Consolidated financial statements

CONSOLIDATED INCOME STATEMENT

of Hapag-Lloyd AG for the period 1 January to 31 December 2021

million EUR	Notes	1.1.–31.12.2021	1.1.–31.12.2020
Revenue	(1)	22,273.5	12,772.4
Transport expenses	(2)	10,323.3	9,140.2
Personnel expenses	(3)	810.0	683.0
Depreciation, amortisation and impairment	(4)	1,462.8	1,385.2
Other operating result	(5)	–315.1	–279.7
Operating result		**9,362.2**	**1,284.4**
Share of profit of equity-accounted investees	(12)	28.8	32.1
Result from investments and securities		–1.2	–1.2
Earnings before interest and taxes (EBIT)		**9,389.8**	**1,315.2**
Interest income and similar income	(6)	21.3	17.0
Interest expenses and similar expenses	(6)	266.5	347.5
Other financial items	(7)	1.7	–3.5
Earnings before taxes		**9,146.3**	**981.3**
Income taxes	(8)	61.3	45.8
Group profit/loss		**9,085.0**	**935.4**
thereof attributable to shareholders of Hapag-Lloyd AG		9,074.7	926.8
thereof attributable to non-controlling interests	(20)	10.4	8.6
Basic / diluted earnings per share (in EUR)	**(9)**	**51.63**	**5.27**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

of Hapag-Lloyd AG for the period 1 January to 31 December 2021

million EUR	Notes	1.1.–31.12.2021	1.1.–31.12.2020
Group profit/loss		**9,085.0**	**935.4**
Items that will not be reclassified to profit and loss:			
Remeasurements from defined benefit plans after tax	(19)	53.7	–36.0
Remeasurements from defined benefit plans before tax		57.5	–36.8
Tax effect		–3.7	0.8
Currency translation differences (no tax effect)	(19)	919.7	–603.7
Items that may be reclassified to profit and loss:			
Cash flow hedges (no tax effect)	(19)	30.1	5.8
Effective share of the changes in fair value		–5.2	50.3
Reclassification to profit or loss		35.8	–45.7
Currency translation differences on cash flow hedges		–0.5	1.2
Cost of hedging (no tax effect)	(19)	0.4	–27.9
Changes in fair value		–2.8	–40.1
Reclassification to profit or loss		3.2	11.8
Currency translation differences on cost of hedging		–	0.3
Other comprehensive income		**1,003.9**	**–661.9**
Total comprehensive income		**10,089.0**	**273.5**
thereof attributable to shareholders of Hapag-Lloyd AG		10,077.6	266.2
thereof attributable to non-controlling interests	(20)	11.4	7.4

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

of Hapag-Lloyd AG as at 31 December 2021

ASSETS

million EUR	Notes	31.12.2021	31.12.2020
Goodwill	(10)	1,597.2	1,466.8
Other intangible assets	(10)	1,510.1	1,459.1
Property, plant and equipment	(11)	11,764.8	9,300.6
Investments in equity-accounted investees	(12)	332.4	329.2
Other assets	(13)	35.6	22.4
Derivative financial instruments	(14)	12.5	21.6
Receivables from income taxes	(8)	5.4	4.7
Deferred tax assets	(8)	26.0	28.7
Non-current assets		**15,284.0**	**12,633.0**
Inventories	(15)	337.2	172.3
Trade accounts receivable	(13)	2,999.2	1,362.6
Other assets	(13)	353.6	296.0
Derivative financial instruments	(14)	0.3	14.4
Income tax receivables	(8)	16.8	24.6
Cash and cash equivalents	(16)	7,723.4	681.3
Current assets		**11,430.5**	**2,551.2**
Total assets		**26,714.5**	**15,184.3**

EQUITY AND LIABILITIES

million EUR	Notes	31.12.2021	31.12.2020
Subscribed capital	(17)	175.8	175.8
Capital reserves	(17)	2,637.4	2,637.4
Earned consolidated equity	(18)	12,608.8	4,159.9
Cumulative other equity	(19)	727.1	–265.8
Equity attributable to shareholders of Hapag-Lloyd AG		**16,149.1**	**6,707.2**
Non-controlling interests	(20)	12.9	15.5
Equity		**16,162.0**	**6,722.7**
Provisions for pensions and similar obligations	(21)	311.1	374.7
Other provisions	(22)	101.3	73.1
Financial debt	(23)	2,572.1	3,229.9
Lease liabilities	(23)	1,566.4	940.5
Other liabilities	(24)	3.3	5.0
Derivative financial instruments	(25)	25.9	35.5
Deferred tax liabilities	(8)	14.1	10.1
Non-current liabilities		**4,594.2**	**4,668.7**
Provisions for pensions and similar obligations	(21)	9.5	10.5
Other provisions	(22)	598.6	369.2
Income tax liabilities	(8)	49.6	39.1
Financial debt	(23)	502.0	505.9
Lease liabilities	(23)	856.7	459.8
Trade accounts payable	(24)	2,323.9	1,748.1
Contract liabilities	(24)	1,445.8	545.7
Other liabilities	(24)	171.1	114.6
Derivative financial instruments	(25)	1.2	–
Current liabilities		**5,958.3**	**3,792.9**
Total equity and liabilities		**26,714.5**	**15,184.3**

CONSOLIDATED STATEMENT OF CASH FLOWS

of Hapag-Lloyd AG for the period 1 January to 31 December 2021

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Group profit/loss	9,085.0	935.4
Income tax expenses (+)/income (–)	61.3	45.8
Other financial items	–1.7	3.5
Interest result	245.2	330.5
Depreciation, amortisation and impairment (+)/write-backs (–)	1,462.8	1,385.2
Impairment (+)/write-backs (–) of financial assets	–	0.1
Profit (–)/loss (+) from disposals of non-current assets	–12.5	–12.2
Income (–)/expenses (+) from equity accounted investees and dividends from other investments	–28.9	–32.2
Other non-cash expenses (+)/income (–)	–34.8	39.5
Increase (–)/decrease (+) in inventories	–139.5	59.1
Increase (–)/decrease (+) in receivables and other assets	–1,383.4	–225.4
Increase (+)/decrease (–) in provisions	180.0	17.9
Increase (+)/decrease (–) in liabilities (excl. financial debt)	998.4	355.5
Payments received from (+)/made for (–) income taxes	–26.4	–21.9
Payments received for interest	4.3	17.1
Cash inflow (+)/outflow (–) from operating activities	**10,410.0**	**2,897.9**
Payments received from disposals of property, plant and equipment and intangible assets	20.2	31.0
Payments received from the disposal of other investments	1.3	–
Payments received from dividends	25.9	35.9
Payments received from the disposal of assets held for sale	33.6	–
Payments made for investments in property, plant and equipment and intangible assets	–1,252.7	–534.1
Payments made for investment in financial assets	–0.9	–
Net cash Inflow (+)/outflow (–) from acquisition	–69.7	–
Payments received for the redemption of issued loans	10.5	–
Payments made for the issuing of loans	–	–10.4
Cash inflow (+)/outflow (–) from investing activities	**–1,231.7**	**–477.6**

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Payments made from changes in ownership interests in subsidiaries	–0.5	–
Payments made for dividends	–633.5	–203.5
Payments received from raising financial debt	497.7	1,593.8
Payments made for the redemption of financial debt	–1,411.6	–2,742.3
Payments made for the redemption of lease liabilities	–678.5	–514.3
Payments made for leasehold improvements	–0.3	–26.3
Payments made for interest and fees	–224.8	–315.6
Payments received (+) and made (–) from hedges for financial debt	–29.4	16.1
Cash inflow (+) / outflow (–) from financing activities	**–2,481.0**	**–2,192.1**
Net change in cash and cash equivalents	**6,697.3**	**228.2**
Cash and cash equivalents at beginning of period	**681.3**	**511.6**
Change in cash and cash equivalents due to exchange rate fluctuations	344.8	–58.5
Net change in cash and cash equivalents	6,697.3	228.2
Cash and cash equivalents at end of period	**7,723.4**	**681.3**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

of Hapag-Lloyd AG for the period 1 January to 31 December 2021

	Equity attributable	
million EUR	Subscribed capital	Capital reserves
As at 1.1.2020	**175.8**	**2,637.4**
Total comprehensive income	**–**	**–**
thereof		
Group profit/ loss	–	–
Other comprehensive income	–	–
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	**–**	**–**
Transactions with shareholders	**–**	**–**
thereof		
Distribution to shareholder	–	–
Distribution to non-controlling interests	–	–
Reclassification from reserve for remeasurements from defined benefit pension plans	**–**	**–**
Deconsolidation	**–**	**–**
As at 31.12.2020	**175.8**	**2,637.4**
As at 1.1.2021	**175.8**	**2,637.4**
Total comprehensive income	**–**	**–**
thereof		
Group profit/ loss	–	–
Other comprehensive income	–	–
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	**–**	**–**
Transactions with shareholders	**–**	**–**
thereof		
Distribution to shareholder	–	–
Distribution to non-controlling interests	–	–
Addition of shares of non-controlling interests	–	–
Disposal of shares of non-controlling interests	–	–
Reclassification from reserve for remeasurements from defined benefit pension plans	**–**	**–**
Deconsolidation	**–**	**–**
As at 31.12.2021	**175.8**	**2,637.4**

of Hapag-Lloyd AG									
Retained earnings	Remeasurements from defined benefit pension plans	Reserve for cash flow hedges	Reserve for cost of hedging	Translation reserve	Reserve for put options on non-controlling interests	Cumulative other equity	Total	Non-controlling interests	Total equity
3,430.8	**–173.3**	**–14.0**	**–10.2**	**560.5**	**–0.5**	**362.6**	**6,606.6**	**14.0**	**6,620.6**
926.8	**–36.0**	**5.8**	**–27.9**	**–602.5**	**–**	**–660.6**	**266.2**	**7.4**	**273.5**
926.8	–	–	–	–	–	–	926.8	8.6	935.4
–	–36.0	5.8	–27.9	–602.5	–	–660.6	–660.6	–1.3	–661.9
–	**–**	**–4.2**	**36.2**	**–**	**–**	**32.0**	**32.0**	**–**	**32.0**
–197.6	**–**	**–**	**–**	**–**	**–**	**–**	**–197.6**	**–5.9**	**–203.5**
–193.3	–	–	–	–	–	–	–193.3	–	–193.3
–4.2	–	–	–	–	–	–	–4.2	–5.9	–10.1
–0.7	**0.7**	**–**	**–**	**–**	**–**	**0.7**	**–**	**–**	**–**
0.5	**–**	**–**	**–**	**–0.5**	**–**	**–0.5**	**–**	**–**	**–**
4,159.9	**–208.6**	**–12.4**	**–1.9**	**–42.4**	**–0.4**	**–265.8**	**6,707.2**	**15.5**	**6,722.7**
4,159.9	**–208.6**	**–12.4**	**–1.9**	**–42.4**	**–0.4**	**–265.8**	**6,707.2**	**15.5**	**6,722.7**
9,074.7	**53.7**	**30.1**	**0.4**	**918.7**	**–**	**1,002.9**	**10,077.6**	**11.4**	**10,089.0**
9,074.7	–	–	–	–	–	–	9,074.7	10.4	9,085.0
–	53.7	30.1	0.4	918.7	–	1,002.9	1,002.9	1.0	1,003.9
–	**–**	**–17.8**	**2.1**	**–**	**–**	**–15.7**	**–15.7**	**–**	**–15.7**
–620.0	**–**	**–**	**–**	**–**	**–**	**–**	**–620.0**	**–13.9**	**–633.9**
–615.2	–	–	–	–	–	–	–615.2	–	–615.2
–4.3	–	–	–	–	–	–	–4.3	–14.0	–18.3
–	–	–	–	–	–	–	–	0.1	0.1
–0.4	–	–	–	–	–	–	–0.4	–0.1	–0.5
–5.3	**5.3**	**–**	**–**	**–**	**–**	**5.3**	**–**	**–**	**–**
–0.4	**–**	**–**	**–**	**0.4**	**–**	**0.4**	**–**	**–**	**–**
12,608.8	**–149.6**	**–0.1**	**0.6**	**876.7**	**–0.5**	**727.1**	**16,149.1**	**12.9**	**16,162.0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FUNDAMENTAL ACCOUNTING PRINCIPLES

General information

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

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

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

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

These consolidated financial statements encompass the financial year from 1 January to 31 December 2021 and were approved by the Executive Board of Hapag-Lloyd AG for passing on to the Supervisory Board on 28 February 2022. The Supervisory Board will review and approve the consolidated financial statements on 9 March 2022.

Accounting principles

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

New accounting standards

Starting in the 2021 financial year, the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2, which have already been endorsed, were applicable for the first time.

The amendment to IFRS 16 regarding COVID-19-related rent concessions beyond 30 June 2021 had to be applied for the first time following their endorsement on 30 August 2021.

The standards to be applied for the first time in the 2021 financial year have no material impact on the net asset, financial and earnings position of the Hapag-Lloyd Group.

Standards that were not yet mandatory in the financial year

The following amended standards and interpretations that were adopted by the IASB at the time these consolidated financial statements were prepared were not yet mandatory in the 2021 financial year.

Standard/ Interpretation		Mandatory application as per	Adopted by EU Commission
IFRS 1 IFRS 9 IFRS 16 IAS 41	Annual Improvements to IFRS Standards 2018–2020	1.1.2022	yes
IFRS 3	Amendments to IFRS 3: Reference to the Conceptual Framework	1.1.2022	yes
IAS 16	Amendments to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use	1.1.2022	yes
IAS 37	Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	1.1.2022	yes
IFRS 17	Insurance Contracts and Amendments to IFRS 17	1.1.2023	yes
IFRS 17	Amendments to IFRS 17: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1.1.2023	no
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1.1.2023	no
IAS 1 IFRS Practice Statement 2	Disclosure of Accounting Policies: Amendments to IAS 1 and IFRS Practice Statement 2	1.1.2023	no
IAS 8	Definition of Accounting Estimates: Amendments to IAS 8	1.1.2023	no
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Amendments to IAS 12	1.1.2023	no
IFRS 10 IAS 28	Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	open	no

These regulations will not be mandatory until the 2022 financial year or later. The Hapag-Lloyd Group has decided against early adoption of these standards. Only those provisions which may be relevant to the Hapag-Lloyd Group are explained below. Unless stated otherwise, the effects of these provisions are currently being reviewed.

EU endorsement has been given

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

The amendments to standards published under the Annual Improvements process in 2020 contain the following improvements to standards: IFRS 9 has been amended to clarify which fees should be taken into account in the context of the 10% test for derecognition of financial liabilities. In IFRS 16, the explanatory Example 13, which relates to payments by the lessor to a lessee to reimburse expenditure on leasehold improvements, has been amended. In IFRS 1, the regulation according to which subsidiaries that adopt IFRS for the first time later than their parent company have the option of measuring assets and liabilities at the carrying amounts set out in the parent company’s consolidated financial statements (with no adjustments for consolidation procedures or effects associated with the business combination) has been expanded (except in the case of investment entities). This regulation now covers the subsidiary’s accumulated currency translations. The amendment also applies to associated companies and joint ventures making use of the relevant provision of IFRS 1. These amendments will not have any material effect on the Hapag-Lloyd consolidated financial statements.

Amendments to IFRS 3: Reference to the Conceptual Framework

Minor changes have been made to IFRS 3 to update references to the revised IFRS Conceptual Framework and in order to expand on the provision in IFRS 3 that an acquirer must apply the provisions of IAS 37 or IFRIC 21 and not the Conceptual Framework when identifying assumed liabilities that fall within the scope of IAS 37 or IFRIC 21. Without this new provision, a company involved in a business combination would have recognised some liabilities that must not be accounted for according to IAS 37 and/or IFRIC 21. These liabilities would then have had to be derecognised in profit and loss immediately following the acquisition. An explicit prohibition against the recognition of acquired contingent assets has also been added to IFRS 3. The amendments must be applied to business combinations from 1 January 2022. The amendments are not expected to have any material effects on assets and liabilities to be recognised as a result of business combinations.

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

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

EU endorsement still pending

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

The amendments to IAS 1 relate to an adjustment of the criteria for classification of liabilities as current or non-current. They clarify that the classification of liabilities as current should be based on the right of an entity at the end of the reporting period to defer settlement of the liability by at least twelve months; if the entity has such rights, the liability is to be classified as non-current.

The right to defer settlement of the liability must be substantial. If the entity is required to fulfil certain conditions for the exercise of such a right, these must be fulfilled at the end of the reporting period; otherwise, the liability must be classified as current. In addition, it is clarified that it is irrelevant for the classification of a liability whether the management intends or expects the liability to be settled within twelve months of the end of the reporting period. Only the rights in place at the end of the reporting period to defer settlement of the liability by at least twelve months should affect the classification of a liability. This also applies in case of settlement during the (value) adjusting period.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendment to IAS 1 requires in future that only "material" accounting policies be disclosed in the Notes to the financial statements. To be considered material, the accounting policy must be associated with material transactions or other events and there must be a reason for the disclosure. A reason may be that the policy was amended, it relates to a policy choice, the policy is complex or highly discretionary or was developed in accordance with IAS 8.10f. The focus in future should thus be on entity-specific information instead of standardised information. The guidance in Practice Statement 2 has been adjusted accordingly.

Amendments to IAS 8: Definition of Accounting Estimates

The amendment to IAS 8 clarifies how entities can distinguish better between changes in accounting policies and changes in accounting estimates. To enable this, it has been defined that an accounting estimate is always related to measurement uncertainty of a financial amount in the financial statements. In addition to input parameters, an entity also uses measurement methods to make an estimate. Measurement methods may be estimation methods or measurement techniques.

Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendment is a response to existing uncertainties regarding how entities account for deferred tax in relation to leases and decommissioning obligations. If assets and liabilities are being recognised for the first time, an initial recognition exemption is currently applicable under certain circumstances. In these cases, there is an exemption from recognising deferred tax. In practice, there has been uncertainty whether this exemption also applies to leases and decommissioning obligations. To ensure uniform application of the standard, a limited amendment to IAS 12 has been made. Due to this amendment, the initial recognition exemption no longer applies to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition, even if the other, currently valid conditions have been fulfilled. It thus constitutes a counter-exemption from the initial recognition exemption. The amendments mean, for example, that deferred tax has to be recognised on leases accounted for by the lessee and on decommissioning obligations.

Consolidation principles and methods

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

Subsidiaries

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

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

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

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

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

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

Joint arrangements

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

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

Associated companies and joint ventures

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

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

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

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

Group of consolidated companies

In addition to Hapag-Lloyd AG, a total of 133 (previous year: 131) companies are included in the consolidated financial statements for the 2021 financial year:

	Fully consolidated		Equity method		
	domestic	foreign	domestic	foreign	**Total**
31.12.2020	5	121	1	4	131
Additions	0	31	0	0	31
Disposal	0	29	0	0	29
31.12.2021	**5**	**123**	**1**	**4**	**133**

Of the companies that were included in the consolidated financial statements as part of the integration of the UASC Group in 2017, six were merged, four were liquidated and one was sold. 17 fully consolidated companies were deconsolidated due to their immateriality to the Group's net asset, financial and earnings position. These deconsolidations have not had any significant impact on the net asset, financial and earnings position of the Hapag-Lloyd Group. Four new companies were established and three were individually acquired. In addition, 24 companies were added to the Group as part of the acquisition of the NileDutch group (see the section "Business acquisitions"), one of which was merged with another Hapag-Lloyd subsidiary in the 2021 financial year.

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

Company	Registered office	Shareholding in %
Hapag-Lloyd (Egypt) Shipping S.A.E.	Alexandria	49.0
Hapag-Lloyd (Jordan) Private Limited Company	Amman	50.0
Hapag-Lloyd (Thailand) Ltd.	Bangkok	49.9
Hapag-Lloyd Bahrain Co. WLL	Manama	49.0
Hapag-Lloyd Ecuador S.A.	Guayaquil	45.0
Hapag-Lloyd Middle East Shipping LLC	Dubai	49.0
Hapag-Lloyd Qatar WLL	Doha	49.0
Hapag-Lloyd Shipping Company – State of Kuwait K.S.C.C.	Safat	49.0
Hapag-Lloyd Ukraine LLC	Odessa	50.0
Middle East Container Repair Company LLC	Dubai	49.0

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

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

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

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

Business acquisition

On 8 July 2021, Hapag-Lloyd acquired 100% of the shares and voting rights of the Dutch container shipping company Nile Dutch Investments B.V. (NileDutch). The company, which is based in Rotterdam, was a leading provider of container services to and from West Africa and had a transport capacity of around 35,000 TEU. The acquisition allowed Hapag-Lloyd to further expand its market position in the Africa business. The network to and from Africa and transport frequencies were increased and intensified by integrating NileDutch's business. Africa is a key market for Hapag-Lloyd's strategic growth. The acquisition of NileDutch is part of Strategy 2023.

A cash amount of EUR 116.9 million was transferred as consideration for the share acquisition.

Acquisition-related costs were incurred for Hapag-Lloyd in the amount of EUR 4.9 million, which were recognised as other operating expenses and mainly result from consultancy fees.

The fair values recognised for the acquired assets and assumed liabilities at acquisition date are summarised below:

million EUR	
Other intangible assets	6.8
Property, plant and equipment	205.0
Non-current assets	**211.8**
Inventories	4.3
Trade accounts receivable	70.7
Other assets and receivables	3.3
Derivative financial instruments	2.1
Income tax receivables	0.5
Cash and cash equivalents	47.2
Current assets	**128.1**
Total assets	**339.9**
Other provisions	9.2
Lease liabilities	92.2
Non-current liabilities	**101.4**
Other provisions	2.8
Income tax liabilities	9.6
Lease liabilities	36.4
Trade accounts payable	49.7
Contract liabilities	25.8
Other liabilities	3.6
Current liabilities	**127.9**
Total liabilities	**229.3**
Acquired net assets attributable to Hapag-Lloyd AG shareholders	**110.6**
Consideration transferred	**116.9**
Goodwill	6.3
Net cash outflow from the acquisition	**–69.7**

New information about facts and circumstances which already existed as of the acquisition date were obtained in the fourth quarter of the reporting period. As a result, the fair values of the assumed income tax liabilities were retrospectively adjusted (increase of EUR 5.9 million). The purchase price allocation is therefore complete.

Overall, goodwill increased to EUR 6.3 million as a result of the retrospective adjustment of the income tax liabilities. Goodwill embodies in particular non-identifiable intangible assets such as employee expertise.

Receivables with a fair value of EUR 74.5 million were acquired. The gross amount is EUR 77.7 million, of which EUR 3.2 million is likely to be uncollectable.

Since the acquisition date, revenue of EUR 179.0 million and earnings (EBIT) of EUR 36.6 million have been attributed by NileDutch. These amounts were determined until the phased integration of the business into Hapag-Lloyd AG taking the purchase price allocation into account.

Had the acquisition taken place on 1 January 2021 (pro forma analysis), Group revenue would have come to EUR 22,484.9 million and Group earnings (EBIT) would have totalled EUR 9,398.9 million. In calculating these amounts, it was assumed that the fair values at acquisition date would also have been valid if the acquisition had occurred on 1 January 2021. The pro forma analysis is based on the available information and on assumptions. Based on these assumptions, the presented pro forma amounts do not necessarily equate to the Group revenue and Group earnings (EBIT) that the Group would have generated had the acquisition of NileDutch in fact been closed on 1 January 2021.

Currency translation

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

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

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

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

Exchange rates of significant currencies

	Closing rate		Average rate	
per EUR	**31.12.2021**	31.12.2020	**2021**	2020
US dollar	1.13180	1.22760	1.18330	1.14130
British pound sterling	0.84019	0.89934	0.86023	0.88989
Chinese renminbi	7.21581	8.00992	7.63139	7.87475
Indian rupee	84.13575	89.70073	87.47385	84.58490

Accounting and measurement

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

Goodwill

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

Other intangible assets

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

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

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

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

	Useful life in years
Customer base	20–25
Hapag-Lloyd brand	unlimited
Computer software	1–8

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

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

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

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

Property, plant and equipment

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

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

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

Use-related depreciation using the straight-line method is based on the following useful economic lives. The year-on-year change for vessels and containers is described as follows:

	Useful life in years
Buildings	40
Vessels	20–25
Containers	15
Other equipment	3–10

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

The assessment of the normal useful life of containers was reviewed and extended in line with the increased average useful life of containers from 13 to 15 years in the third quarter of the 2021 financial year. This resulted in a EUR 28.2 million improvement in earnings (EBIT) in both the second half and the whole of 2021. Assuming constant USD/EUR exchange rates and identical container inventories, the improvement will increase to EUR 51.0 million in the following full financial year 2022 and then gradually decrease significantly. Any further-reaching future effects are impracticable to estimate due to expected new container additions.

The assessment of the impact of new environmental regulations on the economic viability and efficiency of some older vessels particularly affected by these regulations resulted in a reassessment for these vessels in the third quarter of 2021 and thus a shortening of their estimated remaining useful lives by one to five years. This resulted in a EUR 64.9 million decrease in earnings (EBIT) in both the second half and the whole of 2021. The effect will increase to EUR 130.7 million in the following full financial year 2022, assuming constant USD/EUR exchange rates, and will have no further impact thereafter as the assumed economic useful lives are reached. However, the general useful life of vessels remains unchanged at 25 years.

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

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

Impairment testing

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

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

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

Goodwill is tested for impairment at least once a year. Impairment testing is also conducted if events or circumstances occur that indicate that it may no longer be possible to recover the carrying amount. Goodwill is tested for impairment at the level of the cash-generating unit “container shipping”.

An impairment loss is recognised if the recoverable amount is lower than the cash-generating unit’s carrying amount. If an impairment is identified, the goodwill is impaired first. Any additional impairment is then allocated in proportion to the carrying amounts over the remaining non-current assets.

If, subsequently, following an impairment recognised in previous years, a higher recoverable amount is applicable for the asset or for the cash-generating unit, a reversal of the impairment up to the maximum of the amortised cost is recognised. Reversals of impairment of goodwill are not permitted.

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

The fair value is the price that independent market participants would pay at the reporting date in an orderly transaction if the asset or cash-generating unit were sold. The value in use is determined by discounting the cash flows expected from future operational use and from its eventual disposal.

Leases

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

Lessee

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

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

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

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

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

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

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

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

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

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

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

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

Lessor

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

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

Sale and leaseback transactions

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

Insofar as Hapag-Lloyd conducts sale and leaseback transactions whereby the power of disposition over the asset sold is transferred to the acquirer/lessor in accordance with the provisions of IFRS 15, the assets sold are derecognised and rights of use relating to the underlying assets as well as income from the sale are recognised in accordance with the provisions of IFRS 16.100 ff.

Financial instruments

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

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

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

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

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

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

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

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

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

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

Primary financial liabilities are measured either at amortised cost or at fair value through profit or loss. They will be measured at fair value through profit or loss if they are held for trading or, upon initial recognition, they have been designated – subject to certain preconditions – as “at fair value through profit or loss” (FV option).

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

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

In the 2021 financial year, as in the previous financial year, there were no reclassifications within the individual measurement categories.

Primary financial assets

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

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

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

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents encompass cash on hand, cheques as well as short-term bank deposits and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognised at cost.

Utilised overdraft facilities are not netted, but are recognised as liabilities to banks under current financial debt.

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

Primary financial liabilities

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

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

Derivative financial instruments and hedge accounting

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

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

At the inception of a hedging relationship in accordance with IFRS 9, both the relationship between the hedging instrument used and the hedged item and the objective and underlying strategy of the hedge are documented. In addition, at the beginning of the hedging relationship and on a continual basis, documentation is provided on the extent to which the derivatives used in the hedging relationship compensate for the changes in the fair value or cash flows of the hedged items.

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

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

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

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

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

Inventories

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

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

Pensions and similar obligations

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

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

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

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

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

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

Other provisions

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

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

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

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

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

Contract liabilities

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

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

Put options on non-controlling interests

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

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

Share-based payments

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

Realisation of income and expenses

Realisation of revenue

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

Other realisation of income and expenses

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

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

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

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

Earnings per share

Basic earnings per share is the quotient of the Group net result attributable to the shareholders of Hapag-Lloyd AG and the weighted average of the number of shares in circulation during the financial year. In both the 2021 financial year and the previous year, basic earnings per share were the same as diluted earnings per share.

Taxes

As a liner shipping company, Hapag-Lloyd AG, the largest company in the Hapag-Lloyd Group, has opted for taxation in accordance with tonnage. Tax liability for tonnage taxation is not calculated using the actual profits, but rather depends on the net tonnage and the operating days of the Company’s fleet. All profits in direct connection with the operating of merchant vessels in international trade are essentially subject to tonnage tax. Income from capital and equity investments is taxed according to the normal rules. The same applies to vessels that do not meet the requirements of tonnage taxation. Current income taxes for the reporting period and for previous periods are measured as the amount at which their payment to or rebate from the tax authority is anticipated. They are calculated on the basis of the company’s tax rates as at the reporting date, but do not include interest payments, refunds of interest or penalties for late tax payments. In the event that the amounts recognised in the tax returns are unlikely to be realised (e.g. for uncertain tax positions), tax liabilities are recorded.

The relevant amount is calculated on the basis of the best available estimate of the expected tax payment (i.e. the expected value and / or the most likely value for the uncertain tax position). Tax demands arising from uncertain tax positions are recorded in the statement of financial position when it is overwhelmingly likely (and thus sufficiently certain) that they can be realised. The exception to this rule is where there are tax losses carried forward, in which case no current tax liabilities or tax demands are recorded in the statement of financial position for these uncertain tax positions. Instead, the deferred tax assets for the still unused tax losses carried forward are adjusted accordingly. Income tax liabilities are netted against the corresponding tax rebate claims if they apply in the same fiscal territory and are of the same type and maturity.

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

Expected tax savings from temporary differences or from the use of tax loss carry-forwards are capitalised if they are estimated to be recoverable in the future. In their valuation, time limitations on the loss carry-forwards are taken into account accordingly. In order to evaluate whether deferred tax assets from tax loss carry-forwards can be used, i.e. recovered, the tax-related budget of the Group is consulted. The tax-related budget is based on the medium-term budget for 2022 to 2026, which has been extended to ten years for tax purposes.

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

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

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

Fair value

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

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

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

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

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

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

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

Government assistance

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

Use of judgements and estimates

The preparation of consolidated financial statements in accordance with IFRS requires judgements and estimates in order to determine the amounts of assets, liabilities and provisions reported in the statement of financial position, the disclosures of contingent liabilities as at the reporting date, and the recognised income and expenses for the reporting period.

Estimates involve complex and subjective assessments as well as the use of assumptions some of which relate to some circumstances that are uncertain by nature. Estimates may change over time, must be routinely adjusted and may have a significant impact on the earnings, financial and net asset position. Hapag-Lloyd advises that estimates could have been made differently in the same reporting period based on equally comprehensible reasons and that actual results may differ from the estimates.

This specifically applies to the following cases:

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

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

In the context of exercising extension and termination options in leases, judgement is applied on the probability of exercising existing options. In this context, Hapag-Lloyd also assesses current market conditions and possible economic disadvantages. If, from an economic perspective, termination of agreements that include a mutual right of termination will not result in any significant disadvantages, the term of the agreement is determined after taking into account the termination notice period in the respective agreement and a possible transition period. If Hapag-Lloyd believes that there are significant disadvantages, this is taken into account when assessing the term of the agreement and the term will be extended until the disadvantages cease to exist.

For container rental agreements that are similar structured, the terms and, in principle, any fixed payments that are part of lease payments are determined on the basis of a portfolio approach and applied uniformly to all leases in the portfolio.

For further information see the “Accounting and measurement” section as well as Note (30) Leases regarding changes in estimates made in the reporting year.

Review of useful lives and residual values for intangible assets and property, plant and equipment

Useful lives and residual values for intangible assets and property, plant and equipment are estimated on the basis of past experience. The management regularly reviews the estimates for individual assets or groups of assets with similar characteristics based on changes in the quality of maintenance and repair programmes, changes in environmental requirements or legal restrictions, and technical developments or other market enforcements (e.g. implementation of the EU’s Sustainable Finance Strategy). In the case of significant changes it adjusts the useful lives and residual values.

The estimation of residual values of container vessels is affected by high uncertainties and fluctuations due to the long useful life of vessels, the uncertainties regarding future economic developments and the future steel price, which is a significant parameter for determining the residual values of container vessels. In principle, the residual value of a container vessel or a class of container vessels is determined by its scrap value. The scrap value is calculated on the basis of a container vessel's empty weight and the average steel price. Adjustments to the residual value of container ships are made if the change in the residual value as of the reporting date is material.

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

Determination of demurrage and detention to be recognised

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

Determination of non-manifested discounts recognised during the year

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

Measurement of expected credit losses on receivables and other financial assets

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

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

Specification of parameters for measuring pension provisions

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

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

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

Recognition and measurement of other provisions and contingent liabilities

When recognising and measuring provisions, the Company must make considerable assumptions regarding probability of occurrence, timing and amount of the risk. These may be subject to estimation uncertainties, particularly in the case of non-current provisions.

In the Group, provisions are recognised if losses from pending transactions are imminent, a loss is probable and the loss can be reliably estimated. The main areas of judgement in this regard is in determining the economic benefit, the unavoidable costs and the associated offsetting. Due to the uncertainties associated with this assessment, the actual losses may deviate from the estimates and thus form the respective provision amount. For provisions for guarantee, warranty and liability risks, there is particular uncertainty concerning the estimate of future damages.

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

The estimates of settlement probabilities and related settlement amounts by management required for the recognition and measurement of contingent liabilities are based on opinions of attorneys and tax advisors. For detailed information on the contingent liabilities resulting from tax risks which are not classified as probable, see Note (28) Legal disputes.

Risks and uncertainties

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

SEGMENT REPORTING

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

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

DISCLOSURES AT COMPANY LEVEL

Transport volume per trade

TTEU	1.1.–31.12.2021	1.1.–31.12.2020
Atlantic [1]	2,105	2,065
Transpacific	1,768	1,851
Far East	2,274	2,286
Middle East	1,557	1,476
Intra-Asia	608	831
Latin America	3,038	2,889
Africa [1]	522	441
Total	**11,872**	**11,838**

[1] As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's figures have been adjusted accordingly.

Freight rates per trade

USD/TEU	1.1.–31.12.2021	1.1.–31.12.2020
Atlantic [1]	1,808	1,312
Transpacific	2,746	1,467
Far East	2,479	979
Middle East	1,512	837
Intra-Asia	1,295	605
Latin America	1,745	1,131
Africa [1]	1,997	1,196
Total (weighted average)	**2,003**	**1,115**

[1] As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's figures have been adjusted accordingly.

Revenue per trade

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Atlantic[1]	3,215.5	2,374.6
Transpacific	4,103.7	2,379.9
Far East	4,763.6	1,961.7
Middle East	1,989.4	1,081.6
Intra-Asia	666.1	440.0
Latin America	4,480.8	2,863.2
Africa[1]	880.7	461.8
Revenue not assigned to trades	2,173.6	1,209.6
Total	**22,273.5**	**12,772.4**

[1] As part of the integration of NileDutch in the third quarter of 2021, the EMA trade (Europe – Mediterranean – Africa) was renamed to Africa trade. Intra-European transport volumes are now added to the Atlantic trade. The previous year's figures have been adjusted accordingly.

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

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

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**10,852.6**	**2,700.4**
Depreciation and amortisation	–1,462.8	–1,385.2
EBIT	**9,389.8**	**1,315.2**
Earnings before taxes (EBT)	**9,146.3**	**981.3**
Share of profit of equity-accounted investees	**28.8**	**32.1**

Non-current assets

million EUR	31.12.2021	31.12.2020
Goodwill	1,597.2	1,466.8
Other intangible assets	1,510.1	1,459.1
Property, plant and equipment	11,764.8	9,300.6
Investments in equity-accounted investees	332.4	329.2
Total	**15,204.5**	**12,555.6**
thereof domestic	12,527.1	10,046.6
thereof foreign	2,677.4	2,509.0
Total	**15,204.5**	**12,555.6**

When assessing the cash-generating unit (CGU), non-current assets cannot be broken down by region due to their shared use. As a result, these have primarily been assigned to the parent company in Germany. The non-current assets held abroad are attributable to the United Arab Emirates with an amount of EUR 2,291.8 million (previous year: EUR 2,364.0 million).

There was no dependency on individual customers in the 2021 financial year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

(1) Revenue

Revenue streams

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

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

The Hapag-Lloyd Group's revenue rose by EUR 9,501.1 million to EUR 22,273.5 million in the 2021 financial year (prior year period: EUR 12,772.4 million), representing an increase of 74.4%.

This was primarily due to an increase in average freight rates of 79.7% compared with the previous year. By contrast, the weakening of the US dollar against the euro in terms of the average USD/EUR exhange rate counteracted the increase in revenue. Adjusted for exchange rate movements, revenue would have risen by EUR 10.0 billion, or 80.8%. The transport volume was almost the same as in the previous year and thus had only an immaterial impact on the increase in revenue.

Contract liabilities

Contract liabilities essentially comprise the remaining performance obligation as at the reporting date in connection with shipments on pending voyages. The revenue recorded in the reporting period and included in the balance of contract liabilities at the start of the 2021 financial year came to EUR 545.7 million (previous year: EUR 372.9 million).

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

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

The recognition of revenue is determined by performance progress. To determine the performance progress in connection with shipments on voyages pending as at the reporting date, Hapag-Lloyd uses the input-based method while taking account of the expenses incurred up until the reporting date. Due to the transport-related expenses allocated over the itinerary, the procedure is considered reliable and suitable. The percentage of completion / transport progress is therefore determined on the basis of the ratio of expenses incurred to expected total expenses.

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

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

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

(2) Transport expenses

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Transport expenses for finished voyages	10,223.1	9,089.6
Bunker	1,678.2	1,407.3
Handling and haulage	5,389.0	4,716.7
Equipment and repositioning [1]	1,219.3	1,134.7
Vessel and voyage (excluding bunker) [1]	1,936.6	1,830.8
Change in transport expenses for pending voyages [2]	100.2	50.6
Total	**10,323.3**	**9,140.2**

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 financial year as completed transport expenses.

In the 2021 financial year, transport expenses rose by EUR 1,183.2 million to EUR 10,323.3 million (prior year period: EUR 9,140.2 million). This represents an increase of 12.9%, which was primarily due to the rise in container handling expenses compared with the previous year and the higher average bunker consumption price. By contrast, the weaker US dollar compared with the euro in terms of the average USD / EUR exchange rate led to a reduction in transport expenses. Adjusted for exchange rate movements, transport expenses would have risen by approximately EUR 1.5 billion, or around 17.1%.

Hapag-Lloyd's average bunker consumption price of USD 475/t in the 2021 financial year was up USD 96/t (+25.3%) on the figure for the corresponding prior year period of USD 379/t.

In the 2021 financial year, container handling expenses rose by EUR 672.3 million to EUR 5,389.0 million (prior year period: EUR 4,716.7 million). This mainly resulted from increased demurrage and detention for containers due to partial congestion of port and hinterland infrastructure and local COVID-19 restrictions.

Container and repositioning expenses increased year-on-year due to higher expenses for demurrage and detention for empty containers at port terminals, particularly in North America.

The increase in expenses for vessels and voyages (excluding fuel) resulted primarily from the rise in the percentage of ships chartered in 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 ships.

The gross profit margin (ratio of revenue less transport expenses to revenue) for the 2021 financial year came to 53.7% (prior year period: 28.4%).

(3) Personnel expenses

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Wages and salaries	679.0	563.4
Social security costs, pension costs and other benefits	131.0	119.5
Total	**810.0**	**683.0**

Personnel expenses rose by EUR 127.1 million (18.6%) to EUR 810.0 million in the 2021 financial year (prior year period: EUR 683.0 million). Adjusted for exchange rate movements, the increase in personnel expenses would have amounted to approximately EUR 151.3 million. This was primarily due to a structural adjustment of the bonus system, a special COVID-19 bonus and an increase in the number of employees within the Hapag-Lloyd Group.

Pension costs include, among other things, expenses for defined benefit and defined contribution pension obligations. A detailed presentation of pension commitments is provided in Note (21) Provisions for pensions and similar obligations. Personnel expenses were reduced by government assistance in the form of grants amounting to EUR 11.0 million (previous year EUR 11.9 million), which were recognised in profit and loss. For further details, please refer to Note (27) Government assistance.

The average number of employees was as follows:

	1.1.–31.12.2021	1.1.–31.12.2020
Marine personnel	1,963	2,007
Shore-based personnel	11,431	10,857
Apprentices	240	221
Total	**13,634**	**13,085**

(4) Depreciation, amortisation and impairment

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Scheduled amortisation/depreciation	1,465.6	1,286.3
Amortisation of intangible assets	83.4	131.7
Depreciation of property, plant and equipment	1,382.3	1,154.7
Reversal of impairments / Impairments	–2.8	98.8
Impairment of property, plant and equipment	8.6	98.8
Reversal of impairments on current assets held for sale	–11.4	–
Total	**1,462.8**	**1,385.2**

The amortisation of intangible assets largely concerned the customer base. The decrease in the amortisation of intangible assets is due to the complete write-off of the CSAV and UASC brands in 2020.

The depreciation of property, plant and equipment was largely accounted for by ocean-going vessels and containers. This increase was primarily due to the rise in the percentage of ships chartered on a medium-term basis at simultaneously higher charter rates and the resulting increase in rights of use. The amortisation of rights of use relating to leased assets (essentially vessels, containers, buildings) led to amortisation of EUR 715.2 million (prior year period: EUR 528.1 million). A break-down of depreciation and amortisation can be found in the Notes to the respective balance sheet item.

(5) Other operating result

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Other operating income	**82.9**	**69.1**
Income from the reversal of provisions	15.8	13.8
Gains and losses from disposal of assets	12.5	13.1
Income from own cost capitalised	7.1	9.7
Miscellaneous operating income	47.6	32.5
Other operating expenses	**398.1**	**348.8**
IT and communication expenses	209.8	175.9
Charges, fees, consultancy and other professional services	38.6	32.7
Office and administration expenses	29.0	33.8
Training and other personnel expenses	24.9	20.1
Other taxes	16.7	12.6
Exchange rate gains / losses	7.3	15.4
Car and travel expenses	6.7	6.4
Bank charges	6.0	5.9
Miscellaneous operating expenses	59.1	46.0
Total	**–315.1**	**–279.7**

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

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

Miscellaneous operating expenses comprise items that cannot be allocated to any of the items mentioned above. These include expenses for insurance services, advertising and auditing services.

(6) Interest result

The interest result was as follows:

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Interest income	**21.3**	**17.0**
Other interest and similar income	21.3	17.0
Interest expenses	**243.3**	**343.8**
Net interest expenses from the valuation of pensions and similar obligations	2.7	3.7
Interest expenses for lease liabilities	70.3	69.6
Other interest and similar expenses	170.3	270.5
Effects from the result of embedded derivatives	**–23.2**	**–3.7**
Total	**–245.2**	**–330.5**

Other interest and similar income relates in particular to gains from the valuation of the interest rate swaps and to interest income from bank balances. In the previous year, interest income essentially consisted of income from the completion of financing arrangements for two vessels. Other interest and similar expenses mainly comprise interest for bonds and loans as well as interest from other financial debt. The decrease in interest expenses compared with the previous year resulted primarily from savings on effective interest expenses in the amount of EUR 95.9 million, which was mainly due to the reduction of bank debt (including the EUR bond) through early repayments and the lower reference interest rates as a result of the COVID-19 pandemic.

By contrast, the profit or loss effect of the embedded derivative in the amount of EUR –23.2 million (prior year period: EUR –3.7 million), which comprises the derecognition of the fair value of EUR –24.1 million associated with the exercising of the early repurchase option of the EUR bond as at 7 April 2021 (prior year period: EUR –8.6 million from the partial repayment of the bond in November 2020) and a valuation effect of EUR 0.8 million (prior year period: EUR 4.9 million), had a negative impact on the interest result.

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

(7) Other financial items

Other financial items of EUR 1.7 million essentially comprise realised and unrealised exchange rate effects from the foreign currency translation of financial debt including the associated hedging effects.

(8) Income taxes

The taxes on income and earnings actually paid or owed in the individual countries are disclosed as income taxes. As in the previous year, corporate entities based in Germany are subject to a corporate income tax rate of 15.0% and a solidarity surcharge of 5.5% of the corporate income tax owed. Additionally, these companies are subject to trade earnings tax, which for the years 2021 and 2020 is at 16.5% for the Group, corresponding to the specific applicable municipal assessment rate. The combined income tax rate for domestic companies is therefore 32.3%. Furthermore, comparable actual income taxes are disclosed for foreign subsidiaries. In the Group, the tax rates ranged from 7.2% to 39.0% in 2021 (previous year: between 6.0% and 39.0%).

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

Income taxes were as follows:

million EUR	**1.1.–31.12.2021**	1.1.–31.12.2020
Actual income taxes	57.6	34.0
thereof domestic	17.5	4.5
thereof foreign	40.1	29.5
Deferred tax income / expenses	3.7	11.8
thereof from temporary differences	2.3	2.9
thereof from loss carry-forwards	1.4	8.9
Total	**61.3**	**45.8**

The general increase in income taxes by EUR 15.5 million to EUR 61.3 million is mainly due to higher income taxes of Hapag-Lloyd AG as a result of significantly increased intra-group dividend income in the financial year. In addition, there was an increase in foreign income taxes of the group companies as a result of the exceptionally positive general earnings situation. Furthermore, the current income tax expense in the previous year was positively influenced by higher exchange rate-related effects from the translation from the respective local currency into the functional Group currency USD.

The domestic income taxes include tax expenses of EUR 4.5 million, which are attributable to the tonnage taxation (prior year period: EUR 4.5 million). The increase in other domestic current income tax expenses by EUR 13.0 million is essentially due to three effects. Firstly, fewer corporate income tax loss carryforwards were available for offsetting in the financial year (the opposite effect can be found in the area of expenses from deferred income taxes). Furthermore, there was a significant increase in intra-group dividend income at the level of Hapag-Lloyd AG in the financial year. In addition, the reported domestic tax expense is increased by an exchange rate effect of EUR 1.1 million (prior year period: EUR –1.8 million) resulting from the translation of tax assets and liabilities from the local currency into the functional Group currency USD.

Prior-period tax income in the amount of EUR 0.9 million are included in the actual income taxes (prior year period: expense of EUR 1.5 million).

As Hapag-Lloyd AG has opted for tonnage taxation, temporary measurement differences do not affect taxation, with the result that no deferred taxes are calculated. For domestic income which is not subject to tonnage taxation, a combined income tax rate of 32.3% was used both in 2021 and 2020 to calculate the deferred taxes.

For foreign-based companies, the tax rates of the country in question were used to calculate the deferred taxes. The income tax rates applied for foreign-based companies in 2021 ranged from 8.3% to 34.9% (previous year: between 8.3% and 34.0%).

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

Reconciliation statement

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Earnings before taxes	9,146.3	981.3
thereof under tonnage tax	8,847.6	723.5
thereof under regular income tax	298.7	257.8
Expected income tax expense (+) / income (–) (tax rate 32.3%)	**96.4**	**83.2**
Difference between the actual tax rates and the expected tax rates	–45.4	–43.5
Changes in tax rate or tax law	0.2	–
Effects of income not subject to income tax	–5.4	–1.2
Non-deductible expenses and trade tax additions and reductions	15.5	10.4
Effects from reassessments	–2.6	–1.9
Effective tax expenses and income relating to other periods	–0.9	1.5
Tax effect from equity-acounted investees	–17.4	–10.5
Exchange rate differences	8.8	0.4
Other differences	7.6	2.9
Income tax expense under regular income tax	**56.8**	**41.3**
Income tax expense under tonnage tax	4.5	4.5
Reported income tax expenses (+) / income (–)	**61.3**	**45.8**

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

Effects from reassessments include income of EUR 1.3 million (prior year period: EUR 1.0 million) from changes in unrecognised corporate income tax loss carry-forwards both at home and abroad. A further EUR 0.3 million (previous year: EUR 0.8 million) relates to the reduction of actual income taxes due to the use of tax losses previously not recognised.

The other differences include EUR 5.1 million in foreign withholding taxes for dividends, which are non-deductible (prior year period: EUR 2.8 million).

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

	31.12.2021		31.12.2020	
million EUR	Asset	Liabillity	Asset	Liabillity
Recognition and measurement differences for property, plant and equipment and other non-current assets	1.2	18.2	1.0	11.9
Recognition differences for receivables and other assets	1.6	0.8	2.0	0.6
Measurement of pension provisions	2.9	0.4	7.2	0.4
Recognition and measurement differences for other provisions	5.6	0.2	4.2	–
Other transactions	11.6	–0.3	9.1	1.1
Capitalised tax savings from recoverable loss carry-forwards	8.3	–	9.1	–
thereof utilised by tonnage tax base	–	–	2.7	–
Netting of deferred tax assets and liabilities	–5.2	–5.2	–3.9	–3.9
Balance sheet recognition	**26.0**	**14.1**	**28.7**	**10.1**

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

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

million EUR	**As per 1.1.2021**	Recognised as taxes in the income statement	Recognised in other comprehensive income	Recognised as an exchange rate difference	**As per 31.12.2021**
Recognition and measurement differences for property, plant and equipment and other non-current assets	–11.0	–4.9	–	–1.2	–17.1
Recognition differences for receivables and other assets	1.5	–0.8	–	0.1	0.8
Measurement of pension provisions	6.8	–0.5	–3.7	–0.1	2.5
thereof recognised directly in equity	7.2	–	–3.8	–	3.4
Recognition and measurement differences for other provisions	4.2	0.8	–	0.4	5.4
Other transactions	8.0	3.1	–	0.9	12.0
Capitalised tax savings from recoverable loss carry-frowards	9.1	–1.4	–	0.6	8.3
Balance sheet recognition	**18.6**	**–3.7**	**–3.7**	**0.7**	**11.9**

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

No deferred tax liabilities were recognised for the remaining taxable differences between the net assets and the carrying amount of subsidiaries for tax purposes amounting to EUR 57.3 million (previous year: EUR 53.3 million), as Hapag-Lloyd is able to steer how the temporary differences are reversed over time and no reversal of the temporary differences is likely in the near future.

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

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

million EUR	31.12.2021	31.12.2020
Loss carry-forwards for which deferred tax assets were recognised	**24.7**	**29.6**
Loss carry-forwards for which no deferred tax assets were recognised	**1,271.9**	**1,171.0**
thereof loss carry-forwards forfeitable in more than 5 years	0.1	1.0
Non-forfeitable loss carry-forwards	1,271.8	1,170.0
Total of unutilised loss carry-forwards	**1,296.6**	**1,200.6**

(9) Earnings per share

	1.1.–31.12.2021	1.1.–31.12.2020
Profit/loss attributable to shareholders in million EUR	9,074.7	926.8
Weighted average number of shares	175.8	175.8
Basic earnings per share in EUR	**51.63**	**5.27**

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

There were no dilutive effects in the 2021 financial year or in the previous year.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(10) Intangible assets

million EUR	Goodwill	Customer base	Advan-tageous contracts	Brand	Software	Payments on account and assets under construction	Total
Historical cost							
As at 1.1.2020	1,600.7	1,840.6	–	307.7	131.3	10.6	3,891.0
Additions[1]	3.4	–	–	–	3.8	9.0	16.2
Disposals	–	–	–	77.7	13.2	–	90.9
Transfers	–	–	–	–	1.0	–1.0	–
Exchange rate differences	–137.3	–157.9	–	–20.9	–8.9	–1.5	–326.5
As at 31.12.2020	**1,466.8**	**1,682.7**	**–**	**209.1**	**114.0**	**17.2**	**3,489.8**
Accumulated amortisation							
As at 1.1.2020	–	415.0	–	31.3	127.2	–	573.4
Additions	–	81.2	–	46.9	3.5	–	131.7
Disposals	–	–	–	77.7	13.2	–	90.9
Transfers	–	–	–	–	–	–	–
Exchange rate differences	–	–41.3	–	–0.5	–8.5	–	–50.3
As at 31.12.2020	**–**	**454.9**	**–**	**–**	**109.1**	**–**	**563.9**
Carrying amounts 31.12.2020	**1,466.8**	**1,227.8**	**–**	**209.1**	**5.0**	**17.2**	**2,925.9**
Historical cost							
As at 1.1.2021	1,466.8	1,682.7	–	209.1	114.0	17.2	3,489.8
Addition from business combination	6.3	–	2.8	–	3.9	–	13.1
Additions	–	–	–	–	0.4	6.9	7.2
Disposals	–	–	2.8	–	–	–	2.8
Transfers	–	–	–	–	1.7	–2.2	–0.5
Exchange rate differences	124.2	142.4	–	17.7	10.2	1.7	296.1
As at 31.12.2021	**1,597.2**	**1,825.1**	**–**	**226.8**	**130.1**	**23.5**	**3,802.8**
Accumulated amortisation							
As at 1.1.2021	–	454.9	–	–	109.1	–	563.9
Additions	–	78.3	2.8	–	2.2	–	83.4
Disposals	–	–	2.8	–	–	–	2.8
Transfers	–	–	–	–	–0.5	–	–0.5
Exchange rate differences	–	42.1	–	–	9.5	–	51.6
As at 31.12.2021	**–**	**575.3**	**–**	**–**	**120.2**	**–**	**695.5**
Carrying amounts 31.12.2021	**1,597.2**	**1,249.9**	**–**	**226.8**	**9.9**	**23.5**	**3,107.3**

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

Intangible assets not subject to amortisation comprise goodwill in the amount of EUR 1,597.2 million (previous year: EUR 1,466.8 million) and the Hapag-Lloyd brand in the amount of EUR 226.8 million (previous year: EUR 209.1 million).

At the end of the 2021 financial year, an impairment test of goodwill and intangible assets that are not subject to amortisation was carried out for the entire cash-generating unit “container shipping”. The recoverable amount was calculated based on the fair value less costs of disposal. Measurement was based on Level 1 input factors (unadjusted use of the quoted share price of Hapag-Lloyd AG and of a bond price) and on Level 2 input factors (use of observable market price quotations that are not Level 1 to measure the remaining net debt). With regard to the fundamental measurement assumptions, please refer to the section “Accounting and measurement”. In its entirety, the fair value of the cash-generating unit “container shipping” is categorised as Level 2, as this level corresponds to the lowest input factor that is significant for overall measurement.

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

Development expenses in the financial year totalled EUR 43.3 million (prior year period: EUR 39.7 million). Investments in internally generated intangible assets requiring capitalisation in 2021 amounted to EUR 7.3 million (previous year: EUR 9.6 million). These are presented under software and as payments on account and assets under construction.

(11) Property, plant and equipment

million EUR	Vessels	Containers, chassis	Property, buildings and other equipment	Payments on account and assets under construction	Total
Historical cost					
As at 1.1.2020	10,352.8	3,414.7	355.2	65.0	14,187.7
Additions[1]	653.3	625.7	54.3	58.9	1,392.2
Disposals	211.6	100.2	9.2	–	321.1
Transfers	44.4	–	–0.3	–44.5	–0.3
Exchange rate differences	–921.6	–329.8	–20.1	–6.6	–1,278.2
As at 31.12.2020	**9,917.2**	**3,610.4**	**379.9**	**72.9**	**13,980.4**
Accumulated depreciation					
As at 1.1.2020	2,867.9	1,123.0	132.0	–	4,122.9
Additions	726.2	385.3	43.2	–	1,154.7
Impairments	98.8	–	–	–	98.8
Disposals	210.9	67.6	2.5	–	281.0
Transfers	–	–	–0.3	–	–0.3
Exchange rate differences	–289.0	–118.7	–7.6	–	–415.3
As at 31.12.2020	**3,193.0**	**1,322.0**	**164.8**	**–**	**4,679.9**
Carrying amounts 31.12.2020	**6,724.2**	**2,288.3**	**215.1**	**72.9**	**9,300.6**
Historical cost					
As at 1.1.2021	9,917.2	3,610.4	379.9	72.9	13,980.4
Addition from business combination	101.1	99.6	4.3	–	205.0
Additions	1,396.9	1,037.7	70.4	353.4	2,858.4
Disposals	148.1	69.5	28.2	–	245.7
Reclassifications to held for sale	–244.3	–	–	–	–244.3
Transfers	61.4	0.2	3.1	–64.0	0.7
Exchange rate differences	892.0	355.2	34.1	19.6	1,300.8
As at 31.12.2021	**11,976.2**	**5,033.6**	**463.5**	**381.9**	**17,855.2**
Accumulated depreciation					
As at 1.1.2021	3,193.0	1,322.0	164.8	–	4,679.9
Additions	952.3	388.3	41.6	–	1,382.3
Impairments	–	–	8.6	–	8.6
Disposals	142.0	54.9	16.0	–	212.9
Reclassifications to held for sale	–214.7	–	–	–	–214.7
Transfers	–	–	0.5	–	0.5
Exchange rate differences	297.2	127.7	22.0	–	446.9
As at 31.12.2021	**4,085.8**	**1,783.2**	**221.5**	**–**	**6,090.4**
Carrying amounts 31.12.2021	**7,890.5**	**3,250.4**	**242.1**	**381.9**	**11,764.8**

[1] Additions amounting to EUR 4.3 million relate to changes in the group of consolidated companies.

The carrying amount of the property, plant and equipment subject to restrictions of ownership was EUR 4,618.0 million as at the reporting date (previous year: EUR 5,667.5 million). Restrictions of ownership exist in the form of ship mortgages for container ships and in the form of collateral for financed ships and containers transferred by way of security.

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

In the first quarter of 2021, five container ships were classified as non-current assets held for sale. The sale of the ships is part of the strategic optimisation of the ship portfolio. Binding agreements to sell the five ships were concluded in the second quarter, and one of the five ships was already transferred to the buyer in the second quarter. The four remaining ships were handed over in the third quarter of this financial year. As a result of further network adjustments, the ships were chartered back for up to 1.5 years at the same time that they were transferred to the new owners. In light of rising market prices in the second quarter of 2021, the carrying amounts of the ships were written up to their fair value less costs to sell totalling EUR 40.8 million. Overall, in the second quarter of the year a reversal of impairment losses totalling EUR 11.4 million has been recognised for the ships classified as held for sale, which has been presented as income under the item “Depreciation, amortisation and impairment of intangible assets and property, plant and equipment”. As at 31 December 2021, all five container ships had been handed over to the buyer and were thus no longer recognised in the consolidated statement of financial position. The fair value less costs to sell was estimated by an independent expert. In its entirety, the fair value measurement was categorised as Level 3 of the fair value hierarchy, and was calculated by the expert taking into account current sales transaction data for the most comparable ships, as well as ongoing sales negotiations and asking prices for such ships and the market reactions to these prices. The measurement assumes that the ships are available for sale on the basis of immediate, charter-free delivery in return for a cash payment, and that they are sold under normal trading terms as part of a transaction between a willing seller and a willing buyer. Furthermore, the valuation is based on the assumption that these ships have been fully maintained, are free of recommendations, and that they are undamaged, fully equipped and in operational condition.

Capitalisation of borrowing costs

During the 2021 financial year, borrowing costs of EUR 3.9 million (previous year: n/a) from general, i.e. non-dedicated, external financing sources were capitalised for ships under construction. The capitalisation rate used to determine the capitalisation of borrowing costs is calculated every quarter and amounts to between 3.2% and 3.6% p.a. for the 2021 financial year (previous year: n/a).

Directly attributable borrowing costs of EUR 0.3 million (previous year: n/a) were also capitalised during the 2021 financial year. The interest rate of the corresponding loans is 2.5% p.a. (previous year: n/a).

(12) Equity-accounted investees

The following companies were incorporated into the Hapag-Lloyd Group using the equity method as at 31 December 2021.

Name of the company	Registered office	Proportion of ownership in the group (in %) 2021	2020
Joint venture			
Consorcio Naviero Peruano S.A.[1]	Lima	47.93	47.93
Texas Stevedoring Services LLC[3]	Wilmington	50.00	50.00
Associated companies			
Hapag-Lloyd Lanka (Pvt) Ltd[1]	Colombo	40.00	40.00
HHLA Container Terminal Altenwerder GmbH[2]	Hamburg	25.10	25.10
Djibouti Container Services FZCO[1]	Djibouti	19.06	19.06

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

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

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

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

million EUR	HHLA Container Terminal Altenwerder GmbH 2021	2020
Statement of comprehensive income		
Revenues	297.0	284.4
Annual result	95.0	75.5
Dividend payments to Hapag-Lloyd Group	–24.6	–35.2
Balance sheet		
Current assets	108.2	100.6
Non-current assets	81.5	83.9
Current liabilities	37.6	38.5
Non-current liabilities	71.7	65.6
Net assets	**80.4**	**80.4**
Group share in net assets	20.2	20.2
Goodwill	276.8	276.8
Pro rata share of current financial year’s profit	27.5	30.7
Result related to other period	5.0	–1.2
Carrying amount of the participation at the end of the financial year	**329.5**	**326.5**

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

	HHLA Container Terminal Altenwerder GmbH		Non-material associated companies		Joint Venture	
million EUR	2021	2020	2021	2020	2021	2020
Participation 1.1.	**326.5**	**331.0**	**2.0**	**2.1**	**0.7**	**0.6**
Pro rata share of earnings after taxes	27.5	30.7	1.5	1.2	–0.2	0.2
Dividend payments	–24.6	–35.2	–1.3	–1.3	–	–
Exchange rate differences	–	–	0.1	–	–	–0.1
Participation 31.12.	**329.5**	**326.5**	**2.3**	**2.0**	**0.5**	**0.7**

(13) Trade accounts receivable and other assets

	31.12.2021		31.12.2020	
million EUR	Total	Remaining term more than a year	Total	Remaining term more than a year
Financial assets				
Trade accounts receivable	2,999.2	–	1,362.6	–
from third parties	2,999.2	–	1,362.6	–
Other assets	252.7	15.6	217.5	14.6
Investments and securities	7.6	7.6	7.7	7.7
Receivables relating to offset or advanced payments	129.0	–	108.3	–
Receivables from loans and other financial receivables	4.5	4.4	14.9	4.1
Receivables from insurance compensation	51.0	–	52.3	–
Receivables from deposits and prepayments	12.0	3.4	11.2	2.6
Other assets	48.6	0.2	23.2	0.2
Total	**3,252.0**	**15.6**	**1,580.1**	**14.6**
Non-financial assets				
Other assets	136.4	20.0	100.9	7.8
Claims arising from the refund of other taxes	80.9	0.6	62.9	0.7
Commitment fees for loans	19.9	17.7	9.1	6.0
Prepaid expenses	32.4	0.7	21.6	0.1
Other assets	3.2	0.9	7.3	0.9
Total	**136.4**	**20.0**	**100.9**	**7.8**

As at 31 December 2021, in relation to vessel financing there were assignments on earnings of a type customary on the market for trade accounts receivable resulting from revenue.

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

Credit risks

The gross carrying amounts of trade accounts receivable and other financial assets that fall within the scope of impairments under IFRS 9 amounted to EUR 3,274.0 million as at 31 December 2021 (previous year: EUR 1,600.0 million) and are mostly exposed to a low to medium credit risk. As of the reporting date, gross carrying amounts of EUR 311.2 million (previous year: EUR 108.6 million) were credit-impaired or exposed to high credit risk. EUR 432.9 million (previous year: EUR 251.5 million) were collateral backed.

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

million EUR	31.12.2021	31.12.2020
Trade account receivables and other financial assets		
Not overdue	2,905.6	1,408.8
Overdue up to 30 days	223.2	120.6
Overdue between 31 and 90 days	88.8	30.9
Overdue for more than 90 days	56.4	39.7
Gross carrying amount	**3,274.0**	**1,600.0**
Loss allowance	–29.6	–27.6
Carrying amount	**3,244.4**	**1,572.4**

The significant increase in gross carrying amounts is primarily due to the historically high freight rates. The increase is almost exclusively attributable to receivables that are not overdue, which is why the increase in loss allowance was relatively minor.

Loss allowances

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

million EUR	2021	2020
Loss allowances on trade account receivables and other financial assets		
Loss allowances as of 1.1.	**27.6**	**28.9**
Utilisation	4.8	8.0
Impairment losses	4.5	9.2
Change of translation reserve	2.3	–2.5
Loss allowances as of 31.12.	**29.6**	**27.6**

Loss allowances as at 31 December 2021 are EUR 29.6 million, of which EUR 24.3 million are attributable to credit-impaired receivables (previous year: EUR 22.5 million).

(14) Derivative financial instruments

million EUR	31.12.2021 Total	31.12.2021 Remaining term more than 1 year	31.12.2020 Total	31.12.2020 Remaining term more than 1 year
Receivables from derivative financial instruments	12.7	12.5	36.0	21.6
thereof derivatives in hedge accounting [1]	9.6	9.3	14.5	–
thereof derivatives not included in hedge accounting	3.2	3.2	21.6	21.6

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

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

(15) Inventories

The inventories were as follows:

million EUR	31.12.2021	31.12.2020
Raw materials and supplies	332.4	172.3
Prepayments	4.8	–
Total	**337.2**	**172.3**

Raw materials, consumables and supplies primarily comprised fuel inventories, which rose from EUR 170.8 million in the previous year to EUR 329.9 million due to price.

Expenses of EUR 1,678.2 million for fuels were recognised in the reporting period (previous year: EUR 1,407.3 million). Impairments for fuel inventories in the amount of EUR 0.5 million were also recognised as expenses in the financial year (previous year: EUR 0.4 million). No write-backs were recognised.

(16) Cash and cash equivalents

million EUR	31.12.2021	31.12.2020
Bank deposits	7,715.3	675.7
Cash on hand and cheques	8.1	5.6
Total	**7,723.4**	**681.3**

Due to local restrictions, the Hapag-Lloyd Group has limited access to cash and cash equivalents of EUR 22.4 million (previous year: EUR 5.5 million) at individual subsidiaries. These funds are not readily available to Hapag-Lloyd AG or its other subsidiaries for general use.

The increase in cash and cash equivalents primarily resulted from operating activities.

(17) Subscribed capital and capital reserves

As at 31 December 2021, Hapag-Lloyd AG's subscribed capital was divided into 175.8 million no-par registered shares with equal rights, as in the previous year. As in the previous year, each individual share represents EUR 1.00 of the share capital.

Authorised capital

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

After partial utilisation in previous years, the Authorised Share Capital still amounted to EUR 11.3 million as at reporting date of 31 December 2021.

(18) Retained earnings

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

Dividend distribution 2021

On 2 June 2021, a dividend of EUR 3.50 (previous year EUR 1.10) per dividend-eligible individual share was paid out to the shareholders of Hapag-Lloyd AG, amounting to a total payment of EUR 615.2 million (previous year: EUR 193.3 million).

Use of retained earnings

In accordance with the German Stock Corporation Act (AktG), the Annual General Meeting passes resolutions regarding use of the retained earnings reported in the annual financial statements prepared according to the German Commercial Code. Taking into account retained earnings of EUR 631.8 million carried forward from 2020, the annual financial statements of Hapag-Lloyd AG reported retained earnings of EUR 9,591.4 million. A proposal will be made at the Annual General Meeting that the retained earnings be used to pay a dividend of EUR 35.00 per dividend-eligible share, and that the retained earnings of EUR 3,439.8 million remaining after the distribution totalling EUR 6,151.6 million be carried forward to the subsequent year.

(19) Cumulative other equity

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

The reserve for remeasurements from defined benefit pension plans (31 December 2021: EUR –149.6 million; 31 December 2020: EUR –208.6 million) contains gains and losses from the remeasurement of pension obligations and plan assets recognised cumulatively in other comprehensive income, among other things due to the change in actuarial and financial parameters in connection with the valuation of pension obligations and the associated fund assets. The effect from the remeasurement of pension obligations and the associated plan assets recognised in other comprehensive income in the 2021 financial year resulted in a decrease of EUR 53.7 million in the negative reserve (previous year: increase of EUR 36.0 million).

The reserve for cash flow hedges contains changes in the intrinsic value of commodity options, changes in the cash component of currency forward contracts and changes in the market value of interest rate and commodity swaps that are recognised in other comprehensive income and amounted to EUR –0.1 million as at 31 December 2021 (31 December 2020: EUR –12.4 million). In the 2021 financial year, the resulting gains and losses totalling EUR –5.2 million were recognised in other comprehensive income as an effective part of the hedging relationship (prior year period: EUR 50.3 million), while gains and losses of EUR 35.8 million (prior year period: EUR –45.7 million) were reclassified and recognised through profit or loss.

The reserve for cost of hedging contains changes in the fair value of commodity options and in the forward component of currency forward contracts that are recognised in other comprehensive income and amounted to EUR 0.6 million as at 31 December 2021 (31 December 2020: EUR –1.9 million). In the 2021 financial year, the resulting gains and losses totalling EUR –2.8 million were recognised in other comprehensive income (prior year period: EUR –40.1 million), while gains and losses of EUR 3.2 million (prior year period: EUR 11.8 million) were reclassified and recognised through profit or loss.

The translation reserve of EUR 876.7 million (31 December 2020: EUR –42.4 million) includes differences from currency translation. The differences from currency translation of EUR 919.7 million recognised in other comprehensive income in the 2021 financial year (prior year period: EUR –603.7 million) were due to the translation of the financial statements of Hapag-Lloyd AG and its subsidiaries into the reporting currency. Currency translation differences are recognised in the statement of comprehensive income under the items that are not reclassified and recognised through profit or loss, because the currency translation effects of subsidiaries with the same functional currency as the parent company cannot be recycled.

(20) Non-controlling interests

The non-controlling interests within the Hapag-Lloyd Group are not material from a quantitative or qualitative perspective. There were no material changes in non-controlling interests in the 2021 financial year.

(21) Provisions for pensions and similar obligations

Defined benefit pension plans

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

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

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

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

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

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

Financing status of the pension plans

million EUR	31.12.2021	31.12.2020
Domestic defined benefit obligations		
Net present value of defined benefit obligations	276.6	306.1
Less fair value of plan assets	9.8	10.0
Deficit (net liabilities)	**266.8**	**296.1**
Foreign defined benefit obligations		
Net present value of defined benefit obligations	209.1	217.7
Less fair value of plan assets	155.3	128.6
Deficit (net liabilities)	**53.7**	**89.1**
Total	**320.6**	**385.2**

Composition and management of plan assets

The Group's plan assets are as follows:

million EUR	31.12.2021	31.12.2020
Equity instruments		
with quoted market price in an active market	36.2	36.5
without quoted market price in an active market	1.5	1.3
Government bonds		
with quoted market price in an active market	25.1	30.4
Corporate bonds		
with quoted market price in an active market	20.8	20.9
Other debt instruments		
(other) asset-backed securities		
with quoted market price in an active market	6.0	5.3
Derivatives		
with quoted market price in an active market	6.4	8.7
without quoted market price in an active market	6.5	5.9
Pension plan reinsurance	9.8	10.0
Real estate	1.6	2.1
Cash and cash equivalents	18.0	0.7
Other	33.2	16.8
Fair value of plan assets	**165.1**	**138.6**

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

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

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

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

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

Development of the present value of defined benefit obligations

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

million EUR	2021	2020
Net present value of defined benefit obligations as at 1.1.	**523.8**	**481.9**
Current service cost	13.8	12.8
Interest expenses	4.8	6.3
Remeasurements:		
Gains (–)/losses (+) from changes in demographic assumptions	–4.8	–0.1
Gains (–)/losses (+) from changes in financial assumptions	–48.0	45.3
Gains (–)/losses (+) from changes due to experience	–2.2	–1.7
Past service cost	0.6	0.6
Contributions by plan participants	0.5	0.5
Benefits paid	–11.3	–12.5
Exchange rate differences	8.3	–8.4
Disposals from change in the group of consolidated companies	0.2	–1.0
Net present value of defined benefit obligations as at 31.12.	**485.7**	**523.8**

The weighted average maturity of defined benefit obligations was 20.0 years as at 31 December 2021 (previous year: 20.1 years).

Development of the fair value of the plan assets

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

million EUR	2021	2020
Fair value of plan assets as at 1.1.	**138.6**	**141.7**
Interest income	2.1	2.6
Return and losses on plan assets (excluding interest income)	3.5	4.4
Employer contributions	19.3	2.8
Contributions by plan participants	0.1	0.1
Benefits paid	–5.0	–6.3
Exchange rate differences	6.3	–5.6
Disposals from change in the group of consolidated companies	0.2	–1.1
Fair value of plan assets as at 31.12.	**165.1**	**138.6**

Net pension expenses

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

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Current service cost	13.8	12.8
Interest expenses	4.8	6.3
Interest income	–2.1	–2.6
Past service cost	0.6	0.6
Net pension expenses	**17.1**	**17.1**

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

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Personnel expenses	14.4	13.4
Interest expenses (+)/interest income (–)	2.7	3.7
Total	**17.1**	**17.1**

Actuarial assumptions

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

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

percentage points	2021	2020
Discount factors	1.10	0.50
Expected rate of pension increases	1.80	1.80

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

percentage points	2021	2020
Discount factors for pension obligations		
United Kingdom	1.65	1.45
Netherlands	1.10	0.50
Mexiko	8.19	7.21
Expected rate of pension increases		
United Kingdom	2.84	2.76
Netherlands	2.00	2.00
Mexiko	3.50	3.50

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

Remeasurements

Remeasurements from defined benefit pension plans recognised in other comprehensive income amounted to EUR 57.5 million before tax as at 31 December 2021 for the 2021 financial year (previous year: EUR –36.8 million) and can be broken down as follows:

million EUR	31.12.2021	31.12.2020
Actuarial gains (+) / losses (–) from		
Changes in demographic assumptions	4.8	0.1
Changes in financial assumptions	48.0	–45.3
Changes from experience	2.2	1.7
Return on plan assets (excluding interest income)	3.5	4.4
Exchange rate differences	–0.9	2.3
Remeasurements	**57.5**	**–36.8**

The cumulative amount of remeasurements recognised in other comprehensive income after taxes totalled EUR –149.6 million as at 31 December 2021 (previous year: EUR –208.6 million).

Future contribution and pension payments

For 2022, the Group is planning to make contributions to pension plan assets amounting to EUR 1.1 million (previous year: EUR 2.1 million). Payments for unfunded pension plans, including employee termination costs, are anticipated in the amount of EUR 6.7 million in 2022 (previous year: EUR 6.2 million).

Sensitivity analyses

An increase or decrease in the significant actuarial assumptions would have the following effects on the present value of pension provisions as at 31 December 2021:

million EUR	Δ Present value 31.12.2021	Δ Present value 31.12.2020
Discount factor 0.8% points higher	–67.8	–77.8
Discount factor 0.8% points lower	82.7	99.7
Expected rate of pension increase 0.2% higher	11.5	13.6
Expected rate of pension increase 0.2% lower	–11.1	–13.0
Life expectancy 1 year longer	17.7	21.2

The sensitivity calculations are based on the average maturity of pension provisions determined as at 31 December 2021. In order to present the effects on the present value of pension provisions as at 31 December 2021 separately, the calculations for the key actuarial parameters were performed individually. Correlations between the effects and valuation assumptions were not considered either. Given that sensitivity analyses are based on the average duration of the anticipated pension provisions and, as a result, the expected payout date is not considered, they only provide approximate information and indications of trends.

Defined contribution pension plans

At Hapag-Lloyd, the expenses for defined contribution pension plans relate predominantly to the contributions to the statutory retirement pension system. In the period from 1 January to 31 December 2021, expenses incurred in connection with defined contribution plans totalled EUR 36.9 million (previous year: EUR 33.2 million).

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

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

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

(22) Other provisions

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

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

million EUR	**As per 1.1.2021**	Addition from business combina-tion	Utilisa-tion	Release	Addition	Exchange rate differences	**As per 31.12.2021**
Risks from pending transactions	136.2	–	134.5	0.1	211.1	15.0	227.7
Personnel costs	131.1	1.3	84.3	8.5	166.2	8.6	214.4
Guarantee, warranty and liability risks	93.5	10.3	16.7	3.0	27.7	8.8	120.6
Restructuring	10.1	0.2	5.0	1.6	20.9	1.4	26.0
Provisions for other taxes	9.4	–	3.6	3.7	15.0	0.9	18.1
Insurance premiums	7.1	–	1.3	0.7	4.5	0.7	10.3
Other provisions	54.9	0.1	7.2	11.0	45.5	0.5	82.9
Other provisions	**442.2**	**12.0**	**252.5**	**28.5**	**490.9**	**35.9**	**699.9**

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

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

Provisions for guarantee, warranty and liability risks relate primarily to maintenance obligations in connection with leased containers and to obligations to compensate for uninsured damage to cargo. Other assets were capitalised for associated, virtually secure recourse claims against insurance agencies with an amount of EUR 39.6 million.

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

The maturities of the other provisions are as follows:

	31.12.2021				31.12.2020			
	Remaining terms				Remaining terms			
million EUR	**Total**	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Risks from pending transactions	227.7	226.7	1.0	–	136.2	135.2	1.1	–
Personnel costs	214.4	184.5	18.6	11.3	131.1	103.5	15.6	12.0
Guarantee, warranty and liability risks	120.6	64.5	53.2	2.9	93.5	56.2	35.1	2.1
Restructuring	26.0	26.0	–	–	10.1	10.1	–	–
Insurance premiums	10.3	10.3	–	–	7.1	7.1	–	–
Provisions for other taxes	18.1	18.1	–	–	9.4	9.4	–	–
Other provisions	82.9	68.6	7.3	6.9	54.9	47.7	0.2	6.9
Other provisions	**699.9**	**598.6**	**80.1**	**21.1**	**442.2**	**369.2**	**52.0**	**21.0**

(23) Financial debt and lease liabilities

	31.12.2021				31.12.2020			
	Remaining terms				Remaining terms			
million EUR	**Total**	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Financial debt	3,074.1	502.0	1,638.7	933.4	3,735.9	505.9	2,052.3	1,177.7
Liabilities to banks[1]	1,902.5	402.0	1,249.4	251.1	2,533.5	377.5	1,401.8	754.1
Bonds	300.8	1.5	–0.5	299.8	306.0	6.8	299.2	–
Other financial debt	870.7	98.5	389.8	382.5	896.4	121.6	351.3	423.5
Lease liabilities	2,423.1	856.7	1,458.3	108.1	1,400.3	459.8	789.6	150.9
Total	**5,497.2**	**1,358.6**	**3,097.0**	**1,041.5**	**5,136.2**	**965.7**	**2,841.9**	**1,328.5**

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

Financial debt by currency exposure

million EUR	31.12.2021	31.12.2020
Denoted in USD (excl. transaction costs)	5,055.6	4,698.1
Denoted in EUR (excl. transaction costs)	402.1	409.4
Denoted in other currencies (excl. transaction costs)	67.0	56.0
Interest liabilities	11.2	17.7
Transaction costs	–38.7	–45.1
Total	**5,497.2**	**5,136.2**

Financial debt includes liabilities to banks, bonds and other financial debt. Lease liabilities include liabilities from lease contracts.

Liabilities to banks and other financial debt

Liabilities to banks and other financial debt primarily comprise loans and sale and leaseback agreements that are accounted for as loans to finance the existing fleet of vessels and containers.

Significant elements of the liabilities to banks are collateralised with vessel mortgages. Additional collateral exists in the form of land charges in connection with the Ballindamm property.

In the 2021 financial year, Hapag-Lloyd conducted a sale and leaseback transaction to refinance investments in a container ship (Japanese operating lease (JOL)). The previous funding had been repaid early in the previous year. The lease agreement includes a substantial purchase option that grants an entitlement to repurchase the container ship. As a result, the transaction is accounted for as loan financing in accordance with the provisions of IFRS 16, in conjunction with IFRS 15. The refinancing volume has a total amount of EUR 57.9 million. The liability arising from the JOL transaction is included in liabilities to banks, as these liabilities are to special purpose entities, which are established and financed externally by banks.

Within the scope of its order for the manufacturing and delivery of six large container ships, each with a size of 23,500 TEU and which are expected to be delivered between April and December 2023, in December 2020 Hapag-Lloyd signed a USD 472.3 million (EUR 384.7 million) loan commitment in the form of a so-called “Chinese lease” (sale and leaseback lease transaction), in order to finance three large container ships. The loan commitment covers the prepayments under the building contract until delivery of the container ships. On 15 July 2021, the first tranche of the construction period loan totalling EUR 25.0 million was drawn for these three ships. The liability is included under “other financial debt”, since this liability is to a special purpose entity set up and financed by a leasing company without any direct involvement of any banks.

Overall, sale and leaseback transactions of this kind resulted in liabilities to banks totalling EUR 1,273.4 million as at the reporting date (previous year: EUR 1,427.0 million) and other financial debt totalling EUR 860.7 million (previous year: EUR 804.6 million).

The loan associated with the ABS programme was repaid in full during the 2021 financial year (31 December 2020: EUR 81.5 million).

Bonds

On 6 April 2021, Hapag-Lloyd issued a sustainability-linked euro bond with a total volume of EUR 300.0 million. The bond has a maturity of seven years and a coupon of 2.5%, which will increase by 0.25% from 15 October 2025 if the sustainability performance targets are not met. The proceeds of the issue were used for the early redemption of Hapag-Lloyd's existing 5.125% euro bond, which had an original maturity in 2024.

Liabilities from lease contracts

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

Credit facilities

The Hapag-Lloyd Group had total unused credit lines of EUR 516.9 million as at 31 December 2021 (31 December 2020: EUR 476.5 million).

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

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

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

million EUR	Financial debt: Liabilities to banks	Financial debt: Bonds	Financial debt: Other finacial liabilities	Lease liabilities	Liabilities (+)/assets (–) from derivate financial instruments in hedge accounting: Foward exchange contracts	Liabilities (+)/assets (–) from derivate financial instruments in hedge accounting: Inetrest rate swaps	Total
As at 1 January 2021	**2,533.5**	**306.0**	**896.4**	**1,400.3**	**–4.7**	**35.4**	**5,166.9**
Changes of liabilities from financing cash flows							
Payments received from raising financial debt	177.1	296.0	24.7	–	–	–	497.7
Payments made for redemption of financial debt	–990.3	–298.0	–123.3	–	–	–	–1,411.6
Payments made for redemption of lease liabilities	–	–	–	–678.5	–	–	–678.5
Payments received (+)/made (–) from hedges for finacial debt	–	–	–	–	–8.2	–21.2	–29.4
Payments made for interest and fees	–94.6	–22.9	–37.0	–70.3	–	–	–224.8
Total cash-effective changes of liabilities from financing cash flows	**–907.8**	**–24.9**	**–135.7**	**–748.8**	**–8.2**	**–21.2**	**–1,846.6**
Changes arising from obtaining or losing control of subsidiaries or other business	–	–	–	128.6	–	–	128.6
Effect of changes in exchange rates	173.4	2.3	71.3	152.8	0.5	1.4	401.7
Changes in fair value	–	–	–	–	28.4	–14.3	14.1
Other changes[1]	103.4	17.5	38.6	1,490.2	–	–	1,649.7
As at 31 December 2021	**1,902.5**	**300.8**	**870.7**	**2,423.1**	**16.0**	**1.3**	**5,514.4**

1 The other changes to lease liability can be attributed primarily to current income from IFRS 16 amounting to EUR 1,453.2 million as well as changes in the group of consolidated companies.

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

	31.12.2021				31.12.2020			
		Remaining terms				Remaining terms		
million EUR	Total	up to 1 year	1–5 years	more than 5 years	Total	up to 1 year	1–5 years	more than 5 years
Financial liabilities								
Trade accounts payable	2,323.9	2,323.9	–	–	1,748.1	1,748.1	–	–
thereof to third parties	2,323.9	2,323.9	–	–	1,748.1	1,748.1	–	–
Other liabilities	138.6	136.6	1.9	0.2	93.1	91.3	1.6	0.2
Other liabilities to employees	2.9	2.7	–	0.2	3.3	3.2	–	0.2
Liabilities from offsetting or overpayment	33.9	33.9	–	–	28.5	28.5	–	–
Put option	1.8	–	1.8	–	1.6	–	1.6	–
Other liabilities	99.9	99.9	–	–	59.6	59.6	–	–
Total	**2,462.5**	**2,460.4**	**1.9**	**0.2**	**1,841.2**	**1,839.4**	**1.6**	**0.2**
Non-financial liabilities								
Contract liabilities	1,445.8	1,445.8	–	–	545.7	545.7	–	–
Other liabilities	35.8	34.5	1.1	0.1	26.4	23.3	3.1	0.1
Other liabilities as part of social security	16.9	15.7	1.1	0.1	11.4	10.1	1.2	0.1
Other liabilities from other taxes	16.8	16.8	–	–	11.8	10.6	1.2	–
Prepaid income	1.8	1.8	–	–	2.9	2.2	0.7	–
Other liabilities	0.2	0.2	–	–	0.3	0.3	–	–
Total	**1,481.5**	**1,480.3**	**1.1**	**0.1**	**572.1**	**569.0**	**3.1**	**0.1**

(25) Derivate financial instruments

	31.12.2021		31.12.2020	
million EUR	Total	Remaining term more than 1 year	Total	Remaining term more than 1 year
Liabilities from derivative financial instruments	27.1	25.9	35.5	35.5
thereof derivatives in hedge accounting [1]	27.1	25.9	22.7	22.7
thereof derivatives not included in hedge accounting	–	–	12.8	12.8

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

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

(26) Financial instruments

Financial risks and risk management

Risk management principles

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

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

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

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

Market risk

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

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

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

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

Currency risk

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

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

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

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

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

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

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

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

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

The following sensitivity analysis contains the Hapag-Lloyd Group's currency risks in relation to primary and derivative financial instruments. It reflects the risk that arises in the event that the US dollar as the functional currency appreciates or depreciates by 10% against the major Group currencies (EUR, GBP, CNY) at the reporting date. The analysis is depicted on the basis of a posted foreign currency exposure of USD –44.2 million.

	31.12.2021		31.12.2020	
million USD	Effect on earnings	Reserve for cost of hedging (equity)	Effect on earnings	Reserve for cost of hedging (equity)
USD / EUR				
+10%	42.8	0.2	10.7	–
–10%	–42.8	–0.2	–10.7	–
USD / GBP				
+10%	7.0	–	n/a	n/a
–10%	–7.0	–	n/a	n/a
USD / CNY				
+10%	–6.5	–	–8.8	–
–10%	6.5	–	8.8	–

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

Fuel price risk

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

To hedge against market price fluctuations, derivative financial instruments in the form of commodity options and swaps existed in the financial year 2021.

Hapag-Lloyd only designates the intrinsic value of the options. The change in the time value is recorded in the reserve for cost of hedging within equity.

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

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

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

In order to portray the fuel price risks according to IFRS 7, a sensitivity analysis was used, with an implied hypothetical market price change of +/–10%. The consequent effects on other comprehensive income resulting from the market price changes of the derivative financial instruments used are shown in the following table. As there were no more commodity options and swaps in the portfolio as of the balance sheet date, the table does not contain any information as of 31 December 2021.

	31.12.2021		31.12.2020	
million EUR	10%	–10%	10%	–10%
Reserve for cash flow hedges	–	–	3.8	–3.7
Reserve for cost of hedging	–	–	1.5	–0.2

The Company’s increased risk-bearing capacity and the marine fuel recovery (MFR) included in the freight contracts led to a change in the risk management strategy in 2021, so that Hapag-Lloyd did not conclude any new derivative financial instruments for fuel price hedging in 2021. Hedging of forecast bunker requirements may be resumed in the future depending on risk-bearing capacity.

Interest rate risk

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

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

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

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

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

In order to present the interest rate risks pursuant to IFRS 7, a sensitivity analysis was used to determine the effects of hypothetical changes in market interest rates on interest income and expenses. The market interest rate as at 31 December 2021 was increased or decreased by +/–100 basis points. Taking into account the low interest rate level, hypothetical, negative changes in interest rates were only made up to a maximum of 0. The determined effect on earnings relates to financial debt with a variable interest rate amounting to EUR 1,321.0 million that existed at the reporting date (previous year: EUR 1,854.9 million), the fair value of interest rate swaps of EUR –1.3 million (previous year: EUR –35.4 million) and the market value of embedded derivatives totalling EUR 3.2 million (previous year: EUR 21.6 million). It is assumed that this exposure also constitutes a representative figure for the next financial year.

million EUR		**31.12.2021**		31.12.2020
Change in variable interest rate	+100 base points	–100 base points	+100 base points	–100 base points
Reserve for cash flow hedges	15.7	–16.2	23.1	–24.3
Earnings before taxes	–13.0	7.0	–19.3	3.8

As part of the IBOR reform, in principle the existing reference interest rates (interbank offered rates – IBOR) are to be replaced by alternative risk-free interest rates by the end of 2021. This deadline has been extended until 30 June 2023 for the USD LIBOR maturities of relevance for Hapag-Lloyd (3M, 6M, 12M etc.). As at 31 December 2021, the Hapag-Lloyd Group held variable-interest loans and cash flow hedges for interest rate risks. These loans are affected by the IBOR reform. To ensure that hedging relationships can still be recognised in financial statements, Hapag-Lloyd adopted the resulting amendments to IFRS 9, IAS 39 and IFRS 7 from 1 January 2020. In the Hapag-Lloyd Group, only the hedging relationships for interest rate risks are directly affected by these amendments. The reference interest rate that the hedged variable cash flows are based on is the USD LIBOR, which is set to be replaced by the secured overnight financing rate (SOFR). To date, none of the variable loans and hedging instruments have been switched to the new reference interest rate. As at 31 December 2021, the nominal volume of the variable financing was USD 1,495.1 million. The nominal volume of the financial instruments in a hedging relationship for hedging interest rate risks was USD 834.0 million.

The Hapag-Lloyd Group is currently examining the effects of the alternative reference interest rates on existing IBOR-based agreements and preparing relevant IT systems so that they can reproduce the financing agreements and hedging instruments based on the new reference interest rates. Although there is some market uncertainty as to when and how the change to the benchmark interest rate will take place in relation to contracts for variable financing and hedging instruments, Hapag-Lloyd assumes that the contractual amendments for the hedged item and the designated hedging instrument will take place at the same time, thus ensuring that there are no inconsistencies between the hedged item and the hedging instrument. This would prevent any ineffectiveness from arising from existing hedging relationships. With regard to further developments relating to alternative reference interest rates, Hapag-Lloyd is in regular contact with its international bank partners.

Credit risk

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

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

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

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

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

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

For the derivative financial instruments with positive market values totalling EUR 9.6 million (previous year: EUR 14.5 million) and negative market values totalling EUR –27.1 million (previous year: EUR –35.5 million), there is the potential to offset financial assets and financial liabilities in the amount of EUR –3.2 million (previous year: EUR 3.0 million), taking into account the German Master Agreement for Financial Derivatives and the ISDA Framework Agreement. The market values of embedded derivatives linked to the buy-back option of issued bonds totalling EUR 3.2 million (previous year: EUR 21.6 million) were not taken into account here.

Liquidity risk

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

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

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

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

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

Cash flows of financial instruments (31.12.2020)

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

Cash flows of financial instruments (31.12.2021)

	Cash inflows and outflows				
million EUR	2022	2023	2024–2026	from 2027	Total
Primary financial liabilities					
Liabilities to banks	–452.2	–328.5	–1,079.3	–271.9	–2,132.0
Bonds	–7.5	–7.5	–22.5	–311.3	–348.8
Lease liabilities	–914.0	–794.8	–748.4	–116.3	–2,573.4
Other financial liabilities	–130.0	–191.3	–301.9	–424.5	–1,047.7
Trade accounts payable	–2,323.9	–	–	–	–2,323.9
Other liabilities	–136.6	–	–	–0.2	–136.7
Liabilities from put options	–	–	–2.8	–	–2.8
Total primary financial liabilities	**–3,964.1**	**–1,322.0**	**–2,154.9**	**–1,124.2**	**–8,565.2**
Total derivative financial liabilities	**–9.0**	**–18.5**	**–**	**–**	**–27.5**

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

All financial instruments for which payments had already been contractually agreed as at the reporting date of 31 December 2021 were included. Amounts in foreign currencies were translated at the spot rate as at the reporting date. In order to ascertain the variable interest payments arising from the financial instruments, the interest rates fixed on the reporting date were used for the following periods as well.

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

The cash outflows from derivative financial instruments include the as at the reporting date undiscounted market values used in currency forward contracts and the estimated net payments of the interest rate swaps used on the basis of the yield curve applicable on the balance sheet date.

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

Derivative financial instruments and hedging relationships

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

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

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

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

	31.12.2021		31.12.2020	
million EUR	Positive market values	Negative market values	Positive market values	Negative market values
Hedging instruments acc. to IFRS 9 (Hedge accounting)				
Commodity options and swaps	–	–	9.0	–
Currency forward contracts	0.3	–16.5	5.4	–
Interest rate swaps	9.3	–10.6	–	–22.7
Hedges [1]	**9.6**	**–27.1**	**14.5**	**–22.7**
Derivative financial instruments (FVTPL)				
Interest rate swaps	–	–	–	–12.8
Embedded derivatives	3.2	–	21.6	–
Other derivative financial instruments	**3.2**	**–**	**21.6**	**–12.8**
Total	**12.7**	**–27.1**	**36.0**	**–35.5**

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

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

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

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

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

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

	31.12.2021			31.12.2020		
	Remaining terms			Remaining terms		
	up to 1 year	more than 1 year	Total	up to 1 year	more than 1 year	Total
Currency risk						
Hedged nominal in million EUR	106.4	300.0	406.4	377.7	–	377.7
Hedged nominal in million CAD	52.5	–	52.5	57.5	–	57.5
Average hedged rate USD/EUR	1.14	1.21	1.19	1.21	–	1.21
Average hedged rate USD/CAD	0.79	–	0.79	0.77	–	0.77
Fuel price risk						
Hedged nominal in million USD	–	–	–	72.4	–	72.4
Average hedged price in USD	–	–	–	361.61	–	361.61
Interest rate risk						
Hedged nominal in million USD	–	834.0	834.0	–	1,014.6	1,014.6
Average fixed interest rate	–	1.52%	1.52%	–	1.52%	1.52%

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

Hedge of cash flows	31.12.2020 Nominal amount	Carrying amount asset in million EUR [1]	Carrying amount liability in million EUR [1]	Line item in the statement of financial position	Change in fair value used as measurment of the ineffectiveness in the reporting period in million EUR
Currency risk					
Currency forward contracts (USD / EUR)	EUR 377.7 million	4.7	–	Derivative financial instruments	5.1
Currency forward contracts (USD / CAD)	CAD 57.5 million	0.7	–	Derivative financial instruments	0.7
Fuel price risk					
Commodity options	75,000 mt	0.2	–	Derivative financial instruments	–
Commodity options	125,000 mt	8.8	–	Derivative financial instruments	8.8
Interest rate risk					
Interest rate swaps	USD 1,014.6 million	0.0	22.7	Derivative financial instruments	–22.6

Hedge of cash flows	31.12.2021 Nominal amount	Carrying amount asset in million EUR [1]	Carrying amount liability in million EUR [1]	Line item in the statement of financial position	Change in fair value used as measurement of the ineffectveness in the reporting period in million EUR
Currency risk					
Currency forward contracts (USD / EUR)	EUR 406.4 million	0.2	16.2	Derivative financial instruments	–14.1
Currency forward contracts (USD / CAD)	CAD 52.5 million	0.1	0.4	Derivative financial instruments	–0.3
Interest rate risk					
Interest rate swaps	USD 834.0 million	9.3	10.6	Derivative financial instruments	–1.3

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

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

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

Hedge of cash flows million EUR	**31.12.2021** Change in value used as measurement of the ineffectiveness	Reserve for cash flow hedges
Currency risk		
Repayment of financial debt in EUR	14.3	–
Repayment of pension obligations in EUR	–0.2	–
Operational costs in CAD	0.3	–
Interest rate risk		
Interest payments of variable rate loans	1.3	–0.1

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

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

Hedge of cash flows million EUR	31.12.2021 Hedging gains or losses recognised in other comprehensive income	Ineffectiveness recognised in the income statement	Line item in the income statement	Amount reclassified from the other comprehensive income into profit or loss	Line item in the income statement
Currency risk					
Repayment of financial debt in EUR	–26.1	–	–	26.1	Other financial items
Repayment of pension obligations in EUR	0.2	–	–	–0.2	Other financial items
Operational costs in CAD	–0.1	–	–	–0.1	Transport expenses/ other operating result
Fuel price risk					
Bunker purchases	8.7	–	–	–	–
Interest rate risk					
Interest payments of variable rate loans	12.0	–	–	10.0	Interest expenses

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

Cash flow hedges million EUR	2021 Reserve for cash flow hedges	2021 Reserve for cost of hedging	2020 Reserve for cash flow hedges	2020 Reserve for cost of hedging
Balance at 1.1.	**–12.4**	**–1.9**	**–14.0**	**–10.2**
Change in fair value:	–5.2	–2.8	50.3	–40.1
Currency risk [1]	–25.9	–2.6	54.5	–10.5
Fuel price risk [2]	8.7	–0.2	13.7	–29.6
Interest rate risk	12.0	–	–17.9	–
Reclassification into profit or loss:	35.8	3.2	–45.7	11.8
Currency risk [1]	25.7	3.2	–54.5	11.8
Interest rate risk	10.0	–	8.8	–
Gains and losses from hedging instruments and cost of hedging transferred to the inventory	–17.8	2.1	–4.2	36.2
Fuel price risk [2]	–17.8	2.1	–4.2	36.2
Currency translation differences:	–0.5	–	1.2	0.3
Fuel price risk [2]	0.3	–0.1	–0.7	0.3
Interest rate risk	–0.8	–	1.9	–
Balance at 31.12.	**–0.1**	**0.6**	**–12.4**	**–1.9**

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

Financial instruments – additional disclosures, carrying amounts and fair values
The fair value of a financial instrument is the price that would be received for an asset or that would be paid for the transfer of a liability on the relevant day in the course of a normal transaction between market participants.

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

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

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

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

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

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

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

Carrying amounts, assessed values and fair values by class and valuation category as at 31.12.2021

million EUR	Classi-fication category according to IFRS 9	Carrying amount 31.12.2021 Total	Amount recognised in the balance sheet under IFRS 9: Amortised acquisition cost	Fair value with no effect on profit or loss	Fair value through profit and loss	Amount recognised in the balance sheet under IFRS 16	Amount recognised in the balance sheet under IFRS 15	Fair value of financial instruments
Assets								
Other assets	AC	245.1	245.1	–	–	–	–	245.1
	n/a[3]	136.4	–	–	–	–	–	–
	FVTPL	7.6	–	–	7.6	–	–	7.6
Derivative financial instruments								
Derivatives (FVTPL)	FVTPL	3.2	–	–	3.2	–	–	3.2
Hedges (Hedge accounting)[1]	n/a[3]	9.6	–	9.6	–	–	–	9.6
Trade accounts receivable	AC	2,999.2	2,999.2	–	–	–	–	2,999.2
Cash and cash equivalents	AC	7,723.4	7,723.4	–	–	–	–	7,723.4
Liabilities								
Financial debt	FLAC	3,073.7	3,073.7	–	–	–	–	3,132.9
	FVTPL	0.3	–	–	0.3	–	–	0.3
Lease liabilities	n/a[3]	2,423.1	–	–	–	2,423.1	–	–
Other liabilities	FLAC	136.7	136.7	–	–	–	–	136.7
	n/a[3]	35.8	–	–	–	–	–	–
Liabilities from put options[2]	FLAC	1.8	1.8	–	–	–	–	2.1
Derivative financial liabilities								
Derivatives (FVTPL)	FVTPL	–	–	–	–	–	–	–
Hedges (Hedge accounting)[1]	n/a[3]	27.1	–	27.1	–	–	–	27.1
Trade accounts payable	FLAC	2,323.9	2,323.9	–	–	–	–	2,323.9
Contract liabilities	n/a[3]	1,445.8	–	–	–	–	1,445.8	–
Thereof aggregated according to IFRS 9 classification category								
Financial Assets measured at Amortized Cost (AC)		10,967.8	10,967.8	–	–	–	–	–
Financial Assets and Liabilities measured at Fair Value through Profit and Loss (FVTPL)		11.1	–	–	11.1	–	–	–
Financial Liabilities measured at Amortized Cost (FLAC)		5,536.2	5,536.2	–	–	–	–	–

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

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

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

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

million EUR	Classification category according to IFRS 9	**31.12.2021**			
		Level 1	Level 2	Level 3	**Total**
Assets					
Securities/investments	FVTPL	1.1	–	6.5	7.6
Derivative financial instruments (Hedge accounting)	n/a[2]	–	9.6	–	9.6
Derivative financial instruments (Trading)	FVTPL	–	3.2	–	3.2
Liabilities					
Derivative financial instruments (Hedge accounting)	n/a[2]	–	27.1	–	27.1
Financial debt	FVTPL	–	–	0.3	0.3
Financial debt	FLAC	310.5	2,822.5	–	3,132.9
Liabilities from put options[1]	FLAC	–	–	2.1	2.1

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

Net earnings

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

	31.12.2021			31.12.2020		
million EUR	From interest	Other net earnings	**Net earnings**	From interest	Other net earnings	Net earnings
Financial assets measured at amortised cost	5.3	–60.9	–55.6	3.3	30.1	33.4
Financial liabilities measured at amortised cost	–145.0	36.8	–108.2	–235.2	–79.0	–314.2
Financial assets and liabilities measured at fair value through profit or loss	–21.0	–0.5	–21.5	–13.0	–4.1	–17.2
Total	**–160.7**	**–24.7**	**–185.3**	**–244.9**	**–53.0**	**–298.0**

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

Capital management

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

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

Covenant clauses of a type customary on the market have been arranged for existing financing. These clauses primarily concern certain equity and liquidity indicators of the Group along with loan-to-value ratios. As at 31 December 2021, these covenants were fulfilled for the existing financing. Based on current planning, the Executive Board expects that these covenants will also be adhered to during the subsequent period.

OTHER NOTES

(27) Government assistance

The Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 11.0 million in 2021 (prior year period: EUR 9.6 million) according to the guideline for lowering indirect labour costs in the German marine industry. This amount corresponds to the total government assistance (prior year period: EUR 11.9 million) recognised through profit and loss as offset against personnel expenses in the 2021 financial year for the Hapag-Lloyd Group.

In addition, Hapag-Lloyd USA, a wholly owned subsidiary of Hapag Lloyd AG, receives government funding as part of the Maritime Security Program (MSP). Government grants in the 2021 financial year totalled EUR 22.2 million (prior year period: EUR 22.2 million). These grants have been recognised through profit and loss as a deduction from transport expenses.

(28) Legal disputes

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

Naturally, the outcome of the legal disputes cannot be predicted with any certainty. Provisions for pending and imminent proceedings are formed if a payment obligation is probable and its amount can be determined reliably. It is possible that the outcome of individual proceedings for which no provisions were formed may result in payment obligations whose amounts could not have been foreseen with sufficient accuracy as at 31 December 2021. Such payment obligations will not have any significant influence on the Group's net asset, financial and earnings position. As at the reporting date, there are EUR 8.0 million in contingent liabilities from legal disputes not classified as probable (previous year: EUR 7.6 million).

Hapag-Lloyd is subject to regular tax audits in various countries where the Group conducts large-scale business activities (e. g. Germany, India, USA). These tax audits may lead to the payment of tax arrears. In addition, Hapag-Lloyd regularly analyses and assesses potential tax risks within the Group (e.g. in the area of transfer pricing). To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions. As at the reporting date, there are also EUR 78.6 million in contingent liabilities from tax risks not classified as probable (previous year: EUR 45.7 million). The main reasons for this rise are a claim from the tax authorities in India for past financial years and uncertainty with regard to the correct tax arrangements for a US territory.

(29) Contingencies

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

As at 31 December 2021, there were no sureties or guarantees requiring disclosure.

(30) Leases

Lessee

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

Charter agreements for container vessels are nearly always structured as time charter contracts, i.e. in addition to the capital costs, the charterer bears all of the vessel operating costs, which are reimbursed as part of the charter rate. Non-lease components which are included in the price structure of the charter rates are not part of the lease liability. These costs are recognised in the (consolidated) income statement based on the time at which they are incurred. A portion of the charter agreements includes renewal options. These options allow Hapag-Lloyd to react flexibly to changes on the market and to secure the use of the container vessels. Exercising these renewal options not taken into account on the balance sheet at the reporting date would give rise to potential future lease payments amounting to EUR 0.6 billion (previous year: EUR 0.5 billion). These potential lease payments have therefore not been included as part of the lease liability.

However, against the backdrop of the order situation and the associated disposition of container vessels in the context of fleet planning due to the extraordinary market conditions, existing container vessel leases were also reassessed on a one-off basis as of the reporting date: In detail, those unilateral renewal options in the charter agreements were recognized in the balance sheet which were not initially taken into account in the measurement of the leases but for which it was sufficiently certain as of the reporting date that Hapag-Lloyd would exercise these renewal options in the course of the 2022 financial year. The recognition of these renewal options resulted in an increase in the lease liabilities and right-of-use assets of EUR 31.8 million.

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

However, the extraordinary market conditions induced in particular by the COVID-19 pandemic as of the reporting date were taken into account by adjusting the terms of the container lease contracts with mutual rights of termination to current situation. This resulted in an increase in the lease liabilities and right-of-use assets of EUR 50.3 million.

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

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

The lease contracts for the aforementioned asset classes have terms ranging from one year (e.g. vessels) to 25 years (e.g. buildings).

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

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

The table below shows the development of the right-of-use assets for each asset class in the 2021 financial year:

million EUR	Chartered vessels	Rented containers	Rented office buildings, grounds and parking slots	Rented vehicles	Total
Carrying amount of right-of-use assets as at 1.1.2020	**573.8**	**442.5**	**84.3**	**3.7**	**1,104.3**
Depreciation in prior year period	–315.5	–184.0	–25.9	–2.7	–528.1
Additions in prior year period [1]	558.9	305.1	27.7	4.4	896.2
Disposals in prior year period	–	–19.2	–3.5	–	–22.7
Transfers	17.8	–3.1	–	–	14.6
Exchange rate differences	–67.6	–45.1	–7.0	–0.3	–120.0
Carrying amount of right-of-use assets as at 31.12.2020	**767.4**	**496.2**	**75.5**	**5.1**	**1,344.2**
Carrying amount of right-of-use assets as at 1.1.2021	**767.4**	**496.2**	**75.5**	**5.1**	**1,344.2**
Depreciation in reporting period	–493.7	–195.2	–23.8	–2.4	–715.2
Additions in reporting period	1,166.7	240.4	42.2	2.0	1,451.4
Additions from business combination	101.1	54.6	2.9	–	158.6
Disposals in reporting period	–5.3	–8.1	–10.0	–0.2	–23.7
Impairments	–	–	–2.0	–	–2.0
Transfers	–	–10.7	–	–	–10.7
Exchange rate differences	100.0	46.1	6.7	0.3	153.1
Carrying amount of right-of-use assets as at 31.12.2021	**1,636.1**	**623.2**	**91.5**	**4.8**	**2,355.7**

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

The right-of-use assets for each asset class listed are reported under property, plant and equipment and are therefore also included in the table in Note (11) Property, plant and equipment.

The remaining terms of the lease liabilities as at 31 December 2021 are presented in the table on financial debt in Note (23) Financial debt and lease liabilities.

The following table shows the effects of IFRS 16 Leases on the consolidated income statement in the 2021 financial year:

million EUR	1.1.–31.12.2021	1.1.–31.12.2020
Transport expenses	10,323.3	9,140.2
Expenses from short-term leases	184.8	244.3
Depreciation, amortisation and impairment	1,465.6	1,385.2
Depreciation of right-of-use assets	715.2	528.1
Interest expenses and similar expenses	243.3	343.8
Interest expenses on lease liabilities	70.3	69.6

Total cash outflows for leases came to EUR 1.2 billion in the 2021 financial year (prior year period: EUR 1.0 billion).

As at 31 December 2021, future commitments under short-term leases totalled EUR 77.7 million (previous year: EUR 73.7 million).

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

Sale and leaseback transactions
In the 2021 financial year, Hapag-Lloyd conducted a sale and leaseback transaction to refinance investments in a container vessel (Japanese operating lease (JOL)). For more information about this transaction, please refer to Note (23) Financial debt and lease liabilities.

Furthermore, in order to optimise the vessel portfolio, five container vessels were sold during the financial year through sale and lease back transactions that were then chartered back after they were transferred. For more information about this transaction, please refer to Note (11).

Lessor
Hapag-Lloyd operates as a lessor in the context of operating lease contracts only to a limited degree: In the 2021 financial year, an insignificant number of container vessels chartered in by Hapag-Lloyd were let as part of operating lease contracts.

(31) Other financial obligations

The Hapag-Lloyd Group's other financial obligations totalled EUR 1,924.5 million as at 31 December 2021 and comprised purchase obligations (nominal values)

- for investments in 17 container vessels, thereof 12 large container vessels, amounting to EUR 1,898.6 million,
- for investments in exhaust gas cleaning systems (EGCS) on container vessels amounting to EUR 9.9 million,
- for investments in diesel generators to supply cooling containers with electricity amounting to EUR 5.7 million,
- for investments in equipment for ballast water treatment on container vessels amounting to EUR 3.4 million, and
- for further investments on container vessels totaling EUR 6.9 million.

The future cash outflows from leases which Hapag-Lloyd has already entered into but which have not yet commenced and are therefore not recognised in the balance sheet, totalled EUR 1,120.0 million at the reporting date.

The Hapag-Lloyd Group's other financial obligations totalled EUR 992.7 million as at 31 December 2020 and comprised primarily purchase obligations (nominal values) for investments in large container vessels amounting to EUR 811.1 million as well as investments in containers with an amount of EUR 165.9 million.

(32) Share-based payment

Executive Board members

The long-term variable remuneration paid to Executive Board members was changed with effect from 1 January 2020 as part of the Long-Term Incentive Plan 2020 (LITP 2020). The amended long-term variable remuneration is recognised in accordance with the provisions of IAS 19. Despite these changes, the existing conditions continue to apply unaltered to long-term variable remuneration granted up to the 2019 financial year. In light of this, the long-term variable remuneration granted as and from the 2020 financial year (2020 long-term incentive plan – 2020 LTIP) is presented below. The long-term variable remuneration granted until the 2019 financial year (2015 long-term incentive plan – 2015 LTIP), which is recognised according to IFRS 2, is outlined subsequently.

Under the 2020 LTIP, a specified euro amount is granted to the Executive Board members per calendar year ("allocation amount"). The allocation amount granted is divided equally into a retention component and a performance component. As a rule, the vesting period will be three years. The payment amount for the retention component after three years is calculated by multiplying half of the allocation amount by the respective target achievement. As a rule, the target achievement for the retention component is calculated using the three-year average of the Group's EBITDA in the vesting period (for the 2021 tranche: 2021 to 2023) compared to the Group's EBITDA in the reference period (for the 2021 tranche: 2018 to 2020). The target achievement for the retention component is capped at 150% and has a minimum value of 0%. The target achievement for the performance component is calculated in the same way as outlined above and adjusted upwards or downwards based on the three-year average of the ROIC in the vesting period using a defined matrix. The target achievement for the performance component is likewise capped at 150% and has a minimum value of 0%. The payment amount for the performance component after three years is calculated by multiplying half of the allocation amount by the target achievement as outlined above. As an additional condition for payment of the performance component, the total of the annual earnings after taxes in the consolidated financial statements of Hapag-Lloyd that relate to the vesting period must be greater than 0 (zero). The payment amount calculated on this basis falls due on 30 April of the year following the end of the vesting period and is payable as a gross amount.

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

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

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

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

Under the 2015 LTIP, which was in place until the 2019 financial year, a specified euro amount (allocation amount), which was contractually agreed on an individual basis, was allocated to each Executive Board member at the start of every calendar year. This amount reflected performance in the current financial year and the following three financial years (performance period). This allocation amount was converted into virtual shares in the Company based on the average price of the Hapag-Lloyd AG share over the 60 trading days preceding the day on which the shares were granted. The virtual shares are divided equally into performance share units and retention share units.

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

The number of performance share units relevant for the payment is dependent on a performance factor. This factor is calculated by comparing the performance of the Hapag-Lloyd share (total shareholder return – TSR) with a specific, industry-based reference index – the DAXglobal Shipping Index – over the four-year performance period. The number of performance share units can be a maximum of 1.5 times and a minimum of 0, as measured by a performance factor, when the performance period ends. If the performance factor is 0, all of the performance share units are forfeited. Since the start of July 2021, the DAXglobal Shipping Index is no longer calculated or published. However, Hapag-Lloyd has entered into a contractual agreement under which the index will continue to be calculated for Hapag-Lloyd as a substitute for as long as this index is needed as a performance criterion as per the requirements of the 2015 LTIP.

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

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

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

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

The measurement of the virtual shares at the time they are granted is based on the allocation amount. A single Executive Board member was granted virtual shares under the 2015 LTIP for the last time in the 2020 financial year (7,230 shares, with a fair value amounting to EUR 0.5 million). As at 31 December 2021, there were 106,395 individual virtual shares (previous year: 153,503 shares) with a fair value of EUR 22.6 million (previous year: EUR 9.8 million).

In the reporting period, EUR 1.4 million (previous year: EUR 1.6 million) was recognised for share-based payments to Executive Board members through profit or loss. The provision for share-based payments to Executive Board members amounted to EUR 4.1 million as at 31 December 2021 (previous year: EUR 3.8 million).

Upper management levels

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

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

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

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

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

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

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

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

The measurement of the virtual shares at the time they are granted is based on the grant amount. For the last time, 149,653 virtual shares with a fair value of EUR 4.5 million were granted in 2019 the financial year. As at 31 December 2021, there are 122,069 virtual shares (previous year: 237,880) with a fair value of EUR 26.0 million (previous year: EUR 15.3 million).

In the reporting period, EUR 0.0 million (previous year: EUR 0.0 million) was recognised for share-based payments to upper management level through profit or loss. The provision for share-based payments to upper management levels amounted to EUR 5.5 million as at 31 December 2021 (previous year: EUR 11.2 million).

(33) Utilisation of Section 264 (3) of the German Commercial Code (HGB)

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

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

(34) Services provided by the auditors of the consolidated financial statements
In the 2021 financial year, the following fees were paid to the auditors KPMG AG Wirtschaftsprüfungsgesellschaft within the global KPMG network, in accordance with Section 314 of the German Commercial Code (HGB) and Institute of Public Auditors in Germany (IDW) RS HFA 36:

	1.1. – 31.12.2021		1.1. – 31.12.2020	
million EUR	Total	Domestic	Total	Domestic
Fees for annual audit	3.5	2.4	3.2	2.0
Fees for other assurance services	0.3	0.3	0.2	0.1
Fees for tax consultancy	0.0	–	0.0	–
Fees for other services	0.0	–	0.1	0.0
Total	**3.8**	**2.7**	**3.5**	**2.1**

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

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

Other services in the previous year relate to quality assurance support services.

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

In the 2021 financial year, CSAV Germany Container Holding GmbH (CSAV) held a 30.0% stake in Hapag-Lloyd, while Kühne Maritime GmbH, together with Kühne Holding AG (Kühne), also held a 30.0% stake. The stake held by Qatar Holding Germany GmbH was 12.3%. The number of shares did not change during the reporting period as compared with the previous year and the shareholder structure of Hapag-Lloyd remained the same. As at 31 December 2021, CSAV, HGV and Klaus-Michael Kühne (including companies attributable to him, in particular through Kühne Maritime) therefore together held around 74% of the share capital of Hapag-Lloyd.

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

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

Voting rights

in %	2021	2020
Kühne Holding AG / Kühne Maritime GmbH	30.0	30.0
CSAV Germany Container Holding GmbH	30.0	30.0
Qatar Holding Germany GmbH	13.9	13.9
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	12.3	12.3
Public Investment Fund of the Kingdom of Saudi Arabia	10.2	10.2
Free float	3.6	3.6
Total	**100.0**	**100.0**

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

	Delivered goods and services and other income recognised		Goods and services received and other expenses recognised	
million EUR	**1.1.–31.12.2021**	1.1.–31.12. 2020	**1.1.–31.12.2021**	1.1.–31.12.2020
Shareholders	1,067.5	608.1	118.6	90.7
Affiliated non-consolidated companies	–	–	–	0.1
Associated companies and Joint Ventures	31.6	9.4	173.3	236.4
Total	**1,099.1**	**617.5**	**291.9**	**327.2**

	Receivables		Liabilities	
million EUR	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Shareholders	131.7	47.8	26.6	5.2
Affiliated non-consolidated companies	–	0.2	0.2	0.6
Associated companies and Joint Ventures	8.6	–	33.5	26.3
Total	**140.2**	**48.0**	**60.4**	**32.2**

The amounts arising from transactions with related parties contained in the above table result from services rendered (EUR 1,099.1 million; previous year: EUR 617.5 million) as at the reporting date.

Of the expenses shown above, EUR 291.4 million result from (transport-related) operating services (previous year: EUR 326.7 million) and EUR 0.5 million are from other services (previous year: EUR 0.5 million).

Remuneration of key management personnel

The remuneration of key management personnel in the Group to be disclosed under IAS 24 encompasses the remuneration paid to the current members of the Executive Board and Supervisory Board of Hapag-Lloyd AG.

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

	Executive Board		Supervisory Board	
million EUR	2021	2020	2021	2020
Short-term benefits	5.5	5.7	2.2	2.3
Other long-term employee benefits	2.2	1.1	–	–
Post-employment benefits	0.2	0.2	–	–
Share based benefits	1.4	1.6	–	–
Total	**9.3**	**8.6**	**2.2**	**2.3**

In the 2021 financial year, the employee representatives on the Supervisory Board received EUR 0.6 million (previous year: EUR 0.6 million) as part of their employment contracts, in addition to their Supervisory Board emoluments. These are included in the remuneration for members of the Supervisory Board pursuant to IAS 24.

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

	Executive Board		Supervisory Board	
million EUR	2021	2020	2021	2020
Active board members	5.5	6.2	1.7	1.6
Former board members	1.0	1.0	–	–
Total	**6.5**	**7.2**	**1.7**	**1.6**

Share-based payments were made for the last time to one member of the Executive Board in 2020 in the form of virtual shares (7,230 shares) with a fair value of EUR 0.5 million at the time they were granted. In the financial year 2021, commitments in connection with long-term variable compensation plans (so-called Long Term Incentive Plan 2020 - „LTIP 2020“) amounting to EUR 2.3 million (previous year: EUR 2.2 million) were granted to active members of the Executive Board. For further explanations of these long-term variable compensation plans, please refer to Note (32). The total remuneration of the active members of the Executive Board includes annual one-off payments to a reinsured relief fund in connection with the retirement benefits of the Executive Board members. Beyond the annual one-off payments, Hapag-Lloyd has no further obligations to the Executive Board members under these pension commitments due to the reinsurance.

A total of EUR 28.2 million was allocated to pension provisions for former Executive Board members as at 31 December 2021 (previous year: EUR 31.8 million).

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

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

The declaration required under Section 161 of the German Stock Corporation Act (AktG) was issued by the Executive Board and Supervisory Board in March 2021 and has been made permanently available to shareholders on the Company's website: www.hapag-lloyd.com under „Our company" in the "Investor Relations" section under "Corporate Governance" at https://www.hapag-lloyd.com/en/company/ir/corporate-governance/compliance-statement.html

(37) Significant events after the balance sheet date

In January and February 2022, four container ships in size classes between 1,000 TEU and 6,500 TEU were purchased by Hapag-Lloyd on the secondary market for a total of EUR 148.0 million. The delivery of three container ships is expected in the first quarter of 2022, the handover of the fourth vessel to Hapag-Lloyd is planned for the second quarter of 2022. The purchase prices will be paid from cash and cash equivalents.

Rating agency Standard & Poor's Global Rating (S&P) raised Hapag-Lloyd's credit rating from "BB" to "BB+" with a "stable" outlook on 4 February 2022. The senior unsecured bond rating was also upgraded from "BB" to "BB+".

On 17 February 2022, Hapag-Lloyd AG increased an existing revolving credit facility from EUR 360 million to EUR 500 million and extended the term by five years. In addition, the credit line was extended to include a sustainability component.

On 24 February 2022, Hapag-Lloyd (America) LLC has been served by the U.S. Department of Justice Antitrust Division (DoJ) with a subpoena to provide information and testify in connection with an international containerized shipping Grand Jury investigation.

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

Name of the company	Registered office	Currency unit (CU)	Shareholding in %
Affiliated consolidated companies			
Head office			
Hamburg-Amerika Linie GmbH	Hamburg	EUR	100.00
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	EUR	94.90
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	EUR	100.00
North Europe			
CMR Container Maintenance Repair Hamburg GmbH	Hamburg	EUR	100.00
Hapag-Lloyd (Austria) GmbH	Vienna	EUR	100.00
Hapag-Lloyd (France) S.A.S.	Paris	EUR	100.00
Hapag-Lloyd (Ireland) Ltd.	Dublin	EUR	100.00
Hapag-Lloyd (Schweiz) AG	Basel	CHF	100.00
Hapag-Lloyd (Sweden) AB	Gothenburg	SEK	100.00
Hapag-Lloyd (UK) Ltd.	Barking	GBP	100.00
Hapag-Lloyd Polska Sp.z.o.o.	Gdańsk	PLN	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Hapag-Lloyd Special Finance DAC	Dublin	USD	100.00
Oy Hapag-Lloyd Finland AB	Helsinki	EUR	100.00
UASAC (RUS) LLC	St. Petersburg	RUB	100.00
Nile Dutch Africa Line B.V.	Rotterdam	EUR	100.00
Nile Dutch Agencies B.V.	Rotterdam	EUR	100.00
Nile Dutch Holding B.V.	Rotterdam	EUR	100.00
Nile Dutch Investments B.V.	Rotterdam	EUR	100.00
Nile Dutch Shipinvest B.V.	Rotterdam	EUR	100.00
Nile Dutch Terminals B.V.	Rotterdam	EUR	100.00
NileDutch America B.V.	Rotterdam	EUR	100.00
NileDutch Antwerpen B.V.	Rotterdam	USD	100.00
NileDutch Beheer B.V.	Rotterdam	EUR	100.00
NileDutch Belgium N.V.	Antwerp	EUR	100.00
NileDutch Benguela B.V.	Rotterdam	USD	100.00
NileDutch Breda B.V.	Rotterdam	USD	100.00
NileDutch Dordrecht B.V.	Rotterdam	USD	100.00
NileDutch Invest Management B.V.	Rotterdam	EUR	100.00
NileDutch Rotterdam B.V.	Rotterdam	USD	100.00
NileDutch Trade & Transport B.V.	Rotterdam	USD	100.00
South Europe			
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	TRY	65.00
Hapag-Lloyd (Egypt) Shipping S.A.E.	Alexandria	EGP	49.00[4]
Hapag-Lloyd (Italy) S.R.L.	Assago	EUR	100.00
Hapag-Lloyd Morocco SAS	Casablanca	MAD	50.08
Hapag-Lloyd Portugal LDA	Lisbon	EUR	100.00
Hapag-Lloyd Spain S.L.	Barcelona	EUR	90.00
Hapag-Lloyd Tasimacilik Destek Servis Merkezi A.S. (former United Arab Shipping Agency Company (Denizcilik Nakliyat) A.S.)	Izmir	TRY	100.00
Hapag-Lloyd Ukraine LLC	Odessa	UAH	50.00
Norasia Container Lines Ltd.	Valletta	USD	100.00
Asia			
CSAV Group (China) Shipping Co. Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Australia) Pty. Ltd.	Pyrmont	AUD	100.00
Hapag-Lloyd Business Services (Suzhou) Co. Ltd.	Suzhou	CNY	100.00
Hapag-Lloyd Business Services (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd (Cambodia) Co., Ltd.	Phnom Penh	KHR	100.00
Hapag-Lloyd (China) Ltd.	Hong Kong	HKD	100.00
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	CNY	100.00
Hapag-Lloyd (Japan) K.K.	Tokyo	JPY	100.00
Hapag-Lloyd (Korea) Ltd.	Seoul	KRW	100.00
Hapag-Lloyd (Malaysia) Sdn. Bhd.	Kuala Lumpur	MYR	100.00
Hapag-Lloyd (New Zealand) Ltd.	Auckland	NZD	100.00
Hapag-Lloyd Pte. Ltd.	Singapore	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Hapag-Lloyd (Taiwan) Ltd.	Taipei	TWD	100.00
Hapag-Lloyd (Thailand) Ltd.	Bangkok	THB	49.90
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00
UASC (Thailand) Ltd.	Bangkok	THB	74.97
United Arab Shipping Agency Co. (Asia) Pte. Ltd.	Singapore	USD	100.00
United Arab Shipping Co. (Asia) Pte. Ltd.	Singapore	SGD	100.00
NileDutch Singapore Pte. Ltd.	Singapore	SGD	100.00
NileDutch Africa Line (Shanghai) Ltd.	Shanghai	CNY	100.00
Middle East			
Hapag-Lloyd Africa (PTY) Ltd.	Durban	ZAR	100.00
Hapag-Lloyd Bahrain Co. WLL	Manama	BHD	49.00
Hapag-Lloyd Business Services LLP	Mumbai	INR	100.00
Hapag-Lloyd (Ghana) Ltd.	Tema	GHS	100.00
Hapag-Lloyd Global Services Pvt. Ltd.	Thane	INR	100.00
Hapag-Lloyd India Private Ltd.	Mumbai	INR	100.00
Hapag-Lloyd Cote D’Ivoire SAS	Abidjan	XOF	75.00
Hapag-Lloyd (Jordan) Private Limited Company	Amman	JOD	50.00
Hapag-Lloyd Kenya Ltd.	Nairobi	KES	100.00
Hapag-Lloyd Middle East Shipping LLC	Dubai	AED	49.00[1]
Hapag-Lloyd Nigeria Shipping Limited	Lagos	NGN	100.00
Hapag-Lloyd Pakistan (Pvt.) Ltd.	Karachi	PKR	100.00
Hapag-Lloyd Qatar WLL	Doha	QAR	49.00
Hapag-Lloyd Quality Service Centre Mauritius	Ebène	MUR	100.00
Hapag-Lloyd Saudi Arabia Ltd.	Jeddah	SAR	60.00
Hapag-Lloyd Senegal SASU	Dakar	XOF	100.00
Hapag-Lloyd Shipping Company – State of Kuwait (K.S.C.C.)	Kuwait City	KWD	49.00[1]
Middle East Container Repair Company LLC	Dubai	AED	49.00[2]
United Arab Shipping Company Ltd.	Dubai	USD	100.00
United Arab Shipping Company for Maritime Services LLC	Baghdad	IQD	100.00
Unidade de Negocios Empresa Africana Lda.	Luanda	AOA	100.00
Hapag-Lloyd (Angola) – Agencia de Navegacao Lda. (ehemals NileDutch (Angola) – Agencia de Navegacao Lda.)	Luanda	AOA	100.00
NileDutch Cameroun S.A.	Douala	XAF	100.00
NileDutch Congo S.A.	Point-Noire	XAF	100.00
NileDutch Congo Forwarding & Logistics S.A.	Point-Noire	XAF	100.00
North America			
Florida Vessel Management LLC	Wilmington	USD	75.00
Hapag-Lloyd (America) LLC	Wilmington	USD	100.00
Hapag-Lloyd (Canada) Inc.	Montreal	CAD	100.00
Hapag-Lloyd USA LLC	Wilmington	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Latin America			
Agencias Grupo CSAV Mexico S.A. de C.V.	Mexico City	MXN	100.00
Andes Operador Multimodal Ltda.	São Paulo	BRL	100.00
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	UYU	100.00
CSAV Austral SpA	Santiago de Chile	USD	49.00
CSAV Ships S.A.	Panama City	USD	100.00
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	ARS	100.00
Hapag-Lloyd Bolivia S.R.L.	Santa Cruz de la Sierra	BOB	100.00
Hapag-Lloyd Chile SpA	Valparaíso	USD	100.00
Hapag-Lloyd Colombia Ltda.	Bogotá	COP	100.00
Hapag-Lloyd Costa Rica S.A.	San José	CRC	100.00
Hapag-Lloyd Ecuador S.A.	Guayaquil	USD	45.00
Hapag-Lloyd Guatemala S.A.	Guatemala City	GTQ	100.00
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	MXN	100.00
Hapag-Lloyd (Peru) S.A.C.	Lima	USD	60.00
Hapag-Lloyd Quality Service Center Bogotá S.A.S.	Bogotá	COP	100.00
Hapag-Lloyd Uruguay S.A.	Montevideo	UYU	100.00
Hapag-Lloyd Venezuela C.A.	Caracas	VEF	100.00
Libra Serviços de Navegação Limitada	São Paulo	BRL	100.00
Norasia Alya S.A.	Panama City	USD	100.00
Rahue Investment Co. S.A.	Panama City	USD	100.00
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	MXN	100.00
Other			
Aenaos Container Carrier S.A.	Majuro	USD	100.00
Aristos Container Carrier S.A.	Majuro	USD	100.00
Empros Container Carrier S.A.	Majuro	USD	100.00
Al Jasrah Ltd.	Majuro	USD	100.00
Al Jowf Ltd.	Valletta	USD	100.00
Al Madinah Ltd.	George Town	USD	100.00
Al Oyun Ltd.	George Town	USD	100.00
Al Qibla Ltd.	Valletta	USD	100.00
Al Riffa Ltd.	Valletta	EUR	100.00
Al Wakrah Ltd.	George Town	USD	100.00
Busaiteen	George Town	USD	100.00
CSBC Hull 900 Ltd.	Douglas	USD	100.00
Dhat Al Salasil Ltd.	George Town	USD	100.00
Hull 1975 Co. Ltd.	Majuro	USD	100.00
Hull 1976 Co. Ltd.	Majuro	USD	100.00
Jebel Ali Ltd.	Valletta	EUR	100.00
Manamah Ltd.	George Town	USD	100.00
UASC Ships (No. 8) Ltd.	Dubai	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Joint Venture			
Consorcio Naviero Peruano S.A.	Lima	USD	47.93[5]
Texas Stevedoring Services LLC	Wilmington	USD	50.00
Associated companies			
Djibouti Container Services FZCO	Djibouti	DJF	19.06[3]
Hapag-Lloyd Lanka (Private) Ltd.	Colombo	LKR	40.00
HHLA Container Terminal Altenwerder GmbH	Hamburg	EUR	25.10
Affiliated non-consolidated companies			
Afif Ltd.	Majuro	USD	100.00
Ain Esnan Ltd.	Valletta	EUR	100.00
Al Dahna Ltd.	Valletta	EUR	100.00
Al Dhail Ltd.	Majuro	USD	100.00
Al Jmeliyah Ltd.	Majuro	USD	100.00
Al Mashrab Ltd.	Majuro	USD	100.00
Al Mutanabbi Ltd.	George Town	USD	100.00
Al Nasriyah Ltd.	Majuro	USD	100.00
Al Nefud Ltd.	Valletta	EUR	100.00
Al Zubara Ltd.	Valletta	EUR	100.00
Ash-Shahaniyah Ltd.	George Town	USD	100.00
Barzan Ltd.	Valletta	EUR	100.00
Brunswick Investment Co. Inc.	Nassau	USD	100.00
Chacabuco Shipping Ltd.	Majuro	USD	100.00
CSBC Hull 898 Ltd.	Douglas	USD	100.00
Hapag-Lloyd Damietta GmbH	Hamburg	EUR	100.00
Hamburg-Amerikanische-Packetfahrt-Gesellschaft mbH	Hamburg	EUR	100.00
Hapag-Lloyd Container (No. 3) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Ships (No. 2) Ltd.	Barking	EUR	100.00
Hapag-Lloyd Ships Ltd.	Barking	EUR	100.00
Hira Ltd.	George Town	USD	100.00
HLAG Vessel Holding Limited	Valletta	EUR	100.00
Hull 1794 Co. Ltd.	Majuro	USD	100.00
Hull 2082 Co. Ltd.	Majuro	USD	100.00
Linah Ltd.	Majuro	USD	100.00
Malleco Shipping Co. S.A.	Panama City	USD	100.00
Maule Shipping Co. S.A.	Panama City	USD	100.00
Norddeutscher Lloyd GmbH	Bremen	EUR	100.00
Palena Shipping Ltd.	Majuro	USD	100.00
Salahuddin Ltd.	Majuro	USD	100.00

Name of the company	Registered office	Currency unit (CU)	Share-holding in %
Servicios de Procesamiento Naviero S.R.L. i.L.	Montevideo	USD	100.00
Tihama Ltd.	Valletta	EUR	100.00
UASAC Uruguay (S.A.)	Montevideo	UYU	94.00
United Arab Shipping Agency Co. (Egypt) S.A.E.	Alexandria	EGP	49.00[1]
UASC Holding (Thailand) Ltd.	Bangkok	THB	49.95
UASC Vessel Holding Limited	Valletta	EUR	100.00
Umm Qarn Ltd.	Majuro	USD	100.00
Umm Salal Ltd.	Valletta	EUR	100.00
United Arab Shipping Agency Company (Thailand) Ltd.	Bangkok	THB	49.00
United Arab Shipping Agency Company (Vietnam) Ltd.	Ho Chi Minh City	VND	100.00

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

Hamburg, 28 February 2022

Hapag-Lloyd Aktiengesellschaft
Executive Board

Rolf Habben Jansen

Donya-Florence Amer | Mark Frese | Dr Maximilian Rothkopf | Joachim Schlotfeldt