–0.4	—	—	1.4
Measurement of pension provisions	5.5	–0.1	–1.0	—	4.4
thereof recognised directly in equity	5.4	—	–1.0	—	4.4
Recognition and measurement differences for other provisions	4.5	–0.8	—	0.6	4.3
Other transactions	1.8	1.5	—	0.1	3.4
Capitalised tax savings from recoverable loss carry-frowards	8.2	10.2	—	0.7	19.1
Balance sheet recognition	**20.7**	**9.6**	**–1.0**	**1.4**	**30.7**

	As at 1.1.2019	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an ex-change rate difference	As at 31.12.2019
			million EUR		
Recognition and measurement differences for property, plant and equipment and other non-current assets	–1.9	–3.7	—	—0.1	–5.7
Recognition differences for receivables and other assets	1.4	0.6	—	—	2.0
Measurement of pension provisions	4.4	–1.0	2.2	0.1	5.7
thereof recognised directly in equity	4.4	—	2.2	—	6.6
Recognition and measurement differences for other provisions	4.3	0.2	—	—	4.5
Other transactions	3.4	1.9	—	0.2	5.5
Capitalised tax savings from recoverable loss carry-frowards	19.1	–0.5	—	0.4	19.0
Balance sheet recognition	**30.7**	**–2.5**	**2.2**	**0.6**	**31.0**

Deferred tax liabilities of EUR 0.3 million (previous year: EUR 0.3 million) were recognised for temporary differences between the net assets and the carrying amounts of subsidiaries for tax purposes, whereby the reversal of the temporary differences is likely in the foreseeable future.

No deferred tax liabilities were recognised for the remaining taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 64.8 million (previous year: EUR 59.3 million), as Hapag-Lloyd is able to steer how the temporary differences are reversed over time and no reversal of the temporary differences is likely in the near future.

Deferred tax assets and liabilities are classified as non-current in the statement of financial position in accordance with IAS 1, irrespective of their expected realisation date.

Deferred tax assets are recognised for temporary differences and tax loss carry-forwards if their realisation seems certain in the near future. The loss carry-forwards not recognised relate primarily to foreign subsidiaries that are not covered by tonnage taxation. The amounts of unutilised tax losses and the capacity to carry forward the tax losses for which no deferred tax assets were recognised are as follows:

	31.12.2019	31.12.2018
	million EUR	
Loss carry-forwards for which deferred tax assets were recognised	**67.6**	**77.3**
Loss carry-forwards for which no deferred tax assets were recognised	**1,282.6**	**1,267.0**
thereof loss carry-forwards forfeitable in more than 5 years	1.0	1.0
Non-forfeitable loss carry-forwards	1,281.6	1,266.0
thereof interest carry-forwards	—	—
Total of unutilised loss carry-forwards	**1,350.2**	**1,344.3**

(10) Earnings per share

	1.1.-31.12.2019	1.1.-31.12.2018
Profit / loss attributable to shareholders in million EUR	362.0	36.8
Weighted average number of shares	175.8	175.8
Basic earnings per share in EUR	**2.06**	**0.21**

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year.

There were no dilutive effects in the 2019 financial year or in the previous year.

(11) Intangible assets

	Goodwill	Customer base	Advantageous contracts	Brand	Software	Payments on account and assets under construction	Total
				million EUR			
Historical cost							
As at 1.1.2018	1,486.8	1,723.0	22.0	288.4	123.9	—	3,644.1
Addition from buisness combination	12.1	—	—	—	—	—	12.1
Additions	—	—	—	—	3.1	3.6	6.7
Disposals	—	—	22.3	—	4.9	—	27.2
Exchange rate differences	69.9	80.9	0.3	13.2	6.3	0.2	170.8
As at 31.12.2018	**1,568.8**	**1,803.9**	**—**	**301.6**	**128.4**	**3.8**	**3,806.5**
Accumulated amortisation							
As at 1.1.2018	—	233.8	18.7	10.2	109.1	—	371.8
Additions[1]	—	78.5	3.4	9.8	8.5	—	100.2
Disposals	—	—	22.3	—	4.9	—	27.2
Exchange rate differences	—	13.4	0.2	0.5	5.6	—	19.7
As at 31.12.2018	**—**	**325.7**	**—**	**20.5**	**118.3**	**—**	**464.5**
Carrying amounts 31.12.2018	**1,568.8**	**1,478.2**	**—**	**281.1**	**10.1**	**3.8**	**3,342.0**
Historical cost							
As at 1.1.2019	1,568.8	1,803.9	—	301.6	128.4	3.8	3,806.5
Addition from buisness combination	—	—	—	—	—	—	—
Additions	—	—	—	—	0.4	6.8	7.2
Disposals	—	—	—	—	0.1	—	0.1
Transfers	—	—	—	—	0.0	—	0.0
Exchange rate differences	31.9	36.6	—	6.1	2.6	0.1	77.3
As at 31.12.2019	**1,600.7**	**1,840.6**	**—**	**307.7**	**131.3**	**10.6**	**3,891.0**
Accumulated amortisation							
As at 1.1.2019	—	325.7	—	20.5	118.3	—	464.5
Additions	—	82.8	—	10.4	6.5	—	99.6
Disposals	—	—	—	—	–0.0	—	–0.0
Transfers	—	—	—	—	0.0	—	0.0
Exchange rate differences	—	6.4	—	0.4	2.5	—	9.3
As at 31.12.2019	**—**	**415.0**	**—**	**31.3**	**127.2**	**—**	**573.4**
Carrying amounts 31.12.2019	**1,600.7**	**1,425.6**	**—**	**276.4**	**4.2**	**10.6**	**3,317.6**

1 The impairments on intangible assets are included in the additions to accumulated depreciation, amortisation and impairment.

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,600.7 million (previous year: EUR 1,568.8 million) and the Hapag-Lloyd brand in the amount of EUR 228.7 million (previous year: EUR 224.2 million).

At the end of the 2019 financial year, an impairment test of goodwill and intangible assets that are not subject to amortisation was carried out for the entire cash-generating unit “container shipping”. The recoverable amount was calculated based on the fair value less costs of disposal. Measurement was based on level 1 input factors (unchanged use of the quoted share price of Hapag-Lloyd AG and of a bond price) and on level 2 input factors (use of observable market price quotations that are not level 1 to measure the remaining financial debt). With regard to the fundamental measurement assumptions, please refer to the section “Accounting and measurement principles”. As a whole, the fair value of the cash-generating unit “container shipping” should be assigned to level 2, as this level corresponds to the lowest input factor that is significant for overall measurement.

As at the balance sheet date, the fair value less costs of disposal was higher than the carrying amounts of the cash-generating unit “container shipping”, with the result that it was not necessary to recognise an impairment.

Research and development expenses in the financial year totalled EUR 25.5 million (previous year: EUR 17.8 million). Investments in internally generated intangible assets requiring capitalisation in 2019 amounted to EUR 6.8 million (EUR 3.8 million). These are presented completely as payments on account and assets under construction.

(12) Property, plant and equipment

	Vessels	Containers, chassis	Property, buildings and other equipment	Payments on account and assets under construction	Total
			million EUR		
Historical cost					
As at 1.1.2018	8,867.9	2,248.6	213.7	5.9	11,336.1
Additions	49.3	295.9	9.9	4.5	359.6
Disposals	15.0	37.9	1.8	—	54.7
Transfers	3.8	—	0.2	–4.0	—
Exchange rate differences	417.5	113.8	10.0	—	541.3
As at 31.12.2018	**9,323.5**	**2,620.4**	**232.0**	**6.4**	**12,182.3**
Accumulated depreciation					
As at 1.1.2018	1,707.0	589.2	73.4	—	2,369.6
Additions	397.4	183.4	14.1	—	594.9
Disposals	14.6	19.9	0.3	—	34.8
Exchange rate differences	92.3	32.9	7.7	—	132.9
As at 31.12.2018	**2,182.1**	**785.6**	**94.9**	**—**	**3,062.6**
Carrying amounts 31.12.2018	**7,141.4**	**1,834.8**	**137.1**	**6.4**	**9,119.7**
Historical cost					
As at 1.1.2019	9,323.5	2,620.4	232.0	6.4	12,182.3
First-time application of IFRS 16[1]	374.3	394.7	89.2	—	858.2
Adjusted as at 1.1.2019	9,697.8	3,015.1	321.2	6.4	13,040.5
Additions	461.7	439.6	36.5	62.3	1,000.0
Disposals	6.0	100.4	5.7	—	112.1
Transfers	3.6	—	–1.7	–3.6	–1.8
Exchange rate differences	195.7	60.4	5.0	–0.1	261.1
As at 31.12.2019	**10,352.8**	**3,414.7**	**355.2**	**65.0**	**14,187.7**
Accumulated depreciation					
As at 1.1.2019	2,182.1	785.6	94.9	—	3,062.6
Additions	649.0	387.4	38.3	—	1,074.7
Disposals	6.0	65.2	2.8	—	73.9
Transfers	—	—	–0.6	—	–0.6
Exchange rate differences	42.7	15.2	2.1	—	60.0
As at 31.12.2019	**2,867.9**	**1,123.0**	**132.0**	**—**	**4,122.9**
Carrying amounts 31.12.2019	**7,484.9**	**2,291.7**	**223.3**	**65.0**	**10,064.9**

1 The addition to acquisition and production costs due to the first-time application of IFRS 16 is net (netted with accumulated depreciation).

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 7,620.0 million as at the balance sheet date (previous year: EUR 7,710.0 million).

Restrictions of ownership exist in the form of ship mortgages for container ships and in the form of collateral for financed ships and containers transferred by way of security.

Changes in the rights of use for each asset class in the financial year are presented in Note (31) Leases.

(13) Equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2019.

Name of the company	Registered office	Proportion of ownership in the Group (in %) 2019	2018
Joint venture			
Consorcio Naviero Peruano S.A.[1]	San Isidro	47.93	47.93
Texas Stevedoring Services LLC[3]	Wilmington	50.00	50.00
Associated companies			
Hapag-Lloyd Lanka (Pvt) Ltd[1]	Colombo	40.00	40.00
HHLA Container Terminal Altenwerder GmbH[2]	Hamburg	25.10	25.10
United Arab Shipping Agency Company (Thailand) Ltd.[1]	Bangkok	49.00	49.00
Djibouti Container Services FZCO[1]	Djibouti	19.06	19.06

1 Ship agents and local liner shipping companies

2 Container terminals

3 Service company at the container terminal

The Hapag-Lloyd Group exerts significant control over Djibouti Container Services FZCO, Djibouti, as its share of voting rights in the group is 21.25%.

Proportionate cumulative losses for equity-accounted joint ventures of EUR 0.5 million (previous year: EUR–2.6 million) were not taken into consideration in the financial year. No impairment losses are included in the proportionate equity result.

HHLA Container Terminal Altenwerder GmbH provides terminal services for the Hapag-Lloyd Group. Financial information for this significant equity-accounted investee reported in the statement of financial position (100% values and therefore not adjusted to the percentage held) is contained in the following table:

	HHLA Container Terminal Altenwerder GmbH 2019	2018
	million EUR	
Statement of comprehensive income		
Revenues	300.5	267.2
Annual result	99.3	81.5
Dividend payments to Hapag-Lloyd Group	–28.6	–30.9
Balance sheet		
Current assets	97.3	96.6
Non-current assets	75.2	72.0
Current liabilities	34.0	50.2
Non-current liabilities	58.1	37.9
Net assets	**80.4**	**80.5**
Group share in net assets	20.2	20.2
Goodwill	276.8	276.8
Pro-rata share of current financial year‘s profit	34.0	28.6
Carrying amount of the participation at the end of the financial year	**331.0**	**325.6**

The recognised share of equity-accounted investees developed as follows:

	HHLA Container Terminal Altenwerder GmbH		Non-material associated companies		Joint Venture	
	2019	2018	2019	2018	2019	2018
			million EUR			
Participation 1.1.	**325.6**	**327.9**	**2.0**	**4.0**	**0.5**	**—**
Addition from business combination	—	—	—	—	—	0.1
Disposals	—	—	—	–2.0	—	—
Pro-rata share of earnings after taxes	34.0	28.6	1.3	1.7	0.1	0.4
Dividend payments	–28.6	–30.9	–1.3	–1.8	—	—
Exchange rate differences	—	—	0.1	0.1	—	—
Participation 31.12.	**331.0**	**325.6**	**2.1**	**2.0**	**0.6**	**0.5**

There were no acquisitions through business combinations or disposals in the 2019 financial year.

(14) Trade accounts receivable and other assets

	31.12.2019		31.12.2018	
	Total	Remaining term more than a year	Total	Remaining term more than a year
		million EUR		
Financial assets				
Trade accounts receivable	1,239.8	—	1,217.7	—
from third parties	—	—	1,217.7	—
Other assets	257.2	12.5	230.6	6.7
Available-for-sale financial assets	8.5	8.5	2.9	2.9
Receivables relating to offset or advanced payments	146.8	—	139.3	—
Receivables from other financial assets	5.1	2.7	0.7	0.1
Receivables from deposits and prepayments	15.5	1.0	12.8	3.6
Cash securities	—	—	6.4	—
Other assets	81.3	0.3	68.5	0.1
Total	**1,497.0**	**12.5**	**1,448.3**	**6.7**
Non-financial assets				
Other assets	113.4	11.2	80.7	3.8
Claims arising from the refund of other taxes	61.1	0.7	49.1	0.9
Commitment fees for loans	7.8	3.4	3.0	1.2
Prepaid expenses	27.4	0.3	17.8	0.8
Other assets	17.1	6.8	10.8	0.9
Total	**113.4**	**11.2**	**80.7**	**3.8**

As at 31 December 2019, in relation to ship financing there were assignments on earnings of a type customary on the market for trade accounts receivable resulting from revenue.

In addition to this, trade accounts receivable were pledged as part of the programme to securitise receivables. These kinds of receivables are not derecognised by the Group, but are held according to the business model in order to collect contractual cash flows (held to collect).

Credit risks

The gross carrying amounts of trade account receivables and other financial assets that fall within the scope of impairments under IFRS 9 amounted to EUR 1,517.4 million as of December 31, 2019 (December 31, 2018: EUR 1,477.0 million) and are mostly exposed to low or medium credit risk. As of the reporting date, gross carrying amounts of EUR 123,4 million (December 31, 2018: EUR 125.9 million) were credit-impaired or exposed to high credit risk. EUR 282.4 million of the gross carrying amounts (December 31, 2018: EUR 281.8 million) were collateral backed.

In addition to the risk categorisation presented above, the following table provides information about the age of trade account receivables and other financial assets that fall within the scope of impairments under IFRS 9:

	31.12.2019	31.12.2018[1]
	million EUR	
Trade account receivables and other financial assets		
Not overdue	1,288.0	1,160.2
Overdue up to 30 days	142.5	208.0
Overdue between 31 and 90 days	38.6	49.7
Overdue for more than 90 days	48.3	59.1
Gross carrying amount	**1,517.4**	**1,477.0**
Loss allowance	–28.9	–31.6
Carrying amount	**1,488.4**	**1,445.4**

1 Values adjusted

Loss allowances

The loss allowances on trade accounts receivable and on other financial assets that fall within the scope of impairments under IFRS 9 developed as follows:

	2019	2018[1]
	million EUR	
Loss allowances on trade account receivables and other financial assets		
Loss allowances as of 1.1.	**31.6**	**39.8**
Utilisation	7.4	5.4
Impairment losses / gains	4.0	–4.3
Change of translation reserve	0.7	1.6
Loss allowances as of 31.12.	**28.9**	**31.6**

1 Values adjusted

Of the loss allowances as at 31 December 2019 (EUR 28.9 million), EUR 27.0 million are attributable to credit-impaired receivables.

(15) Derivative financial instruments

	31.12.2019		31.12.2018	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
	million EUR			
Receivables from derivative financial instruments	42.1	27.6	8.1	4.5
thereof derivatives in hedge accounting[1]	14.8	0.3	4.4	0.8
thereof derivatives not included in hedge accounting	27.3	27.3	3.7	3.7

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for cost of hedging are also included.

Derivative financial instruments are shown at fair value (market value). They serve to hedge both the future operating business and the currency risks and interest rate risks in the area of financing. This item also contains embedded derivatives in the form of buy-back options for issued bonds. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (27)).

(16) Inventories

The inventories were as follows:

	31.12.2019	31.12.2018
	million EUR	
Raw materials and supplies	247.2	236.5
Prepayments	1.3	1.6
Total	**248.5**	**238.1**

Raw materials, consumables and supplies primarily comprised fuel inventories, which fell from EUR 233.8 million in the previous year to EUR 233.0 million.

Expenses of EUR 1,625.6 million for fuels were recognised in the reporting period (previous year: EUR 1,585.3 million). Impairments for fuel inventories in the amount of EUR 0.5 million were also recognised as expenses in the financial year (previous year: EUR 28.0 million). No write-backs were recognised.

The carrying amount of inventories recognised at net realisable value comes to EUR 123.8 million (previous year: EUR 99.3 million).

(17) Cash and cash equivalents

	31.12.2019	31.12.2018
	million EUR	
Cash at bank	490.6	638.3
Cash in hand and cheques	21.0	18.8
Total	**511.6**	**657.1**

As at 31 December 2019, a sum totalling EUR 10.0 million with a term of up to 3 months was deposited in pledged accounts (31 December 2018: EUR 11.1 million) and was therefore subject to a limitation on disposal.

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 2.3 million (previous year: EUR 4.4 million) at individual subsidiaries.

(18) Subscribed capital and capital reserves

As at 31 December 2019, Hapag-Lloyd AG’s subscribed capital was divided into 175.8 million no-par registered shares with equal rights, as in the previous year. As in the previous year, each individual share represents EUR 1.00 of the share capital.

Authorised capital

The Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the Company’s share capital by up to EUR 23.0 million in the period to 30 April 2022 by issuing up to 23 million new no-par registered shares in exchange for cash and / or non-cash contributions (Authorised Share Capital 2017). As a general rule, subscription rights must be granted to the shareholders. The new shares can also be taken up by one or more banks, with the obligation to offer them to the shareholders for subscription. Under certain circumstances and subject to the approval of the Supervisory Board, the Executive Board is authorised to exclude the subscription rights of the shareholders in order to exclude fractional amounts from the subscription right.

The Authorised Share Capital still amounted to EUR 11.3 million as at 31 December 2019 following partial utilisation.

(19) Retained earnings

Retained earnings essentially comprise earnings from the financial year and previous years as well as reclassifications from the capital reserves. In the previous financial years, a total of EUR 1,682.3 million was withdrawn from the capital reserves in the individual financial statements under German commercial law and reclassified accordingly in the consolidated financial statements as retained earnings.

Dividend distribution 2019

On 17 June 2019, a dividend of EUR 0.15 per dividend-eligible individual share was paid out to the shareholders of Hapag-Lloyd AG, amounting to a total payment of EUR 26.4 million.

Use of retained earnings

In accordance with the German Stock Corporation Act (AktG), the Annual General Meeting passes resolutions regarding use of the retained earnings reported in the annual financial statements prepared according to the German Commercial Code. Taking into account retained earnings of EUR 208.8 million carried forward from 2018, the annual financial statements of Hapag-Lloyd AG reported retained earnings of EUR 431.7 million. A proposal will be made at the Annual General Meeting that the retained earnings of EUR 431.7 million be used to pay a dividend of EUR 1.10 per dividend-eligible share and that the retained earnings of EUR 238.4 million remaining after the distribution totalling EUR 193.3 million be carried forward to the subsequent year.

(20) Cumulative other equity

Changes in the value of the financial liability are subsequently recognised through profit or loss in the interest result.

The reserve for remeasurements from defined benefit pension plans (31 December 2019: EUR –173.3 million; 31 December 2018: EUR –112.6 million) contains gains and losses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the measurement of pension obligations and the associated fund assets. The effect of remeasuring pension obligations and the associated plan assets recognised in other comprehensive income in the 2019 financial year resulted in an increase of EUR 60.8 million in the negative reserve (prior year period: decrease of EUR 6.2 million).

The reserve for cash flow hedges contains changes in the intrinsic value and in the cash component from hedging transactions that are recognised in other comprehensive income and amounted to – EUR 14.0 million as at 31 December 2019 (31 December 2018: EUR –0.8 million). In the 2019 financial year, the resulting gains and losses totalling EUR –31.7 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR –38.5 million), while gains and losses of EUR 18.5 million (prior year period: EUR 52.9 million) were reclassified and recognised through profit or loss.

The reserve hedging costs contains changes in the time value and in the forward component from hedging transactions that are recognised in other comprehensive income and amounted to EUR –10.2 million as at 31 December 2019 (31 December 2018: EUR –7.7 million). In the 2019 financial year, the resulting gains and losses totalling EUR –40.9 million were recognised in other comprehensive income (previous year: EUR –47.3 million), while gains and losses of EUR 27.0 million (previous year: EUR 29.4 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR 560.5 million (31 December 2018: EUR 439.7 million) includes differences from currency translation. The differences from currency translation of EUR 121.2 million recognised in other comprehensive income in the 2019 financial year (previous year: EUR 272.2 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. Currency translation differences are recognised in the statement of comprehensive income under the items that are not reclassified and recognised through profit or loss, because the currency translation effects of subsidiaries with the same functional currency as the parent company cannot be recycled.

The difference between the relevant non-controlling interests and the expected purchase price at the time the put option was entered is recognised in the reserve for put options on non-controlling interests. Changes in the value of the financial liability are subsequently recognised through profit or loss in the interest result. As at 31 December 2019, the reserve for put options on non-controlling interests amounted to EUR –0.5 million and was therefore the same as at year-end 2018.

(21) Non-controlling interests

The non-controlling interests within the Hapag-Lloyd Group are not material from a quantitative or qualitative perspective. There were no material changes in non-controlling interests in the 2019 financial year.

(22) Provisions for pensions and similar obligations

Defined benefit pension plans

Hapag-Lloyd AG maintains domestic and foreign defined benefit pension plans.

Provisions for domestic benefit obligations and similar obligations are primarily made due to benefit commitments for pensions, survivorship annuities and disability benefits. The amount of the benefit depends on which benefit group the employees belong to based on years of service, and therefore on the total number of years of service. The monthly pension payable corresponds to the balance of the benefit account of the employee when pension payments begin. The balance of the benefit account is zero when employment begins. It increases by the increment set for the benefit group for every year of eligible service. After the 25th year of service, the annual amount increases by a fifth of the increment applicable to the benefit group. There is no obligation for employees to participate in the pension plan by way of paying contributions.

Furthermore, there are individually agreed pension commitments with entitlements to pension, survivorship annuity and disability benefits, the amount of which is specified in the corresponding agreements. A small number of people also have the option of forgoing their bonuses in favour of a company pension.

Pension commitments are provided to former Executive Board members based on a separate defined benefit plan. These also include entitlements to pension, survivorship annuity and disability benefits, the amount of which is based on an individually specified percentage of the pensionable emoluments. In some cases, they are also secured by plan assets in the form of reinsurance policies. Active Executive Board members do not receive any commitments for a company pension, with one exception. For one Executive Board member, there is a commitment for pension, survivorship annuity and disability benefits, the amount of which is determined by a fixed amount. Retirement benefits are paid out in the form of monthly pension payments.

Foreign defined benefit pension plans primarily relate to plans in the United Kingdom, the Netherlands and Mexico. These likewise include entitlements to pension, survivorship annuity and disability benefits. The amount of the benefits corresponds to a defined percentage together with the eligible years of service and emoluments. The net income generated from the amounts paid in is also taken into account. Plan assets exist for these plans. Contributions to the foreign plans are paid by Hapag-Lloyd and its employees. In Mexico, the contributions are paid solely by the employer. Benefits abroad are usually paid out in the form of monthly pension payments. However, in Mexico employees have the option of choosing between ongoing pension payments and one-time payments. The additional employee benefits mainly comprise statutory claims for employee termination benefits.

The Company is exposed to a variety of risks associated with defined benefit pension plans. Aside from general actuarial and financial risks such as longevity risks and interest rate risks, the Company is exposed to currency risk and investment / capital market risk.

Financing status of the pension plans

	31.12.2019	31.12.2018
	million EUR	
Domestic defined benefit obligations		
Net present value of defined benefit obligations	273.9	221.5
Less fair value of plan assets	10.2	10.3
Deficit (net liabilities)	**263.7**	**211.2**
Foreign defined benefit obligations		
Net present value of defined benefit obligations	208.0	178.3
Less fair value of plan assets	131.5	116.0
Deficit (net liabilities)	**76.5**	**62.3**
Total	**340.2**	**273.5**

Composition and management of plan assets

The Group's plan assets are as follows:

	31.12.2019	31.12.2018
	million EUR	
Equity instruments		
with quoted market price in an active market	37.7	28.4
without quoted market price in an active market	1.7	1.6
Government bonds		
with quoted market price in an active market	38.4	33.2
without quoted market price in an active market	—	—
Corporate bonds		
with quoted market price in an active market	17.3	19.6
without quoted market price in an active market	—	—
Other debt instruments		
mortgage-backed securities		
with quoted market price in an active market	—	—
without quoted market price in an active market	—	—
(other) asset-backed securities		
with quoted market price in an active market	5.0	5.4
without quoted market price in an active market	—	—
Derivatives		
with quoted market price in an active market	6.2	5.8
without quoted market price in an active market	5.1	3.2
Pension plan reinsurance	10.2	10.3
Real estate	9.3	8.1
Cash and cash equivalents	1.2	1.2
Other	9.7	9.5
Fair value of plan assets	**141.7**	**126.3**

The plan assets have been entrusted to independent external financial service providers for investment and management. The plan assets contain neither the Group's own financial instruments nor real estate used by the Group itself. All bonds in the plan assets had a rating of at least AA as at the balance sheet date.

Committees (trustees) exist in the United Kingdom and Mexico to manage the foreign plan assets; these consist of plan participants and representatives of Hapag-Lloyd management.

When plan assets are invested in these countries, legally independent financial service providers are called in to provide advice and support. They make a capital investment proposal to the respective committee, complete with risk and success scenarios. The committee is then responsible for taking the investment decision in close consultation with Hapag-Lloyd AG; their decisions tally with their respective investment strategy. The investment strategy first and foremost focuses on reducing the

interest rate risk and on safeguarding liquidity and optimising returns. To this end, the anticipated pension payments, which will be incurred in a specific time frame, are aligned with the maturity of the capital investments. In the case of maturities from 8 to 12 years, low-risk investment forms are chosen, e.g. fixed-interest or index-linked government and corporate bonds. For any other obligations falling due, investments are made in forms with a higher risk, but which have a greater expected return.

In the Netherlands, an independent financial service provider is responsible both for managing the plan assets and for deciding how to invest them.

The financing conditions in the United Kingdom are set by the regulatory body for pensions together with the corresponding laws and regulations. Accordingly, a valuation is carried out in line with local regulations every 3 years, which usually leads to a greater obligation compared to measurement pursuant to IAS 19. Based on the most recent technical valuation, the defined benefit plan in the United Kingdom has a financing deficit. The Company and trustees have agreed on a plan to reduce the deficit, which includes additional annual payments for a limited period.

Development of the present value of defined benefit obligations

The present value of defined benefit obligations has developed as follows:

	2019	2018
	million EUR	
Net present value of defined benefit obligations as at 1.1.	**399.8**	**429.0**
Current service cost	10.9	12.9
Interest expenses	9.0	8.6
Remeasurements:		
Gains (–) / losses (+) from changes in demographic assumptions	0.6	3.5
Gains (–) / losses (+) from changes in financial assumptions	75.8	–14.2
Gains (–) / losses (+) from changes due to experience	–3.5	–3.2
Past service cost	–0.3	1.2
Plan reductions	–1.9	—
Plan settlements	–2.1	–8.5
Contributions by plan participants	0.3	0.4
Benefits paid	–12.5	–29.9
Exchange rate differences	5.7	0.4
Additions from change in the group of consolidated companies	—	–0.4
Net present value of defined benefit obligations as at 31.12.	**481.9**	**399.8**

The weighted average maturity of defined benefit obligations was 20.7 years as at 31 December 2019 (previous year: 19.6 years).

Development of the fair value of the plan assets

The fair value of the plan assets has developed as follows:

	2019	2018
	million EUR	
Fair value of plan assets as at 1.1.	**126.3**	**138.1**
Interest income	3.7	3.4
Return and losses on plan assets (excluding interest income)	10.6	–5.2
Employer contributions	2.9	4.0
Contributions by plan participants	0.1	0.2
Plan settlements	–1.1	–8.7
Benefits paid	–5.2	–4.8
Exchange rate differences	4.4	–0.4
Additions from change in the group of consolidated companies	—	–0.3
Fair value of plan assets as at 31.12.	**141.7**	**126.3**

Net pension expenses

Net pension expenses reported in the income statement for the period are as follows:

	1.1.–31.12. 2019	1.1.–31.12. 2018
	million EUR	
Current service cost	10.9	12.9
Interest expenses	9.0	8.6
Interest income	–3.7	–3.4
Past service cost	–0.3	1.2
Plan settlements / plan reductions	–4.0	–8.6
Net pension expenses	**12.0**	**10.7**

The expenses incurred in connection with pensions and similar obligations are contained in the following items in the consolidated income statement:

	1.1.–31.12. 2019	1.1.–31.12. 2018
	million EUR	
Personnel expenses	6.7	5.5
Interest expenses (+) / interest income (–)	5.4	5.2
Total	**12.0**	**10.7**

Actuarial assumptions

The valuation date for pension provisions and plan assets is generally 31 December. The valuation date for current net pension expenses is generally 1 January. The parameters established for the calculation of the pension provisions and the interest rate to determine interest income on plan assets to be reported in the income statement vary in accordance with the prevailing market conditions in the currency region in which the pension plan was set up.

The 2018 G mortality tables devised by Heubeck served as the demographic basis for calculating the domestic pension provisions. The following significant financial and actuarial assumptions were also used:

percentage points	2019	2018
Discount factors	0.90	1.80
Expected rate of pension increases	1.80	1.80

Demographic assumptions based on locally generally applicable guidance tables were used to measure the significant foreign pension provisions. The following financial and actuarial assumptions were also used:

percentage points	2019	2018
Discount factors for pension obligations		
United Kingdom	2.05	2.85
Netherlands	0.90	1.80
Mexiko	7.48	9.97
Expected rate of pension increases		
United Kingdom	2.13	2.85
Netherlands	2.00	2.00
Mexiko	3.50	3.65

The discount factors for the pension plans are determined annually on the basis of first-rate corporate bonds with maturities and values matching those of the pension payments. An index based on corporate bonds with relatively short terms is used for this purpose. The resultant interest rate structure is extrapolated on the basis of the yield curves for almost risk-free bonds, taking account of an appropriate risk premium, and the discounting rate is determined in accordance with the duration of the obligation.

Remeasurements

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR–63.1 million before tax as at 31 December 2019 for the 2019 financial year (previous year: EUR 7.2 million) and can be broken down as follows:

	31.12.2019	31.12.2018
	million EUR	
Actuarial gains (+) / losses (–) from		
Changes in demographic assumptions	–0.6	–3.5
Changes in financial assumptions	–75.8	14.2
Changes from experience	3.5	3.2
Return on plan assets (excluding interest income)	10.6	–5.2
Exchange rate differences	–0.7	–1.5
Remeasurements	**–63.1**	**7.2**

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR–173.4 million as at 31 December 2019 (previous year: EUR–112.6 million).

Future contribution and pension payments

For 2020, the Group is planning to make contributions to pension plan assets amounting to EUR 2.0 million (previous year: EUR 3.0 million). Payments for unfunded pension plans, including employee termination costs, are anticipated in the amount of EUR 5.5 million in 2020 (previous year: EUR 5.3 million).

Sensitivity analyses

An increase or decrease in the significant actuarial assumptions would have the following effects on the present value of pension provisions as at 31 December 2019:

	Δ Present value 31.12.2019	Δ Present value 31.12.2018
	million EUR	
Discount factor 0.8% points higher	–69.4	–55.2
Discount factor 0.8% points lower	88.4	69.3
Expected rate of pension increase 0.2% higher	11.2	8.9
Expected rate of pension increase 0.2% lower	–10.8	–8.6
Life expectancy 1 year longer	18.4	13.9

The sensitivity calculations are based on the average maturity of pension provisions determined as at 31 December 2019. In order to present the effects on the present value of pension provisions as at 31 December 2019 separately, the calculations for the key actuarial parameters were performed individually. Correlations between the effects and valuation assumptions were not considered either. Given that sensitivity analyses are based on the average duration of the anticipated pension provisions and, as a result, the expected payout date is not considered, they only provide approximate information and indications of trends.

Defined contribution pension plans

At Hapag-Lloyd, the expenses for defined contribution pension plans relate predominantly to the contributions to the statutory retirement pension system. In the period from 1 January to 31 December 2019, expenses incurred in connection with defined contribution pension plans totalled EUR 27.8 million (previous year: EUR 28.1 million).

At Hapag-Lloyd exist two defined benefit multi-employer plans. These releate to a pension and medical benefit plan in the USA as well as the Merchant Navy Officer's Pension Fund (MNOPF) registered in the United Kingdom, which has been established worldwide for British merchant navy officers.

As the joint pension plans do not provide sufficient and timely information regarding the development of the entitlement of employees of the Group or the Group's share in the plan assets, these plans have been recognised as a contribution plans since then.

The two multi-employer pension plans are not material in the Hapag-Lloyd Group in quantitative and qualitative terms.

(23) Other provisions

Other provisions developed as follows in the financial year and previous year:

	As at 1.1.2018	Reclassi-fication	Utilisation	Release	Addition	Exchange rate differences	As at 31.12.2018
	million EUR						
Personnel costs	103.1	—	67.0	4.7	78.9	1.6	111.9
Guarantee, warranty and liability risks	68.5	27.5	52.4	5.4	28.6	3.2	70.0
Risks from pending transactions and lawsuits	66.7	88.6	119.8	—	115.3	5.3	156.1
Insurance premiums	15.5	—	5.7	—	3.0	0.6	13.4
Restructuring	13.0	—	7.4	—	9.8	0.6	16.0
Provisions for other taxes	10.1	—	4.8	—	3.5	0.4	9.2
Other provisions	47.3	—	10.4	7.9	11.6	1.9	42.5
Other provisions	**324.2**	**116.1**	**267.5**	**18.0**	**250.7**	**13.6**	**419.1**

	As at 1.1.2019	Reclassi-fication	Utilisation	Release	Addition	Exchange rate differences	As at 31.12.2019
	million EUR						
Risks from pending transactions and lawsuits	156.1	–30.7	120.5	—	164.5	2.4	171.8
Personnel costs	111.9	—	81.1	3.9	101.2	1.4	129.5
Guarantee, warranty and liability risks	69.9	—	40.2	2.9	59.0	1.4	87.1
Restructuring	16.1	—	5.6	2.0	9.5	0.3	18.3
Insurance premiums	13.4	—	3.3	—	2.3	0.3	12.7
Provisions for other taxes	9.3	—	0.6	—	1.4	0.2	10.3
Other provisions	42.4	—	7.6	13.1	13.3	0.3	35.3
Other provisions	**419.1**	**–30.7**	**258.9**	**22.0**	**351.2**	**6.3**	**464.9**

The risks from pending transactions and legal disputes primarily relate to existing performance obligations in connection with transport orders for unfinished voyages. In the previous year this item also includes disadvantageous lease agreements identified as part of purchase price allocations pursuant to IFRS 3. By comparison with the prevailing market conditions at the time of acquisition, these agreements had a negative market value. They were recognised as provisions and utilised over the respective contractual terms of the underlying agreements. Due to the first-time application of IFRS 16, these provisions for unfavourable contracts were derecognised at an amount of EUR 30.7 million and the carrying amount of the rights of use was reduced by this amount at the time of first-time application.

Provisions for personnel costs comprise provisions for bonuses not yet paid, leave not yet taken, severance compensation, anniversary payments and share-based payment agreements which are part of the Executive Board’s variable remuneration. Details of the long-term incentive plans are outlined in Note (33). Provisions for insurance premiums include outstanding premiums for general and business insurance policies entered into with insurers outside the Group.

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo. The main damage to ships, cargo and equipment as well as rescue costs have a provision of EUR 17.7 million. Other assets were capitalised for associated, virtually secure recourse claims against insurance agencies.

As part of the implementation of Strategy 2023, plans to optimise the organisation were approved in order to further strengthen and increase the Company’s competitiveness. An amount of EUR 9.5 million was set aside for severance payments to be made.

Miscellaneous provisions comprise items that cannot be allocated to any of the items already mentioned and include in particular provisions for country-specific risks and archiving provisions.

The maturities of the other provisions are as follows:

	31.12.2019				31.12.2018			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	million EUR							
Risks from pending transactions and lawsuits	171.8	170.4	1.5	—	156.1	142.3	13.8	—
Personnel costs	129.5	97.0	21.4	11.1	111.9	81.9	20.3	9.7
Guarantee, warranty and liability risks	87.1	68.5	14.3	4.3	70.0	55.5	10.2	4.3
Restructuring	18.3	18.3	—	—	16.0	13.4	2.6	—
Insurance premiums	12.7	12.7	—	—	13.4	13.4	—	—
Provisions for other taxes	10.3	10.3	—	—	9.2	9.1	0.1	—
Other provisions	35.3	22.2	4.8	8.3	42.5	27.9	6.8	7.8
Other provisions	**464.9**	**399.3**	**42.0**	**23.7**	**419.1**	**343.5**	**53.8**	**21.8**

(24) Financial debt and lease liabilities

	31.12.2019				31.12.2018			
	Remaining terms				Remaining terms			
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	million EUR							
Financial debt	5,203.8	758.7	3,089.0	1,356.1	5,918.9	677.7	3,241.1	2,000.1
Liabilities to banks[1]	4,292.9	678.5	2,433.3	1,181.1	4,483.5	584.8	2,559.7	1,339.0
Bonds	458.3	10.2	448.1	—	923.7	23.8	450.2	449.7
Other financial debt	452.6	70.1	207.6	175.0	511.7	69.1	231.2	211.4
Lease liabilities	1,193.4	482.4	604.3	106.6	99.0	38.6	59.3	1.1
Total	**6,397.2**	**1,241.2**	**3,693.3**	**1,462.7**	**6,017.9**	**716.3**	**3,300.4**	**2,001.2**

1 This includes liabilities which result from sale and leaseback transactions that are accounted for as loan financing in accordance with IFRS 16 in conjunction with IFRS 15 (up to 31 December 2018 in accordance with SIC-27), insofar as the liabilities are to banks or special purpose entities, which are established and financed by banks.

Financial debt by currency exposure

	31.12.2019	31.12.2018
	million EUR	
Denoted in USD (excl. transaction costs)	5,472.9	4,714.6
Denoted in EUR (excl. transaction costs)	736.1	1,118.2
Denoted in SAR (excl. transaction costs)	152.0	194.1
Denoted in other currencies (excl. transaction costs)	56.6	—
Interest liabilities	32.5	49.8
Transaction costs	–52.9	–58.8
Total	**6,397.2**	**6,017.9**

Financial debt includes liabilities to banks, bonds and other financial debt.

Liabilities to banks

Liabilities to banks mainly comprise loans to finance the existing fleet of ships and containers.

Significant elements of the liabilities to banks are collateralised with ship mortgages. Additional collateral exists in the form of land charges in connection with the Ballindamm property and securitised trade accounts receivable amounting to EUR 456.4 million (previous year: EUR 414.0 million).

In the 2019 financial year, Hapag-Lloyd conducted 7 container sale and leaseback transactions to refinance investments in reefer and standard containers (Japanese operating leases [JOLs]). The lease

agreements include substantial purchase options that entitle Hapag-Lloyd to repurchase the containers after 7 years. As a result, the transactions are recognised as loan financing in accordance with the provisions of IFRS 16 in conjunction with IFRS 15. The financing volume has a total amount of EUR 290.9 million.

Furthermore, sale and leaseback transactions were conducted for the refinancing of 2 container ships (Japanese operating leases [JOLs]). The lease agreements include substantial purchase options that entitle Hapag-Lloyd to repurchase the container ships after 8 or 7.5 years, respectively. The refinancing volume associated with these transactions has a total amount of EUR 168.8 million. The loan liabilities of EUR 115.3 million previously associated with these two ships were repaid in full.

These transactions are included in liabilities to banks, as the liabilities are to special purpose entities, which are established and financed by banks.

Overall, transactions of this kind resulted in liabilities to banks totalling EUR 1,293.7 million as at the reporting date (previous year: EUR 933.3 million) and other financial debt totalling EUR 443.3 million (previous year: EUR 501.4 million). Interest totalling EUR 75.6 million was recognised in interest expenses in the 2019 financial year (previous year: EUR 54.2 million).

Bonds

On 31 January 2019, the Executive Board of Hapag-Lloyd AG decided to conduct an early partial repayment of EUR 170.0 million of its bond due in 2022. On 14 June 2019, the Board resolved to completely repay the bond, with a remaining amount of EUR 280.0 million. Both the partial epayment made on 11 February 2019 and the repayment of the residual amount made on 24 June 2019 occurred at a repayment rate of 103.375%. The bond was issued in February 2017 with a nominal value of EUR 450.0 million and a coupon of 6.75%.

Lease liability

Descriptions relating to lease liabilities in the Hapag Lloyd Group are included in chapter “New accounting standards”.

Credit facilities

The Hapag-Lloyd Group had total available credit facilities of EUR 521.3 million as at 31 December 2019 (31 December 2018: EUR 475.9 million).

Reconciliation of the changes in debt with the cash flow from financing activities

	Financial debt				Liabilities (+) / assets (–) from derivative financial instruments in hedge accounting		
	Liabilities to banks	Bonds	Other finacial liabilities	Lease liabilities	Forward exchange contracts	Interest rate swaps	Total
				million EUR			
As at 1 January 2018	**4,747.4**	**923.8**	**540.7**	**123.6**	**–31.2**	**9.4**	**6,313.7**
Changes of liabilities from financing cash flows							
Payments received from raising financial debt	782.1	—	—	—	—	—	782.1
Payments made for redemption of financial debt	–1,250.7	—	–65.1	–29.6	—	—	–1,345.4
Payments received (+) / made (–) from hedges for finacial debt	—	—	—	—	13.4	–4.0	9.4
Payments made for interest and fees	–230.9	–53.9	–25.1	–7.7	—	—	–317.6
Total changes of liabilities from financing cash flows	**–699.5**	**–53.9**	**–90.2**	**–37.3**	**13.4**	**–4.0**	**–871.5**
Effect of changes in exchange rates	197.9	1.1	23.7	4.9	1.5	0.4	229.5
Changes in fair value	—	—	—	—	78.7	6.4	85.1
Other changes	237.7	52.7	37.5	7.8	—	–4.2	331.5
As at 31 December 2018	**4,483.5**	**923.7**	**511.7**	**99.0**	**62.4**	**8.0**	**6,088.3**

	Financial debt				Liabilities (+) / assets (–) from derivate financial instruments in hedge accounting		
	Liabilities to banks	Bonds	Other finacial liabilities	Lease liabilities	Foward exchange contracts	Inetrest rate swaps	Total
				million EUR			
As at 1 January 2019	**4,483.5**	**923.7**	**511.7**	**99.0**	**62.4**	**8.0**	**6,088.3**
First-time application of IFRS 16	—	—	—	947.6	—	—	947.6
Adjusted as at 1 January 2019	**4,483.5**	**923.7**	**511.7**	**1,046.6**	**62.4**	**8.0**	**7,035.9**
Changes of liabilities from financing cash flows							
Payments received from raising financial debt	924.3	—	—	—	—	—	924.3
Payments made for redemption of financial debt	–1,206.3	–456.8	–70.2	—	—	—	–1,733.2
Payments made for redemption of lease liabilities	—	—	—	–456.7	—	—	–456.7
Payments received (+) / made (–) from hedges for finacial debt	—	—	—	—	–98.4	–5.3	–103.7
Payments made for interest and fees	–234.5	–62.3	–27.7	–72.6	—	—	–397.1
Total changes of liabilities from financing cash flows	**–516.5**	**–519.1**	**–97.9**	**–529.3**	**–98.4**	**–5.3**	**–1,766.5**
Effect of changes in exchange rates	85.6	7.3	10.5	20.0	1.4	0.1	124.9
Changes in fair value	—	—	—	—	45.7	19.7	65.4
Other changes[1]	240.3	46.4	28.2	656.1	—	—	971.0
As at 31 December 2019	**4,292.9**	**458.3**	**452.5**	**1,193.4**	**11.1**	**22.5**	**6,430.7**

1 The other changes in the lease liabilities mainly include current additions from IFRS 16 in the amount of EUR 591.5 million.

(25) Trade accounts payable, contract liabilities and other liabilities

	31.12.2019				31.12.2018			
		Remaining terms				Remaining terms		
	Total	up to 1 year	1-5 years	more than 5 years	Total	up to 1 year	1-5 years	more than 5 years
	million EUR							
Financial liabilities								
Trade accounts payable	1,779.4	1,779.4	—	—	1,774.1	1,774.1	—	—
thereof to third parties	1,779.4	1,779.4	—	—	1,772.9	1,772.9	—	—
thereof to investments	—	—	—	—	1.2	1.2	—	—
Other liabilities	105.6	103.8	1.7	0.2	101.1	97.7	3.2	0.2
Other liabilities to employees	9.0	8.8	—	0.2	4.4	4.2	—	0.2
Put option	1.6	—	1.6	—	1.7	—	1.7	—
Other liabilities	95.0	95.0	—	—	95.0	93.5	1.5	—
Total	**1,885.0**	**1,883.2**	**1.7**	**0.2**	**1,875.2**	**1,871.8**	**3.2**	**0.2**
Non-financial liabilities								
Contract liabilities	372.9	372.9	—	—	260.3	260.3	—	—
Other liabilities	26.4	22.9	3.4	0.1	65.9	60.2	5.6	0.1
Other liabilities as part of social security	13.7	12.0	1.7	0.1	13.3	11.7	1.5	0.1
Other liabilities from other taxes	9.0	9.0	—	—	10.5	10.5	—	—
Prepaid income	3.5	1.8	1.7	—	41.7	37.6	4.1	—
Other liabilities	0.1	0.1	—	—	0.4	0.4	—	—
Total	**399.2**	**395.7**	**3.4**	**0.1**	**326.2**	**320.5**	**5.6**	**0.1**

(26) Derivate financial instruments

	31.12.2019		31.12.2018	
	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
	million EUR			
Liabilities from derivative financial instruments	34.4	22.8	72.5	8.5
thereof derivatives in hedge accounting[1]	26.4	14.9	70.1	6.1
thereof derivatives not included in hedge accounting	8.0	8.0	2.4	2.4

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for cost of hedging are also included.

Liabilities from derivative financial instruments result from currency forward contracts and interest rate swaps. A detailed presentation of the derivative financial instruments is contained in the explanatory note on financial instruments (Note (27)).

(27) Financial instruments

Financial risks and risk management

Risk management principles

The Hapag-Lloyd Group’s global business activity exposes it to market risks. The market risks include, in particular, currency risk, fuel price risk and interest rate risk. The objective of financial risk management is to reduce market risks. For this purpose, selected derivative financial instruments are deployed at Hapag-Lloyd AG; these are used solely as an economic hedging measure and not for trading or other speculative purposes.

In addition to market risks, the Hapag-Lloyd Group is subject to liquidity risks and default risks, which involve the risk that the Group itself or one of its contractual partners cannot meet its contractually agreed payment obligations.

The basic features of financial risk management have been established and described in a financial management guideline approved by the Executive Board. The guideline stipulates areas of responsibility, describes the framework for action and the reporting function, and establishes the strict separation of trading and handling with binding force.

The derivative financial instruments used to limit market risks are acquired only through financial institutions with first-rate creditworthiness. The hedging strategy is approved by the Executive Board of Hapag-Lloyd AG. Implementation, reporting and ongoing financial risk management are the responsibility of the Treasury department. The derivative financial instruments employed to reduce market risks are consistent with the payment dates and the relevant risks of the hedged items. Accordingly, the financial instruments designated as cash flow hedges hedge the cash flows, and, as a result, increase financial security. Accounting for the hedging relationships leads to a reduction in the volatility reported in the income statement, as the effect of the hedged item on profit or loss is matched by the corresponding opposite change in the fair value of the hedging instrument in the same reporting periods in the same line items of the income statement.

Market risk

Market risk is defined as the risk that the fair values or future cash flows of a primary or derivative financial instrument fluctuate as a result of underlying risk factors.

The causes of the existing market price risks to which the Hapag-Lloyd Group is exposed lie particularly in the significant cash flows in foreign currencies at the level of Hapag-Lloyd AG, fuel consumption and interest rate risks that result from external financing.

In order to portray the market risks, IFRS 7 demands sensitivity analyses that show the effects of hypothetical changes in relevant risk variables on profit or loss for the period and equity. The hypothetical changes in these risk variables relate to the respective portfolio of primary and derivative financial instruments on the balance sheet date.

The analyses of the risk reduction activities outlined below and the amounts determined using sensitivity analyses constitute hypothetical and therefore risky and uncertain information. Due to unforeseeable developments on the global financial markets, actual results may deviate substantially from the information provided.

Currency risk

Currency risks are hedged as far as they influence the Hapag-Lloyd Group's cash flow. The objective of currency hedging is the fixing of cash flows based on hedging rates for preventing future disadvantageous fluctuations of the currency exchange rate.

The Hapag-Lloyd Group's functional currency is the US dollar. Currency risks mainly result from incoming or outgoing payments in currencies other than the US dollar and from financial debt taken on in euros. Alongside the euro, the Indian rupee (INR), Brazilian real (BRL), Chinese renminbi (CNY), British pound sterling (GBP), Canadian dollar (CAD), United Arab Emirates dirham (AED), Japanese yen (JPY) and Australian dollar (AUD) are also significant currencies.

If necessary, currency hedging instruments are conducted, while taking account of internal guidelines. The Group hedges a portion of its operating cost exposure denominated in CAD by using currency forward contracts on a 13-week basis with the aim of limiting currency risks. The hedging quota for costs denominated in CAD is 80%.

The repayment of euro-denominated financial debt is also hedged up to as much as 100%. As a rule, forward contracts used to hedge euro-denominated debt generally mature within less than 1 year. The risks are hedged by making use of derivative financial instruments in the form of currency forward contracts and instruments that have a natural hedging effect (e.g. euro money market investments).

Hapag-Lloyd only designates the spot price element of the currency forward contracts. The change in the forward components is recorded in the reserve for cost of hedging within equity.

A commercial relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged item as a result of a change in a common risk factor, and not when it simply results from a purely statistical correlation.

Ineffectiveness in hedging relationships can arise in particular for the following reasons:

- In case of a significant deterioration in the creditworthiness of a bank counterparty, a fair value deterioration occurs as part of a credit valuation adjustment. This risk is not reflected in the hedged item. Currently, this source of ineffectiveness is not relevant as the counterparty risk is insignificant.
- Timing differences between the hedged item and the hedging instrument.
- Designation of currency forward contracts which already have a market value (off-market derivatives).

The following sensitivity analysis contains the Hapag-Lloyd Group's currency risks in relation to primary and derivative financial instruments. It reflects the risk that arises in the event that the US dollar as the functional currency appreciates or depreciates by 10% against the major Group currencies (EUR, CAD, INR) at the reporting date. The analysis is depicted on the basis of a posted foreign currency exposure of USD –516.8 million.

	31.12.2019			31.12.2018		
	Effect on earnings	Reserve for cash flow hedges (equity)	Reserve for cost of hedging (equity)	Effect on earnings	Reserve for cash flow hedges (equity)	Reserve for cost of hedging (equity)
	million USD					
USD / EUR						
+10%	22.3	—	0.1	13.9	—	0.1
–10%	–22.3	—	–0.1	–13.9	—	–0.1
USD / CAD						
+10%	–0.4	1.3	—	–2.0	1.7	—
–10%	0.4	–1.3	—	2.0	–1.7	—
USD / INR						
+10%	3.3	—	—	1.5	—	—
–10%	–3.3	—	—	–1.5	—	—

Risks at the level of Hapag-Lloyd AG's consolidated financial statements arise from the translation of the US dollar consolidated financial statements into the reporting currency, the euro (translation risk). This risk has no impact on the Group's cash flow; instead, it is reflected in equity and is not currently hedged.

Fuel price risk

As a result of its operating activities, the Hapag-Lloyd Group is exposed to a market price risk for the procurement of bunker fuel.

The risk management's basic objective is securing up to 80% of the forecast bunker requirements. Derivative financial instruments in the form of commodity options are used to hedge against price fluctuations.

Hapag-Lloyd only designates the intrinsic value of the option. The change in the time value is recorded in the reserve for cost of hedging within equity.

A commercial relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged item as a result of a change in a common risk factor, and not when it simply results from a purely statistical correlation. Due to the IMO2020 regulation, from 1 January 2020 the Hapag-Lloyd Group will mainly use low-sulphur fuel (LSFO 0.5%). Since the liquidity and level of price transparency on the financial market for derivative financial instruments with the underlying LSFO 0.5% are currently inadequate, for the time being fuel price hedging has been implemented by using Gasoil 0.1% (Marine Gas Oil) options as a proxy for LSFO 0.5%.

Ineffectiveness in hedging relationships can arise in particular for the following reasons:

- In case of a significant deterioration in the creditworthiness of a bank counterparty, a fair value deterioration occurs as part of a credit valuation adjustment. This risk is not reflected in the hedged item. Currently, this source of ineffectiveness is not relevant as the counterparty risk is insignificant.

- Differences in payment dates between the heged item and the hedging instrument.
- Change in the correlation between quoted bunker prices worldwide.

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was performed, with an implied hypothetical market price change of + / –10%. The consequent effects on other comprehensive income resulting from the market price changes of the derivative financial instrument used are shown in the following table.

	31.12.2019		31.12.2018	
	10%	–10%	10%	–10%
	million EUR			
Reserve for cash flow hedges	—	—	—	—
Reserve for cost of hedging	36.6	–12.0	5.1	–1.8

Interest rate risk

The Hapag-Lloyd Group is exposed to interest rate risks affecting cash flow, particularly from financial debt based on variable interest rates. In order to minimise the interest rate risk, the Group strives to achieve a balanced combination of assets and liabilities with variable and fixed interest rates. Interest rate swaps have also been used since 2017 to hedge the interest rate risk. In addition, non-cash interest rate risks relating to the measurement of separately recognised embedded derivatives exist in the form of early buy-back options for issued bonds. Effects from the market valuation of these financial instruments are also reflected in the interest result. In order to reduce interest rate risk, Hapag-Lloyd designates interest swaps as hedges of the variable element of interest rate payments of hedged items. Some interest swaps only hedge a proportion of the total nominal volumes. In this way, certain hedged items are not designated in full, but only certain risk components are hedged.

The variations in the cash flows of the hedging transactions are primarily affected by changes in the variable interest rate.

A commercial relationship must exist between the hedging instrument and the hedged item. This relationship is always present when the derivative compensates for the changes in the cash flows of the hedged item as a result of a change in a common risk factor, and not when it simply results from a purely statistical correlation. Generally, the nominal volume, benchmark interest rate and interest rate fixing dates of the hedged item and the hedging instrument are matched.

Ineffectiveness in hedging relationships can arise in particular for the following reasons:

- In case of a significant deterioration in the creditworthiness of a bank counterparty, a fair value deterioration occurs as part of a credit valuation adjustment. This risk is not reflected in the hedged item. Currently, this source of ineffectiveness is not relevant as the counterparty risk is insignificant.
- Differences in payment dates between the hedged item and the hedging instrument.
- Designation of interest rate swaps which already have a market value (off-market derivatives).

In order to present the interest rate risks pursuant to IFRS 7, a sensitivity analysis was performed and used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2019 was increased or decreased by + / –100 basis points. Taking into account the low interest rate level, hypothetical, negative changes in interest rates were only made up to a maximum of 0. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 3,042.2 million that existed at the balance sheet date (previous year: EUR 3,493.3 million), the fair value of interest rate swaps of EUR–22.5 million (previous year: EUR–8.0 million) and the market value of embedded derivatives totalling EUR 27.3 million (previous year: EUR 3.7 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

	31.12.2019		31.12.2018	
	million EUR			
Change in variable interest rate	+100 base points	–100 base points	+100 base points	–100 base points
Reserve for cash flow hedges	12.5	–13.0	20.5	–20.9
Earnings before taxes	–39.5	40.2	–16.3	16.4

Credit risk

In addition to the market risks described above, the Hapag-Lloyd Group is exposed to credit risks. Credit risk constitutes the risk that a contract partner will be unable to meet its contractual payment obligations. It refers to both the Hapag-Lloyd Group's operating activities and the counterparty risk vis-à-vis external banks.

Generally, a risk of this kind is minimised by the creditworthiness requirements which the respective contracting partners are required to fulfil. With regard to its operating activities, the Group has an established credit and receivables management system at area, regional and head office level which is based on internal guidelines. Payment periods for customers are determined and continuously monitored within the framework of a credit check. This process takes account of both internal data based on empirical values and external information on the respective customer's creditworthiness and rating. In addition, collective factors such as country risks are taken into account. There are also credit insurance arrangements and bank guarantees in place at the reporting date which provide protection against credit risk.

The Hapag-Lloyd Group is not exposed to major default risk from an individual counterparty. The concentration of the default risk is limited due to the broad and heterogeneous customer base.

Analyses of the maturity structure of trade accounts receivable and other assets and information on the impairment allowances recorded against these financial assets is provided in Note (14) and in the description of accounting and measurement methods for primary financial instruments.

The portfolio of primary financial assets is reported in the statement of financial position. The carrying amounts of the financial assets correspond to the maximum default risk.

With regard to derivative financial instruments, all the counterparties must have a credit rating or alternatively, for non-rated counterparties, a corresponding internal credit assessment determined according to clear specifications. The maximum risk corresponds to the total of the positive market values as at the balance sheet date, as this is the extent of the loss that would have to be borne.

For the derivative financial instruments with positive fair values totalling EUR 14.8 million (previous year: EUR 4.4 million) and negative fair values totalling EUR–34.4 million (previous year: EUR–72.5 million), there is the potential to offset financial assets and financial liabilities in the amount of EUR–5.3 million (previous year: EUR 1.1 million), taking into account the German Master Agreement for Financial Derivatives and the ISDA Framework Agreement. The market values of embedded derivatives linked to the buy-back option of issued bonds totalling EUR 27.3 million (previous year: EUR 3.7 million) were not taken into account here.

Liquidity risk

Generally, liquidity risk constitutes the risk that a company will be unable to meet its obligations resulting from financial liabilities. Permanent solvency is ensured and refinancing costs are continuously optimised as part of central financial management.

To ensure solvency at all times, the liquidity requirements are determined by means of multi-year financial planning and a monthly rolling liquidity forecast and are managed centrally. Liquidity needs were covered by liquid funds and confirmed lines of credit at all times over the past financial year.

The bonds issued entail certain limitations with regard to possible payments to the shareholders and subordinated creditors. In addition, there are termination clauses which are customary in the market relating to much of the financial debt in the event that more than 50% of the Company's shares are acquired by a third party.

Further explanatory notes regarding the management of liquidity risks are included in the risk and opportunity report of the Group management report.

Current undiscounted contractually fixed cash flows from both primary financial liabilities (interest and redemption) and derivative financial instruments are as follows:

Cash flows of financial instruments (31 December 2018)

	Cash inflows and outflows				
	2019	2020	2021–2023	from 2024	Total
			million EUR		
Primary financial liabilities					
Liabilities to banks	–783.0	–1,015.3	–2,241.4	–1,347.9	–5,387.6
Bonds	–53.4	–53.4	–564.8	–473.1	–1,144.7
Liabilities from finance lease	–44.6	–21.5	–46.3	–1.2	–113.6
Other financial liabilities (excl. operating leases)	–94.0	–90.0	–210.1	–239.1	–633.2
Trade accounts payable	–1,774.1	—	—	—	–1,774.1
Other liabilities	–97.8	–1.5	—	–0.1	–99.4
Liabilities from put options	—	—	–2.4	—	–2.4
Total primary financial liabilities	**–2,846.9**	**–1,181.7**	**–3,062.6**	**–2,061.4**	**–9,152.6**
Total derivative financial liabilities	**–65.7**	**–2.3**	**–5.7**	**—**	**–73.7**

Cash flows of financial instruments (31 December 2019)

	Cash inflows and outflows				
	2020	2021	2022–2024	from 2025	Total
			million EUR		
Primary financial liabilities					
Liabilities to banks	–839.9	–736.8	–2,202.6	–1,159.3	–4,938.6
Bonds	–23.1	–23.1	–519.2	—	–565.3
Lease liabilities	–522.3	–290.1	–357.4	–108.2	–1,278.0
Other financial liabilities	–91.8	–96.1	–169.6	–192.4	–549.8
Trade accounts payable	–1,779.4	—	—	—	–1,779.4
Other liabilities	–103.8	—	—	–0.2	–104.0
Liabilities from put options	—	—	–2.5	—	–2.5
Total primary financial liabilities	**–3,360.3**	**–1,146.1**	**–3,251.3**	**–1,460.0**	**–9,217.6**
Total derivative financial liabilities	**–18.3**	**–7.2**	**–9.8**	**—**	**–35.3**

In principle, it is not expected that the cash outflows in the maturity analysis will occur at points in time that differ significantly or in amounts that differ significantly.

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2019 were included. Amounts in foreign currencies were translated at the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the balance sheet date were used for the following periods as well.

The cash outflows from the put options resulted from the undiscounted expected strike price of the put option.

The cash outflows from derivative financial instruments include the undiscounted fair values of the currency forward contracts used and the estimated net payments of the interest rate swaps used on the basis of the yield curve applicable on the balance sheet date.

The cash outflows associated with the liability contained in other financial debt to reflect a contingent consideration payable for a business combination result from the undiscounted expected payments which are dependent on the development of the volumes of the agency acquired.

Derivative financial instruments and hedging relationships

Derivative financial instruments are generally used to hedge existing or planned hedged items and serve to reduce foreign currency risks, fuel price risks and interest rate risks, which occur in day-to-day business activities and in the context of investment and financial transactions.

Currency risks are currently hedged by means of currency forward contracts. Commodity options are used as hedges for fuel price risks. Interest rate swaps are used to hedge interest rate risks.

Derivative financial instruments are recorded as current or non-current financial assets or liabilities according to their remaining terms.

The positive and / or negative fair values of derivative financial instruments are shown as follows:

	31.12.2019		31.12.2018	
	Positive market values	**Negative market values**	**Positive market values**	**Negative market values**
		million EUR		
Hedging instruments acc. to IFRS 9 (Hedge accounting)				
Commodity options	13.5	—	3.4	—
Currency forward contracts	1.0	–11.6	0.2	–63.7
Interest rate swaps	0.3	–14.9	0.8	–6.4
Hedges[1]	14.8	–26.4	4.4	–70.1
Derivative financial instruments (FVTPL)				
Interest rate swaps	—	–8.0	—	–2.4
Embedded derivatives	27.3	—	3.7	—
Other derivative financial instruments	**27.3**	**–8.0**	**3.7**	**–2.4**
Total	**42.1**	**–34.4**	**8.1**	**–72.5**

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for cost of hedging are also included.

The fair value determined for the derivative financial instruments is the price at which a contracting party would assume the rights and / or obligations of the other contracting party.

The market values of currency and commodity options are calculated using the Black & Scholes model or the modified Turnbull & Wakeman model and are based on the current exchange rates, commodity prices, currency and commodity price volatility, yield curves and forward prices. Currency forward contracts are measured on the basis of their market-traded forward price as at the reporting date. The fair value of the interest rate swaps is calculated as the present value of the anticipated future cash flows. The estimates of future cash flows from variable interest payments are based on quoted swap rates and interbank interest rates. The estimate of the fair value is adjusted by the credit risk of the Group and the counterparty.

An analysis of the underlying contracts conducted on the bonds issued by Hapag-Lloyd resulted in the identification of embedded derivatives in the form of early buy-back options. These are presented at their fair values as separate derivatives independently of the underlying contract. The market value of the embedded derivatives is calculated using the Hull-White model in combination with a trinomial decision tree based on current market values.

Hedging relationships in accordance with IFRS 9 in the reporting period wholly consist of cash flow hedges.

The following table shows the nominal values and the average prices or spot rates of the hedging instruments by risk category:

	31.12.2019			31.12.2018		
	Remaining terms			Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
Currency risk						
Hedged nominal in million EUR	649.1	—	649.1	1,189.6	—	1,189.6
Hedged nominal in million CAD	52.5	—	52.5	57.5	—	57.5
Average hedged rate USD / EUR	1.16	—	1.16	1.22	—	1.22
Average hedged rate USD / CAD	0.76	—	0.76	0.76	—	0.76
Fuel price risk						
Hedged nominal in million USD	539.9	—	539.9	473.2	—	473.2
Average hedged price in USD	647.94	—	647.94	491.42	—	491.42
Interest rate risk						
Hedged nominal in million USD	—	561.3	561.3	107.1	783.8	890.9
Average fixed interest rate	—	2.77%	2.77%	3.22%	2.79%	2.84%

The hedging instruments designated for use in hedging relationships have the following effect on the consolidated statement of financial position:

	31.12.2018				
Hedge of cash flows	Nominal amount	Carrying amount asset in million EUR[1]	Carryig amount liability in million EUR[1]	Line item in the statement of financial position	Change in fair value used as measurment of the ineffectiveness in the reporting period
		in million EUR			
Currency risk					
Currency forward contracts (USD / EUR)	EUR 1,189.6 million	0.2	62.5	Derivative financial instruments	–43.3
Currency forward contracts (USD / CAD)	CAD 57.5 million	—	1.2	Derivative financial instruments	–1.1
Fuel price risk					
Commodity options	963,000 mt	3.4	—	Derivative financial instruments	—
Interest rate risk					
Interest rate swaps	USD 890.9 million	0.8	6.4	Derivative financial instruments	4.0

1 The market values of the non-designated fair values and forward components, the changes of which are recognised in the reserve for cost of hedging are also included.

Hedge of cash flows	31.12.2019 Nominal amount	Carrying amount asset in million EUR[1]	Carrying amount liability in million EUR[1]	Line item in the statement of financial position	Change in fair value used as measurement of the ineffectveness in the reporting period
		in million EUR			
Currency risk					
Currency forward contracts (USD / EUR)	EUR 649.1 million	0.5	11.6	Derivative financial instruments	–1.4
Currency forward contracts (USD / CAD)	CAD 52.5 million	0.5	—	Derivative financial instruments	0.5
Fuel price risk					
Commodity options	833,250 mt	13.5	—	Derivative financial instruments	—
Interest rate risk					
Interest rate swaps	USD 561.3 million	0.3	14.9	Derivative financial instruments	–14.6

1 The market values of the non-designated fair values and forward components, the changes of which are recognised in the reserve for cost of hedging are also included.

The hedged items designated to hedging relationships have the following effect on the consolidated statement of financial position:

Hedge of cash flows	31.12.2018 Change in value used as measurement of the ineffectiveness	Reserve for cash flow hedges
	million EUR	
Currency risk		
Repayment of financial debt in EUR	43.4	—
Repayment of pension obligations in EUR	–0.1	—
Operational costs in CAD	1.1	–0.4
Fuel price risk		
Bunker purchases	—	—
Interest rate risk		
Interest payments of variable rate loans	0.5	–0.4

Hedge of cash flows	31.12.2019 Change in value used as measurement of the ineffectiveness	Reserve for cash flow hedges
	million EUR	
Currency risk		
Repayment of financial debt in EUR	1.4	—
Operational costs in CAD	–0.5	0.2
Fuel price risk		
Bunker purchases	—	—
Interest rate risk		
Interest payments of variable rate loans	14.6	–14.1

The hedging relationships described above have the following effect on the Group's income statement and other comprehensive income:

Hedge of cash flows	Hedging gains or losses recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Line item in the income statement	Amount reclassified from the other comprehensive into profit or loss	Line item in the income statement
	31.12.2018				
			million EUR		
Currency risk					
Repayment of financial debt in EUR	–49.7	—	—	49.2	Other financial items
Repayment of pension obligations in EUR . . .	0.1	—	—	–0.1	Other financial items
Operational costs in CAD	–1.5	—	—	1.1	Transport expenses / other operating result
Fuel price risk					
Bunker purchases	19.0	—	—	—	—
Interest rate risk					
Interest payments of variable rate loans	–6.4	2.4	Interest expenses	2.6	Interest expenses

Hedge of cash flows	Hedging gains or losses recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Line item in the income statement	Amount reclassified from the other comprehensive into profit or loss	Line item in the income statement
	31.12.2019				
			million EUR		
Currency risk					
Repayment of financial debt in EUR	–17.3	—	—	17.3	Other financial items
Operational costs in CAD	1.5	—	—	–0.9	Transport expenses / other operating result
Fuel price risk					
Bunker purchases	—	—	—	—	—
Interest rate risk					
Interest payments of variable rate loans	–15.8	2.2	Interest expenses	2.1	Interest expenses

The following table shows a reconciliation of the equity reserves which result from accounting for hedging relationships:

Cash flow hedges	2019 Reserve for cash flow hedges	2019 Reserve for cost of hedging	2018 Reserve for cash flow hedges	2018 Reserve for cost of hedging
	million EUR			
Balance at 1.1.	**–0.8**	**–7.7**	**11.0**	**–1.0**
Change in fair value:	–31.7	–40.9	–38.5	–47.3
Currency risk[1]	–15.9	–28.6	–51.1	–29.2
Fuel price risk[2]	—	–12.3	19.0	–18.1
Interest rate risk	–15.8	—	–6.4	—
Reclassification into profit or loss:	18.5	27.0	52.9	29.4
Currency risk[1]	16.4	27.0	50.3	29.4
Fuel price risk[2]	—	—	—	—
Interest rate risk	2.1	—	2.6	—
Hedging gains and losses transferred to the cost of inventory:	—	11.7	–26.4	11.4
Fuel price risk[2]	—	11.7	–26.4	11.4
Currency translation differences:	—	–0.2	0.2	–0.2
Currency risk[1]	—	—	—	—
Fuel price risk[2]	—	–0.2	0.1	–0.2
Interest rate risk	—	—	0.1	—
Balance at 31.12.	**–14.0**	**–10.2**	**–0.8**	**–7.7**

1 The currency risk shown in the reserve for cost of hedging includes only amounts in connection with forward components in currency forward contracts which are used to hedge against primarily time-period related hedged items.

2 The fuel price risks shown in the reserve for cost of hedging includes only amounts in connection with the fair values of commodity options to hedge against transaction-related hedged items.

Financial instruments – additional disclosures, carrying amounts and fair values The fair value of a financial instrument is the price that would be received for an asset or that would be paid for the transfer of a liability on the relevant day in the course of a normal transaction between market participants.

Where financial instruments are quoted in an active market, as with bond issues in particular, the fair value of the financial instrument corresponds to the respective market price on the balance sheet date.

The carrying amounts of cash and cash equivalents, trade accounts receivable, trade accounts payable and significant portions of other assets and other liabilities are a suitable approximation of the fair values.

For liabilities to banks and other non-current financial liabilities, the fair value is determined as the net present value of the future cash flows taking account of yield curves and the relevant credit spreads. Traded bonds are measured at the market price as at the balance sheet date.

The securities in the "fair value through profit or loss" category which are included in other assets are measured at their quoted market price. The financial instruments in the "fair value through profit or loss" category also contain investments not listed on a stock exchange for which there are no market prices listed on an active market. As there is insufficient information available to determine the fair values of these investments, they are measured at cost of acquisition as the best possible estimate of their fair values. A disposal of the investments is not planned at present.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2018

	Classification category according to IFRS 9	Carrying amount 31.12.2018	Amount recognised in the balance sheet under IFRS 9			Amount recognised in the balance sheet under IAS 17	Amount recognised in the balance sheet under IFRS 15	Fair value of financial instruments
		Total	Amortised acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss			
		million EUR						
Assets								
	AC	227.7	227.7	—	—	—	—	227.7
Other assets	n / a[4]	80.7	—	—	—	—	—	—
	FVTPL	2.9	—	—	2.9	—	—	2.9
Derivative financial instruments								
Derivatives (FVTPL)	FVTPL	3.7	—	—	3.7	—	—	3.7
Hedges (Hedge accounting)[1]	n / a[4]	4.4	—	4.4	—	—	—	4.4
Trade accounts receivable	AC	1,217.7	1,217.7	—	—	—	—	1,217.7
Cash and cash equivalents	AC	657.1	657.1	—	—	—	—	657.1
Liabilities								
Financial debt	FLAC	5,918.0	5,918.0	—	—	—	—	5,925.0
	FVTPL	0.8	—	—	0.8	—	—	0.8
Liabilities from finance leases[2]	n / a[4]	99.1	—	—	—	99.1	—	103.2
Other liabilities	FLAC	99.4	99.4	—	—	—	—	99.4
	n / a[4]	65.9	—	—	—	—	—	—
Liabilities from put options[3]	FLAC	1.7	1.7	—	—	—	—	1.8
Derivative financial liabilities								
Derivatives (FVTPL)	FVTPL	2.4	—	—	2.4	—	—	2.4
Hedges (Hedge accounting)[1]	n / a[4]	70.1	—	70.1	—	—	—	70.1
Trade accounts payable	FLAC	1,774.1	1,774.1	—	—	—	—	1,774.1
Contract liabilities	n / a[4]	260.3	—	—	—	—	260.3	—
Thereof aggregated according to IFRS 9 classification category								
Financial Assets measured at Amortized Cost (AC)		2,102.5	2,102.5	—	—	—	—	—
Financial Assets and Liabilities measured at Fair Value through Profit and Loss (FVTPL)		9.8	—	—	9.8	—	—	—
Financial Liabilities measured at Amortized Cost (FLAC)		7,793.2	7,793.2	—	—	—	—	—

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for cost of hedging are also included.

2 Part of financial debt

3 Part of other liabilities

4 N / A means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2019

	Classification category according to IFRS 9	Carrying amount 31.12.2019	Amount recognised in the balance sheet under IFRS 9					
		Total	Amortised acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss	Amount recognised in the balance sheet under IFRS 16	Amount recognised in the balance sheet under IFRS 15	Fair value of financial instrument
				million EUR				
Assets								
	AC	248.7	248.7	—	—	—	—	248.7
Other assets	n / a[3]	113.4	—	—	—	—	—	—
	FVTPL	8.5	—	—	8.5	—	—	8.5
Derivative financial instruments								
Derivatives (FVTPL)	FVTPL	27.3	—	—	27.3	—	—	27.3
Hedges (Hedge accounting)[1]	n / a[3]	14.8	—	14.8	—	—	—	14.8
Trade accounts receivable	AC	1,239.8	1,239.8	—	—	—	—	1,239.8
Cash and cash equivalents	AC	511.6	511.6	—	—	—	—	511.6
Liabilities								
Financial debt	FLAC	5,203.2	5,203.2	—	—	—	—	5,277.2
FVTPL		0.6	—	—	0.6	—	—	0.6
Lease liabilities	n / a[3]	1,193.4	—	—	—	1,193.4	—	—
Other liabilities	FLAC	104.0	104.0	—	—	—	—	104.0
	n / a[3]	26.4	—	—	—	—	—	—
Liabilities from put options[2]	FLAC	1.6	1.6	—	—	—	—	1.8
Derivative financial liabilities								
Derivatives (FVTPL)	FVTPL	8.0	—	—	8.0	—	—	8.0
Hedges (Hedge accounting)[1]	n / a[3]	26.4	—	26.4	—	—	—	26.4
Trade accounts payable	FLAC	1,779.4	1,779.4	—	—	—	—	1,779.4
Contract liabilities	n / a[3]	372.9	—	—	—	—	372.9	—
Thereof aggregated according to IFRS 9 classification category								
Financial Assets measured at Amortized Cost (AC)		2,000.0	2,000.0	—	—	—	—	—
Financial Assets and Liabilities measured at Fair Value through Profit and Loss (FVTPL)		44.4	—	—	44.4	—	—	—
Financial Liabilities measured at Amortized Cost (FLAC)		7,088.3	7,088.3	—	—	—	—	—

1 The market values of the non-designated time values and forward components, the changes of which are recognised in the reserve for cost of hedging are also included.

2 Part of other liabilities

3 N / A means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

The fair values are allocated to different levels of the fair value hierarchy based on the input factors used in the valuation methods. An explanation of the individual levels from 1 to 3 of the fair value hierarchy can be found in the chapter "Accounting and measurement principles" in the Notes to the consolidated financial statements. There were no transfers between levels 1 to 3 in the previous financial year.

The following table shows the classification of the financial instruments measured at fair value in the 3 levels of the fair value hierarchy. In addition to the fair value of the financial instruments that are recognised at fair value under IFRS 9, the table also includes financial instruments that are recognised at amortised cost and whose fair value differs from this.

	Classification category according to IFRS 9	31.12.2018			
		Level 1	Level 2	Level 3	Total
		million EUR			
Assets					
Securities / investments	FVTPL	2.2	0.7	—	2.9
Derivative financial instruments (Hedge accounting)	n/a[3]	—	4.4	—	4.4
Derivative financial instruments (Trading)	FVTPL	—	3.7	—	3.7
Liabilities					
Derivative financial instruments (Hedge accounting)	n/a[3]	—	70.1	—	70.1
Derivative financial instruments (Trading)	FVTPL	—	2.4	—	2.4
Financial debt	FVTPL	—	—	0.8	0.8
Financial debt	FLAC	909.2	5,015.8	—	5,925.0
Lease liabilities[1]	n/a[3]	—	103.2	—	103.2
Liabilities from put options[2]	FLAC	—	—	1.8	1.8

1 Part of financial debt

2 Part of other liabilities

3 N / A means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

	Classification category according to IFRS 9	31.12.2019			
		Level 1	Level 2	Level 3	Total
		million EUR			
Assets					
Securities / investments	FVTPL	1.9	6.6	—	8.5
Derivative financial instruments (Hedge accounting)	n/a[2]	—	14.8	—	14.8
Derivative financial instruments (Trading)	FVTPL	—	27.3	—	27.3
Liabilities					
Derivative financial instruments (Hedge accounting)	n/a[2]	—	26.4	—	26.4
Derivative financial instruments (Trading)	FVTPL	—	8.0	—	8.0
Financial debt	FVTPL	—	—	0.6	0.6
Financial debt	FLAC	472.8	4,804.4	—	5,277.2
Liabilities from put options[1]	FLAC	—	—	1.8	1.8

1 Part of other liabilities

2 N / A means that this is not a financial instrument and thus a measurement category according to IFRS 9 is not applicable.

Net earnings

The net earnings of the financial instruments by classification category pursuant to IFRS 9 are as follows:

	31.12.2019			31.12.2018		
	From interest	Other net earnings	Net earnings	From interest	Other net earnings	Net earnings
	million EUR					
Financial assets measured at amortised cost	5.1	–18.2	–13.1	–0.2	–70.0	–70.2
Financial liabilities measured at amortised cost	–312.7	16.5	–296.2	–327.1	72.3	–254.8
Financial assets and liabilities measured at fair value through profit or loss	17.4	0.2	17.7	–3.3	10.4	7.1
Total	**–290.2**	**–1.5**	**–291.7**	**–330.6**	**12.7**	**–317.9**

In addition to interest expenses from the liabilities to banks and other financial debt, the net earnings mainly comprise the foreign currency valuation of financial assets and liabilities as well as the realised and unrealised earnings from derivative financial instruments that are not part of an effective hedging relationship as set out in IFRS 9.

Capital management

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth, measured on the basis of the developments in transport volume, the key performance indicators EBITDA and EBIT as well as the return on invested capital (ROIC) as an indicator of the performance within a period. The aim is to generate a return on invested capital at least equal to the weighted average cost of capital (WACC) of the Group across one economic cycle in the medium term. To facilitate comparison with other international shipping companies, the return on invested capital is calculated and presented exclusively on the basis of the functional currency, the US dollar.

The Hapag-Lloyd Group strives to achieve an adequate financial profile in order to guarantee the continuation of the Company and its financial flexibility and independence. The goal of its capital management is to safeguard the capital base over the long term. It intends to achieve this with a healthy balance of financing requirements for the desired profitable growth.

Covenant clauses of a type customary on the market have been arranged for existing financing. These clauses primarily concern certain equity and liquidity indicators of the Group along with loan-to-value ratios. As at 31 December 2019, these covenants were fulfilled for the existing financing. Based on current planning, the Executive Board expects that these covenants will also be adhered to during the subsequent period.

OTHER NOTES

(28) Government assistance

The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 9.7 million in 2019 (previous year: EUR 10.6 million) according to the guideline for lowering indirect labour costs in the German marine industry. Overall, the Group received assistance and subsidies of EUR 10.4 million in the reporting year (previous year: EUR 11.2 million), which was recognised through profit and loss as a deduction from personnel expenses.

In addition, Hapag-Lloyd USA, a wholly owned subsidiary of HLAG, receives government funding as part of the Maritime Security Program (MSP). Government grants in the 2019 financial year totalled EUR 25.0 million (previous year: EUR 25.0 million), which was recognised through profit and loss as a deduction from transport expenses.

(29) Contingencies

Contingencies are contingent liabilities not accounted for in the statement of financial position which are recognised in accordance with their amounts repayable estimated as at the balance sheet date.

As at 31 December 2019, there were no sureties or guarantees requiring disclosure.

(30) Legal disputes

Hapag-Lloyd AG and several of its foreign subsidiaries are involved in legal proceedings. These encompass a range of topics, such as disputes with foreign tax authorities, claims asserted by departed employees and disputes arising from contractual relationships with customers, former agents and suppliers. Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2019. Such payment obligations will not have any significant influence on the Group’s net asset, financial and earnings position. As at the reporting date, there was USD 10.2 million (EUR 9.1 million) in contingent liabilities from legal disputes not classified as probable.

Hapag-Lloyd is subject to regular tax audits in various countries where the Group conducts large-scale business activities (e.g. Germany, India, USA). These tax audits may lead to the payment of tax arrears. In addition, Hapag-Lloyd regularly analyses and assesses potential tax risks within the Group (e.g. in the area of transfer pricing). To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions. As at the reporting date, there was also EUR 48.5 million in contingent liabilities from tax risks not classified as probable (previous year adjusted: EUR 40.7 million).

(31) Leases

Lessee

As a lessee, Hapag-Lloyd rents container ships, containers, office buildings, office space and parking spaces as well as other business equipment. The obligations under these contracts were primarily classified as operating lease contracts until 31 December 2018. In addition, Hapag-Lloyd leased container ships and containers through finance lease contracts until the end of the 2018 reporting year. Since 1 January 2019, the former finance lease contracts have been reported together with the former operating lease contracts in accordance with IFRS 16. For further details, please refer to the section “New accounting standards”.

Charter agreements for container ships are nearly always structured as time charter contracts, i.e. in addition to the capital costs, the charterer bears all of the ship operating costs, which are reimbursed as part of the charter rate. Non-lease components which are included in the price structure of the charter rates are not part of the lease liability. These costs are recognised in the (consolidated) income statement based on the time at which they are incurred. Some of the charter agreements contain renewal options enabling Hapag-Lloyd to respond flexibly to changes in the market and secure the use of the container vessels. If the extension options were exercised, potential lease payments of EUR 0.5 billion would arise. The potential lease payments have not yet been recognised as part of the lease liability.

The structure of the container lease contracts varies. Many of the contracts contain mutual rights of termination. The termination rights enable Hapag-Lloyd to react flexibly and at short notice to changes in the market. If the termination rights are not exercised, potential leasing payments of EUR 0.1 billion per year would result. The potential lease payments have not yet been recognised as part of the lease liability.

The structure of the contracts for the office buildings, office space and parking space also varies. Many of the contracts contain unilateral rights of termination. For further details, please refer to section “New accounting standards”.

The lease contracts for the aforementioned asset classes have terms of between 1 and 17 years.

Hapag-Lloyd has leases for rented container ships, rented office buildings, office space and parking spaces, rented vehicles and other business equipment, with terms of less than 12 months. No rights of use and no lease liabilities are recognised in the consolidated statement of financial position for these short-term leases. In addition, the Company has leases for other business equipment for which the underlying asset is of low value. No rights of use and no lease liabilities are recognised in the consolidated statement of financial position for these low- value leases either.

Hapag-Lloyd excludes IT contracts and contracts for intangible assets from the scope of application of IFRS 16.

The table below shows the development of rights of use for each asset class in the 2019 financial year:

	Vessels	Rented containers	Rented office buildings, grounds and parking slots	Rented Vehicles	Fixtures, fittings, tools and other office equipment	Total
			million EUR			
Carrying amounts right of use as at 1.1.2019	**374.3**	**394.7**	**85.0**	**4.1**	**0.1**	**858.2**
Carrying amounts finance leases as at 1.1.2019	84.0	88.0	—	—	—	172.1
Adjusted carrying amount IFRS 16 leases	**458.3**	**482.7**	**85.0**	**4.1**	**0.1**	**1,030.2**
Depreciation in reporting period	–241.5	–192.6	–22.9	–2.1	—	–459.2
Additions right of use in reporting period	429.3	159.5	22.0	1.9	—	612.8
Disposals right of use in reporting period	—	–13.9	–0.8	—	—	–14.8
Transfers	–81.2	–3.0	–0.8	–0.4	—	–85.4
Exchange rate differences	8.8	9.9	1.7	0.1	—	20.5
Carrying amounts right of use as at 31.12.2019	**573.8**	**442.5**	**84.3**	**3.7**	**—**	**1,104.3**

The rights of use for the asset classes listed are reported under the item “property, plant and equipment”.

The remaining terms of the lease liabilities as at 31 December 2019 are presented in the table on financial debt in section (24) Financial debt and lease liabilities.

The following table shows the effects of IFRS 16 Leases to the Income Statement in financial year 2019:

	1.1.–31.12.2019
	million EUR
Transport expenses	9,707.0
Expenses from short term leases	297.0
Expenses from leases of low value assets	0.2
Expenses from variable lease payments	—
Depreciation, amortisation and impairment	1,174.4
Depreciation of right of use	459.2
Interest expenses and similar expenses	72.6

Total cash outflows for leases came to EUR 0.9 billion in the 2019 financial year.

As at 31 December 2019, future commitments under short-term leases totalled EUR 98.6 million (31 December 2018: EUR 131.0 million). The decrease resulted primarily from the use of a practical expedient at the point of first-time application. All leases with a remaining term of less than 12 months were classified as short-term leases at the point of first-time application.

For disclosures on future cash outflows from leases which Hapag-Lloyd has already entered into but which have not commenced yet, please refer to the section (32) Other financial obligations.

For information on sale and leaseback transactions carried out in 2019, please refer to Note (24) Financial liabilities and lease liabilities.

The following provides comparative information for finance and operating lease contracts in accordance with IAS 17 for the 2018 financial year for which Hapag-Lloyd was the lessee and lessor.

Lessee – finance leases

The Hapag-Lloyd Group had finance lease contracts as at 31 December 2018. The items leased in this regard were primarily ships and containers. The contracts had terms of up to 9 years. The containers can continue to be used in line with the contracts once the term of a contract has expired. As at 31 December 2018, the ships recognised in connection with the finance lease contracts

had a net carrying amount of EUR 84.0 million; the containers had a net carrying amount of EUR 88.0 million.

The future minimum lease payments from finance lease contracts and their present values were as follows as at 31 December 2018:

	31.12.2018			
	Remaining terms			
	Total	up to 1 year	1 – 5 years	more than 5 years
	million EUR			
Future minimum lease payments	113.5	44.5	67.8	1.2
Interest portion	–14.5	–5.9	–8.5	–0.1
Present value	**99.0**	**38.6**	**59.3**	**1.1**

As at 31 December 2018, there were no expectations of future income from non-cancellable subletting arrangements, nor were there any contingent rental payments.

Lessee – operating leases

In the 2018 financial year, lease payments of EUR 1,117.3 million were recognised in expenses. No contingent rental payments were recognised as expenses in 2018.

Total future minimum lease payments from non-cancellable operating lease contracts consisted of the following in the 2018 financial year:

	31.12.2018			
	Remaining terms			
	Total	up to 1 year	1 – 5 years	more than 5 years
	million EUR			
Vessels and containers	813.8	394.6	412.8	6.4
Business premises	100.3	23.7	49.2	27.4
Other	188.8	68.8	119.8	0.2
Total	**1,102.9**	**487.1**	**581.8**	**34.0**

As at 31 December 2018, future minimum lease income from subletting arrangements relating to non-cancellable subletting arrangements totalled EUR 0.2 million.

Lessor

Hapag-Lloyd acts as lessor in the context of operating lease contracts only to a very limited degree. In the 2019 financial year, a container ship owned by the Company was let short-term as part of an operating lease contract.

(32) Other financial obligations

The Group’s other financial obligations as at 31 December 2019 comprised purchase obligations

- for investments in an exhaust gas cleaning system (EGCS) on container ships amounting to EUR 33.3 million,
- for investments in containers amounting to EUR 34.0 million,
- for investments in conversion to the use of liquid gas on container ships amounting to EUR 13.2 million,
- for investments in equipment for ballast water treatment on container ships amounting to EUR 5.2 million,
- for investments in the use of low-sulphur fuel on container ships amounting to EUR 2.6 million,
- for further investments on container ships totalling EUR 3.6 million.

The future cash outflow from leases which Hapag-Lloyd has already entered into but which have not commenced yet, amounting to EUR 129.5 million at the reporting date.

The Group's other financial obligations as at 31 December 2018 comprised purchase obligations for investments in containers amounting to EUR 33.4 million as well as investments in exhaust gas cleaning systems (EGCS) on container ships with an amount of EUR 11.2 million.

(33) Share-based payment

Executive board members

As part of the Company's IPO, long-term variable remuneration was introduced for Executive Board members in the form of virtual shares. Under the long-term incentive plan (LTIP), a specified euro amount (allocation amount) contractually agreed on an individual basis is allocated to each Executive Board member at the start of every calendar year, reflecting performance in the current and following three financial years (performance period).

This allocation amount is converted into virtual shares in the Company based on the average price of the Hapag-Lloyd AG share over the 60 trading days preceding the day on which the shares are granted. For the second tranche after the IPO, which was granted on 4 January 2016, there was a different calculation for the share price conversion. This share price was based on the average of the 60 trading days that followed the 30th trading day after the IPO.

The virtual shares are divided equally into performance share units and retention share units.

Entitlements under the long-term incentive plan take effect on a pro rata basis when the performance period ends. The retention share units automatically become non-forfeitable when the performance period expires. They therefore depend entirely on the Executive Board member's length of service.

The number of performance share units relevant for the payment is dependent on a performance factor. This factor is calculated by comparing the performance of the Hapag-Lloyd share (total shareholder return – TSR) with a specific, industry-based reference index – the DAXglobal Shipping index – over the 4-year performance period. The number of performance share units can be a maximum of 1.5 times and a minimum of 0, as measured by a performance factor, when the performance period ends. If the performance factor is 0, all of the performance share units are forfeited.

When the performance period ends and the performance share units have been calculated, payments under the LTIP are automatically made. The number of non-forfeitable virtual shares is converted into a euro amount by multiplying the non-forfeitable virtual retention and performance shares by the relevant share price. This share price is equal to the average share price over the last 60 trading days before the performance period ends.

The amount calculated in this way is paid to the respective Executive Board member as a gross amount up to a specific, individually agreed limit on 31 March of the year following the end of the performance period.

In the event that an Executive Board member's activities cease, the performance period and the employment contract will end simultaneously, insofar as the employment contract is not terminated for cause attributable to the Executive Board member or by the Executive Board member without cause. In the latter case, all entitlements under the long-term incentive plan are forfeited.

If capital measures which affect the value of real shares are carried out during the term of the LTIP, the conditions of the plan state that the 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 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 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 LTIP tranches. As a result, the additional virtual shares are given the same parameters as were defined in the conditions of the plan and at the time the respective tranche was granted. The additional virtual shares are consequently a component of the respective tranche.

The measurement of the virtual shares at the time they are granted is based on the allocation amount. In the financial year, 86,800 virtual shares were granted (previous year: 72,744 shares) with a fair value of EUR 2.6 million (previous year: EUR 2.5 million). As at 31 December 2019, there were 312,988 virtual shares (previous year: 415,836 shares) with a fair value of EUR 21.6 million (previous year: EUR 12.4 million).

In the reporting period, EUR 4.2 million (previous year: EUR 3.7 million) was recognised for share-based payments to Executive Board members through profit or loss. The provision for share-based payments to Executive Board members amounted to EUR 6.4 million as at 31 December 2019 (previous year: EUR 7.0 million).

Upper management level

The members of upper management levels also receive long-term variable remuneration based on virtual shares. Under this long-term incentive plan (LTIP), a specified euro amount (grant amount) contractually agreed on an individual basis is granted to each plan participant on 1 January of every calendar year.

This grant amount is converted into virtual shares in the Company based on the average price of the Hapag-Lloyd AG share over the 60 trading days preceding the day on which the shares are granted. As a basic principle, the virtual shares are subject to a 3-year vesting period which begins on 1 January of the calendar year in which the virtual shares are granted and ends on 31 December of the third subsequent year (vesting period).

When the vesting period expires, the virtual shares automatically become non-forfeitable and the LTIP becomes due for payment. The number of non-forfeitable virtual shares is converted into a euro amount by multiplying them by the relevant share price. This share price is equal to the average share price over the last 60 trading days before the vesting period ends.

The amount calculated in this way is paid to the respective plan participant as a gross amount on 31 March of the year following the end of the vesting period. The maximum payment amount is equal to 1.5 times the grant amount.

In the event of an early departure, the vesting period is curtailed to the end of the employment relationship and the virtual shares granted up until this time become non-forfeitable when the curtailed vesting period ends. If the curtailed vesting period ends during the year, the virtual shares granted in the year in which it ends are deemed to be non-forfeitable on a pro rata temporis basis, and the payment amount is reduced accordingly on a pro rata temporis basis. If the employment relationship ends due to extraordinary termination by the Company, all virtual shares for which the vesting period has not yet expired are forfeited.

If capital measures which affect the value of real shares are carried out during the term of the LTIP, the conditions of the plan state that the plan participants must be treated like owners of real shares as a basic principle. In addition, the same regulations as detailed above in the section on the LTIP of the Executive Board members are applicable in this regard.

The measurement of the virtual shares at the time they are granted is based on the grant amount. In the financial year, 149.653 virtual shares were granted (previous year: 139.229 shares) with a fair value of EUR 4.5 million (previous year: EUR 4.7 million). As at 31 December 2019, there were 275,016 virtual shares (previous year: 134,418 shares) virtual with a fair value of EUR 19.0 million (previous year: EUR 4.0 million).

In the reporting period, EUR 9.0 million (previous year: EUR 4.0 million) was recognised for share-based payments to upper management level through profit or loss. The provision for share-based payments to upper management level amounted to EUR 12.6 million as at 31 December 2019 (previous year: 3.9 million).

(34) Utilisation of Section 264 (3) of the German Commercial Code (HGB)

The following corporate entities, which are affiliated consolidated subsidiaries of Hapag-Lloyd AG and for which the consolidated financial statements of Hapag-Lloyd AG are the exempting consolidated financial statements, utilise the exempting option provided by Section 264 (3) of the German Commercial Code (HGB):

- Hapag-Lloyd Grundstücksholding GmbH, Hamburg
- Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH, Hamburg
- Hamburg-Amerika Linie GmbH, Hamburg

(35) Services provided by the auditors of the consolidated financial statements

In the 2019 financial year, the following fees were paid to the external auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network:

	1.1.–31.12.2019		1.1.–31.12.2018	
	Total	Domestic	Total	Domestic
	million EUR			
Audit fees for annual audit	3.5	2.1	3.4	2.2
Audit fees for other assurance services	0.0	0.0	0.1	0.0
Audit fees for tax consultancy	0.0	—	0.0	0.0
Audit fees for other services	0.0	0.0	0.0	0.0
Total	**3.5**	**2.1**	**3.5**	**2.2**

The fee for audit services rendered by KPMG AG Wirtschaftsprüfungsgesellschaft related primarily to the audit of the consolidated financial statements and the annual financial statements of Hapag-Lloyd AG including legal contractual amendments and audits of the financial statements of subsidiaries. Activities integral to the audit were also performed in relation to audit reviews of interim financial statements, as were services in relation to an enforcement process.

Other attestation services relate to agreed examination actions on financial covenants, an EMIR audit pursuant to Section 20 of the German Securities Trading Act (WpHG) and compliance with certain requirements under EU regulations pursuant to Section 32 of the German Securities Trading Act (WpHG).

The other services relate to quality-assuring support services.

(36) Related party disclosures

In carrying out its ordinary business activities, Hapag-Lloyd AG maintains direct and indirect relationships with related parties as well as with its own subsidiaries included in the consolidated financial statements.

In the 2019 financial year, CSAV Germany Container Holding GmbH (CSAV) increased its stake in Hapag-Lloyd from 25.8% to 27.8%, while Kühne Maritime GmbH, together with Kühne Holding AG (Kühne), increased its stake from 25.0% to 29.6%. Apart from that, Hapag-Lloyd’s shareholder structure remained virtually unchanged. As at 31 December 2019, CSAV, HGV and Klaus-Michael Kühne (including companies attributable to him, in particular through Kühne Maritime) therefore together held around 71% of the share capital of Hapag-Lloyd.

In the following disclosures on transactions with shareholders, the relationships with Kühne and CSAV and their respective related parties are outlined. During the reporting period, Hapag-Lloyd mainly conducted legal transactions within the scope of its ordinary activities with Kühne and CSAV and their respective related parties. These comprise terminal and transport services in particular. Performance and consideration have been agreed on the basis of normal market conditions.

With regard to HGV and its shareholder, the Free and Hanseatic City of Hamburg, as well as its Group companies, the Hapag-Lloyd Group applies the relief provisions of IAS 24 regarding government-related entities. This relates mainly to port and terminal services as well as inland transport services.

Voting rights

	2019	2018
	in %	
Kühne Holding AG / Kühne Maritime GmbH	29.6	25.0
CSAV Germany Container Holding GmbH	27.8	25.8
Qatar Holding Germany GmbH	14.5	14.5
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungs-management mbH	13.9	13.9
Public Investment Fund of the Kingdom of Saudi Arabia	10.2	10.2
Free Float	4.0	10.6
Total	**100.0**	**100.0**

Transactions with related parties (excluding management in key positions):

	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
	1.1.–31.12.2019	1.1.–31.12.2018	1.1.–31.12.2019	1.1.–31.12.2018
	million EUR			
Shareholders	537.5	461.4	93.6	68.9
Affiliated non-consolidated companies	—	—	—	0.7
Associated companies and Joint Ventures	8.3	7.2	260.2	206.9
Total	**545.8**	**468.6**	**353.8**	**276.5**

	Receivables		Liabilities	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	million EUR			
Shareholders	45.0	40.9	9.4	10.1
Affiliated non-consolidated companies	—	—	0.2	0.3
Associated companies and Joint Ventures	—	0.6	30.6	33.1
Total	**45.0**	**41.5**	**40.2**	**43.5**

The amounts for delivered goods and services and other income regognised arising from transactions with related parties contained in the above table result from services rendered (EUR 545.8 million; previous year: EUR 468.6 million).

Of the expenses for goods and services received and other expenses regognised shown above, EUR 353.0 million result from operating services (previous year: EUR 275.9 million) and EUR 0.8 million are from other services (previous year: EUR 0.6 million).

Remuneration of key management personnel

The remuneration of key management personnel in the Group to be disclosed under IAS 24 encompasses the remuneration paid to the current members of the Executive Board and Supervisory Board of Hapag-Lloyd AG. The basic features of the remuneration system and the amount of remuneration for the Executive Board and Supervisory Board are presented and explained in more detail in the remuneration report. The remuneration report is part of the Group management report.

The active members of the Executive Board and the Supervisory Board were remunerated as follows:

	Executive Board		Supervisory Board	
	2019	2018	2019	2018
	million EUR			
Short-term benefits	4.8	4.3	1.9	1.6
Post-employment benefits	0.3	0.4	—	—
Share based benefits	4.2	3.7	—	—
Total	**9.3**	**8.6**	**1.9**	**1.6**

In the 2019 financial year, the employee representatives on the Supervisory Board received EUR 0.6 million (previous year: EUR 0.5 million) as part of their employment contracts, in addition to

their Supervisory Board emoluments. These are included in the remuneration for members of the Supervisory Board pursuant to IAS 24.

Additional disclosures concerning total remuneration pursuant to Section 315 e of the German Commercial Code (HGB)

	Executive Board		Supervisory Board	
	2019	2018	2019	2018
	million EUR			
Active board members	7.4	6.8	1.3	1.1
Former board members	0.9	1.1	—	—
Total	**8.3**	**7.9**	**1.3**	**1.1**

The active Executive Board members were granted 86,800 virtual shares in total in the financial year, with a fair value of EUR 2.6 million at the time they were granted (previous year: 72,744 virtual shares with a fair value of EUR 2.5 million).

A total of EUR 30.4 million was allocated to pension provisions for former Executive Board members as at 31 December 2019 (previous year: EUR 24.5 million).

As in the previous year, no loans or advance payments were granted to members of the Executive Board and Supervisory Board in the year under review.

(37) Declaration of conformity with the German Corporate Governance Code (GCGC) pursuant to Section 161 of the German Stock Corporation Act (AktG)

The declaration required under Section 161 of the German Stock Corporation Act (AktG) was issued by the Executive Board and Supervisory Board in June 2019 and has been made permanently available to shareholders on the Company's website www.hapag-lloyd.com in the "Investor Relations" section under "Corporate Governance" at https://www.hapaglloyd.com/ en/ir/corporate-governance/ compliance-statement.html

(38) Significant transactions after the balance sheet date

There were no significant transaction after the balance sheet date with a material impact in the net asset, financial and earnings position of the Hapag-Lloyd Group.

(39) List of holdings pursuant to Section 315 a of the German Commercial Code (HGB)

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Affiliated consolidated companies			
Head office			
Hamburg-Amerika Linie GmbH	Hamburg	EUR	100.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	EUR	94.90
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
North Europe			
Hapag-Lloyd (Austria) GmbH	Vienna	EUR	100.00
Hapag-Lloyd (France) S.A.S.	Asnieres sur Seine	EUR	100.00
Hapag-Lloyd (Ireland) Ltd.	Dublin	EUR	100.00
Hapag-Lloyd (Schweiz) AG	Basel	CHF	100.00
Hapag-Lloyd (Sweden) AB	Gothenburg	SEK	100.00
Hapag-Lloyd (UK) Ltd.	Barking	GBP	100.00
Hapag-Lloyd Polska Sp.z.o.o.	Gdynia	PLN	100.00
Hapag-Lloyd Special Finance DAC	Dublin	USD	100.00
Oy Hapag-Lloyd Finland AB	Helsinki	EUR	100.00
UASAC (RUS) LLC	St. Petersburg	RUB	100.00
South Europe			
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	TRY	65.00
Hapag-Lloyd (Egypt) Shipping S.A.E.	Alexandria	EGP	49.005
Hapag-Lloyd (Italy) S.R.L.	Milano	EUR	100.00
Hapag-Lloyd Portugal LDA	Lisboa	EUR	100.00
Hapag-Lloyd Spain S.L.	Barcelona	EUR	90.00
Norasia Container Lines Ltd.	Valletta	USD	100.00
United Arab Shipping Agency Company (Denizcilik Nakliyat) A.S.	Istanbul	TRY	100.00
United Arab Shipping Agency Co. (Egypt) S.A.E	Alexandria	EGP	49.001
Asia			
CSAV Group (China) Shipping Co. Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Australia) Pty. Ltd.	Pyrmont	AUD	100.00
Hapag-Lloyd Business Services (Suzhou) Co. Ltd.	Suzhou	CNV	100.00
Hapag-Lloyd (Cambodia) Co., Ltd.	Phnom Penh	KHR	100.00
Hapag-Lloyd (China) Ltd.	Hong Kong	HKD	100.00
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Japan) K.K.	Tokyo	JPY	100.00
Hapag-Lloyd (Korea) Ltd.	Seoul	KRW	100.00
Hapag-Lloyd (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd (New Zealand) Ltd.	Auckland	NZD	100.00
Hapag-Lloyd Pte.Ltd.	Singapore	USD	100.00
Hapag-Lloyd (Taiwan) Ltd.	Taipei	TWD	100.00
Hapag-Lloyd (Thailand) Ltd.	Bangkok	THB	49.90
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00
UASC (Thailand) Ltd.	Bangkok	THB	74.97
UASC Holding (Thailand) Ltd.	Bangkok	THB	49.95
United Arab Shipping Agency Co. (Asia) Pte Ltd.	Singapore	USD	100.00
United Arab Shipping Agency Company (Hong Kong) Ltd.	Hong Kong	HKD	100.00
United Arab Shipping Agency Company (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
United Arab Shipping Co. (Asia) Pte. Ltd.	Singapore	SGD	100.00
United Arab Shipping Company (Shanghai) Ltd.	Shanghai	CNY	100.00
Middle East			
Aratrans Transport and Logistics Service LLC	Dubai	AED	49.001
Hapag-Lloyd Africa (PTY) Ltd.	Durban	ZAR	100.00
Hapag-Lloyd Bahrain Co. WLL	Manama	BHD	49.00
Hapag-Lloyd Business Services LLP	Mumbai	INR	100.00
Hapag-Lloyd (Ghana) Ltd.	Tema	GHS	65.00
Hapag-Lloyd Global Services Pvt. Ltd.	Thane	INR	100.00
Hapag-Lloyd India Private Ltd.	Mumbai	INR	100.00
Hapag-Lloyd (Jordan) Private Limited Company (formerly United Arab Shipping Agencies Company Private Shareholding Company)	Amman	JOD	50.00
Hapag-Lloyd Middle East Shipping LLC	Dubai	AED	49.001
Hapag-Lloyd Pakistan (Pvt.) Ltd.	Karachi	PKR	100.00
Hapag-Lloyd Qatar WLL	Doha	QAR	49.00
Hapag-Lloyd Saudi Arabia Ltd.	Jeddah	SAR	60.00
Hapag-Lloyd Shipping Company – State of Kuwait (K.S.C.C.)	Kuwait City	KWD	49.001
Middle East Container Repair Company LLC	Dubai	AED	49.002
United Arab Shipping Agencies Co. LLC	Dubai	USD	49.001
United Arab Shipping Agency Co. (India) Pvt. Ltd.	Chembur	INR	100.00
United Arab Shipping Company Ltd.	Dubai	USD	100.00
United Arab Shipping Company for Maritime Services LLC	Baghdad	IQD	100.00
United Arab Shipping Company Services DMCCO	Dubai	AED	100.00
North America			
Florida Vessel Management LLC	Wilmington	USD	75.00
Hapag-Lloyd (America) LLC	Wilmington	USD	100.00
Hapag-Lloyd (Canada) Inc.	Montreal	CAD	100.00
Hapag-Lloyd USA LLC	Wilmington	USD	100.00
Latin America			
Agencias Grupo CSAV Mexico S.A. de C.V.	Mexico City	MXN	100.00
Andes Operador Multimodal Ltda.	São Paulo	BRL	100.00
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	UYU	100.00
CSAV Austral SpA	Santiago de Chile	USD	49.00
CSAV Ships S.A.	Panama City	USD	100.00
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	ARS	100.00
Hapag-Lloyd Bolivia S.R.L.	Santa Cruz de la Sierra	BOB	100.00
Hapag-Lloyd Chile SpA	Valparaíso	USD	100.00
Hapag-Lloyd Colombia Ltda.	Bogota	COP	100.00
Hapag-Lloyd Costa Rica S.A.	San Jose	CRC	100.00
Hapag-Lloyd Ecuador S.A.	Guayaquil	USD	45.00
Hapag-Lloyd Guatemala, S.A.	Guatemala City	GTQ	100.00
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	MXN	100.00
Hapag-Lloyd (Peru) S.A.C.	Lima	PEN	60.00
Hapag-Lloyd Quality Service Center Bogotá S.A.S.	Bogota	COP	100.00
Hapag-Lloyd Uruguay S.A.	Montevideo	UYU	100.00
Hapag-Lloyd Venezuela C.A.	Caracas	VEF	100.00
Libra Serviços de Navegação Limitada	São Paulo	BRL	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Norasia Alya S.A.	Panama City	USD	100.00
Rahue Investment Co. S.A.	Panama City	USD	100.00
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	MXN	100.00
Other			
Afif Ltd.	Majuro	USD	100.00
Ain Esnan Ltd.	Valletta	EUR	100.00
Al Dahna Ltd.	Valletta	EUR	100.00
Al Dhail Ltd.	Majuro	USD	100.00
Al Jasrah Ltd.	Majuro	USD	100.00
Al Jmeliyah Ltd.	Majuro	USD	100.00
Al Jowf Ltd.	Valletta	USD	100.00
Al Madinah Ltd.	George Town	USD	100.00
Al Mashrab Ltd.	Majuro	USD	100.00
Al Murabba Ltd.	Majuro	USD	100.00
Al Muraykh Ltd.	Valletta	EUR	100.00
Al Mutanabbi Ltd.	George Town	USD	100.00
Al Nasriyah Ltd.	Majuro	USD	100.00
Al Nefud Ltd.	Valletta	EUR	100.00
Al Oyun Ltd.	George Town	USD	100.00
Al Qibla Ltd.	Valletta	USD	100.00
Al Rawdah Ltd.	Majuro	EUR	100.00
Al Riffa Ltd.	Valletta	EUR	100.00
Al Wakrah Ltd.	George Town	USD	100.00
Al Zubara Ltd.	Valletta	EUR	100.00
Alula Ltd.	Valletta	EUR	100.00
Barzan Ltd.	Valletta	EUR	100.00
Busaiteen	George Town	USD	100.00
CSBC Hull 900 Ltd.	Douglas	USD	100.00
Dhat Al Salasil Ltd.	George Town	USD	100.00
Hira Ltd.	George Town	USD	100.00
Hull 1975 Co. Ltd.	Majuro	USD	100.00
Hull 1976 Co. Ltd.	Majuro	USD	100.00
Jebel Ali Ltd.	Valletta	EUR	100.00
Linah Ltd.	Majuro	USD	100.00
Manamah Ltd.	George Town	USD	100.00
Onayzah Ltd.	Valletta	EUR	100.00
Qurtuba Ltd.	George Town	USD	100.00
Sajid Ltd.	Majuro	USD	100.00
Salahuddin Ltd.	Majuro	USD	100.00
Ship Management (No. 1) Ltd.	Dubai	USD	99.80
Ship Management (No. 2) Ltd.	Dubai	USD	99.80
Tayma Ltd.	Valletta	EUR	100.00
Tihama Ltd.	Valletta	EUR	100.00
UASC Ships (No. 1) Ltd.	Dubai	USD	100.00
UASC Ships (No. 3) Ltd.	Dubai	USD	100.00
UASC Ships (No. 4) Ltd.	Dubai	USD	100.00
UASC Ships (No. 5) Ltd.	Dubai	USD	100.00
UASC Ships (No. 6) Ltd.	Dubai	USD	100.00
UASC Ships (No. 7) Ltd.	Dubai	USD	100.00
UASC Ships (No. 8) Ltd.	Dubai	USD	100.00
Umm Qarn Ltd.	Majuro	USD	100.00
Umm Salal Ltd.	Valletta	EUR	100.00
Joint Venture			
Consorcio Naviero Peruano S.A.	San Isidro	USD	47.936

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Texas Stevedoring Services LLC	Wilmington	USD	50.00
Associated companies			
Djibouti Container Services FZCO	Djibouti	DJF	19.063
Hapag-Lloyd Lanka (Private) Ltd.	Colombo	LKR	40.00
HHLA Container Terminal Altenwerder GmbH	Hamburg	EUR	25.100
United Arab Shipping Agency Company (Thailand) Ltd.	Bangkok	THB	49.00
Affiliated non-consolidated companies			
Ash-Shahaniyah Ltd.	George Town	USD	100.00
Brunswick Investment Co. Inc.	Nassau	USD	100.00
Chacabuco Shipping Ltd.	Majuro	USD	100.00
CMR Container Maintenance Repair Hamburg GmbH	Hamburg	EUR	100.00
CSBC Hull 898 Ltd.	Douglas	USD	100.00
Hamburg-Amerikanische-Packetfahrt-Gesellschaft mbH	Hamburg	EUR	100.00
Hapag-Lloyd Business Services (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd Container (No. 2) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Container (No. 3) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Container Ltd.	Barking	EUR	100.00
Hapag-Lloyd Quality Service Center Mauritius	Port Louis	MUR	100.00
Hapag-Lloyd Ships (No. 2) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Ships Ltd.	Barking	EUR	100.00
Hull 1794 Co. Ltd.	Majuro	USD	100.00
Hull 2082 Co. Ltd.	Majuro	USD	100.00
Malik Al Ashtar Ltd.	Valletta	EUR	100.00
Malleco Shipping Co. S.A.	Panama City	USD	100.00
Maule Shipping Co. S.A.	Panama City	USD	100.00
Norddeutscher Lloyd GmbH	Bremen	EUR	100.00
Palena Shipping Ltd.	Majuro	USD	100.00
Servicios de Procesamiento Naviero S.R.L. i.L.	Montevideo	USD	100.00
Southern Shipmanagement Chile Ltda.	Valparaíso	USD	100.00
Southern Shipmanagement Co. S.A.	Panama City	USD	100.00
UASAC Groupement France G.I.E.	Marseille	EUR	100.00
UASC Services (India) Pvt. Ltd. i.L.	Chembur	INR	99.994
UASAC Uruguay (S.A.)	Montevideo	UYU	60.00
United Arab Shipping Agency Co. (Polska) Sp.z.o.o. i. L.	Warsaw	PLN	100.00
United Arab Shipping Agency Company (CEE) Kft.	Budapest	EUR	100.00

1 Additional 51,00% are hold by a trustee on behalf of Hapag-Lloyd Group.

2 Additional 5.64% are hold by a trustee on behalf of Hapag-Lloyd Group.

3 Additional 2.19% are hold by a trustee on behalf of Hapag-Lloyd Group.

4 Additional 0.01% are hold by a trustee on behalf of Hapag-Lloyd Group.

5 Additional 16.00% are hold by a trustee on behalf of Hapag-Lloyd Group.

6 Additional 2.07% are hold by a trustee on behalf of Hapag-Lloyd Group.

Hamburg, 10. March 2020

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

RESPONSIBILITY STATEMENT PURSUANT TO SECTION 297 (2) AND SECTION 315 (1) OF THE GERMAN COMMERCIAL CODE (HGB)

We confirm that, to the best of our knowledge and in accordance with the applicable accounting principles, the consolidated financial statements of Hapag-Lloyd AG give a true and fair view of the net asset, financial and earnings position of the Group and that the combined management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hamburg, 10 March 2020

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Mark Frese

Dr Maximilian Rothkopf

Joachim Schlotfeldt

INDEPENDENT AUDITOR'S REPORT

To Hapag-Lloyd Aktiengesellschaft, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Opinions

We have audited the consolidated financial statements of Hapag-Lloyd Aktiengesellschaft, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year from 1 January to 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the management report of Hapag-Lloyd Aktiengesellschaft and the Group (combined management report) for the financial year from 1 January to 31 December 2019. In accordance with German legal requirements, we have not audited the content of those components of the combined management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2019, and of its financial performance for the financial year from 1 January to 31 December 2019, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the content of those components of the combined management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the financial year from 1 January to 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Accounting for unfinished voyages

For further information on the accounting policies applied, please refer to the disclosures in the notes to the consolidated financial statements under "Fundamental accounting principles—Realisation of income and expenses" and "Notes to the consolidated income statement—(1) Revenue".

THE FINANCIAL STATEMENT RISK

Revenue for unfinished voyages is recorded by Hapag-Lloyd by reference to the voyage progress as at the reporting date. In determining voyage progress, the ratio of expenses incurred up to the reporting date to the expected total expenses per voyage is relevant. Determining the transport costs incurred in connection with the voyages unfinished as at the reporting date and the margins underlying revenue recognition is a highly complex process.

There is the risk for the financial statements that revenue for unfinished voyages is not accurately recognised in respect of the cut-off reporting date.

OUR AUDIT APPROACH

We assessed the design, implementation and effectiveness of the controls that are to ensure accurate recognition cut-off of revenue as at the reporting date. We assessed the accounting policies applied by Hapag-Lloyd for revenue recognition in terms of their compliance with the requirements of IFRS 15. In addition, we assessed whether the policies defined by Hapag-Lloyd for recognition cut-off are appropriately structured to ensure the recognition of revenue on an accrual basis. We assessed the reliability of the analyses from the accounting system on an accrual basis by examining representative samples of the underlying documents and the actual voyage data. We assessed the method of calculating the margins for revenue recognition and the required cut-off procedures at the reporting date and inspected the model for computational accuracy.

OUR OBSERVATIONS

Hapag-Lloyd's approach with respect to revenue recognition cut-off is appropriate.

Completeness, accuracy and measurement of the right-of-use assets and lease liabilities according to the new accounting standard IFRS 16 Leases in relation to ships and containers

THE FINANCIAL STATEMENT RISK

IFRS 16 Leases must be applied by Hapag-Lloyd for financial years starting on or after 1 January 2019. The new standard introduces for lessees a uniform accounting model for recognising leases in the lessee's statement of financial position. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The first-time application of the new financial reporting standard "IFRS 16 Leases" had a material effect on the opening statement of financial position figures for the financial year and how they were updated as at the reporting date. As at 31 December 2019, right-of-use assets of EUR 1,031 million and lease liabilities of EUR 1,193 million are recognized in the consolidated financial statements of Hapag-Lloyd AG. Right-of-use assets and lease liabilities account for 6% and 7% of total assets respectively and thus have a material influence on the Company's financial position.

The determination of the lease term, the amount of the lease payments and the incremental borrowing rate used as the discount rate may require judgement and be based on estimates. Furthermore, determining the first-time application effect of IFRS 16 and the updated lease liabilities and right-of-use assets in accordance with the standard requires the recording of extensive data from the lease agreements. There is the risk for the consolidated financial statements that the lease liabilities and right-of-use assets are not recorded in full in the consolidated statement of financial position. There is also the risk that the lease liabilities and right-of-use assets have not been appropriately measured.

OUR AUDIT APPROACH

In an initial step, we gained an understanding of the process used to implement the new IFRS 16 accounting standard in the Hapag-Lloyd Group. We then analysed the business concept and the accounting instructions underlying the implementation in terms of completeness and compliance with IFRS 16.

As part of our control-based audit procedures, we assessed the appropriateness, implementation and effectiveness of the controls established by Hapag-Lloyd to ensure the full and correct determination of the data used to measure the lease liabilities and right-of-use assets. If IT processing systems were used to determine and collect relevant data, we tested the effectiveness of rules and procedures relating to numerous IT applications and which support the effectiveness of application controls, with the involvement of our IT experts.

As part of our test of details involving leases, we used contract documents, in some cases on the basis of representative samples and in others on the basis of risk-oriented elements, to check whether the relevant data was correctly and fully determined. To the extent that accounting judgements were made for determining the lease term, we examined whether—in light of the prevailing market conditions and risks in the industry—the underlying assumptions are comprehensible and consistent with other assumptions made in the financial statements.

With the involvement of our valuation experts, we compared the assumptions and parameters underlying the incremental borrowing rates to our own assumptions and publicly available data. We also assessed the calculation model for the interest rate in terms of appropriateness.

We verified the calculations on the carrying amounts recognised by Hapag-Lloyd for lease liabilities and right-of-use assets in part on the basis of representative sampling and in part on the basis of risk-oriented elements.

OUR OBSERVATIONS

Hapag-Lloyd has established appropriate procedures to record leases for the purposes of IFRS 16. The assumptions and parameters used to measure the lease liabilities and right-of-use assets are appropriate overall.

Other Information

Management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following parts of the combined management report, whose content was not audited:

- the corporate governance statement referred to in the combined management report, and
- the separate non-financial report, which will be provided to us expected after the date of this independent auditor’s report, which is referred to in the combined management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the consolidated financial statements, the combined management report information audited for content and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the information in the combined management report audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and per-form audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by the management and related disclosures.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor at the annual general meeting on 12 June 2019. We were engaged by the chair of the Audit and Finance Committee of the Supervisory Board on 5 August 2019. We have been group auditor of Hapag-Lloyd Aktiengesellschaft, Hamburg, without interruption since financial year 2015.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Victoria Röhricht.

Hamburg, 11 March 2020

KPMG AG

Wirtschaftsprüfungsgesellschaft

Madsen Wirtschaftsprüfer [German Public Auditor]	Dr. Röhricht Wirtschaftsprüferin [German Public Auditor]

ISSUER

Hapag-Lloyd Aktiengesellschaft
Ballindamm 25
20095 Hamburg
Germany

LEGAL ADVISORS TO THE ISSUER

As to U.S. and German law

White & Case LLP
Bockenheimer Landstrasse 20
60323 Frankfurt am Main
Germany

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to U.S. law

Latham & Watkins (London) LLP
99 Bishopsgate
London EC2M 3XF
United Kingdom

As to German law

Latham & Watkins LLP
Reuterweg 20
60323 Frankfurt
Germany

INDEPENDENT AUDITORS

KPMG AG Wirtschaftsprüfungsgesellschaft
Fuhlentwiete 5
20355 Hamburg
Germany

TRUSTEE

Deutsche Trustee Company Limited
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

LEGAL ADVISORS TO THE TRUSTEE

Clifford Chance LLP
10 Upper Bank Street
London E145JJ
United Kingdom

PAYING AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

REGISTRAR, LISTING AGENT AND TRANSFER AGENT
Deutsche Bank Luxembourg S.A.
2, boulevard Konrad Adenauer
L-1115 Luxembourg
Grand Duchy of Luxembourg

The Issuer has not authorized any dealer, salesperson or other person to give any information or represent anything to you other than the information contained in this Offering Memorandum. You must not rely on unauthorized information or representations.

This Offering Memorandum does not offer to sell or ask for offers to buy any Notes in any jurisdiction where it is unlawful, where the person making the offer is not qualified to do so, or to any person who cannot legally be offered the Notes.

The information in this Offering Memorandum is current only as of the date on its cover, and may change after that date. For any time after the cover date of this Offering Memorandum, the Issuer does not represent that its affairs are the same as described or that the information in this Offering Memorandum is correct, nor does the Issuer imply those things by delivering this Offering Memorandum or selling Notes to you.

TABLE OF CONTENTS

Notice to Investors	i
Notice to Prospective U.S. Investors	ii
Notice to Certain European Investors	iii
Notice to Certain Other Investors	iv
Presentation of Financial and Other Information	xi
Presentation of Industry and Market Data	xiii
Currency Presentation and Exchange Rate Information	xv
Sustainability-Linked Bond Framework and Second Party Opinion	xvi
Summary	1
Corporate Structure and Certain Financing Arrangements	13
Summary of the Offering	15
Summary Consolidated Financial and Other Information	18
Risk Factors	22
Use of Proceeds	56
Capitalization	57
Selected Consolidated Financial and Other Information	58
Management's Discussion and Analysis of Financial Conditions and Results of Operations	60
Industry and Market Data	92
Our Business	102
Regulatory Matters	131
Management	147
Principal Shareholders	167
Certain Relationships and Related Party Transactions	170
Description of Certain Financing Arrangements	172
Description of the Notes	186
Certain Insolvency Law Considerations	243
Book-Entry, Delivery and Form	255
Taxation	260
Certain ERISA Considerations	267
Plan of Distribution	269
Transfer Restrictions	273
Legal Matters	277
Independent Auditors	277
Available Information	277
Service of Process and Enforcement of Civil Liabilities	278
Listing and General Information	280
The Issuer	281
Glossary of Selected Terms	G-1
Financial Information	F-1

OFFERING MEMORANDUM

Hapag-Lloyd Aktiengesellschaft

€300,000,000
2.50% Sustainability-Linked Senior Notes due 2028

Joint Global Coordinators, Joint Bookrunners and Sustainability-Linked Bond Structuring Advisors

Berenberg

Deutsche Bank

Goldman Sachs Bank Europe SE

Joint Bookrunners and Sustainability-Linked Bond Structuring Advisors

Crédit Agricole CIB

DZ BANK AG

Société Générale

April 6, 2021