Combined management report

BASIC PRINCIPLES OF THE GROUP

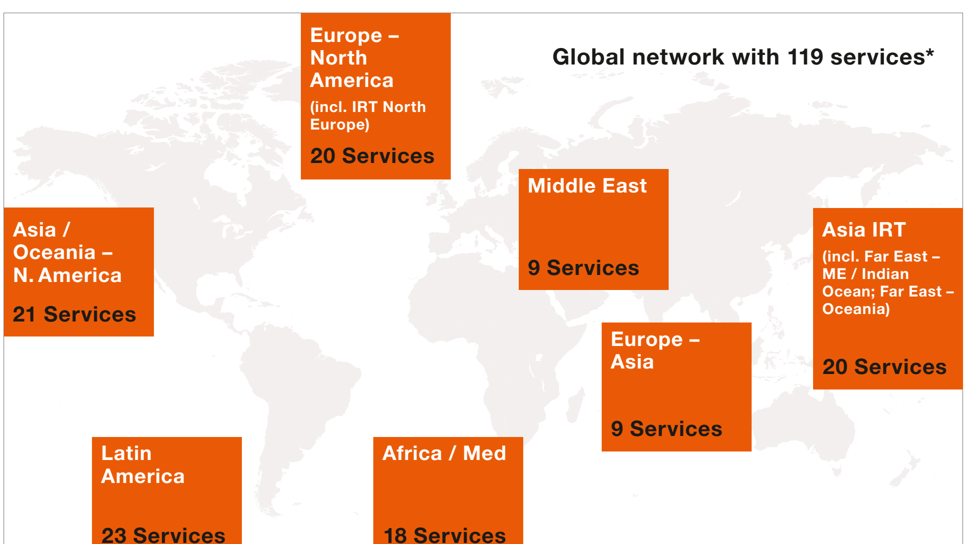
The management report of Hapag-Lloyd AG and the Group management report have been combined in accordance with Section 315 (5) in conjunction with Section 298 (2) of the German Commercial Code (HGB). The disclosures specific to Hapag-Lloyd AG are presented in the chapter "Notes to the individual financial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

OPERATING ACTIVITIES

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

Hapag-Lloyd's fleet comprised 251 container ships as at 31 December 2022 (previous year: 253) with a transport capacity of around 1.8 million TEU (previous year: around 1.8 million TEU). The Group currently has 400 sales offices in 135 countries (previous year: 421 sales offices in 137 countries) and offers its customers access to a network of 119 services (previous year: 126) worldwide. In the 2022 financial year, Hapag-Lloyd served approximately 33,800 customers around the world (previous year: approximately 33,100).

Network of Hapag-Lloyd services



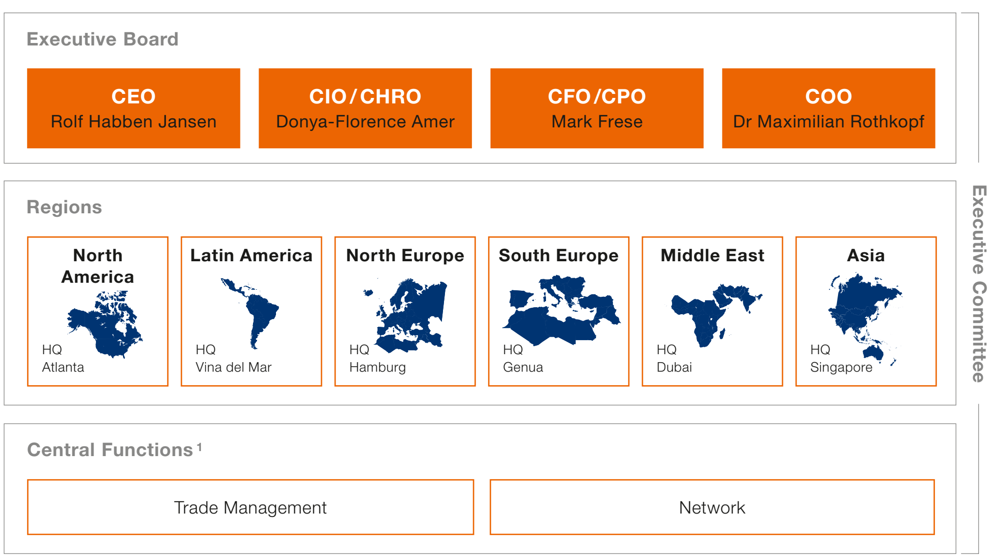
Source: Company data
Note: *FP[1] and FP[2] services included twice (Asia–North America / Europe–Asia)

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

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

GROUP STRUCTURE AND SHAREHOLDERS

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



1 There are further central functions outside the Executive Committee.

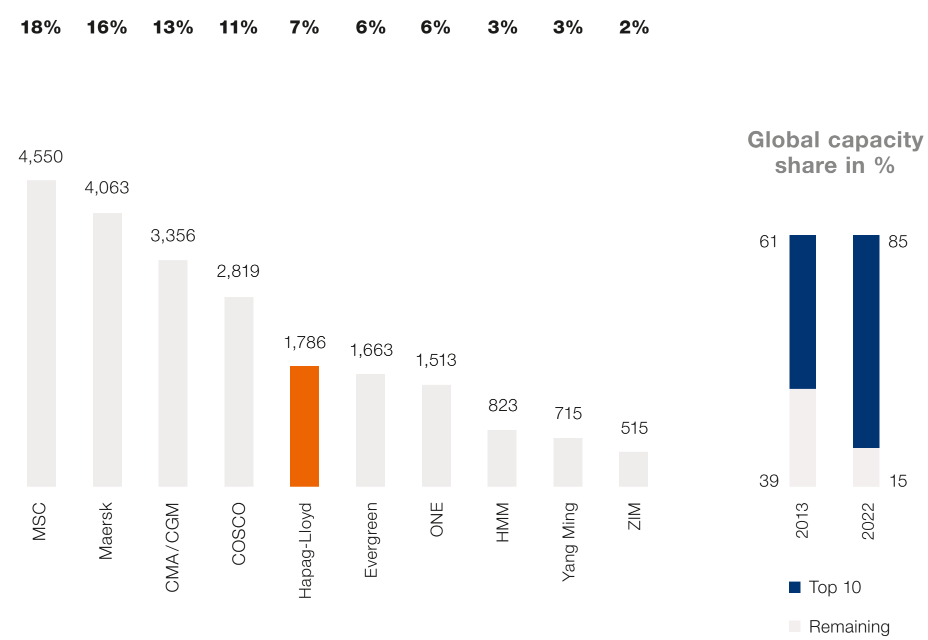
The organisational structures of all six regions are identical. This "blueprint organisational structure", used together with a uniform IT system that covers the entire transport chain, allows for standardised exchange of information between head office and the regions.

BUSINESS AND COMPETITIVE ENVIRONMENT

Consolidation of the industry and alliances in container shipping

Between 2014 and 2018, the container shipping industry underwent a far-reaching phase of consolidation. The ten largest container liner shipping companies now account for around 85% (previous year: 86%) of the total capacity of the global fleet of container vessels. In 2013, this share was only 61% (MDS Transmodal, January 2023 and October 2013, and Drewry, Q4 2022).

Fleet capacity and market share of the top container liner shipping companies in TTEU 2022 vs. 2013



Source: Drewry (Q4 2022), MDS Transmodal (January 2023, October 2013), Hapag-Lloyd capacity excl. chartered-out vessels

Alliances are an essential part of the container shipping industry as they enable better utilisation of vessels and a more extensive range of services. 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, Mediterranean Shipping Company S.A. (Switzerland) (MSC) and A.P. Møller – Mærsk A/S (Denmark) (Maersk). The “Ocean Alliance” consists of CMA CGM S. A. (France), China COSCO Shipping Corporation Limited (China), including its subsidiary OOIL (Hong Kong), and Evergreen Marine Corp. Ltd. (Taiwan) (Evergreen) and is the second-biggest alliance. Hapag-Lloyd (Germany) operates THE Alliance in partnership with ONE (Singapore), Hyundai Merchant Marine (South Korea) (HMM) and Yang Ming Marine Transport Corp. Ltd. (Taiwan) (Yang Ming). As at 31 December 2022, THE Alliance covered all East–West trades with 258 container vessels and 30 services (31 December 2021: 255 container vessels and 29 services). In January 2023, MSC and Maersk announced that the “2M” alliance will end in two years (January 2025).

Capacity share of alliances in East–West trades

in %	Far East trade	Transpacific trade	Atlantic trade
2M	35	24	48
Ocean Alliance	33	38	18
THE Alliance	**25**	**25**	**26**
Other	7	13	8

Source: Alphaliner (December 2022), Hapag-Lloyd 2022

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

Regulatory framework

Hapag-Lloyd's business is subject to multiple regulatory and legal provisions. In order to engage in business operations, it is necessary to have authorisations, licences and certificates. Compliance with the ISM Code (International Safety Management), which regulates the measures required for ensuring safe ship operations, the ISPS Code (International Ship and Port Facility Security) and the MLC (Maritime Labour Convention) must be given particular emphasis here. The ISPS stipulates what measures are to be taken to prevent hazards on board vessels and in ports, thereby contributing to supply chain security. The MLC sets out basic employment and social rights of maritime personnel. There are also numerous country-specific rules, such as "advance manifest rules", which stipulate certain disclosure obligations in relation to the vessel's cargo. Compliance with international regulations and provisions, such as embargo and sanctions regulations, is a basic requirement for the provision of services.

The business is additionally subject to numerous national and international environmental regulations, in particular those for the protection of the oceans and the reduction of air pollution. For example, stricter thresholds for sulphur dioxide emissions have been applicable worldwide since 2020 (IMO 2020) and require the use of either low-sulphur fuels or exhaust gas cleaning systems (EGCSs). Furthermore, the introduction of the Energy Efficiency Existing Ship Index (EEXI) and the Carbon Intensity Indicator (CII) beginning in 2023 will result in new, globally applicable energy efficiency regulations aimed at steadily reducing the CO_2e emissions of commercial ships. Hapag-Lloyd launched an optimisation programme for more than 150 ships in 2022 in order to meet these new requirements. Depending on requirements, the ships will receive more efficient propellers, a drag-reducing underwater coating and flow-optimised bulbous bows by 2025. The use of low-CO_2e or CO_2e-neutral fuels is also to be expanded gradually. "Slow steaming" is another option to meet the increasing energy efficiency regulations.

Several countries and international institutions are also discussing a possible surcharge for the CO_2e emitted by commercial vessels by means of a tax or similar instruments. At the end of 2022, the European Union agreed to gradually include commercial shipping in the European Emissions Trading System (ETS) beginning in 2024. This affects all voyages within the European Economic Area (EEA), as well as 50% of the route between EEA ports and non-EEA ports.

Beginning in 2024, 40% of relevant CO_2e emissions will initially be included in EU emissions trading, followed by 70% beginning in 2025 and 100% in 2026. Part of the revenues from the ETS will be used, via the EU innovation Fund, for research and development for improving the energy efficiency of vessels and ports, innovative technologies and infrastructure and the use of sustainable, alternative fuels and emission-free propulsion technologies.

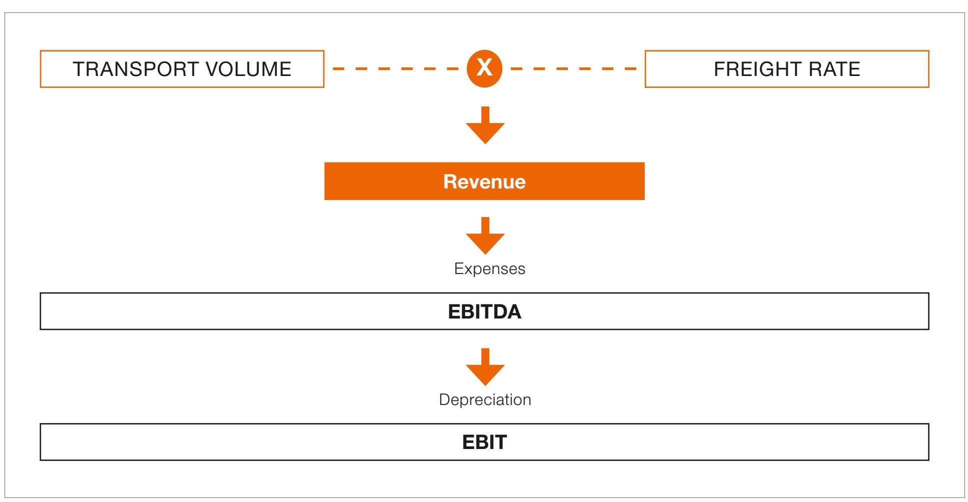
CORPORATE MANAGEMENT

Key performance indicators

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

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

Material influencing factors



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

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

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

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

Operating costs are also influenced by bunker price changes. The bunker price correlates with the development of crude oil prices and is subject to substantial fluctuations. Depending on the competitive situation, a proportion of the fluctuations can be compensated for via the freight rate in the form of bunker surcharges. However, the extent to which bunker surcharges can be implemented is heavily dependent on the prevailing market situation. Part of the Group's likely bunker fuel needs can be hedged using options in order to lessen the risk of changes in the bunker price due to rising prices. However, no such hedges existed at the end of the 2022 financial year.

PRINCIPLES AND PERFORMANCE INDICATORS

FINANCIAL PERFORMANCE INDICATORS

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

Return on invested capital

Hapag-Lloyd aims to be profitable throughout the entire economic cycle, i.e., to achieve a return on invested capital that is at least equal to the company's weighted average cost of capital. For this reason, return on invested capital (ROIC) is used as an additional strategic performance indicator.

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

Calculation of return on invested capital on a Group basis

	million EUR		million USD	
	2022	2021	**2022**	2021
Non-current assets	16,894.7	15,284.0	18,034.8	17,298.4
Inventory	440.0	337.2	469.7	381.6
Accounts receivable	2,895.0	2,999.2	3,090.4	3,394.5
Other assets[1]	433.8	370.7	463.0	419.5
Assets	**20,663.4**	**18,991.1**	**22,057.9**	**21,494.1**
Provisions	1,268.5	1,020.5	1,354.2	1,155.0
Accounts payable	2,615.7	2,323.9	2,792.2	2,630.2
Other liabilities	1,455.2	1,710.9	1,553.2	1,936.4
Liabilities	**5,339.4**	**5,055.3**	**5,699.5**	**5,721.6**
Invested Capital	15,324.0	13,935.8	16,358.4	15,772.5
EBIT	17,524.5	9,389.8	18,467.3	11,111.0
Taxes	200.6	61.3	211.4	72.5
Net Operating Profit after Tax (NOPAT)	**17,324.0**	**9,328.6**	**18,255.9**	**11,038.4**
Return on Invested Capital (ROIC)			**111.6%**	**70.0%**

[1] Excluding time deposits, which are reported under other financial assets

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

The return on invested capital (ROIC) in the 2022 financial year was 111.6% following 70.0% in 2021. Due to the exceptionally high NOPAT of the last two years, the return on capital in 2022 is again significantly above the average cost of capital. The cost of capital after income taxes is 9.1% as at the balance sheet date (31 December 2021: 7.0%). The increase in the weighted cost of capital can be attributed in particular a higher risk-free base rate and the higher equity ratio.

NON-FINANCIAL PRINCIPLES

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

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

Fleet and capacity development
As at 31 December 2022, Hapag-Lloyd's fleet comprised a total of 251 container vessels (31 December 2021: 253). All of the vessels are certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the vessels are certified as per ISO 9001 (quality management) and ISO 14001 (environmental management).

The TEU capacity of the entire Hapag-Lloyd fleet as at 31 December 2022 was 1,796.8 TTEU and therefore 1.6% higher compared to 31 December 2021 (1,768.7 TTEU). In the first half of 2022, five second-hand vessels with a total capacity of 19.3 TEU were acquired. As part of the acquisition of the container line business of Deutsche Afrika-Linien GmbH & Co. KG (DAL), a 6,589 TEU vessel owned by the company was taken over. Two newbuilds with a capacity of 13,312 TEU each were commissioned in the second half of 2022.

Based on the TEU capacities, 62% of the fleet was owned by the Group as at 31 December 2022 (previous year: 60%).

As at the reporting date, the average age of the total Hapag-Lloyd fleet was 11.2 years (capacity weighted; 31 December 2021: 10.5 years). This is slightly above the average of the ten biggest container liner shipping companies, which is 10.8 years (31 December 2021: 10.0 years; source: MDS Transmodal). The average size of vessels in the Hapag-Lloyd Group fleet as at 31 December 2022 was 7,159 TEU (31 December 2021: 6,991 TEU). This figure was approximately 11% above the comparable average of the ten biggest container liner shipping companies worldwide as at 31 December 2022, which was 6,458 TEU (31 December 2021: 6,279 TEU; source: MDS Transmodal).

In order to improve its competitiveness in the Europe–Far East trade, Hapag-Lloyd signed two newbuild contracts, each for the construction of six large container vessels, at the end of 2020 and in June 2021 with a size of 23,660 TEU each. The vessels will be built by Korea's Daewoo Shipbuilding & Marine Engineering and delivered to Hapag-Lloyd between June 2023 and April 2025. The total value of the investment will be approximately USD 2 billion. The relevant funding has already been agreed on. The purchase price will be paid in a number of instalments until final delivery, with the largest part of the payment due with delivery of the vessel. As part of Hapag-Lloyd's sustainability strategy, the vessels will be equipped with a high-pressure dual-fuel engine, which can run on both LNG and conventional fuel. LNG offers a number of environmental advantages over conventional oil-based fuels, in particular CO_2 emissions can be reduced by around 15% to 25% (European Commission, July 2021).

Hapag-Lloyd's order book as at 31 December 2022 comprised twelve newbuilds with a size of 23,660 TEU and three newbuilds of different sizes of about 13,000 TEU. The total capacity of the newbuilds is around 323 TTEU, deliveries are planned between 2023 and 2025.

In addition to the newbuilds owned by the company, Hapag-Lloyd will add five new vessels of different sizes of about 13,000 TEU to its fleet as long-term charters. One of these newbuilds was taken over in 2022, while the remaining four charter vessels are scheduled for delivery in 2023 and 2024.

As at 31 December 2022, Hapag-Lloyd owned or rented 1.75 million containers (31 December 2021: 1.83 million) with a capacity of 2.97 million TEU (31 December 2021: 3.06 million TEU) for shipping cargo. The capacity-weighted proportion of owned containers as at 31 December 2022 is 58% (31 December 2021: 58%). In 2022, 5,200 TEU of special containers and 11,800 TEU reefer containers were purchased and delivered.

Structure of Hapag-Lloyd's ship and container fleets

	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Number of vessels	251	253	237	239
thereof				
Own vessels[1]	121	113	112	112
Chartered vessels	130	140	125	127
Aggregate capacity of vessels (TTEU)	1,797	1,769	1,719	1,707
Aggregate container capacity (TTEU)	2,972	3,058	2,704	2,540
Number of services	119	126	122	121

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

In 2022, Hapag-Lloyd chartered a total of 19 container vessels with a capacity of 35.4 TTEU for the carriage of empty containers at short notice (prior year period: 23 container vessels, capacity 57.3 TTEU) in order to counter the tight container availability in Asia as far as possible. As at 31 December 2022, no vessel was used for empty container transport (31 December 2021: one vessel). The vessels are not deployed in a liner service and are therefore not included in the display of the fleet structure.

An essential criterion for assessing a container vessel fleet is the vessel's bunker consumption. In the 2022 financial year, bunker consumption by Hapag-Lloyd's fleet totalled 4.14 million tonnes, which was down 1.3% from the previous year (prior year period: 4.20 million tonnes). The easing of waiting times at ports led to the slight decrease in bunker consumption. Bunker consumption per transported quantity remained constant compared to the prior year period at 0.35 t/TEU. Compared with 2009, bunker consumption per TEU has been cut by 42%. Bunker consumption per slot (as measured by the annual average container storage capacity) was 2.35 t/slot, which was 2% below the previous year's figure of 2.40 t/slot (reference year 2009: 5.8 t/slot).

The share of bunker with a low sulphur content (MFO Low Sulphur 0.1% and 0.5%, MDO) and Liquefied Natural Gas (LNG) decreased from 92% in 2021 to 87% in the 2022 financial year due to the equipping of additional vessels with scrubbers. Biofuel use in 2022 has increased significantly from 18,500 t in 2021 to 120,500 t in 2022.

Bunker consumption of the Hapag-Lloyd Group

Tons (t)	2022	2021
MFO (High Sulphur)	527,611	349,278
MDO, MFO (Low Sulphur)[1]	3,607,570	3,843,212
LNG	4,582	2,551
Total bunker consumption	**4,139,762**	**4,195,041**

1 Including biofuel

Efficient transport services

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

Imbalances in the world’s biggest trades

Cargo value in TTEU	2022	2021
Transpacific		
Asia – North America	22,663	21,823
North America – Asia	5,641	6,518
Far – East		
Asia – Europe	16,793	16,361
Europe – Asia	5,328	6,297
Atlantic		
Europe – North America	3,528	3,352
North America – Europe	1,543	1,619

Source: Seabury (December 2022). Figures rounded

Transport capacity must be planned to meet the volumes on the dominant leg. The relevant performance indicator in this regard is the capacity utilisation of the Hapag-Lloyd container vessel fleet on the dominant leg, measured on the basis of total TEU capacity. In the reporting period, capacity utilisation was 95.1% (prior year period: 95.9%).

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

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

	Hapag-Lloyd AG	Industry average
Transpacific	3.5	2.5
Far – East	4.6	3.2
Atlantic	6.5	4.4

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

Source: Seabury (December 2022); Hapag-Lloyd 2022

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

Another important factor in connection with the fleet's capacity utilisation is the turnaround frequency of the containers. Here the average number of deployments per container per year is calculated. The objective is to increase the turnaround frequency and to boost productivity. On average, each container was handled 3.9 times in 2022 (prior year period: 4.2 times). The reason for the reduction compared to the prior year period is the increase in round voyage times due to bottlenecks in the supply chains.

Customers and customer orientation

Hapag-Lloyd's aim is to maintain a diversified customer portfolio consisting of direct customers and freight forwarders, with the latter ensuring a permanent regular supply of cargo volumes. Contractual relationships of up to 36 months generally exist with direct customers. Direct customers allow Hapag-Lloyd to plan the required transport capacity better because of the framework agreements concluded with them. Hapag-Lloyd has a balanced customer base, as demonstrated by the fact that its 50 largest customers represent considerably less than 50% of its cargo volume. In total, transports were completed for approximately 33,800 customers in the 2022 financial year (prior year period: approximately 33,100 customers).

A breakdown of the goods shipped according to product category shows a relatively balanced distribution. No individual product category accounted for a share of over 13% during the past financial year (prior year period: 13%).

Transport volume by product category in 2022

Product Category	**Share 2022 in %**	Share 2021 in %
Plastics & rubber	13	13
Foodstuff and beverages	10	9
Machinery	10	9
Agriculture	9	9
Chemicals	8	9
Metals and minerals	8	8
Textiles	7	7
Paper and forest products	7	7
Automotive	6	6
Furniture	6	6
Electronics	5	5
Other products	13	13
Total	**100**	**100**

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

RESEARCH AND DEVELOPMENT

Development activities at Hapag-Lloyd can be divided into the areas IT & digitalisation as well as ship technology and the testing of new fuels and propulsion technologies as part of the decarbonisation strategy. With the Fleet Analytics & Technical Optimization department, there is an R&D department in the Fleet division responsible for the development and implementation of efficiency-enhancing technical solutions such as new propeller designs. In addition, the use of new fuels and propulsion technologies to reduce CO_2 emissions is tested in coordination with the Sustainability department. The holistic approach to continuously improve the carbon footprint for the fulfilment of the transport task also includes an increase in cargo capacities as well as flexibility in the stowage and handling of cargo.

In 2020, Hapag-Lloyd began testing the use of biofuels based on fatty acid methyl ester (FAME). These are manufactured from organic waste such as used cooking oil and mixed with conventional bunker fuel at a variable ratio. This can reduce greenhouse gas emissions by more than 80% compared with conventional fuel. Following initial experiences in 2020, the use of biofuels has been continuously expanding since 2021, and a total of 71 vessels can be refilled using biofuels. During 2022, 24 vessels, including Hapag-Lloyd's largest container vessels (A19 class), are refilled with these fuels in Rotterdam and Singapore for their regular operations. In 2022, 120,500 t of biofuel were bunkered (prior year period: 18,500 t).

Digital transformation is a strategic priority for Hapag-Lloyd and runs through all business areas. In close cooperation between the IT department and other specialist departments, integrated solutions are created using modern technologies such as artificial intelligence, robotic process automation, cloud-based solutions and blockchain platforms. Special priority is given to the extensive automation of business processes with the goal of excellent service quality and efficiency. Together with the Digital Business and Transformation specialist department and the regions, we have succeeded in making new, digitally available services and business models available to our customers and continuously enhancing them using agile methods. The necessary capacity and expertise are constantly being expanded at the Hamburg and Gdańsk locations as well as with partners. Having already fitted much of its reefer container fleet with remote monitoring technology, Hapag-Lloyd began equipping all of its standard containers with GPS tracking devices as well in 2022. The tracking devices will be able to transmit data from containers in real time, thereby increasing transparency and efficiency in the supply chain. They can supply GPS-based location data, measure the surrounding temperature and monitor any sudden shaking of the container. The tracking data is undergoing initial internal testing and should be made available to customers as an additional product during 2023.

EMPLOYEES

The Hapag-Lloyd Group employed 14,248 employees as at 31 December 2022 (previous year: 14,106 employees). Of this total, 12,316 were shore-based employees (31 December 2021: 11,997), while 1,704 people were employed in the marine division (31 December 2021: 1,868). The number of shore-based employees rose by 319 people. The increase was a result of the expansion of the Global Service Center in Turkey, the IT department and the takeover of DAL in the second quarter of 2022.

Number of employees

	31.12.2022	31.12.2021	31.12.2020	31.12.2019
Marine personnel	1,704	1,868	2,023	2,072
Shore-based personnel	12,316	11,997	10,867	10,691
Apprentices	228	241	227	233
Total	**14,248**	**14,106**	**13,117**	**12,996**

The average period of employment for shore-based employees was around 8.1 years (previous year: 8.0 years).

There is a strong focus on vocational training and qualifications for both the shore-based and marine employees. Hapag-Lloyd attaches particular importance to extensive, high-quality training. The proportion of those offered jobs at the end of their training is generally between 80% and 90% (2022: 88%). As at 31 December 2022, Hapag-Lloyd employed a total of 228 apprentices (31 December 2021: 241), of whom 130 were in shore-based positions and 98 were at sea (previous year: 145 shore-based and 96 at sea).

SHAREHOLDER STRUCTURE AND DIVIDEND

Shareholder structure of Hapag-Lloyd AG

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

As at 31 December 2022, the shareholder structure of Hapag-Lloyd AG was unchanged compared to the previous year.

in %	31.12.2022
Kühne Holding AG and Kühne Maritime GmbH	30.0
CSAV Germany Container Holding GmbH	30.0
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	13.9
Qatar Holding Germany GmbH	12.3
Public Investment Fund of the Kingdom of Saudi Arabia	10.2
Free float	3.6
Total	**100.0**

Dividend policy and dividend proposal

As far as legally and financially possible, Hapag-Lloyd aims to pay a dividend of at least 30% of its consolidated profit for the year. Hapag-Lloyd AG's retained earnings under German commercial law form the basis for determining the distribution of dividends. Under German law, the Annual General Meeting decides how the retained earnings are to be used. Against the background of the very positive business development, the Executive and Supervisory Board of Hapag-Lloyd AG jointly propose to the Annual General Meeting that a dividend of EUR 63.00 per share be paid for the 2022 financial year (previous year: EUR 35.00 per share). This represents a disbursement ratio in relation to Group profits of around 65% (previous year: around 68%).

ECONOMIC REPORT

GENERAL ECONOMIC CONDITIONS

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

Despite the rapid spread of the Omicron variant of COVID-19, the global economy got off to a good start in 2022 before the situation deteriorated significantly due to Russia's invasion of Ukraine at the end of February. Sharp increases in energy and commodity prices, as well as a temporary worsening of supply bottlenecks due to, among other things, production stoppages in Ukraine and the sanctions against Russia, led to high inflationary pressures that negatively impacted consumer behaviour and global economic growth.

The economy of the People's Republic of China recorded growth of only 3.0% in 2022, down from 8.1% in the previous year (National Bureau of Statistics of China, January 2023). With the exception of 2020, this was the weakest growth since 1976, according to the World Bank. This development is due in particular to the prolonged lockdowns in important economic centres. Imports of goods increased by 1.1% and exports by 7.0% (General Administration of Customs of the People's Republic of China, January 2023). The main recipients of Chinese goods are the USA and Europe. The US economy grew by 2.1% in 2022 (in 2021: 5.9%). The main growth drivers were higher consumer spending, exports, private inventory investment, and non-residential fixed investment. The increase in consumer spending was due to higher spending on services, while spending on goods declined. Imports as well as exports in 2022 increased significantly compared with 2021, primarily due to the sharp rise in energy and raw material prices. Imports of goods in 2022 increased 14.9% from the same period a year earlier, and exports increased 18.4% (U.S. Department of Commerce, February 2023). The EU recorded economic growth of 3.6% in 2022, down from 5.4% in 2021. Due to persistently high inflation and the corresponding negative impact on private consumer spending, economic growth in the EU increasingly weakened over the course of the year and stagnated in the fourth quarter. Exports of goods from the EU increased by 18.7% year-on-year in the period from January to November 2022. Imports of goods grew even more significantly by 44.8%, mainly due to a 124.2% increase in energy imports, which in turn was attributable to the sharp rise in energy prices (Eurostat, January 2023).

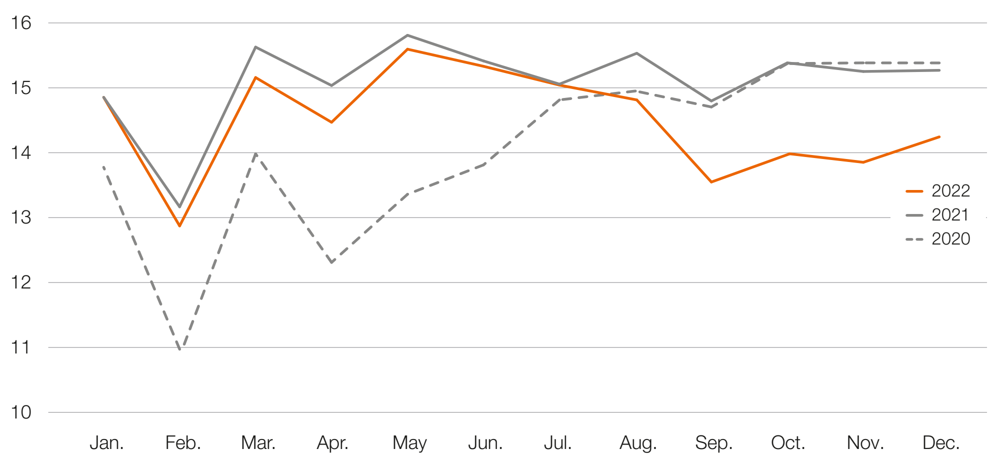
Energy prices were characterised by strong volatility and sharp increases as a result of the war in Ukraine and the resulting uncertainty on the international energy markets. For a time, the price of Brent crude was more than USD 120 per barrel. However, as the economy began to cool, the oil price fell significantly in the second half of the year. As at 31 December 2022, the price of Brent crude was USD 85.91 per barrel, up 10.5% from USD 77.78 per barrel at the end of December 2021 (S&P Global Commodity Insights, Bloomberg).

SECTOR-SPECIFIC CONDITIONS

Following the outbreak of the COVID-19 pandemic at the beginning of 2020, there was a brief but significant decline in global container transport volumes, followed by a strong recovery. In conjunction with regional COVID-19 restrictions, this led to a noticeable disruption to global supply chains since the fourth quarter of 2020 at the latest, which initially continued into the 2022 financial year. With the abrupt cooling of demand for transport in the second half of 2022, port congestion was largely cleared by the end of the year, which also significantly improved the supply chain situation.

Global container transport volumes were initially only slightly below the high level of the previous year, before there was a significant drop in demand in the second half of the year. Compared to the previous year, global container transport volumes declined by 3.9% in 2022 (Container Trade Statistics (CTS), February 2023). This is the sharpest decline since the global financial crisis in 2009.

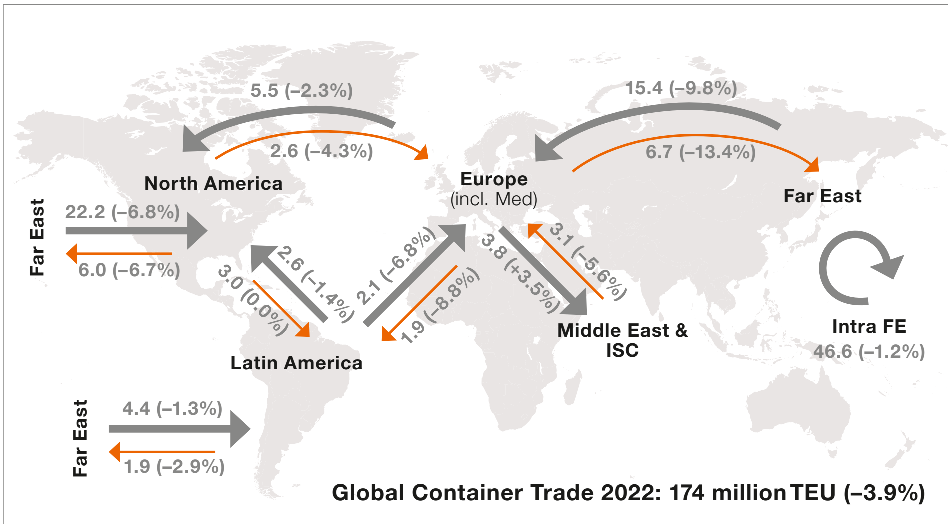
Monthly global container transport volumes (in million TEU)



Source: CTS (February 2023)

Transport volumes declined significantly, especially in the major trades from Asia to Europe and North America. Volumes also declined on the routes between Europe and North and South America. Only the trades to and from India recorded notable growth.

Transport volume and growth rates for global container traffic per trade (volume 2022 in million TEU; in brackets: 2022 vs. 2021 in %)



Source: CTS (February 2023)

The Shanghai Containerized Freight Index (SCFI), which tracks spot freight rates on the major trade routes from Shanghai, declined gradually in the course of 2022 as a result of the weakening demand. With a value of USD 1,108/TEU at the end of 2022, this was significantly lower than the previous year's figure of USD 5,047/TEU.

The share of idle vessels continued to be at a moderate level at 0.7 million TEU, or 2.6% of the global fleet (previous year: 1.0%) (Alphaliner Weekly, January 2023, December 2022 and 2021). By comparison, the figure totalled around 2.7 million TEU (Alphaliner Weekly, June 2020) at the end of May 2020, which corresponded to 12% of the global fleet. This was due to the collapse in demand caused by the outbreak of the COVID-19 pandemic.

Based on figures from MDS Transmodal, a total of 178 container vessels with a transport capacity of approximately 967 TTEU were placed into service in 2022 (prior year period: 162 vessels with a transport capacity of approximately 1,086 TTEU). According to Clarksons, only eight very small container vessels with a capacity of 11.3 TTEU were scrapped in the same period (prior year period: approximately 0.1 TTEU).

In 2022, orders were placed for the construction of 344 container vessels with a transport capacity totalling 2.5 million TEU, significantly less than the 4.3 million TEU in the prior year period (Clarksons Research, January 2023). Compared with previous years, however, the volume of new orders remains at a high level. According to MDS Transmodal, the tonnage of commissioned container ships rose further to around 7.2 million TEU at the end of December 2022, up from around 5.4 million TEU in the previous year. This means that, although the order volume in proportion to the current global container fleet capacity is 28.0% and therefore at its highest level since 2011, it is still significantly below the peak of around 61% recorded in 2007.

The bunker price initially increased significantly in the first half of 2022. Bunker with low sulphur content was quoted at times above 900 USD/t (MFO 0.5%, FOB Rotterdam). However, the bunker price fell gradually in the second half of 2022 to 514 USD/t at the end of 2022, which was even below the level of 550 USD/t at the end of 2021.

EARNINGS, FINANCIAL AND NET ASSET POSITION

GROUP EARNINGS POSITION

In the 2022 financial year, good demand for container transport contributed to the positive development of the sector which became increasingly weakened in the course of the second half of the year. However, a difficult market environment prompted in particular by ongoing disruption to global supply chains resulted in operational challenges in the reporting year that were reflected in longer round voyage times for vessels and containers. Furthermore, commodity and energy costs increased significantly as a result of the Russia-Ukraine war. In the last quarter of the financial year, this market situation began to ease with a pro rata release of port congestion.

Compared with the 2021 financial year, the rise in the average freight rate (in USD/TEU) of 42.9% resulted in revenue growth of 55.1%, while the transport volume remained at the previous year's level. The stronger US dollar had a positive effect overall and also increased the results. The average USD/EUR exchange rate was 1.05 USD/EUR in the 2022 financial year, after 1.18 USD/EUR in the corresponding prior year period. By contrast, an increase in the average bunker consumption price (+58.5%) and higher handling and haulage expenses (+22.8%) adversely affected the operating result.

Hapag-Lloyd generated earnings before interest, taxes, depreciation and amortisation (EBITDA) of EUR 19,428.7 million in the reporting period (prior year period: EUR 10,852.6 million) and earnings before interest and taxes (EBIT) of EUR 17,524.5 million (prior year period: EUR 9,389.8 million). The Group profit came to EUR 17,042.6 million (prior year period: EUR 9,085.0 million).

Consolidated income statement

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Revenue	34,542.7	22,273.5
Transport expenses	13,730.7	10,323.3
Personnel expenses	982.0	810.0
Depreciation, amortisation and impairment	1,904.2	1,462.8
Other operating result	–491.3	–315.1
Operating result	**17,434.6**	**9,362.2**
Share of profit of equity-accounted investees	90.0	28.8
Result from investments	–	–1.2
Earnings before interest and taxes (EBIT)	**17,524.5**	**9,389.8**
Interest result and other financial result	22.6	–245.2
Other financial items	–303.9	1.7
Income taxes	200.6	61.3
Group profit/loss	**17,042.6**	**9,085.0**
thereof profit/loss attributable to shareholders of Hapag-Lloyd AG	17,030.1	9,074.7
thereof profit/loss attributable to non-controlling interests	12.5	10.4
Basic/diluted earnings per share (in EUR)	96.89	51.63
EBITDA	**19,428.7**	**10,852.6**
EBITDA margin (%)	**56.2**	**48.7**
EBIT	**17,524.5**	**9,389.8**
EBIT margin (%)	**50.7**	**42.2**

Transport volume per trade

TTEU	1.1.–31.12.2022	1.1.–31.12.2021
Atlantic	2,116	2,105
Transpacific	1,735	1,768
Far East	2,230	2,274
Middle East	1,514	1,557
Intra-Asia	634	608
Latin America	2,933	3,038
Africa	681	522
Total	**11,843**	**11,872**

The transport volume of 11,843 TTEU in the 2022 financial year remained at the previous year's level (prior year period: 11,872 TTEU) (–0.2%).

The increase in the transport volume on the Africa trade resulted primarily from the expansion of Hapag-Lloyd's market presence there since the middle of 2021, in particular following the integration of the container shipping company NileDutch and the acquisition of the container liner shipping business of Deutsche Afrika-Linien GmbH & Co. KG (DAL).

The lower transport volume on the Latin America trade was essentially due to the optimised repositioning of containers to other trades. On the Middle East, Far East and Transpacific trades, a difficult market environment characterised by the congestion of local port infrastructure and the resulting delays and suspension of container handling led to a slight decline in the transport volume. Furthermore, all of the aforementioned trades saw a decline in demand in the course of the second half of 2022.

Freight rates per trade

USD/TEU	1.1.–31.12.2022	1.1.–31.12.2021
Atlantic	2,948	1,808
Transpacific	3,835	2,746
Far East	3,134	2,479
Middle East	2,077	1,512
Intra-Asia	1,845	1,295
Latin America	2,718	1,745
Africa	2,549	1,997
Total (weighted average)	**2,863**	**2,003**

The average freight rate in the 2022 financial year was 2,863 USD/TEU, which was 860 USD/TEU, or 42.9%, above the prior year period (2,003 USD/TEU).

The increase in the freight rate in the 2022 financial year was primarily due to good demand for container transport alongside a simultaneous scarcity of transport capacities in an overstrained market environment. Over the course of the second half of the year, the market situation with regard to demand and the market environment turned around, resulting in a slowly declining freight rate at a still high level.

Revenue per trade

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Atlantic	5,920.5	3,215.5
Transpacific	6,314.8	4,103.7
Far East	6,634.1	4,763.6
Middle East	2,982.7	1,989.4
Intra-Asia	1,110.1	666.1
Latin America	7,565.2	4,480.8
Africa	1,646.6	880.7
Revenue not assigned to trades	2,368.7	2,173.6
Total	**34,542.7**	**22,273.5**

The Hapag-Lloyd Group's revenue rose by EUR 12,269.2 million to EUR 34,542.7 million in the 2022 financial year (prior year period: EUR 22,273.5 million), representing an increase of 55.1%. The primary reason for this was the rise in the average freight rate of 42.9% compared with the previous year. The strengthening of the US dollar against the euro also caused revenue to increase. Adjusted for exchange rate movements, revenue would have risen by approximately EUR 9.5 billion, or 38.1%.

The item for 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. At the same time, revenue for pending voyages already generated is recognised under revenue not assigned to trades.

Operating expenses

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Transport expenses	13,730.7	10,323.3
thereof:		
Bunker	2,984.6	1,678.2
Handling and haulage	6,617.3	5,389.0
Equipment and repositioning [1]	1,585.0	1,219.3
Vessel and voyage (excluding bunker) [1]	2,548.2	1,936.6
Change in transport expenses for pending voyages [2]	–4.4	100.2
Personnel expenses	982.0	810.0
Depreciation, amortisation and impairments	1,904.2	1,462.8
Other operating result	–491.3	–315.1
Total operating expenses	**17,108.1**	**12,911.3**

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

Transport expenses
Transport expenses rose by EUR 3,407.4 million in the 2022 financial year to EUR 13,730.7 million (prior year period: EUR 10,323.3 million). This represents an increase of 33.0%, which was primarily due to the higher bunker consumption price compared with the previous year, as well as a rise in container handling expenses. In addition, the stronger US dollar against the euro contributed to the increase in transport expenses. Adjusted for exchange rate movements, transport expenses would have risen by EUR 2.1 billion, or 18.5%.

Over the 2022 financial year, the average bunker consumption price for Hapag-Lloyd was USD 753/t, up USD 278/t (+58.5%) on the figure of USD 475/t for the prior year period. This led to an increase in fuel expenses of EUR 1,306.4 million to EUR 2,984.6 million (prior year period: EUR 1,678.2 million).

Container handling expenses rose by EUR 1,228.3 million over the reporting year to EUR 6,617.3 million (prior year period: EUR 5,389.0 million). This essentially resulted from increased demurrage and detention for containers due to partial congestion of port and hinterland infrastructure. In addition, a rise in expenses for the onward transportation of containers, mainly by feeder vessels, contributed to the increase.

Container and repositioning expenses increased year-on-year due to higher expenses for demurrage and detention for empty containers at port terminals and for repositioning them.

The increase in expenses for vessels and voyages (excluding fuel) resulted primarily from the rise in the percentage of vessels chartered on a medium-term basis and the resulting operating expenses (non-leasing components) as well as from the increased expenses for container slot charter costs on third-party vessels.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2022 financial year came to 60.3% (prior year period: 53.7%).

Personnel expenses

Personnel expenses rose by EUR 171.9 million to EUR 982.0 million in the 2022 financial year (prior year period: EUR 810.0 million). The increase is mainly attributable the special bonus already paid for the 2022 financial year and the increased number of employees in the Hapag-Lloyd Group. The stronger US dollar compared to the euro also led to an increase in personnel expenses. Adjusted for exchange rate movements, personnel expenses would have risen by EUR 72.4 million.

The Group employed an annual average of 14,267 people (prior year period: 13,634 people). The personnel expenses ratio (measured in terms of revenue) decreased compared to the previous year from 3.6% to 2.8%.

Depreciation, amortisation and impairment

In the 2022 financial year, there was a year-on-year rise in depreciation and amortisation of EUR 441.4 million to EUR 1,904.2 million (prior year period: EUR 1,462.8 million). This increase was primarily due to the year-on-year rise in the percentage of vessels chartered in on a medium-term basis at simultaneously higher charter rates and the resulting increase in rights of use. The amortisation of right-of-use assets relating to leased assets (essentially vessels and containers) led to amortisation of EUR 1,030.9 million (prior year period: EUR 712.8 million). The stronger US dollar compared with the euro also led to a rise in depreciation and amortisation. Adjusted for exchange rate movements, depreciation and amortisation would have risen by EUR 261.6 million.

Other operating result

The other operating result of EUR –491.3 million (prior year period: EUR –315.1 million) comprised the net balance of other operating expenses and income. Other operating expenses came to a total of EUR 615.5 million in the 2022 financial year (prior year period: expenses of EUR 398.1 million). This mainly included IT and communication costs (EUR 253.4 million; prior year period: EUR 209.8 million), consultancy fees (EUR 85.4 million; prior year period EUR 38.6 million), training and other personnel costs (EUR 43.6 million; prior-year period: EUR 24.9 million) and administrative expenses (EUR 40.4 million; prior year period: EUR 29.0 million). The other operating income of EUR 124.2 million (prior year period: EUR 82.9 million) included in the figure resulted primarily from the disposal of non-current assets (EUR 64.7 million; prior year period: EUR 12.5 million). A detailed overview of the other operating result can be found in Note (5) Other operating result in the Notes to the consolidated financial statements.

Share of profit of equity-accounted investees

The Notes to the share of profit of equity-accounted investees can be found in Note (12) Investments in equity-accounted investees in the Notes to the consolidated financial statements of the consolidated financial statements.

Operating result

In the 2022 financial year, earnings before interest and taxes (EBIT) amounted to EUR 17,524.5 million. They were therefore well above the corresponding figure in the prior year period (EUR 9,389.8 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) came in at EUR 19,428.7 million in the 2022 financial year (prior year period: EUR 10,852.6 million). The annualised return on invested capital (ROIC) for the 2022 financial year amounted to 111.6% (prior year period: 70.0%). Basic earnings per share in the reporting period came to EUR 96.89 per share (prior year period: EUR 51.63 per share).

Key earnings figures

million EUR	2022	2021
Revenue	34,542.7	22,273.5
EBIT	17,524.5	9,389.8
EBITDA	19,428.7	10,852.6
EBIT margin (%)	50.7	42.2
EBITDA margin (%)	56.2	48.7
Basic Earnings Per Share (in EUR)	96.89	51.63
Return on Invested Capital (ROIC) annualised (%)[1]	111.6	70.0

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

Interest result and other financial result

The interest result and other financial result in the 2022 financial year was EUR 22.6 million (prior year period: EUR –245.2 million). On the one hand, interest income increased year-on-year, primarily as a result of the significant expansion of money market transactions. On the one hand, interest income of EUR 199.9 million increased compared to the prior-year period (EUR 21.3 million), mainly due to the significant increase in the volume of money market transactions. On the other hand, interest expenses of EUR 229.7 million decreased compared with the prior-year period (EUR 266.5 million), in particular due to the refinancing of the euro bond carried out in fiscal year 2021. In addition, other financial income of EUR 52.4 million (prior-year period: EUR 0.0 million) increased due to the investments in money market funds carried out for the first time in the reporting year.

Other financial items

The result for other financial items in the 2022 financial year was EUR –303.9 million (prior year period: EUR 1.7 million). The main reasons for this change were the realisation of the currency forward contracts for the euro dividend paid in May 2022 and the realised foreign currency losses from the corresponding dividend payment.

Income taxes

The general increase in income taxes by EUR 139.3 million to EUR 200.6 million in the financial year – is mainly attributable to higher current German income taxes of Hapag-Lloyd AG of EUR 90.6 million. This increase is due to two effects. Firstly, there was a further increase in intra-Group dividend income at the level of Hapag-Lloyd AG in the financial year. Secondly, Hapag-Lloyd AG generated significant income from investments for the first time, which is not in the scope of tonnage profit calculation.

Group profit

Overall, Group profit was significantly up on the previous year at EUR 17,042.6 million (prior year period: EUR 9,085.0 million). Earnings after taxes consist of the earnings attributable to shareholders of the parent company of EUR 17,030.1 million (prior year period: EUR 9,074.7 million) and the earnings attributable to non-controlling interests of EUR 12.5 million (prior year period: EUR 10.4 million).

The total comprehensive income of EUR 17,948.7 million (prior year period: EUR 10,089.0 million) comprises Group profit of EUR 17,042.6 million (prior year period: EUR 9,085.0 million) and other comprehensive income of EUR 906.1 million (prior year period: EUR 1,003.9 million). Other comprehensive income essentially comprises a result from currency translation of EUR 750.3 million (prior year period: EUR 919.7 million), a result from the remeasurement of defined benefit pension plans of EUR 115.8 million (prior year period: EUR 53.7 million) due to a rise in the market interest rate, and earnings effects from hedging instruments in cash flow hedges of EUR 39.1 million (prior year period: EUR 30.1 million).

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 liquidity [1]	**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.

GROUP NET ASSET POSITION

Changes in the asset structure

million EUR	31.12.2022	31.12.2021
Assets		
Non-current assets	16,894.7	15,284.0
of which fixed assets	16,746.1	15,204.5
Current assets	21,792.7	11,430.5
of which cash and cash equivalents	15,236.1	7,723.4
Total assets	**38,687.3**	**26,714.5**
Equity and liabilities		
Equity	27,911.1	16,162.0
Borrowed capital	10,776.2	10,552.5
of which non-current liabilities	4,379.3	4,594.2
of which current liabilities	6,397.0	5,958.3
of which financial debt and finance lease liabilities	5,436.8	5,497.2
of which non-current financial debt and finance lease liabilities	4,044.9	4,138.5
of which current financial debt and finance lease liabilities	1,392.0	1,358.6
Total equity and liabilities	**38,687.3**	**26,714.5**
Net liquidity	12,587.1	2,226.3
Equity ratio (%)	72.1	60.5

As at 31 December 2022, the Group's total assets amounted to EUR 38,687.3 million, which is EUR 11,972.8 million higher than the figure at year-end 2021. The change resulted primarily from the increase in cash and cash equivalents, the increase in other current financial assets and fixed assets as well as the higher equity. The USD/EUR exchange rate was quoted at 1.07 on 31 December 2022 (31 December 2021: 1.13).

Within non-current assets, the carrying amounts of fixed assets increased by a total of EUR 1,541.6 million to EUR 16,746.1 million (31 December 2021: EUR 15,204.5 million). The increase was essentially due to investments in vessels, vessel equipment and containers in the amount of EUR 1,319.1 million (prior year period: EUR 1,379.5 million), new and extended rights of use for leased assets in the amount of EUR 1,206.3 million (prior year period: EUR 1,449.4 million) and exchange rate effects at the reporting date in the amount of EUR 881.9 million (prior year period: EUR 1,098.7 million). Depreciation and amortisation of EUR 1,909.4 million had an opposite effect (prior year period: EUR 1,465.6 million) on fixed assets. This includes an amount of EUR 1,030.9 million (prior year period: EUR 712.8 million) for the depreciation of capitalised right of use relating to lease assets.

The increase in other current financial assets resulted primarily from time deposits with a nominal value of USD 2,976.0 million and a remaining term of more than three months as at 31 December 2022. This corresponds to EUR 2,787.8 million as at the reporting date.

Cash and cash equivalents increased by EUR 7,512.7 million to EUR 15,236.1 million compared to the end of 2021 (EUR 7,723.4 million) primarily as a result of the positive operating cash flow.

On the liabilities side, equity (including non-controlling interests) grew by EUR 11,749.1 million to EUR 27,911.1 million. This increase was mainly due to the Group profit of EUR 17,042.6 million (prior year period: EUR 9,085.0 million) recognised in retained earnings and the unrealised gains from currency translation of EUR 750.3 million (prior year period: EUR 919.7 million) recognised in other comprehensive income. The dividend paid from the previous year's retained earnings in the amount of EUR 35.00 (previous year: EUR 3.50) per dividend-eligible individual share, i.e. EUR 6,151.6 million (previous year: EUR 615.2 million) in total, had an offsetting effect. The equity ratio was 72.1% as at 31 December of the current year (31 December 2021: 60.5%).

The Group's borrowed capital rose slightly by EUR 223.7 million in comparison to the 2021 consolidated financial statements. Within borrowed capital, the financial debt and lease liabilities remained largely at the previous year's level of EUR 5,436.8 million (31 December 2021: EUR 5,497.2 million). The increase in financial debt and lease liabilities associated with newly acquired or extended charter and leasing contracts in the amount of EUR 1,188.4 million (prior year period: EUR 1,453.2 million) and exchange rate effects as at the reporting date of EUR 341.5 million (prior year period: EUR 398.4 million) were offset by redemption payments of financial debt and lease liabilities totalling EUR 1,585.7 million (prior year period: EUR 2,090.1 million).

While trade and other payables contributed to the increase in borrowed capital, contract liabilities fell significantly by EUR 492.9 million to EUR 952.9 million (31 December 2021: EUR 1,445.8 million) as a result of lower freight rates for transport orders and a simultaneous decline in volumes on pending voyages as at the reporting date.

Long-term pension provisions decreased by EUR 98.6 million to EUR 212.5 million as a result of a higher discounting rate. The increase in current other provisions to EUR 964.6 million (31 December 2021: EUR 598.6 million) is mainly due to legal disputes at the reporting date relating to country-specific issues.

As at 31 December 2022, net liquidity, including cash and cash equivalents, time deposits with a maturity of more than three months included in the items of other financial assets as well as financial debt and lease liabilities, amounted to EUR 12,587.1 million (31 December 2021: EUR 2,226.3 million).

For further disclosures on material changes in individual balance sheet items, please refer to the Notes to the consolidated statement of financial position in the Notes to the consolidated financial states, notes (10) to (28).

ACCURACY OF FORECAST

The earnings performance in the 2022 financial year was significantly above the original forecast of 10 March 2022 and within the forecast updated on 28 July 2022. This development is primarily due to a more robust increase in the average freight rate, while the transport volume turned out to be lower than initially forecast. The main reasons for the development of earnings are described in detail in the preceding chapters of the economic report.

Overview of forecasts and target achievement in 2022

	Actual Value 2021	Forecast as of 10 March 2022	Forecast as of 24 April 2022	Forecast as of 28 July 2022	Actual Value 2022
Transport volume	11.9m TEU	Increasing slightly	On previous year's level	Increasing slightly [1]	11.8m TEU
Average bunker consumption price	475 USD/t	Increasing clearly	Increasing clearly	Increasing clearly	753 USD/t
Average freight rate	2,003 USD/TEU	Increasing moderately	Increasing clearly	Increasing clearly	2,863 USD/TEU
EBITDA	EUR 10.9 bn	EUR 10.7–12.4 bn	EUR 13.6–15.5 bn	EUR 18.2–20.1 bn	EUR 19.4 bn
EBIT	EUR 9.4 bn	EUR 8.9–10.7 bn	EUR 11.7–13.6 bn	EUR 16.3–18.2 bn	EUR 17.5 bn

[1] The forecast for transport volume was adjusted to "On previous year's level" with the publication of the quarterly financial report 9M 2022 on 10 November 2022.

EXECUTIVE BOARD'S STATEMENT ON OVERALL ECONOMIC PERFORMANCE

Hapag-Lloyd generated a strong positive net result in the 2022 financial year. Both EBITDA and EBIT were well above the prior year level and within the forecast range last adjusted in July 2022.

The 2022 financial year was dominated by high average freight rates mainly resulting from the high demand for container transports. The ongoing disruption to global supply chains led to a slow down in container throughput and increased transport expenses, especially for container handling. In addition, a high average bunker consumption price, primarily driven by the Russia-Ukraine war, resulted in an increase in the corresponding expenses at Hapag-Lloyd.

Overall, the Executive Board considers the business performance in 2022 to be extraordinarily positive, in particular due to the high average freight rates in the first half of the year. In the second half of the year a gradually changing market environment emerged with an increasing decline in demand and the proportionate easing of port congestion. This environment led to falling average freight rates, particularly in the fourth quarter of 2022.

OUTLOOK, RISK AND OPPORTUNITY REPORT

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

OUTLOOK

General economic outlook

According to the International Monetary Fund (IMF), the global economy is likely to continue its growth at a slower pace in the current fiscal year 2023. According to the IMF's January forecast, a moderate increase of 2.9% is expected in 2023, compared with 3.4% in 2022. Economic growth would thus be below the historical average of 3.8% in the period from 2000 to 2019. The increase in key interest rates by many central banks to combat inflation and Russia's war in Ukraine are likely to dampen the pace of growth in many economies. Only China is expected to see stronger economic growth due to the lifting of COVID-19 restrictions. Global trade is also expected to lose momentum, according to the IMF. The volume of world trade is expected to increase by just 2.4% in 2023, compared with 5.4% in the prior-year period.

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

in %	2024e	2023e	2022	2021	2020
Global economic growth	3.1	2.9	3.4	6.2	–3.0
Industrialised countries	1.4	1.2	2.7	5.4	–4.4
Developing and newly industrialised countries	4.2	4.0	3.9	6.7	–1.9
World trade volume (goods and services)	3.4	2.4	5.4	10.4	–7.8

Source: IMF, January 2023

Sector-specific outlook

Following the decline in the global container transport volume of 3.9% in 2022, a slight recovery in demand is expected in the current year. Seabury predicts that the container transport volume will increase by 2.2% in 2023. This growth is likely to originate primarily in South East Asia, while only a low level of growth is expected on routes to and from Europe.

Development of container transport volume

	2024e	2023e	2022	2021	2020
Growth rate (in %)	3.3	2.2	–3.9	7.1	–1.3

Sources: CTS (February 2023: 2020–2022), Seabury (December 2022: 2023–2024)

In 2022, new container vessels with a capacity of 2.5 million TEU were ordered. The order volume thus remained at a very high level, although significantly lower than the record orders of 4.3 million TEU in the year before. According to MDS Transmodal, the tonnage of the commissioned container vessels rose to 7.2 million TEU at the end of 2022, up from 5.4 million TEU in the previous year. This means that, although the order volume in proportion to the current global container fleet capacity is 28% and therefore at its highest level since 2011, it is still significantly below the peak of 61% recorded in 2007.

A significant increase in the delivery of vessels is planned for 2023. However, Drewry predicts that the postponement of deliveries as well as a high level of scrapping should cause the globally available container vessel fleet to grow by just 0.5 million TEU, or 1.9%. This would put the net increase in capacities at an even lower level than in the previous years.

Expected development of global container fleet capacity

million TEU	2024e	2023e	2022	2021	2020
Existing fleet (beginning of the year)	26.2	25.7	24.7	23.6	23.0
Planned deliveries	4.0	2.5	1.0	1.2	1.1
Expected scrappings	1.0	0.9	0.0	0.0	0.2
Postponed deliveries and other changes	2.0	1.1	0.0	0.1	0.3
Net capacity growth	**1.0**	**0.5**	**1.0**	**1.1**	**0.7**
Net capacity growth (in %)	3.8	1.9	3.9	4.5	3.0

Source: Drewry Container Forecaster Q42022. Expected nominal capacity based on planned deliveries.
Based on existing orders and current predictions for scrapping and postponed deliveries. Figures rounded.
Rounding differences may be the result of changes in the databases.

Expected business development of Hapag-Lloyd

Hapag-Lloyd recorded very strong business performance in 2022, primarily due to the exceptional market environment. The underlying market conditions at the beginning of 2023 are completely different. With the onset of the decline in demand in the second half of 2022 and the simultaneous lifting of COVID-19 restrictions in relevant import regions, port congestion had largely dissipated by the end of the year. This has significantly improved turnaround times for vessels and containers and led to an increase in available transport capacity. In this environment, spot freight rates on the major trades from Asia to the Americas and Europe have dropped significantly and are currently approaching pre-COVID-19 levels. At the same time, costs remain at an elevated level, essentially due to inflation.

In light of this, the Executive Board of Hapag-Lloyd AG expects a gradual normalisation of the earnings trend in the current 2023 financial year. Group EBITDA is expected to be in the range of EUR 4.0 to 6.0 billion (previous year: EUR 19.4 billion) and EBIT in the range of EUR 2.0 to 4.0 billion (previous year: EUR 17.5 billion). In US dollars, this corresponds to an expected Group EBITDA in the range of USD 4.3 to 6.5 billion (previous year: USD 20.5 billion) and EBIT in the range of USD 2.1 to 4.3 billion (previous year: USD 18.5 billion).

The earnings expectation for the 2023 financial year is based in particular on the assumptions that transport volumes can be increased slightly, while the average freight rate is expected to fall significantly. The recovery of supply chains as well as the implementation of cost reduction measures should simultaneously lead to a decrease in transport expenses. The development in this direction should also be supported by a significantly lower bunker consumption price. However, higher expenses due to inflation are expected to weaken the cost recovery. The earnings forecast is based on the assumption of an average exchange rate of USD 1.09/EUR. (2022 financial year: USD 1.05/EUR).

The earnings forecast does not take into account impairments on goodwill, other intangible assets and property, plant and equipment in the course of the 2023 financial year, which are currently not expected but cannot be ruled out.

Key benchmark figures for the 2023 Outlook

	Actual 2022	Forecast 2023
Global economic growth (IMF, Jan 2023)	3.4%	2.9%
Increase in global trade (IMF, Jan 2023)	5.4%	2.4%
Increase in global container transport volume (CTS, Feb. 2023; Seabury, Dec. 2022)	–3.9%	2.2%
Transport volume, Hapag-Lloyd	11.8 m TEU	Increasing slightly
Average bunker consumption prices, Hapag-Lloyd	USD 753/t	Decreasing clearly
Average freight rate, Hapag-Lloyd	USD 2,863/TEU	Decreasing clearly
EBITDA (earnings before interest, taxes, depreciation and amortisation), Hapag-Lloyd	EUR 19.4 bn	EUR 4.0–6.0 bn
EBIT (earnings before interest and taxes), Hapag-Lloyd	EUR 17.5 bn	EUR 2.0–4.0 bn

The key risks and opportunities that could cause business development to deviate from the outlook are described in detail below in the risk and opportunity report. The main risks for the development of the Group's turnover and earnings are, in particular, a slowdown in the growth of the world economy and world trade volume, also due to international crises and geopolitical disputes as well as the unpredictable development of the war in Ukraine, and a resulting decline in transport volume growth as well as a noticeably negative trend in the average freight rate beyond the decline assumed in the outlook. In addition, significantly higher bunker prices than expected belong to the key risks.

The occurrence of one or more of these risks could have a significant negative impact on the industry and thus also on the business performance of Hapag-Lloyd in financial year 2023, resulting in negative effects on liquidity and also impairments of goodwill and other intangible assets and property, plant and equipment.

RISK AND OPPORTUNITY REPORT

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

OPPORTUNITIES

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

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

RISK MANAGEMENT

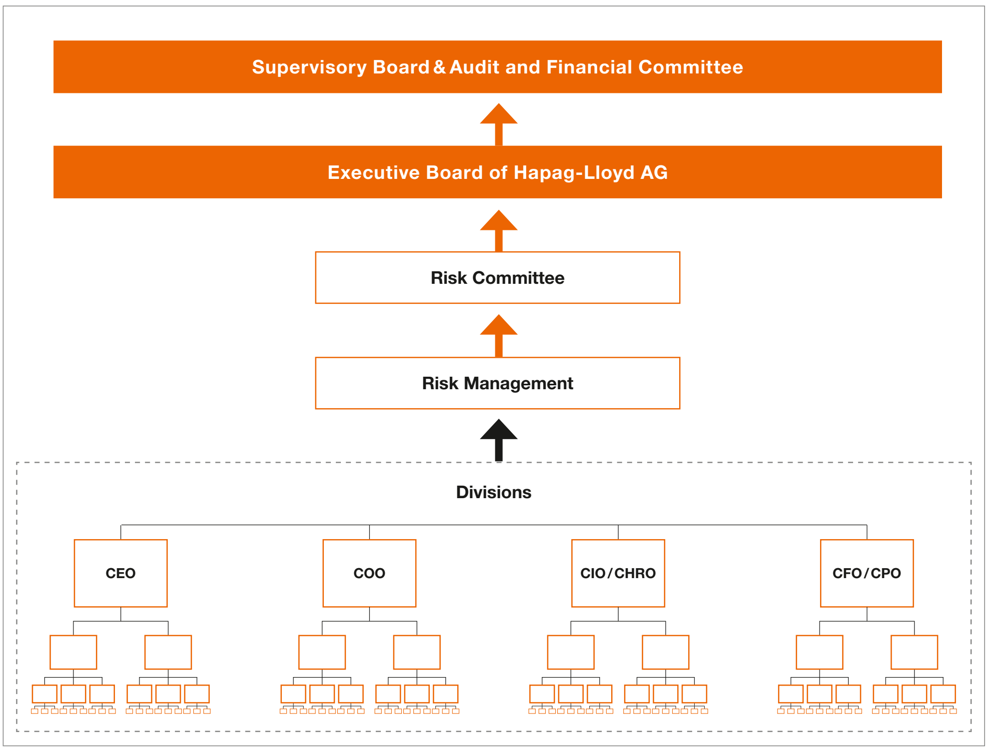
The objective of risk management is to recognise and analyse risks at an early stage and to develop and implement adequate risk responses to lower the risk to an acceptable risk level and therefore secure the achievement of Hapag-Lloyd's business objectives. Thanks to monitoring and control systems installed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

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

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

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

Hapag-Lloyd risk management system



In risk management, the methods and systems are adapted according to the type of risk and are regularly checked, enhanced and adapted to the constantly changing business and regulatory conditions. The Corporate Audit department conducts regular checks of the risk management processes and audits the risk early-warning system annually, focusing on different aspects each time.

Insurance policies are concluded to cover claims and various other risks that arise in everyday business activity, insofar as these are economically justifiable. The Group also holds a number of insurance policies which are customary in the industry and tailored to the requirements of Hapag-Lloyd. These include third-party liability, property and personal insurance, as well as shipping insurance. The policies are examined regularly and adjusted if required.

RISKS AND OPPORTUNITIES

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

Summarised overview of corporate risks and opportunities

In the view of Hapag-Lloyd's Executive Board, the key risks relate to a possible decline in transport volume growth and a noticeably negative trend in the average freight rate. The key risks also include a potential sharp rise in the bunker consumption price and a cyberattack on information technology and security as well as an impairment of goodwill and other intangible assets.

In the opinion of Hapag-Lloyd's Executive Board, the key opportunities relate to a positive trend in the average freight rate, a sharper than expected increase in transport volume and a reduction in the bunker consumption price.

These and further potential for opportunities are regularly analysed and discussed in Hapag-Lloyd's management bodies as an integral part of corporate management and in regard to the implementation of the strategic objectives. The Executive Board informs the Supervisory Board about the potential impact of the opportunities on corporate development in its scheduled meetings and in individual discussions.

Risks are assigned to internally defined relevance classes according to the net perspective of their financial impact and probability of occurrence, i.e. after including the effect of risk responses. Opportunities are categorised on the basis of the same relevance classes.

The financial net impact on the Group’s targets, mainly EBIT, in the 2023 financial year is classified as follows:

Risk impact class	Opportunity impact class	Financial impact ranges
Bearable	Low	≤ USD 100 million
Severe	Medium	> USD 100 million ≤ USD 250 million
Critical	High	> USD 250 million

The net probability of risks and opportunities occurring based on the planning assumptions for the 2023 financial year as at the time of preparation of the combined management report is classified as follows:

Probability class	Probability ranges
Remote	< 10%
Low	≥ 10% ≤ 25%
Medium	> 25% ≤ 50%
High	> 50%

In addition, the probability of occurrence for the risks and opportunities was compared with the previous year’s assessment.

The assessment of the risks and opportunities compared to the previous year results from the change in the probability of occurrence:

Change class	Change probability of occurrence
Lower	significant lower
Equal	unchanged
Higher	significant higher

Key risks and opportunities

	Risks			Opportunities		
Risks and opportunities	Potential impact	Probability of occurence	Probability of occurence in 2023 in comparison to the previous year	Potential impact	Probability of occurence	Probability of occurence in 2023 in comparison to the previous year
Fluctuation in average freight rate	Critical	Medium	Higher	High	Low	Lower
Fluctuation in transport volume	Critical	Medium	Equal	High	Low	Higher
Impairment of goodwill and other intangible assets	Critical	Low	Higher	–	–	–
Information technology & security – cyberattack	Severe	Medium	Equal	–	–	–
Fluctuation in bunker consumption price	Severe	Low	Lower	Medium	Low	Higher

Economic risks and opportunities

General economic development

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

Developments in the global economy and, by extension, the expected volumes of container transport remain subject to a high degree of uncertainty in 2023. A detailed forecast can be found in the "General economic conditions" chapter as well as in the "Outlook" section.

The pace at which the global economy grows and the resulting increase in global trade is a significant factor that influences demand for container shipping services and thus the development of the container shipping companies' cargo volumes. Local crises and extraordinary global events could have a sustained negative impact on growth expectations. At the start of 2023, the prospect of a worldwide economic recovery remains subdued, especially because of the global negative impact on society and the economy resulting from the after-effects of the COVID-19 pandemic. This is due in particular to the continued strain of health services in many countries and the Russia-Ukraine war, against the backdrop of which the sharp increase in the cost of living worldwide has further intensified. The resulting uncertainties regarding further economic development cannot be estimated conclusively for the remainder of the year.

Seabury believes that the volume of global container shipments will rise by 2.2% in 2023. If the economic recovery and, by extension, the demand for container shipping services progresses at a faster rate than forecast in the current year, this would present an opportunity to achieve additional transport volume growth together with positive impacts on the earning's position.

Trade flows and changes in general political conditions

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

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

The increasing industrialisation of the emerging economic regions in Latin America, Asia and Africa, and the rising prosperity in these countries may result in more goods being exchanged between each other and with industrialised nations. This could offer additional opportunities for growth in container shipping in 2023 as a result of new economic and trade agreements. Hapag-Lloyd is endeavouring to participate in these growth markets with a suitable service network, which could have a positive impact on the transport volume, beyond the expectation considered in the outlook.

Sector- and company-specific risks and opportunities

Fluctuation in average freight rate and transport volume

In respect of the development of freight rates and transport volumes, there are differences between the various trades in which Hapag-Lloyd is active. Freight rates and transport volumes in container shipping are traditionally subject to sharp seasonal fluctuations. Freight rate developments are largely determined by the transport capacities available and in demand within a trade. Hapag-Lloyd's membership of an alliance is beneficial for it to be able to cover all the key trades and offer a global service network. Hapag-Lloyd's membership of THE Alliance puts it in a position to offer its own customers a comprehensive network of liner services on important trades with regular departure times, which would not be possible with its own fleet. This means the Company is better able to capitalise on opportunities arising from developments in transport volumes and vessel capacities. The development of transport volumes depends heavily on economic activity in the regions linked together by the trades. Hapag-Lloyd is working continuously on the further development of IT-based forecast models in order to minimise empty legs and reduce the costs incurred because of them. This results in cost advantages if efforts to reduce the empty leg ratio to below the market average prove to be successful, which could have a positive effect on the earnings position.

In view of the fact that transport capacities in the market are set to increase, due to new vessel orders among other things, intensified competition between shipping companies and stagnating demand for transport services may again lead to greater price competition in individual trades. If freight rates or transport volumes do not deliver the expected contribution to earnings, this could have a negative effect on Hapag-Lloyd's earnings position and liquidity.

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

Fluctuation in bunker consumption price

Hapag-Lloyd's business activity exposes it to market price risks arising from the procurement of fuels (bunker fuel) for the container vessel fleet. Bunker fuel expenditure accounts for a substantial proportion of overall operating costs. Fluctuations in bunker consumption prices have a delayed effect on transport expenses, depending on when the bunker fuel was purchased and subsequently consumed. The bunker consumption price is the most important factor influencing fuel costs, which is one of the main cost components for the container shipping industry. In the 2022 financial year, the cost of the vessels' fuel amounted to 8.6% of the Hapag-Lloyd Group's revenue.

As a rule, changes in the price of bunker fuel are usually aligned with the price of crude oil, which has been subject to substantial fluctuations and influenced by a number of economic and geopolitical factors in the past. A steady price increase was recorded at the start of 2022 compared with the higher, although falling, price level at the end of 2021. The outbreak of the Russia-Ukraine war led to sudden, at times very sharp, price rises in the first half of 2022. However, the price level stabilised noticeably as the year progressed. A minimal increase in bunker prices took hold at the start of 2023. If this trend continues further, it is likely to cause fuel costs to increase more sharply than forecast. Decreasing bunker prices would have an opposite effect.

To limit the effect that rising bunker consumption prices have on its shipping costs, Hapag-Lloyd is endeavouring to offset a portion of the fluctuations in raw materials prices by means of the Marine Fuel Recovery (MFR) mechanism on freight rates. In addition to various parameters, the MFR mechanism takes account of price fluctuations with an optimised coverage of upward and downward movements in fuel market prices. However, the extent to which this can be implemented depends heavily on the prevailing market situation. If the cost increases cannot be passed on to customers, or can only be passed on in part, this will have a negative impact on earnings. In general, price risks emanating from fuel procurement can be hedged by means of hedging transactions in accordance with the internal strategy. However, these hedging transactions do not exist at present.

Information technology and security

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

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

Risks from capacity bottlenecks at ports and in regional logistics chains

Over the past few years, capacities in container shipping have grown more quickly than the number of available berths at the ports. If transport and container capacities were increased further, the loss of time at the ports concerned could be even greater. Furthermore, imbalances in trade flows could culminate in regional bottlenecks in the availability of vessel and container capacities. This, along with temporary (partial) closures of container terminals due to crisis events, could lead to waiting times at the ports in question and result in a sometimes considerable amount of lost time during loading and unloading of the vessels as well as higher warehousing costs. If these cost increases for longer dwell times of containers cannot be fully passed on to customers and the delays in the transport chains cannot be reduced, this will have a negative impact on earnings and on transport volumes.

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

As a result of inflationary pressures, there is another risk related to price increases for tariffs for services at terminals.

Fluctuation in charter rates

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

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

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

Risks from the operation of vessels

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

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

Risks arising from the loss of the US flag business

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

Financial risks and opportunities

Management of financial risks

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

US dollar exchange rate fluctuations

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

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

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

Interest rate fluctuations

Interest rate fluctuations may arise as a result of raising new funds or in the case of monetary investments. Potential interest rate increase for financial debt are reduced with a balanced portfolio of fixed and variable interest rate structures. Interest rate hedges can be implemented further, if necessary. In the case of monetary investments, however, an increase in the interest rate represents an opportunity, while a decrease in the interest rate would have a negative impact on the expected interest result. The probability of occurrence of this risk in the outlook period is classified as low and the impact on earnings position and liquidity as severe.

Liquidity and access to capital markets

The financial management is managed centrally at Hapag-Lloyd and aims to ensure the permanent solvency of the Company and thus its ability to maintain financial stability at all times. The Company pursues the goal of securing a sufficient liquidity reserve for itself by means of syndicated credit facilities and bilateral bank loans credit facilities, as well as its portfolio of cash and cash equivalents. In addition, lending limits (so-called loan-to-value ratios) are typically agreed in vessel loans, which are reviewed continuously (usually every 6 months) by the lenders. Failure to meet these loan-to-value ratios usually means that adequate replacement collateral has to be procured or a corresponding unscheduled repayment has to be made under the loan. Should this not be possible, the undercutting of the quotas could have a negative impact on the liquidity supply and the financial position of Hapag-Lloyd. As at the reporting date, the used-market prices for vessels provide a sufficient buffer in the loan-to-value ratios of the Company's vessel loans. Covenant clauses of a type customary on the market have been arranged for existing financing. These clauses primarily concern certain equity and liquidity of the Group along with loan-to-value ratios. Non-compliance with the agreed reporting covenants would lead to a tightening of reporting requirements and non-compliance. Non-compliance with the agreed minimum covenants would also entitle the financial institutions concerned to call in the outstanding loan amounts immediately. This would have a negative impact on liquidity supply and Hapag-Lloyd's financial position. The probability of occurrence of this risk in the outlook period is classified as very remote.

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

Risks arising from the impairment of goodwill and other intangible assets
In the event that an impairment test identifies the need to recognise an impairment charge for goodwill or for other intangible assets, this could have a significant negative effect on Hapag-Lloyd's earnings position and equity base. An impairment test as at 31 December 2022 did not identify any need for an impairment charge. Against the background of the uncertainties in the macroeconomic environment e.g., changes in the interest rate level, the probability of a potential need for an impairment of goodwill or other intangible assets is now classified as low at the time of reporting.

Risks arising from terminal and logistics investments
Hapag-Lloyd holds stakes in various companies worldwide, particularly in the terminal and logistics industry, and has also entered into agreements to acquire further stakes in companies. The earnings position, and therefore the dividend distributions and investment value of the company holdings, are dependent on the demand for relevant services of the respective company. A demand decrease for example in container transport services in the terminal business would have a negative impact on the earnings position of the investments and therefore also on the earnings position of Hapag-Lloyd and could negatively affect the carrying amount of the investments and the result from investments.

Credit default risks

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

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

Legal risks and opportunities

Legal and regulatory frameworks

As a container shipping company, Hapag-Lloyd is subject to numerous regulations with domestic and international applicability. The alteration or broadening of such regulations and the necessity of obtaining further authorisations and the expansion of requirements in relation to documentation and proof could be a burden on the course of business and possibly increase the complexity of business processes due to the adjustments required.

These regulations include numerous safety, security and customs regulations in the respective countries of origin, transit and destination as well as monitoring, reporting and control regulations for example emission measurement systems. The Company could face considerable fines if it infringes applicable regulations.

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

The legal anchoring of corporate due diligence obligations with respect to international supply chains entails an expansion of the scope of responsibility of companies as well as increasing requirements, among other things, for the integration of corresponding monitoring and risk mitigation processes for respecting human rights and compliance with labour rights standards. There is a risk that Hapag-Lloyd could face considerable fines in the event of a breach of due diligence obligations.

Against the background of the extraordinary market conditions in container shipping during the COVID-19 pandemic and their impact on global supply chains, regulatory measures could be taken to promote transparency and ensure fair conditions of competition especially with regards to the passing the increased detention and demurrage charges. A financial risk as consequence of investigations into potential distortions of competition exists in the form of costs for legal disputes, the ordering of fines as well as possible retroactive claims from customers.

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

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

Climate and environmental protection regulations and decarbonisation
Achieving the 1.5-degree target of the Paris climate protection agreement involves major research and investment efforts. The maritime industry has invested in climate and environmental protection in recent years and will intensify such activities in the future. To ensure that instruments are as standardised and effective as possible, the tightening of existing regulations and the development of further measures by the International Maritime Organization (IMO) and supranational institutions are to be expected.

In the 2021 financial year, Hapag-Lloyd developed an enhanced sustainability strategy whose main focus is the reduction of greenhouse gases with the goal of carbon-neutral fleet by 2045. A tightening of existing legal requirements or regulatory timeframes to reduce greenhouse gas emissions could bring transition risks with them, including in the form of higher costs and a need for greater investment in technological innovations. This, in turn, could have a negative impact on the earnings, financial and net asset position.

Risks relating to legal disputes as well as tax and customs regulations

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

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

Strategic risks

In the following, those developments are described as strategic risks which, in addition to the above-mentioned risks, could negatively affect the medium and long-term business development, i.e., after the forecast period. Depending on the manifestation of the underlying drivers, the strategic risks described below may negatively impact the earnings, financial and net asset position, and the achievement of the core objectives of the strategy and the long-term financial and non-financial targets included therein. To achieve the Company's strategic objectives, a catalogue of measures was developed. This catalogue comprises the three areas of action Simplify, Strengthen and Invest and will be complemented in the course of the year by the development of a new medium-term strategy.

Structural demand & supply imbalance

Unlike the economic and sector-specific risks described above in connection with supply and demand for container transport services, this risk describes the manifestation of a systemic imbalance of supply and demand. A sudden increase in transport and container capacities could, on the one hand, be limited in its efficiency by the fact that transport infrastructures on land are not created and expanded to the same extent. On the other hand, a simultaneous onset of structurally stagnant or declining transport demand could result from, for example, the reorganisation of supply chains due to shifts in sourcing and production locations against the backdrop of geopolitical conflicts and macro- and microeconomic deteriorations in leading and emerging economies.

Viability of core liner business model

Hapag-Lloyd's business model as globally operating liner shipping company is dependent on various internal, but also external influencing factors, whose technological as well as regulatory reform harbours uncertainty. The ability to respond quickly to customer needs for technological innovations and process improvements is a critical success factor, as is the rapid adoption of disruptive transport technologies and technological innovations. In addition, further consolidation among liner shipping companies and ongoing consolidation of the transport sector, e.g. in the form of vertical transport chain integration, could have an equally negative impact on Hapag-Lloyd's business development as the fragmentation of the competitive field due to the market entry of new, non-traditional competitors. In addition, the equal tax treatment of container transport services in the competitive environment, both locally and globally, also contributes to the viability of Hapag-Lloyd's business model. A change in the existing legal framework with regard to the continuation of the tonnage tax or even the introduction of a global minimum taxation could have a negative impact on the profitability of the liner shipping business model.

Regulatory limitation to shipping line cooperation

Regulations, such as the European Union block exemption regulation for liner shipping consortia and the U.S. Ocean Shipping Act, form a significant part of the legal framework for cooperation between container liner shipping companies in the form alliances and other standard market practices of cooperation. A repeal or more restrictive reform of these and other competition law regulations, but also a strategic realignment of competitors and alliances could lead to restricted cooperation opportunities regionally and globally. This could have a mediate negative impact on cost efficiencies, business processes and operational structures.

Response to global warming

The advancing global warming, the resilience of the implementation timeframe for climate change-related regulations and the possible acceleration of this timeframe as well as possibly insufficient contributions of the company's sustainability measures to the achievement of climate-neutral business operations could have a negative impact on Hapag-Lloyd's business performance. The resulting uncertainty is driven in particular by climate change-related physical risks such as increases in extreme weather events and transition risks in the form of insufficient technological progress in the development and regional availability of climate-neutral fuels but globally inconsistent emissions pricing and taxation regulations.

Black swan

Black swan describes extremely rare and unforeseen event that ripples through systems with complex dependencies and thus creates an impact of unexpected magnitude. Root causes for these events are diverse and can originate from natural hazards e.g., in the form of geological, meteorological, hydrological, and biological events, or could arise as a consequence of anthropogenic hazards e.g., damages to the environment or other disaster events.

OVERALL ASSESSMENT OF RISKS AND OPPORTUNITIES

The assessment of Hapag-Lloyd's overall risk picture is the result of a consolidated analysis of all of the Group's key individual risks and opportunities. After the reporting date of 31 December 2022, there are currently no indications of any risks, either alone or in combination with other risks, which endanger the continued existence of Hapag-Lloyd as a going concern. The occurrence of one or more of these risks could have a substantial negative impact on the industry and, by extension, on the business development of Hapag-Lloyd in the 2023 financial year, which could also lead to impairments on goodwill, other intangible assets and property, plant and equipment.

The main risk facing Hapag-Lloyd in 2023 continues to be a market environment characterised by a strong level of competition, an imminent oversupply of transport capacities and volatile fuel prices, which could lead to a further intensification of the pressure on freight rates and on transport volumes. This, in turn, could have a significant potential impact on the earnings position. The outlook for global economic performance is positive, and this should lead to increasing global trade and therefore to growing demand for container transport services. This outlook for the year is subject to uncertainties in view of the current situation in Ukraine and its consequences as well as due to the sustainable recovery of economic developments and therefore also on the development of the container transport volume, which still cannot be conclusively assessed.

Description of the significant characteristics of the internal control system

Concept and objectives

Hapag-Lloyd has established an internal control system (ICS) on the basis of the internationally acknowledged framework "COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control – Integrated Framework". The area of compliance is addressed separately in the compliance management. In the ICS annual report, a combined reporting of ICS and Compliance is established.

A central ICS coordination unit (ICS Office) exists for the continuous further development and safeguarding of the ICS. A central technical platform also exists. The ICS platform was overhauled in 2022 and contains the key controls defined for the ICS in a central risk control matrix. By defining the persons responsible for the controls and organisations, it also contains the organisational structure established for the ICS. In addition to controls to ensure that operating company objectives are achieved, this ICS also includes the accounting-related ICS.

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

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

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

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

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

Some of these internal controls are integrated into processes, while others are established independently of them. These internal controls encompass preventive as well as detective activities.

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

The Corporate Audit department has a fundamental supervisory role to play in the process-independent control measures. The Corporate Audit department reports to the CFO of Hapag-Lloyd AG and has a wide range of information, audit and access rights to enable it to fulfil its role as an internal auditor and advisor. The subjects examined by the Corporate Audit department are systematically selected using a risk-based approach to auditing. They regularly include processes and internal controls, which are relevant to accounting. In 2021, the Corporate Audit department was once again subject to an independent quality assessment examining compliance with the professional regulations issued by the German Institute of Internal Auditors (DIIR).

ICS verification process

Hapag-Lloyd AG has put in place a standard procedure to confirm the establishment of the ICS. During the year, both a global internal self-assessment of the controls of the ICS is conducted using the ICS platform and an external assessment of a part of these controls. The results are recorded and the remediation of identified weaknesses is tracked, if applicable. On this basis, the status of the ICS is agreed on in the central departments and subsidiaries with the responsible management in the first quarter of the following year. The ICS results are then summarised and evaluated in the ICS annual report. On this basis, the Executive Board informs the Hapag-Lloyd AG Audit Committee about the ICS.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS OF HAPAG-LLOYD AG

GENERAL PRINCIPLES/PRELIMINARY REMARKS

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

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

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

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

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

As at 31 December 2022, Hapag-Lloyd AG's fleet comprised 243 container vessels, 88 of which it owns including leases with purchase option/obligation at end of term (previous year: 245 vessels, 76 of which it owned). The number of employees of Hapag-Lloyd AG was 4,106 on the reporting date (previous year: 3,848).

ECONOMIC REPORT

Report on Hapag-Lloyd AG's development in 2022 compared with the forecast

In the 2021 combined management report of the Hapag-Lloyd Group, earnings from operating activities before the effects of foreign currency valuation in the 2022 financial year were forecast to be at the previous year's level for Hapag-Lloyd AG. With earnings from operating activities of EUR 16,718.6 million in the 2022 financial year, the result was significantly up on the previous year's figure (prior year period: EUR 8,503.7 million) and considerably higher than the Executive Board's original expectations. The improvement in earnings was primarily due to the sharp rise in freight rates with an unchanged transport volume compared with the previous year. The main reasons for these developments are described in detail in the economic report of the Group's combined management report and the following earnings, financial and net assets position of Hapag-Lloyd AG.

Earnings, financial and net asset position

The general economic and sector-specific conditions of Hapag-Lloyd AG are essentially the same as those of the Group and are described in the Economic report of the combined management report. The integration of the container liner shipping business of Deutsche Afrika-Linien GmbH & Co. KG (DAL) acquired in the current financial year had no significant impact on the earnings, financial and net asset position, with the result that the comparability of the two financial years is not impaired in this respect.

Earnings position

While the first months of the 2022 financial year were still dominated by very good demand for container transport and continuing disruptions to the global transport chains due to the COVID-19 pandemic, the further course of the financial year saw a stabilization of demand combined with a decline in freight rates at a high level. In addition, raw material and energy costs, driven by the Russia-Ukraine war, rose significantly during the year and remained at a high level. Hapag-Lloyd AG's transport volume in the 2022 financial year was at the previous year's level. In addition, the USD/EUR exchange rate of USD 1.07/EUR as at the reporting date of 31 December 2022 was stronger (previous year: USD 1.13/EUR), which also had a positive effect on earnings. At USD 1.05/EUR, the average USD/EUR exchange rate was 13 cents lower than the USD/EUR exchange rate in the corresponding prior year period (USD 1.18/EUR). These developments increased earnings from operating activities by EUR 8,214.9 million overall to EUR 16,718.6 million. In total, Hapag-Lloyd AG recorded a net profit of EUR 17,565.2 million in the 2022 financial year (prior year period: EUR 8,959.6 million).

Notes to the income statement

million EUR	1.1.–31.12.2022	1.1.–31.12.2021
Revenue	34,985.0	21,710.6
Decrease/increase in capitalised expenses for unfinished voyages	–60.8	68.1
Other own work capitalised	7.2	6.4
Other operating income	2,081.4	1,592.2
Transport expenses	–16,186.4	–11,653.0
Personnel expenses	–446.7	–369.3
Depreciation, amortisation and impairment	–567.4	–546.0
Other operating expenses	–3,093.9	–2,305.4
Operating result	**16,718.6**	**8,503.7**
Financial result	1,085.6	540.2
thereof interest result	222.4	–48.9
Taxes on income	–108.9	–19.3
Result after taxes	**17,695.3**	**9,024.6**
Other taxes	–130.1	–65.0
Net gain for the year	**17,565.2**	**8,959.6**
Retained earnings brought forward	3,439.8	631.8
Balance sheet profit	**21,005.0**	**9,591.4**
EBIT	**17,450.7**	**9,024.5**
EBIT margin (%)	**49.9**	**41.6**
EBITDA	**18,018.1**	**9,570.5**
EBITDA margin (%)	**51.5**	**44.1**

In the 2022 financial year, revenue rose by around 61% to EUR 34,985.0 million (previous year: EUR 21,710.6 million). This was due to the sharp increase in the average freight rate as a result of the high level of demand while the transport volume remained at the previous year's level. Hapag-Lloyd AG transported a total of 11,745 TTEU in the financial year (prior year period: 11,767 TTEU), which was a decrease of 22 TTEU, or 0.2%. The average freight rate for the 2022 financial year stood at USD 2,863/TEU (prior year period: USD 2,006/TEU) and therefore rose by USD 857/TEU, or approximately 43%. In particular, the first months of the financial year were characterized by continued high demand for container transport services. The war in Ukraine had a negative impact in the further course of the fiscal year due to the significant increase in energy costs and increases in inflation, so that the average freight rate declined again in the fourth quarter of the year.

Other operating income increased from EUR 1,592.2 million to EUR 2,081.4 million in the reporting year. The main reason for this was higher exchange rate gains compared to the prior year period of EUR 1,742.2 million (prior year period: EUR 1,383.6 million). These primarily resulted from the measurement of foreign currency items as at the reporting date due to the change in the USD/EUR exchange rate.

In the 2022 financial year, transport expenses rose by EUR 4,533.4 million to EUR 16,186.4 million (prior year period: EUR 11,653.0 million), representing an increase of approximately 39%. Within transport expenses, expenses for raw materials and supplies rose by EUR 1,268.9 million to EUR 2,972.4 million (prior year period: EUR 1,703.5 million) in particular as a result of the significant higher average bunker consumption price. The increase in the cost of purchased services of EUR 3,264.4 million to EUR 13,213.9 million was mainly attributable to the higher share of demurrage and storage charges for containers due to partial congestion of port and hinterland infrastructure. A rise in charter rents for vessels also contributed to the increase.

Personnel expenses rose year-on-year by approximately 21% to EUR 446.7 million (prior year period: EUR 369.3 million), primarily as a result of the special payments made in the current financial year and the growth in the number of employees. As at 31 December 2022, a total of 4,106 people (including apprentices) were employed at Hapag-Lloyd (previous year: 3,848 employees). There was a fall in the personnel expenses ratio as a percentage of revenues from 1.7% in the 2021 financial year to 1.3%.

Depreciation, amortisation and impairment of EUR 567.4 million was recorded in the 2022 financial year (prior year period: EUR 546.0 million). The increase here essentially resulted from higher depreciation due to investments in ocean-going vessels during the financial year. By contrast, the extension of the useful life of selected container vessels by up to three years in the current financial year caused depreciation to fall by EUR 57.3 million in the 2022 financial year. The rules for implementing new environmental regulations have now been clarified, with the result that the deployment planning for certain vessels was extended following a further assessment.
In the previous year, a corresponding shortening of the useful life of these container vessels led to an increase in depreciation of EUR 40.3 million.

The rise in other operating expenses of EUR 788.5 million to EUR 3,093.9 million was mainly caused by higher exchange rate losses, including bank charges, in the amount of EUR 1,631.5 million (prior year period: EUR 1,290.3 million). These were largely due to the valuation of foreign currency amounts at the reporting date and realized losses from derivative financial instruments. Losses on the disposal of current asset securities amounting to EUR 132.8 million (prior year period: EUR 0.0 million) also contributed to the increase in other operating expenses.

Earnings from operating activities in the last financial year were EUR 16,718.6 million (prior year period: EUR 8,503.7 million). Earnings before interest and taxes (EBIT) also include income from profit transfer agreements, income from investments, amortisation and write-backs of financial assets and current asset securities, expenses from the transfer of losses and other taxes and came to EUR 17,450.7 million as at the reporting date (prior year period: EUR 9,024.5 million). Compared to the Group's EBIT of EUR 17,524.5 million, the German Commercial Code (HGB) earnings are slightly lower. This was primarily caused by the inclusion of subsidiary results within the Group and different accounting and measurement principles according to IFRS and HGB.

This effect was offset by the investment income from dividend distributions included in the individual financial statements of Hapag-Lloyd AG, which totalled EUR 992.8 million in the current financial year (prior year period: EUR 511.5 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA), defined as EBIT excluding depreciation and amortisation, came to EUR 18,018.1 million (prior year period: EUR 9,570.5 million) below the Group's level of EUR 19,428.7 million (prior year period: EUR 10,852.6 million).

In the 2022 financial year, the financial result improved by EUR 545.4 million to EUR 1,085.6 million (prior year period: EUR 540.2 million). The main reasons for this were an increase in income from investments of EUR 481.3 million to EUR 992.8 million, of which dividend income from the subsidiary UASC Ltd. accounted for the largest share with a total of EUR 879.0 million (prior year period: EUR 441.6 million). Furthermore, the significant increase in the volume of money market transactions compared to the previous year led to an improved interest result of EUR 222.4 million (same period of the previous year: EUR –48.9 million) and also contributed to the increase in the financial result. This was offset in particular by foreign currency-related write-downs on current asset securities from money market transactions amounting to EUR 185.4 million.

A net profit of EUR 17,565.2 million was reported in the 2022 financial year (prior year period: EUR 8,959.6 million). Including retained earnings carried forward of EUR 3,439.8 million after distribution of a dividend of EUR 6,151.6 million, the Company recorded retained earnings of EUR 21,005.0 million (previous year: EUR 9,591.4 million).

Financial and net asset position

Changes in the asset structure

million EUR	31.12.2022	31.12.2021
Assets		
Fixed assets	10,203.8	9,050.5
thereof property, plant and equipment	7,113.8	6,068.4
Current assets	22,357.1	11,931.6
thereof cash-in-hand, bank balances and cheques	12,978.0	7,460.0
Prepaid expenses	37.3	21.7
Total Assets	**32,598.3**	**21,003.8**
Equity and liabilities		
Equity	23,678.7	12,265.1
Provisions	2,143.4	1,491.3
Financial liabilities	727.1	825.0
thereof short-term	126.4	117.9
Sundry liabilities	6,045.4	6,417.9
thereof short-term	4,712.5	4,937.8
Deferred income	3.7	4.5
Total equity and liabilities	**32,598.3**	**21,003.8**
Net financial position (liquid assets – financial debt)	12,250.8	6,635.0
Equity ratio (%)	72.6	58.4

Compared to the previous year, Hapag-Lloyd AG's balance sheet total increased by EUR 11,594.5 million, from EUR 21,003.8 million to EUR 32,598.3 million as at 31 December 2022. Fixed assets rose by EUR 1,153.3 million to EUR 10,203.8 million, and current assets by EUR 10,425.6 million to EUR 22,357.1 million.

Within fixed assets, property, plant and equipment increased by EUR 1,045.4 million to EUR 7,113.8 million. This included investments of EUR 1,553.6 million, which mainly related to additions to ocean-going vessels in the amount of EUR 916.5 million and advance payments made on vessels under construction in the amount of EUR 435.7 million. Depreciation totalling EUR 485.8 million had a negative impact on property, plant and equipment. Additions to ocean-going vessels included intragroup purchases of EUR 560.4 million. The business situation in 2022 allowed for an early repayment of financial debt of the subsidiary UASC Ltd. which led to an elimination of financing restrictions for the vessels accounted for in UASC Ltd. In order to simplify ship management, it was decided in the 2022 financial year to transfer all 29 vessels from UASC Ltd. to Hapag-Lloyd AG by the end of the second quarter of 2023, which already took place for the first six vessels by 31 December 2022. At the balance sheet date, there was an order commitment for investments totalling EUR 1,639.8 million on the basis of contractual agreements, of which EUR 862.1 million will fall due in the 2023 financial year. The order commitment related to vessel new builds in the amount of EUR 1,364.2 million. The financial obligations in connection with the new vessels are covered by financing drawn partly during the construction period and partly upon delivery of the vessels.

The increase in current assets of EUR 10,425.6 million to EUR 22,357.1 million was essentially due to the generation and investment of cash, which led to the first-time recognition of current asset securities in the amount of EUR 4,753.0 million (previous year: EUR 0.0 million) and to an increase in cash and cash equivalents from EUR 7,460.0 million to EUR 12,978.0 million. In addition to trade receivables of EUR 1,507.9 million (previous year: EUR 1,242.2 million), receivables and other assets mainly included receivables from affiliated companies of EUR 2,302.0 million (previous year: EUR 2,454.5 million).

As at 31 December 2022, Hapag-Lloyd AG had equity totalling EUR 23,678.7 million (previous year: EUR 12,265.1 million). The year-on-year change was due to a significantly increased net profit for the year of EUR 17,565.2 million (previous year: EUR 8,959.6 million). Taking into account a distribution from the previous year's retained earnings in the amount of EUR 6,151.6 million and remaining retained earnings carried forward from the previous year of EUR 3,439.8 million, as at 31 December 2022 there were retained earnings of EUR 21,005.0 million (previous year: EUR 9,591.4 million). The equity ratio was approximately 73% as at 31 December 2022 (previous year: approximately 58%).

Provisions increased from EUR 1,491.3 million to EUR 2,143.4 million in the reporting period. This includes provisions for outstanding invoices, which increased by EUR 278.2 million (31 December 2022: EUR 1,084.3 million), in particular due to cost increases and additional terminal costs, and tax provisions, which increased by EUR 145.3 million (31 December 2022: EUR 190.3 million) due to higher dividend income and income from cash investments.

Financial liabilities came to EUR 727.1 million at the reporting date (previous year: EUR 825.0 million). They comprise a euro bond issued by Hapag-Lloyd AG and liabilities to banks. The decrease in financial liabilities resulted from scheduled debt repayments during the reporting year totalling EUR 124.5 million. More detailed information on individual financing activities is provided under Group financial position. The reporting date valuation effects relating to financial liabilities denominated in US dollars resulted in a EUR 24.8 million increase in financial liabilities (previous year: EUR 27.8 million).

Sundry liabilities decreased from EUR 6,417.9 million to EUR 6,045.4 million and essentially comprised liabilities to affiliated companies in the amount of EUR 2,472.3 million (previous year: EUR 2,425.6 million), miscellaneous loans and other financial debt in the amount of EUR 1,562.9 million (previous year: EUR 1,633.4 million), trade accounts payable in the amount of EUR 1,371.3 million (previous year: EUR 1,419.6 million) and prepayments received for not finished voyages in the amount of EUR 496.4 million (previous year: EUR 839.1 million). The decrease in advance payments for not finished voyages resulted from a lower average freight rate compared with the respective year-end.

For further details on the type and maturity structure of the liabilities in particular, we refer to Note (10) Liabilities in the Notes to the annual financial statements of Hapag-Lloyd AG.

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

Hapag-Lloyd AG's solvency was fully guaranteed at all times in the last financial year by cash inflows from operating activities, a portfolio of cash and cash equivalents, and both bilateral and syndicated credit facilities. The Company had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 13,657.1 million as at 31 December 2022 (previous year: EUR 7,976.9 million).

Hapag-Lloyd AG is subject to transaction risks resulting in particular from financial debt denominated in US dollars as well as cash investments.

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

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

The off-balance-sheet obligations of Hapag-Lloyd AG are presented in Notes (12) Contingencies and (13) Other financial obligations in the Notes to the annual financial statements of Hapag-Lloyd AG.

OUTLOOK, RISK AND OPPORTUNITY REPORT

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

Due to the development of the operating result from operating activities of Hapag-Lloyd AG before the effects of foreign currency valuation as at the 2022 reporting date, a significant weakening of the result of operating activities to a level without market distortions should be expected, assuming an unchanged USD/EUR exchange rate at the reporting date of 31 December 2023. This statement is to be considered in connection with the outlook for the Hapag-Lloyd Group for the 2023 financial year.

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

- As a rule, Hapag-Lloyd AG participates in the risks and opportunities of its investments and subsidiaries in accordance with its respective stake. The negative impact on Hapag-Lloyd AG's earnings before interest and taxes (EBIT) is classified as bearable and the probability of occurrence is classified as low.
- From the perspective of the individual financial statements of Hapag-Lloyd AG in accordance with the German Commercial Code (HGB), any strengthening of the US dollar represents a further risk, in particular for the measurement effects of financial debt denominated in US dollars on the reporting date. The probability of occurrence is considered to be low and the impact of such exchange rate fluctuations on Hapag-Lloyd AG's earnings before interest and taxes (EBIT) is classified as bearable. By contrast, any weakening of the US dollar against the euro represents an opportunity. The opportunities and risks relating to Hapag-Lloyd AG's cash deposits in US dollars are reversed; a weakening of the US dollar represents a risk, while a strengthening represents an opportunity.
- A sustained loss of customer groups that were acquired through taking over the customer base of CP Ships Limited, CSAV and UASC and a sustained deterioration in the earnings position of the companies held as financial investments could lead, respectively, to an impairment of capitalised goodwill in Hapag-Lloyd AG's statement of financial position and an impairment of the investments' carrying amounts. The negative effects on Hapag-Lloyd AG's earnings and asset position are classified as critical. Against the background of the uncertainties in the macroeconomic environment e.g., changes in the interest rate level, the probability of occurrence of such risks is now assessed as low.

Hapag-Lloyd AG is included in the Group-wide risk management system and the internal control system of the Hapag-Lloyd Group. For more information, please refer to the risk and opportunity report in the combined management report.

REPORT BY THE EXECUTIVE BOARD ON RELATIONSHIPS WITH AFFILIATED COMPANIES

Pursuant to Section 312 of the German Stock Corporation Act (AktG), the Executive Board of Hapag-Lloyd AG prepared a report on relationships with affiliated companies for the period from 1 January to 31 December 2021, which contains the following conclusion: “Our Company received appropriate compensation for each legal transaction listed in the report on relationships with affiliated companies in accordance with the circumstances known to us when the legal transactions were conducted. No actions required by or in the interests of the controlling companies or their affiliated companies subject to a reporting obligation were taken or omitted.”

OTHER MANDATORY DISCLOSURES

DISCLOSURES AND NOTES RELEVANT TO THE TAKEOVER

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

1. Composition of subscribed capital

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

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

A shareholder agreement (the "Shareholders' Agreement") is in force between CSAV Germany Container Holding GmbH, Hamburg ("CG Hold Co"), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg ("HGV") and Kühne Maritime GmbH, Hamburg ("Kühne") (CG Hold Co, HGV and Kühne are referred to collectively as the "Anchor Shareholders"). Under the Shareholders' Agreement, the Anchor Shareholders have agreed to uniformly exercise their voting rights by issuing a common voting proxy and giving binding instructions to an agent. To ensure uniform voting, the Anchor Shareholders intend to pass a resolution on how the pooled votes shall be cast prior to Annual General Meetings. If the Anchor Shareholders are unable to pass a unanimous resolution on their voting for any agenda item, the decision will be transferred to the decision-makers of the Anchor Shareholders' ultimate shareholders. If the ultimate shareholders cannot pass a unanimous decision either, the Anchor Shareholders should cast the votes (a) against the measure with regard to resolutions requiring a 75% majority of the votes cast or of the subscribed capital present at the time of adoption of the resolution pursuant to mandatory law or the articles of association or (b) each at their own discretion regarding the respective shares of each of the Anchor Shareholders on resolution proposals which, pursuant to mandatory law or the articles of association, require a simple majority.

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

Although the Shareholders' Agreement shall have a fixed term until 31 December 2026, the Anchor Shareholders are free to dispose of their shares. The parties to the Shareholders' Agreement have granted each other a right of first refusal in the event that one party would like to sell shares representing a certain portion of voting rights (over-the-counter).

3. Investments in capital which exceed 10% of the voting rights

At the time of preparation of the financial statements, the Company had received the following information about investments subject to mandatory disclosure pursuant to Section 160 (1) No 8 of the German Stock Corporation Act (AktG). The following voting right notifications from 2015 do not take account of the total number of voting rights at the end of the reporting period:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Holders of shares with special rights

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

5. Type of voting right control for employee investments

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

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

The guidelines on the appointment and discharge of members of the Executive Board are based on Sections 84 and 85 of the German Stock Corporation Act (AktG) and on Section 31 of the German Co-Determination Act (MitbestG) in conjunction with Section 7 (1) of the articles of association. Pursuant to Section 7 (1) of the articles of association, the Executive Board shall comprise at least two members. The Supervisory Board determines the number of members of the Executive Board, taking into account the minimum required number of members, it may appoint one member of the Executive Board as the Chairperson and may appoint deputy members of the Executive Board.

The articles of association can only be amended by a resolution of the General Meeting in accordance with Section 179 of the German Stock Corporation Act (AktG). The resolution of the General Meeting requires a majority of at least three quarters of the share capital represented when the resolution is being adopted (insofar as the articles of association do not contain any stricter requirements); Sections 179 et seq. of the German Stock Corporation Act (AktG) are applicable. In accordance with Section 20 of the articles of association, the Supervisory Board is authorised to make amendments to the articles of association which only affect the wording. The Supervisory Board is also entitled to amend the wording of the articles of association after expiry of the authorisation period (30 April 2022).

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

In accordance with Section 5 (3) of the articles of association, the Executive Board, subject to the approval of the Supervisory Board, was authorised to increase the Company's share capital by up to EUR 11,282,647.00, fully or in partial amounts, on one or more occasion up to 30 April 2022 by issuing up to 11,282,647 new no-par registered shares against cash contributions and/or contributions in kind (Authorised Capital 2017). However, the Executive Board did not make use of this authorisation.

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

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

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

a) As part of the bond issued by the Company with a value totalling EUR 300 million, the Company is obliged to offer to buy back the bonds from the bondholders at an amount equal to 101% of the respective nominal value plus interest accrued if, among other reasons, a third party who is not an Anchor Shareholder, IDUNA Vereinigte Lebensversicherung auf Gegenseitigkeit für Handwerk, Handel und Gewerbe, HanseMerkur Krankenversicherung AG, HanseMerkur Lebensversicherung AG, M.M.Warburg & CO Gruppe (GmbH & Co) KGaA (jointly also referred to as the "Key Shareholders"), Qatar Holding LLC or the Public Investment Fund of the Kingdom of Saudi Arabia, directly or indirectly acquires more than 50% of the voting rights of the Company's shares.

b) As part of various vessel, container and other bank financing arrangements with outstanding repayment amounts and the fixed financing commitments regarding the newbuilds with a value totalling approximately EUR 4,058 million (approximately USD 4,330 million), the respective lenders have an extraordinary right of termination and/or full mandatory repayment in the event of a qualified change of control at the Company. If the outstanding amounts after the termination and/or mandatory repayment that may be due cannot be settled or refinanced, the creditors will have, among other options, recourse to the financed assets if necessary.

c) As part of syndicated credit facilities not utilised as at the reporting date with a value totalling around EUR 679 million (around USD 725 million), the respective lenders are entitled to terminate the loan commitment and/or seek repayment of the amounts already utilised in the event of a qualified change of control at the Company. If the outstanding amounts after the termination and/or mandatory repayment that may be due cannot be settled or refinanced, the creditors will have recourse to the collateralised assets to a certain extent.

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

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

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

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

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

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTIONS 289F (1), (2) AND 315D OF THE GERMAN COMMERCIAL CODE (HGB) AND DECLARATION OF CONFORMITY IN ACCORDANCE WITH SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

The declaration on corporate governance in accordance with Sections 289f (1), (2) and 315d of the German Commercial Code (HGB), along with the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG), are published in the Company's Annual Report 2022. Both declarations have also been published on the Company website at https://www.hapag-lloyd.com/en/company/ir/corporate-governance/compliance-statement.html, where they can be accessed at any time. They do not form part of the management report.

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

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

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

Hamburg, 21 February 2023

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Donya-Florence Amer

Mark Frese

Dr. Maximilian Rothkopf