

GROUP FINANCIAL POSITION

Principles and objectives of financial management

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

Maintaining an appropriate minimum liquidity level is a deciding factor. Efficient financial management is primarily based on optimising short and medium-term cash outflows. This is based on budgetary planning for a number of years and a rolling monthly liquidity plan that spans a period of one year. Hapag-Lloyd AG secures its short-term liquidity reserve by means of syndicated credit facilities and bilateral bank credit lines, as well as its portfolio of cash and cash equivalents. In addition, there is a risk-optimised investment strategy for excess liquidity with diversified counterparties of high creditworthiness. Liquidity is invested on a rolling and staggered basis for periods of up to six months using standard money market instruments (time deposits, money market funds, etc.). To reduce counterparty/concentration risks, investments are broadly diversified with banks and financial institutions in the "investment grade" rating category. Each counterparty is allocated a maximum investment limit, the amount of which is determined by various creditworthiness parameters. The development of these parameters is monitored daily.

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

Changes in commodity prices have an impact on the Hapag-Lloyd Group, particularly with regard to the cost of procuring fuel such as bunker oil. Insofar as it is possible, the risk of bunker price changes is passed on to the customer based on contractual agreements.

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

To partially hedge against these euro exchange rate risks, derivative hedging transactions are entered into. Interest rate risks which arise as a result of liquidity procurement on the international money and capital markets are centrally managed within the scope of interest rate management and are partly limited using derivative interest rate hedging instruments.

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

Other disclosures about hedging strategies and risk management as well as financial transactions and their scope as at the reporting date can be found in the risk report contained within the combined management report, and in Note (28) Financial instruments in the Notes to the consolidated financial statements.

Issuer ratings

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

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

Financing

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

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

The focus in the 2022 financial year was on the financing of investments in containers and the implementation and restructuring of financing as part of efforts to optimise the existing capital structure and costs.

Further disclosures about the maturity profile of existing financing arrangements, as well as financial transactions and their scope as at the reporting date, can be found in Note (28) Financial instruments in the Notes to the consolidated financial statements.

Financing and investing activities

The Group executed the following major financing and investing activities in the 2022 reporting year:

Containers

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

Vessels

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

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

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

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

All covenants were complied with for the 2022 financial year.

Net liquidity

Financial solidity

million EUR	31.12.2022	31.12.2021
Financial debt and lease liabilities	5,436.8	5,497.2
Cash and cash equivalents	15,236.1	7,723.4
Time deposits (other financial assets)	2,787.8	–
Net liquidity¹	12,587.1	2,226.3
Unused credit lines	679.2	516.9
Equity ratio (%)	72.1	60.5

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

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

The equity ratio increased by 11.7 percentage points, from 60.5% as at 31 December 2021 to 72.1%. The rise was primarily due to the increase in earnings for the year. Equity was up by EUR 11,749.1 million compared with 31 December 2021 and amounts to EUR 27,911.1 million as at 31 December 2022. A detailed overview of the change in equity can be found in the consolidated statement of changes in equity in the consolidated financial statements.

Liquidity analysis

The Hapag-Lloyd Group's solvency was guaranteed at all times in the last financial year by cash inflows from operating activities, a portfolio of cash and cash equivalents and bilateral and syndicated loan agreements with banks. The company had a liquidity reserve (cash, cash equivalents and unused credit facilities) totalling EUR 15,915.3 million (previous year: EUR 8,240.3 million EUR). Notes regarding restrictions on cash and cash equivalents can be found in Note (17) Cash and cash equivalents in the Notes to the consolidated financial statement.

Statement of cash flows and capital expenditure

Condensed statement of cash flows

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

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

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

Cash flow from operating activities

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

Cash flow from investing activities

In the 2022 financial year, the cash outflow from investing activities totalled EUR 4,065.4 million (prior year period: EUR 1,227.4 million). This primarily included investments of cash and cash equivalents in time deposits with a maturity of more than three months totalling EUR 2,824.1 million (prior year period: EUR 0.00 million). Additionally, payments for investments of EUR 1,440.6 million (prior year period: EUR 1,252.7 million) in vessels, ship equipment and new containers were made. The payments for containers acquired in the previous year included in the investment

amount were EUR 194.8 million. A total of EUR 135.1 million was already paid in the first half of 2022 for the acquisition of the container liner business of Deutsche Afrika-Linien GmbH & Co. KG and the acquisition of shares in joint ventures and associates in the subsequent quarters. This was mainly offset by cash flows from interest of EUR 194.6 million (prior year period: EUR 4.3 million) and cash flows from disposal of property, plant and equipment and intangible assets of EUR 112.6 million (prior year period: EUR 20.2 million).

Cash flow from financing activities

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

Developments in cash and cash equivalents

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

In total, there was a cash inflow of EUR 7,208.3 million in the 2022 financial year, with the result that, accounting for exchange rate-related effects of EUR 304.5 million and changes due to the scope of consolidation, cash and cash equivalents at the end of the reporting period on 31 December 2022 amounted to EUR 15,236.1 million (31 December 2021: EUR 7,723.4 million). The cash and cash equivalents dealt with in the statement of cash flows correspond to the balance sheet item "Cash and cash equivalents". In addition, there are unused credit facilities of EUR 679.2 million (31 December 2021: EUR 516.9 million). The liquidity reserve (cash, cash equivalents and unused credit facilities) therefore totalled EUR 15,915.3 million (31 December 2021: EUR 8,240.3 million).

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

Off-balance-sheet obligations

Information about off-balance-sheet obligations can be found in Note (33) Other financial obligations in the Notes to the consolidated financial statements.