Financial Statements 2015 and Management Report

Hapag-Lloyd Aktiengesellschaft

Hapag-Lloyd

FINANCIAL STATEMENTS AND MANAGEMENT REPORT

of Hapag-Lloyd Aktiengesellschaft
for Fiscal Year
1 January to 31 December 2015

CONTENTS

MANAGEMENT REPORT

COMPANY STRUCTURE AND SHAREHOLDERS

Hapag-Lloyd AG is Germany's largest container liner shipping company
On 16 April 2014, Hapag-Lloyd AG and the Chilean shipping company Compañía Sud Americana de Vapores S.A. (CSAV) signed a business combination agreement with the aim of assessing the merger of the two companies' container shipping activities. The corporate merger of CSAV's container shipping activities with those of Hapag-Lloyd was completed on 2 December 2014 by means of a contribution in kind as part of a non-cash capital increase following approval from all the relevant competition authorities. CSAV Germany Container GmbH, which was the former controlling company of the container business activities acquired from CSAV (hereinafter referred to as "CCS", "CSAV business activities" or "CSAV container shipping activities"), was merged with Hapag-Lloyd AG in the second quarter of 2015 with retrospective effect as at 1 January 2015. As a result, all of the main container shipping activities are directly held by Hapag-Lloyd AG. The operational integration took place in the second quarter of 2015 with the so-called the voyage cut-over – the consolidation of the services and ship systems in the various trades – and the transfer of activities to Hapag-Lloyd AG's IT systems. This led to a significant increase in Hapag-Lloyd AG's business volume, with the result that the figures in the income statement and the statement of financial position are only comparable with the previous year to a limited extent. As a result of the integration of operating activities and the subsequent restructuring, subsidiaries in some countries were combined with each other through business transfers with subsequent liquidation and mergers. Latin America was also established as a fourth region. These figures relate to Hapag-Lloyd AG. For figures relating to the Hapag-Lloyd Group, the term "Hapag-Lloyd Group" is used.

Successful initial public offering and Hapag-Lloyd AG shareholder structure
Despite the challenging stock market environment, Hapag-Lloyd AG was able to successfully carry out its initial public offering (IPO) in the fourth quarter of 2015. Hapag-Lloyd AG announced its IPO intentions on 28 September 2015. 13.2 million new registered shares from a cash capital increase were issued at a price of EUR 20.00 by an international bank consortium to institutional and private investors as part of a book-building process. The proceeds from the issue of the new shares totalled around EUR 265 million. The proceeds from the issue are to be used to finance investments in ships and containers. On 6 November 2015, the share became listed on the regulated market (Prime Standard) of the Frankfurt and Hamburg Stock Exchanges. The share price on the first day of trading was EUR 20.21.

Key data of the Hapag-Lloyd shares
German securities identification code (WKN): HLAG47
International Securities Identification Number (ISIN): DE000HLAG475
Stock market segment: regulated market (Prime Standard) on the Frankfurt Stock Exchange and listed on the Hamburg Stock Exchange
Total number of shares: 118,110,917 registered shares
Market capitalisation (at the time of IPO on 6 November 2015): EUR 2,387 million
Issue price: EUR 20.00
Share price on 2 March 2016: EUR 17.37

CSAV Germany Container Holding GmbH and Kühne Holding AG, together with Kühne Maritime GmbH, are Hapag-Lloyd AG's largest single shareholders, along with HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH. As part of the IPO, two anchor shareholders, CSAV Germany Container Holding GmbH and Kühne Holding AG, together with Kühne Maritime GmbH, each acquired additional shares in Hapag-Lloyd AG. On 31 December 2015, these three anchor shareholders held a total of around 72% of Hapag-Lloyd's share capital. They have also entered into a shareholders' agreement whereby voting rights from the originally acquired shares in Hapag-Lloyd AG have been pooled into a consortium company and will therefore make important decisions together. The shareholder structure of Hapag-Lloyd AG as at 31 December 2015 is as follows:

Voting rights	**2015**
CSAV Germany Container Holding GmbH	31.4 %
HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH	20.6 %
Kühne Holding AG and Kühne Maritime GmbH	20.2 %
TUI AG / TUI-Hapag Beteiligungs GmbH	12.3 %
Free float	15.5 %
Total	**100.0 %**

Changes in the Hapag-Lloyd Executive Board
In its meeting on 26 March 2015, the Supervisory Board of Hapag-Lloyd appointed two new members to the Executive Board.

Nicolás Burr succeeded Peter Ganz as the Company's Chief Financial Officer (CFO). Peter Ganz stepped down from the Executive Board of Hapag-Lloyd AG with effect from 31 March 2015.

Thorsten Haeser took up his position as Chief Commercial Officer (CCO) on 1 October 2015.

The Executive Board of Hapag-Lloyd now has four members: Rolf Habben Jansen (Chief Executive Officer), Anthony J. Firmin (Chief Operating Officer), Nicolás Burr (Chief Financial Officer) and Thorsten Haeser (Chief Commercial Officer).

OPERATING ACTIVITIES

Hapag-Lloyd is Germany's largest container liner shipping company and is one of the world's leading liner shipping companies in terms of global market coverage. Its core business is in particular the shipping of containers by sea, but also encompasses transport services from door to door. The Hapag-Lloyd AG fleet comprises 171 container ships (31 December 2015). The Hapag-Lloyd Group fleet comprises 177 container ships (31 December 2015). The Hapag-Lloyd Group currently has around 366 sales offices in 118 countries worldwide and offers its customers worldwide access to a network of 121 liner services. In the 2015 financial year, the Hapag-Lloyd Group served approximately 25,400 customers worldwide (2014: approximately 26,000 customers; 2014 not including CSAV's container shipping activities: approximately 19,100 customers).

The description of the Company objectives and strategy in the management report relates to the Hapag-Lloyd Group. Hapag-Lloyd AG is the most important individual company in the Hapag-Lloyd Group.

Hapag-Lloyd conducts its container liner shipping business in an international business environment in which transactions are invoiced mainly in US dollars and payment procedures are handled in US dollars. This relates not only to operating business transactions, but also to investment activities such as the acquisition, chartering and rental of vessels and containers, as well as the corresponding financing of investments. The functional currency of the Hapag-Lloyd Group and its subsidiaries is therefore the US dollar. The reporting currency of Hapag-Lloyd AG is, however, the euro. Assets and liabilities recognised in the consolidated financial statements of Hapag-Lloyd AG are translated into euros as at the balance sheet date (closing date rate) using the middle rate of that day. The translation differences are recognised directly in the Group's other comprehensive income. If required, hedging transactions are conducted in the Hapag-Lloyd Group to hedge against the USD/EUR exchange rate.

The framework conditions and principles that are of considerable importance for the Group to conduct business successfully are presented below. These include achieving sustainable operating cash flows, a solid financing structure and a sound liquidity reserve and equity base.

Legal framework

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

IMPORTANT FINANCIAL PERFORMANCE INDICATORS

Important financial performance indicators for the Hapag-Lloyd Group include EBIT, EBITDA, the transport volume and freight rates. Transport volume and freight rates are important factors influencing revenue development. A description and the calculation of the performance indicators can be found in the “Company objectives and strategy” section. From the 2016 financial year, return on invested capital (ROIC) will also be used as a performance indicator. A description and the calculation of the performance indicators can be found in the “Company objectives and strategy” section.

IMPORTANT NON-FINANCIAL PRINCIPLES

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

Sustainable and quality-conscious corporate governance and highly qualified and motivated employees are also important principles for Hapag-Lloyd’s long-term profitable growth.

Productivity and efficiency

Hapag-Lloyd pays special attention to productivity and efficiency. In this respect, important measures include yield management and ongoing cost control.

Cost management has intensified since the end of 2008 following the introduction of extensive cost reduction programmes. These programmes have been continually expanded and consistently implemented since then. The proportion of unprofitable cargo has been greatly reduced and managed in the last few years due to targeted yield management. Business operations around the globe have benefited from the deployment of customised IT systems.

The globally standardised blueprint organisational structure allows for a standardised exchange of information between head offices, regions and offices, thus also ensuring that this standardised information is used all over the world. This enables the Group to increase productivity and ensures that the fleet is used efficiently.

Hapag-Lloyd’s membership of the Grand Alliance, the G6 Alliance and various other collaborative projects makes it possible to optimise fleet deployment and expand the services provided. This likewise guarantees that the fleet is used efficiently and keeps the cost per transport unit low, thereby ensuring increased productivity. Due to increasing requirements to cut emissions and further reduce energy consumption and costs, the Fleet Support Center (FSC) department was created as the first step towards establishing an integrated energy management concept for both the Company’s own as well as chartered vessels. Its primary aim is to achieve optimum fleet deployment across all trades and regions.

Flexible fleet and capacity development

A key aspect of the corporate strategy is having a balanced programme of investment aimed at sustainable growth. The Company's objective is to develop a fleet policy that enables it to react flexibly to market volatility. In this respect, long-term charter agreements and the considerable time span between the ordering and delivery of ship newbuilds pose a particular challenge. Global capacity can therefore generally only be brought into line with fluctuations in demand for transport volume subject to a delay. The resultant market imbalances have a direct impact on freight rates, and therefore on the profitability of container shipping. In order to limit the impact that these fluctuations can have on profitability, Hapag-Lloyd strives to ensure that its fleet contains approximately equal proportions of Company-owned vessels and chartered vessels with regard to overall capacity.

As at 31 December 2015, Hapag-Lloyd AG's fleet comprised 171 container ships, which are all certified in accordance with the ISM (International Safety Management) Code and have a valid ISSC (ISPS) certificate. The majority of the vessels are also certified as per ISO 9001 (quality management) and ISO 14001 (environmental management).

The total TEU capacity of Hapag-Lloyd AG's fleet amounted to approximately 948 TTEU as at the balance sheet date. The use of charter ships allows the Company to react relatively flexibly to fluctuations in demand and therefore exploit growth opportunities on the one hand and limit the risk of overcapacity on the other. The Company's own or leased ships represented around 42% of total TEU capacity at the end of 2015 (31 December 2014: around 54%).

Structure of Hapag-Lloyd's container ship fleet*

	31.12.2015	31.12.2014	31.12.2013	31.12.2012	31.12.2011
Number of vessels	171	144	145	138	144
thereof					
Own vessels	49	56	52	54	53
Leased vessels	3	5	7	7	9
Chartered vessels	119	83	86	77	82
Aggregate capacity of vessels (TTEU)	948	763	712	630	663
Aggregate container capacity (TTEU)	1,564	1,154	1,072	1,047	1,042
Number of services	121	100	97	89	84

* The figures for the fleet relate to Hapag-Lloyd AG. The figures for the number of services relate to the Hapag-Lloyd Group.

As at 31 December 2015, the Hapag-Lloyd Group's fleet comprised 177 container ships. The total TEU capacity of Hapag-Lloyd's container ship fleet amounted to approximately 966 TTEU as at the balance sheet date. The average ship size within the Hapag-Lloyd Group fleet was 5,458 TEU (31 December 2015), which is around 9% above the average for the 20 largest container shipping companies and around 66%, or 2,177 TEU, above the average ship size in the global container fleet. The Hapag-Lloyd Group's own or leased ships represented around 54% of total TEU capacity at the end of 2015 (31 December 2014: 53%).
As at the balance sheet date of 31 December 2015, the order book corresponded to around 5.4% of the transport capacity of the total Hapag-Lloyd fleet. Depending on the expected growth in demand for container shipping services, Hapag-Lloyd may invest in new ship systems to exploit medium-term market opportunities.

The Hapag-Lloyd Group also owned or leased 969,723 containers (including reefer containers) with a capacity of approximately 1,564 TTEU for transporting cargo. Around 42% of containers were owned by the Group, as measured by transport capacity, at the end of 2015 (previous year: 43%; Hapag-Lloyd only, excluding CSAV container activities) and approximately 58% of containers were leased as at 31 December 2015.

With a fleet of around 77,000 reefer containers capable of transporting approximately 146,200 TEU, the Hapag-Lloyd Group has a much stronger competitive position in the attractive market segment for refrigerated shipping.

Efficient transport services

In container shipping, the flows of goods to and from different regions vary in terms of their size and structure. This is due to volume differences in the import and export of goods. Most trades therefore have a "dominant leg" with a higher freight volume and a "non-dominant leg" with a lower freight volume.

Imbalances in the trades

Transport volume (in TTEU)	**2015**	2014
Transpacific		
Asia – North America	14,800	14,300
North America – Asia	7,500	8,000
Transatlantic		
Europe – North America	4,300	4,100
North America – Europe	2,600	2,900
Far East		
Asia – Europe	16,000	20,000
Europe – Asia	8,900	9,600

Source: IHS Global Insight, February 2016; Figures rounded

The transport capacities must be planned to meet the volumes on the dominant leg. The return transport of empty containers in turn involves costs. The relevant performance indicator here is the ratio of loaded containers on the dominant leg to the number of loaded containers on the non-dominant leg. The objective is to keep the number of empty container transport operations low or balance the ratio to the greatest possible extent. Furthermore, empty containers are positioned in the regions with high demand via the shortest, quickest and cheapest route.

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

Number of full containers on the "non-dominant leg" per 10 full containers on the "dominant leg"	Hapag-Lloyd AG	Industry average
Transpacific	6.6	5.1
Atlantic	6.5	6.1
Europe–Far East	7.3	5.6

[1] Number of full containers on the non-dominant leg per 10 full containers on the dominant leg. (The higher the rate, the lower the imbalance in the respective trade.)

Quelle: IHS Global Insight, February 2016; Hapag-Lloyd 2015: market data 2015 as per Hapag-Lloyd's definition of trades

The number of loaded containers transported on the non-dominant leg on the key trades remains above the market average thanks to Hapag-Lloyd's use of modern IT and network management systems.

Another important factor in connection with the fleet's capacity utilisation is the turnaround frequency of the containers. Each container was transshipped on average 4.7 times in 2015 (2014: 5.1 times). Here, the average number of deployments per container per year is calculated. The objective is to increase the turnaround frequency in order to boost productivity and keep the total number of containers required as low as possible. Here, also, Hapag-Lloyd makes beneficial use of modern IT systems. The decrease recorded in 2015 is due to the lower container turnaround frequency of CSAV's container activities. Measures to improve turnaround frequency have already been implemented.

Customers and customer orientation

Hapag-Lloyd has established itself as a high-quality provider among container liner shipping companies. The reliability and high quality that the customer experiences with Hapag-Lloyd services are at the very heart of Hapag-Lloyd's market presence. This market positioning is underpinned by Hapag-Lloyd's high profile and the significance of the "Hapag-Lloyd" brand. Targeted customer services play an important part in achieving customer loyalty.

Top clients are supported by the Global Account Management team in Hamburg and are visited by key account managers. This enables the Company to establish and maintain long-standing, sustainable customer relationships. To do so, Hapag-Lloyd focuses on achieving a high degree of customer satisfaction and on having a diversified portfolio of customers comprising both direct customers and shipping companies, with the latter guaranteeing a continuous supply of cargo volumes.

In general, the Company has long-standing contractual arrangements with its direct customers. Direct customers allow Hapag-Lloyd to plan the required transport capacity better because of the framework agreements concluded with them. The Hapag-Lloyd Group has a balanced customer base, as demonstrated by the fact that its 50 largest customers represent considerably less than 50% of its cargo volume. In total, transport contracts were completed for approximately 25,400 customers in the 2015 financial year (2014: approximately 26,000 customers; 2014 not including CSAV's container shipping activities: approximately 19,100 customers).

Another important element of our focus on the needs of the customer is our global presence, both in terms of land-based administration and of providing global coverage by means of the network of the Group's own container shipping services and international cooperations. A breakdown of the goods shipped by Hapag-Lloyd according to product categories shows a relatively balanced distribution. As in the previous year, no single product category accounted for a share of more than 15% during the past financial year.

Transport volume by product category in 2015

Product category	Share 2015 in %	Share 2014 in %
Food products	15%	13%
Chemical products	13%	13%
Paper and wood products	11%	10%
Mechanical engineering products	10%	11%
Raw materials	8%	8%
Textiles	7%	7%
Automobile parts	6%	8%
Electronic products	5%	5%
Furniture	4%	4%
Beverages	3%	4%
Other products	18%	17%

Hapag-Lloyd, 2015 financial year (FY), figures rounded

This means that the economic cycles affecting individual sectors have relatively little impact on developments in the transport volume. In a normal economic environment, the volume transported will therefore increase continuously.

COMPANY OBJECTIVES AND STRATEGY

Group objectives and strategy

The prime strategic objective of the Hapag-Lloyd Group is to achieve long-term profitable growth measured on the basis of developments in the transport volume and the key performance indicators of EBITDA and EBIT.

In terms of increasing its transport volume, Hapag-Lloyd achieved growth of approximately 50% over the past six years. This was mainly due to the takeover of CSAV's container shipping activities in December 2014. The rising global demand for container transport services contributed around 17 percentage points to the increase in transport volume in the same period.

Following a very unsatisfactory earnings performance, especially for the 2014 financial year, a clearly positive operating result (EBIT) was recorded again in 2015, due, in particular, to the synergies, cost savings and efficiency improvements that were achieved. This was also helped by the stronger global market position and a balanced presence both in east-west and in north-south trades.

Development of key performance indicators

	2015	2014	2013	2012	2011	2010
Transport volume (in TTEU)	7,401	5,907	5,496	5,255	5,198	4,947
EBITDA (in million EUR)	831	99	389	335	367	904
EBIT (in million EUR)	366	−383	64	3	80	583
EBITDA margin (in % of revenue)	9.4	1.5	5.9	4.9	6.0	14.6
EBIT margin (in % of revenue)	4.1	−5.6	1.0	0.0	1.3	9.4

CSAV's container shipping activities are included in the figures for 2014 from the consolidation date, 2 December 2014.

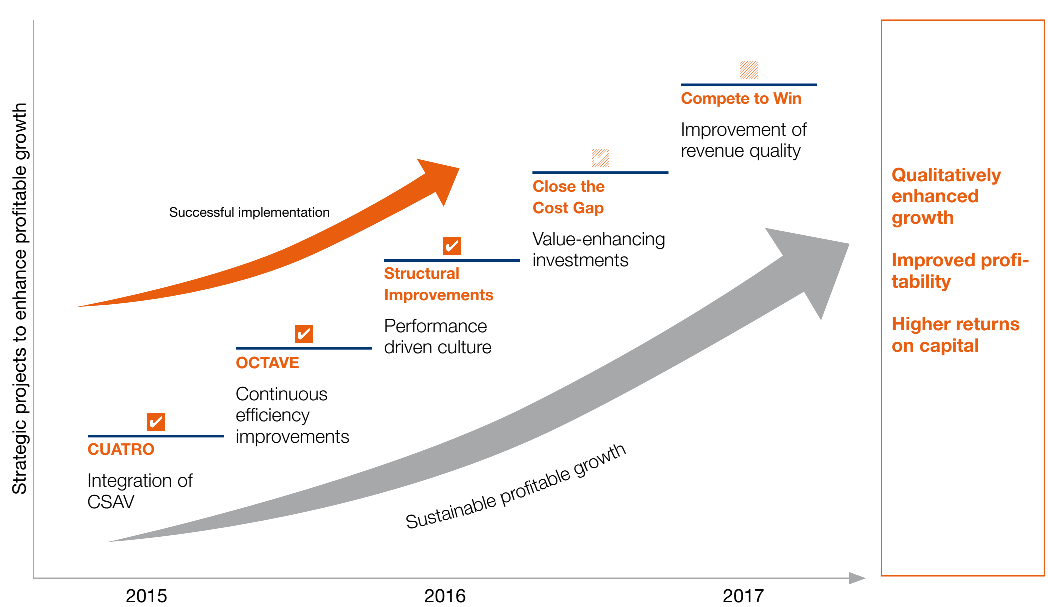
With an EBITDA margin of 9.4%, Hapag-Lloyd achieved a good return on revenue in 2015 compared with the leading, global container shipping companies, and was able to substantially close the gap between its return on revenue and that of industry leader, Maersk Line, in spite of a challenging operating environment.

IHS Global Insight expects average annual growth (CAGR) of 4.9% for the years 2016 to 2020, with global cargo volumes increasing to around 161.5 million TEU by 2020.

On this basis, Hapag-Lloyd intends to increase the transport volume in line with market growth. Hapag-Lloyd's aim is to improve its profitability in the next two years, based on the increasing effectiveness of the strategic measures, which are outlined in detail below. It should be possible to further improve Hapag-Lloyd's operating result and record a sustainable EBITDA margin of 11% to 12% from 2017 by achieving synergies in full and by means of additional cost savings and efficiency improvements, expected growth in volume and an improvement in revenue quality. The CUATRO and OCTAVE projects are expected to deliver annual synergies, efficiency improvements and cost savings totalling USD 600 million by 2017 as against the comparable cost base in the 2014 financial year, and assuming that external factors remain the same. More than 70% of the expected synergies, efficiency improvements and cost savings were already achieved in the 2015 financial year. The aim is also to generate a return on invested capital (ROIC) in 2017 equal to the weighted average cost of capital. In 2015, an ROIC of 4.1% was achieved, with a cost of capital of 8.2%.

The following measures will help to achieve the profitability targets:

Our way forward: sustainable profitable growth



- **CUATRO project – full achievement of a wide range of synergies**
  The integration of CSAV's container shipping activities under the CUATRO project – in particular combining services, sales activities and important head office functions – was already completed by the end of the first half of 2015. Combining the container shipping activities of CSAV and Hapag-Lloyd offers the chance to harness numerous synergies, including in the areas of ship system costs, the network of services, equipment, service procurement, personnel and IT. The aim is to achieve these synergies in full by 2017.

- **OCTAVE project – comprehensive reduction in costs**
  In order to reduce costs substantially and to improve the efficiency of the Company, the OCTAVE project was launched with a total of eight modules in 2015. Following the success of the cost reduction measures, an additional optimisation project, OCTAVE II, was launched at the end of 2015. The aim of this is to achieve further cost reductions and increase revenue.

- **Structural Improvements project – fostering a performance-based corporate culture**
  The Executive Board restructured the responsibilities of the various Executive Board positions in 2015. In 2015, the Executive Board was expanded to include a Chief Commercial Officer. This strengthens Hapag-Lloyd's commercial market penetration and customer orientation. The Trade Management division, which is responsible for freight rate management, was given a much higher priority within the organisation. Latin America was also established as a fourth region. The implementation of more effective coordination of activities in the regions has ensured a faster response to market developments and established a more performance-based corporate culture. This is improving the Company's efficiency. The structural changes were implemented in 2015.

- **Close the Cost Gap project – increase in ship fleet efficiency**
  Targeted investments in the modernisation and renewal of the fleet are to be used to further increase its productivity and efficiency (e.g. in terms of bunker consumption). These measures are an essential part of efforts to significantly increase the Company's profitability. As part of the OCTAVE programme, a portfolio of 16 older and smaller ships with low productivity ("Old Ladies") was decommissioned in 2015. As an important element of the Close the Cost Gap programme, the efficiency of the Company's own fleet was sustainably improved after seven new container ships, each with a transport capacity of 9,300 TEU, were put into service in 2014 and 2015. A further five container ships, each with a transport capacity of 10,500 TEU, were ordered in 2015 and will be added to Hapag-Lloyd's fleet between October 2016 and April 2017. The average ship size within the Hapag-Lloyd fleet was 5,458 TEU (31 December 2015), which is around 9% above the average for the 20 largest container shipping companies and around 66%, or 2,177 TEU, above the average ship size in the global container fleet.

  Targeted investments in new containers should also gradually increase the percentage of the Company's own containers in the container fleet over the coming years to around 50%. Depending on the expected market growth, Hapag-Lloyd is considering whether to continue investing in new and larger ship systems.

- **Compete to Win project – increase in revenue quality and better utilisation of stronger market presence**
  It is not just by reducing costs and harnessing synergies that the Company is expecting to substantially increase its profitability in the coming years. The Compete to Win project aims to improve the services offered to customers, raise the percentage of higher-value cargo in the overall transport volume and increase customers' contribution margins. In addition, more refined customer targeting should result in better marketing of the Company's global service, its strong presence in all key trades and its local market leadership in the Transatlantic trade as well as in the trades between North and South America.

  Following a successful test phase of the Compete to Win project in selected markets in 2015, the measures to improve the sales process and increase the efficiency of the sales organisation will be gradually implemented in the regions of the Hapag-Lloyd organisation from the start of 2016. Initial positive contributions to earnings are already anticipated in the current financial year.

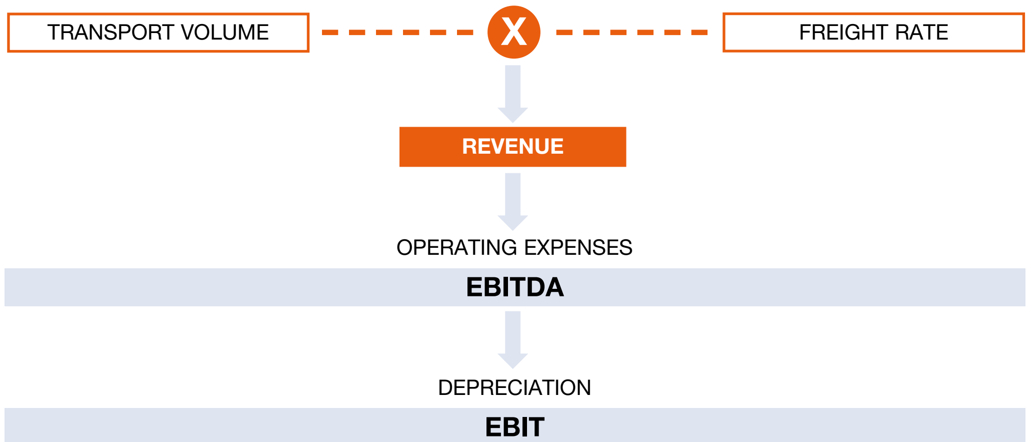
CORPORATE MANAGEMENT

The Group's key performance indicators for its operating business are earnings before interest, taxes, depreciation and amortisation (EBITDA) and earnings before interest and taxes (EBIT).

EBITDA is an important indicator of the achievement of sustainable company results and gross cash flows. Hapag-Lloyd – which owns more than 50% of its fleet (as measured by transport capacity) – uses EBITDA as an important parameter for investment and financing decisions. To make it easier to compare the performance indicators used with those of other listed companies, earnings before interest and taxes (EBIT) is replacing the currently used "adjusted EBIT" as one of the key performance indicators of the Hapag-Lloyd Group. The financial performance indicators are only used to analyse and manage the operating results of the Group as a whole.

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

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



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

Freight rates can be managed only to a limited degree because they are heavily dependent on market capacity and market demand. The Group follows a yield management approach, according to which individual container shipments are examined using profitability criteria. Yield management is used to ascertain the optimum relationship between transport volume and freight rate in accordance with the current market situation. The proportion of unprofitable cargo is continuously reviewed and managed through targeted yield management. Business operations around the globe have benefited from the deployment of customised IT systems.

Efficient cost management provides essential control over the EBIT value. The system of cost management is supported by a standardised, integrated IT solution which provides essential and up-to-date data required for management and for implementing and maintaining cost reduction measures. The cost base is, however, largely dependent on external influencing factors. Due to the global nature of the Group's business operations, exchange rate fluctuations can have a considerable influence on costs. If necessary, currency hedging transactions are conducted, while adhering to internal guidelines. The Group hedges a portion of its cash outflows in euros by using options on a twelve-month basis with the aim of limiting currency risks. Operating costs are also influenced by bunker price changes. The bunker price correlates with the development of crude oil prices and is subject to substantial fluctuations. Depending on the competitive situation, a proportion of the fluctuations can be compensated for via the freight rate in the form of bunker surcharges. However, the extent to which this can be implemented depends very much on the prevailing market situation. Part of the Group's likely bunker fuel needs are hedged using options in order to lessen the risk of increasing oil prices.

In the course of the successful IPO, in addition to EBITDA and EBIT as operating performance indicators, the return on invested capital (ROIC) was defined at Group level at the end of 2015 as an indicator of the performance within a period and will be calculated and managed as a performance indicator in the future. The return on invested capital concept compares values at the end of the reporting period. Invested capital is defined as assets excluding cash and cash equivalents less liabilities excluding financial debt. This performance indicator will be used at the Group level as of the 2016 financial year with a view to generating the weighted average cost of capital starting in 2017. To facilitate comparison with other international shipping companies, the return on invested capital will be calculated and presented exclusively on the basis of the functional currency, the US dollar.

Calculation of return on invested capital

	(in million EUR) 2015	2014	(in million USD) 2015	2014
Non-current assets	9,514.1	8,302.2	10,363.7	10,091.3
Inventory	94.1	152.1	102.5	184.9
Trade accounts receivable	716.1	703.8	780.0	855.5
Other assets	181.1	225.9	197.3	274.6
Total assets	10,505.4	9,384.0	11,443.5	11,406.3
Provisions	621.9	807.3	677.5	981.3
Trade accounts payable	1,293.8	1,225.4	1,409.3	1,489.5
Other liabilities	209.9	176.0	228.6	214.0
Total debt	2,125.6	2,208.7	2,315.4	2,684.8
Invested Capital	**8,379.8**	**7,175.3**	**9,128.1**	**8,721.5**
EBIT	366.4	–382.8	406.7	–508.7
Tax	25.2	11.2	28.0	14.9
Net Operating Profit after Tax (NOPAT)	**341.2**	**–394.0**	**378.7**	**–523.6**
Return on Invested Capital (ROIC)			**4.1%**	**–6.0%**

The chart outlines selected items from the statement of financial position and the statement of financial position in abbreviated form only. Currencies are translated as per the reporting date rates and average rates given in the management report.

The return on invested capital (ROIC) in the 2015 financial year was 4.1%, following –6.0% for the full year 2014. Despite the improvement in earnings, the return on invested capital in 2015 was therefore below the weighted average cost of capital (WACC) of 8.2%. For information about the calculation of the average cost of capital, please refer to the disclosures in the Notes to the consolidated financial statements.

Financial stability

In the 2015 financial year, the Group's financial stability was further strengthened. Its equity base improved further as a result of the successful IPO. At the balance sheet date, equity came to approximately EUR 5.0 billion (31 December 2014: EUR 4.2 billion). As at 31 December 2015, the Hapag-Lloyd Group also had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 962.4 million (2014: EUR 921.9 million). The liquidity reserve needed and the solid equity base were above the stipulated covenant requirements at all times.

RESEARCH AND DEVELOPMENT

Hapag-Lloyd does not pursue any noteworthy research and development activities of its own. Expenses relating to the modernisation and optimisation of the IT systems and software components (IT) developed in-house are recorded in operating expenses. The IT system developed by the Company is constantly optimised.

The use of modern, networked systems guarantees a swift exchange of data between partners in the transport chain around the world. This places considerable demands on the IT systems used. Some examples of how IT systems are used for container shipping are presented here: operating empty legs as efficiently as possible using modern forecast algorithms as part of the Company's equipment deficit action planning, using IT-supported processes in yield management to determine the earnings contribution of container shipments, writing quotations, profit-oriented cargo volume management, and also designing new shipment services. Special IT systems support the efficient commissioning and invoicing of terminal services. The use of efficient IT solutions is also particularly important in transshipment planning and commissioning. In 2015, Hapag-Lloyd shipped containers to a total of 538 ports in 126 countries. Approximately 970,000 containers are in use to ship cargo. The Transshipment and Work Order planning and commissioning module has vastly improved the efficiency of processing these transshippers.

SUSTAINABILITY AND QUALITY MANAGEMENT

In 1994, Hapag-Lloyd was the first of the world's liner shipping companies to implement a quality management system for all activities along the international transport chain, from the sender to the recipient. This system was enhanced in 2003 with a certification in accordance with the ISO environmental standard 14001 and has been run as an integrated quality and environmental management system ever since. All of CSAV's former business divisions were incorporated into Hapag-Lloyd's existing QEM system in the course of CSAV's integration into Hapag-Lloyd, and were therefore also audited.

An extension audit was performed by Det Norske Veritas Germanischer Lloyd (DNV GL) in 2015. Hapag-Lloyd has already renewed its QEM certificate four times, and the certificate is now valid until 21 June 2018. As a global company, Hapag-Lloyd performs annual audits in order to maintain its high quality and environmental protection standards. In 2015, a total of 161 audits were carried out in the Group (2014: 146). All of Hapag-Lloyd's sustainability activities, such as environmental protection measures, charitable projects and matters of quality assurance, are coordinated and managed in the Sustainability Management department. In total, there were 136 contacts for sustainability and quality matters in all of the regions/areas around the world, in the central departments and on the ships at the end of 2015 (2014: 125). As Hapag-Lloyd's customers are becoming increasingly aware of environmental issues, it is providing more and more information regarding eco-friendly transport services when it tenders for transport contracts.

Efficiency and environmental protection

Measured by its share of global carbon emissions, shipping is the most carbon-efficient mode of transport. Ships transport around 90% of all the goods transported globally. In 2012, carbon emissions from international shipping accounted for just 2.2% of global carbon emissions. Between 2007 and 2012, the international shipping industry also reduced its absolute carbon emissions by 10%. Container shipping companies have likewise cut their vessels' carbon emissions to around 205 million tonnes in the past few years. In the same period, the global transport volume rose by approximately 15% to around 120 million TEU in 2012.

Hapag-Lloyd introduced a number of technical and operational measures early on to further reduce carbon emissions. For example, twelve of Hapag-Lloyd's largest vessels (13,000 TEU and 8,750 TEU) were given a new bulbous bow in 2015, and a number of vessels were also fitted with improved propellers. Together, these changes make the ships' propulsion more efficient and lower their emissions. The bulbous bow – the nose of a ship – displaces water in a manner that minimises or even completely eliminates a bow wave. The lower the water resistance on the hull, the less fuel a ship needs in order to travel at the same speed. The Hapag-Lloyd fleet's recorded carbon emissions have already been reduced on a sustainable basis over the past few years. The carbon emission data is verified by DNV GL.

In addition, Germanischer Lloyd renewed the "GL Excellence – 5 Stars" certificate for Hapag-Lloyd on 12 December 2013 and thus certified the high safety, environmental protection and operational standards on Hapag-Lloyd's container ships. The certificate is valid until 20 December 2016.

The efficiency and sustainability of the Hapag-Lloyd fleet further improved as a result of seven newbuilds, each with a transport capacity of 9,300 TEU, being placed into service in 2015. Bunker consumption per slot (container storage space) has been considerably reduced over the past five years. The design and technical equipment of the ships will be further optimised in order to lower bunker consumption.

Bunker consumption in 2015 totalled 3.35 million tonnes (metric tons). Around 12% of this was bunker with a low proportion of sulphur (MDO). Bunker consumption per slot (as measured by the average annual container storage space) was 3.39 metric tons.

Hapag-Lloyd is also reducing the environmental impact of its containers. For instance, our experts in the container department are helping to develop new container standards in which the container floor is manufactured from steel, which means that the whole container is made of steel. These environmentally friendly containers can therefore be fully recycled. These containers made entirely of steel boast many additional advantages, being lighter, longer-lasting and more hygienic.

The European Union wants to boost energy efficiency in its member states by 20% by the year 2020. A corresponding EU Directive (2012/27/EU) has been implemented in national law in Germany as part of the German Energy Services Act (EDL-G). On this basis, Hapag-Lloyd carried out an energy audit of its offices in 2015 in accordance with DIN EN 16247. As part of the audit, energy savings potential was identified and documented at various locations.

Hapag-Lloyd again received various awards for the quality of its container shipping services in 2015.

Awards in 2015

Date	Name of Award	Awarding Organisation
December	Global Carrier of the Year 2015 Gold Award	Hellmann
December	GOGREEN Carrier Certificate 2015	DHL
November	Global Freight Awards: Innovation Award	Lloyd’s List
November	Seafreight Supplier of the Year	Kühne + Nagel (Ireland) Limited
October	Lloyd’s List Awards Global 2015: Safety Award	Lloyd’s List
April	The Highest Quality of Customer Service	Hoyer Global USA
April	2014 Ocean Carrier of the Year Award	Alcoa

EMPLOYEES

As at 31 December 2015, 3,262 people were employed at Hapag-Lloyd AG (previous year: 2,989 employees).

The number of employees rose by 273 compared with the previous year as a result of the integration of CSAV’s container activities. 1,340 people were employed in the marine division as at 31 December 2015 (2014: 1,355 employees).

The number of shore-based staff rose by 288 to 1,922 employees. The average period of employment is approximately 13 years. More than two-thirds of the shore-based employees are younger than 50 years old.

Number of employees

	31.12.2015	31.12.2014	31.12.2013	31.12.2012
Marine personnel	1,232	1,259	1,254	1,245
Shore-based personnel	1,805	1,529	1,512	1,504
Apprentices	225	201	194	200
Total	3,262	2,989	2,960	2,949

In 2012, Hapag-Lloyd revised its management principles as part of worldwide management training courses in consultation with senior management. This leadership culture serves as a basis for all personnel development measures and as a job specification for current and future executives. Providing the employees with further development opportunities geared to specific target groups, such as special management training courses, remained one of the most important objectives for 2015. In total, 31 management trainees are currently training within the framework of the Management Career Programme (MCP), which was established in 2002. Trainees are required to rotate between a number of different roles in various countries to prepare them for their future executive duties. In addition, there are currently 189 trainees advancing their individual career prospects as part of the Talent Development Programme (TDP). Tailored individual and group training courses are offered to all employees.

There is also a strong focus on vocational training and qualifications in both the shore-based and marine division. Hapag-Lloyd attaches particular importance to extensive, high-quality training. Very often, Hapag-Lloyd's apprentices go on to become Hapag-Lloyd employees. The proportion of those offered jobs at the end of their training has been and still is between 80% and 90%. As at 31 December 2015, Hapag-Lloyd employed 117 apprentices in shore-based positions and 108 at sea. In recent years, the apprentices have regularly achieved some of the best grades among their peers in Germany. These new employees underwent excellent further training to achieve the necessary qualification levels and performed exceptionally well in the course of this training. In recent years, Hapag-Lloyd has also received a number of awards from the body responsible for maritime vocational training, the Berufsbildungsstelle Seeschifffahrt (BBS), in recognition of its outstanding achievements in the field of ship mechanic training. Our goal is to maintain this high quality standard.

For the vast majority of employees, bonuses are based on EBIT (adjusted). This is the sole reason why the Hapag-Lloyd Group's EBIT (adjusted) is still calculated when the consolidated financial statements are being prepared.

REMUNERATION REPORT

The remuneration report is part of the management report of Hapag-Lloyd AG and describes the basic features of the remuneration system for the Executive Board and Supervisory Board members and the amount and structure of individual remunerations. The report adheres to the requirements of the German Corporate Governance Code (DCGK), complies with the legal provisions of the German Stock Corporation Act (AktG) and the German Commercial Code (HGB) and incorporates the principles of German Accounting Standard 17 (DRS 17).

1. PRINCIPLES AND OBJECTIVES / GENERAL PRINCIPLES

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

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

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

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

As part of the IPO of Hapag-Lloyd AG in November 2015, an additional, long-term remuneration element was introduced for all Executive Board members (long-term incentive plan – LTIP) which is directly linked to changes in the value of the Company and therefore aims to incentivise long-term commitment to the Company. In connection with this, an adjustment to the short-term variable remuneration of the Executive Board members from 1 January 2016 was also agreed.

In addition to the introduction of a long-term incentive plan as mentioned above, the following changes to Executive Board remuneration were made during the 2015 financial year:

An agreement was made with Mr Anthony James Firmin to increase his fixed annual remuneration and short-term variable remuneration with effect from 1 March 2015. In addition, the upper limit of the short-term variable remuneration of the CEO, Mr Rolf Habben Jansen, was increased on 1 March 2015 by 50 percentage points to 200% of his fixed annual salary.

1.1 Changes to the Executive Board

In the 2014 financial year, Mr Rolf Habben Jansen was appointed as an ordinary Executive Board member with effect from 1 April 2014 and took up the position of Chief Executive Officer (CEO) as of 1 July 2014. Mr Anthony James Firmin was also appointed as an ordinary Executive Board member with effect from 1 July 2014 and took up the position of Chief Operating Officer (COO).

On 26 March 2015, Mr Peter Ganz stepped down as Chief Financial Officer (CFO) by mutual consent with effect from 31 March 2015. Mr Nicolás Burr was appointed as the new Chief Financial Officer (CFO) on 26 March 2015. His employment contract took retroactive effect from 1 March 2015 and will expire along with his appointment to this position on 28 February 2018. In addition, Mr Thorsten Haeser was appointed as a member of the Executive Board with effect from 1 October 2015 and is in charge of the Company's global sales activities as Chief Commercial Officer (CCO). Mr Haeser's employment contract runs from 1 October 2015 to 30 September 2018. His appointment to this position will likewise end on 30 September 2018.

2. MAIN REMUNERATION COMPONENTS

The main remuneration components are broken down as follows:

2.1 NON-PERFORMANCE-RELATED COMPONENTS

(a) Fixed annual remuneration

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

(b) Non-cash remuneration and other fringe benefits

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

Additional fringe benefits were granted to the newly appointed Executive Board members Mr Burr and Mr Haeser in 2015.

Mr Burr was reimbursed for his expenses for relocating from Chile to Hamburg. In addition, the Company reimburses him for living costs at an appropriate amount. It also covers the school costs of Mr Burr's children and the cost of one flight per year to Chile for Mr Burr and his family. Furthermore, the Company covers the language tuition costs of Mr Burr and his wife. If Mr Burr is required to pay income tax on these benefits, Hapag-Lloyd AG will pay the applicable income tax and the benefits will increase accordingly.

During the reporting period, the Company also covered Mr Haeser's expenses for relocating to Hamburg, weekly trips to his private residence and living costs for the first three months. The costs were covered at an appropriate amount as shown in supporting documentation.

As part of his resignation, Mr Ganz was reimbursed for one-off expenses for legal advice taken. In the 2014 financial year, Mr Habben Jansen was reimbursed for expenses for regular trips home. In return, Mr Habben Jansen waived his contractual entitlement to a company car.

2.2 PERFORMANCE-RELATED COMPONENTS

(a) Short-term variable remuneration

Short-term variable remuneration is granted in the form of an annual bonus which is paid after the annual financial statements have been examined and audited by the auditor and subsequently approved. The following system for short-term variable remuneration was used for the last time in the 2015 financial year. For the 2015 financial year, the annual bonus of the ordinary Executive Board members was equal to 0.20% of the Group's earnings after taxes (EAT), capped at 200% of fixed annual remuneration (for Mr Firmin up until 1 March 2015: 0.16% of EAT, capped at 150% of fixed annual remuneration). The CEO's annual bonus was initially equal to 0.30% of the Group's EAT, capped at 150% of his fixed annual remuneration. With effect from 1 March 2015, the cap was increased to 200%.

Variable remuneration for the reporting period and the comparative year was individually set as a guaranteed bonus which is paid irrespective of the Group's earnings for the year. If the Group's earnings for the year result in a higher bonus based on the calculation method outlined above, the higher amount is paid. In the 2014 financial year, only the guaranteed bonuses were paid.

Mr Habben Jansen received approval for a guaranteed bonus for the period from 1 January 2015 to 31 March 2015 only amounting to EUR 125,000.00 (gross), which was paid during the financial year. For the remaining months of the 2015 financial year, he will only receive the pro rata variable remuneration amounts which are based on the Group's earnings. For 2014, for the period from 1 April 2014 to the end of the year, he received a guaranteed bonus amounting to EUR 375,000.00 (gross), which was paid in 2014.

Mr Firmin received approval for a guaranteed bonus for the first half of 2015 only amounting to EUR 100,000.00 (gross). For the remaining months of the 2015 financial year, he will only receive the pro rata variable remuneration amounts which are based on the Group's earnings. For 2014, Mr Firmin also received a guaranteed bonus as of his appointment as an Executive Board member amounting to EUR 100,000.00 (gross), which was paid out in 2014.

Mr Burr received approval for a guaranteed bonus for the period from 1 March 2015 to 31 December 2015 amounting to EUR 300,000.00 (gross). For the 2016 financial year, a bonus of at least EUR 200,000.00 (gross) is guaranteed.

Mr Haeser will receive a guaranteed bonus of EUR 25,000.00 (gross) for every full calendar month in which he works for the Company as an Executive Board member in the period from 1 October 2015 to 30 September 2016.

As part of Hapag-Lloyd AG's IPO, the following changes were introduced for the short-term variable remuneration of Executive Board members from 1 January 2016. As of the 2016 financial year, the annual bonus of the ordinary Executive Board members will be equal to 0.065% of the Group's earnings before interest and taxes (EBIT), capped at EUR 400,000.00 (gross); the CEO's annual bonus will be equal to 0.1% of the Group's EBIT, capped at EUR 600,000.00 (gross).

(b) Long-term variable remuneration

As part of the Company's IPO, long-term variable remuneration (long-term incentive plan – LTIP) was introduced with effect from 4 November 2015 (the day on which trading in shares in Hapag-Lloyd AG commenced). Under the LTIP, a fixed amount in euros is granted to the Executive Board members per calendar year. This allocation amount is converted into virtual shares in the Company on a specific date. The relevant share price for the conversion at the time of allocation is the average share price over the last 60 trading days before the virtual shares are granted, which happens on the first trading day of the calendar year. The virtual shares are divided equally into performance share units and retention share units. They are subject to a four-year vesting period, during which the corresponding values are unavailable.

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

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

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

The amount calculated in this way is paid to the respective Executive Board member as a gross amount up to a specific limit on 31 March of the year following the end of the performance period. This upper limit is EUR 750,000.00 (gross) for ordinary Executive Board members and EUR 1,050,000.00 (gross) for the CEO.

If an Executive Board member steps down from their position before the performance period ends 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"), all entitlements under the long-term incentive programme are forfeited.

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

If an employment contract begins during a financial year, the long-term variable remuneration component is granted on the basis of the allocation amount for the full financial year.

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

Allotment for 2015 financial year	Number of shares*	Fair value on allotment	Total value on allotment (allotment amount)	Personnel expenses recognised
		in EUR	in EUR	in EUR
Rolf Habben Jansen (Chairman of the Executive Board)	35,822	19.54	700,000	174,999
Nicolás Burr (Member of the Executive Board since 1 March 2015)	25,588	19.54	500,000	138,893
Anthony James Firmin	25,588	19.54	500,000	200,006
Thorsten Haeser (Member of the Executive Board since 1 October 2015)	25,588	19.54	500,000	41,668
Total	112,586		2,200,000	555,566

* The number of shares allotted is rounded up to the nearest whole number in accordance with the terms and conditions of the 2015 LTIP

(c) Possible additional remuneration in cash (discretionary bonus)

The Executive Board contracts also stipulate that the Supervisory Board may grant additional remuneration in special circumstances or for extraordinary activities. In the 2014 financial year, Peter Ganz received a special bonus of EUR 200,000 for the extra workload involved in a project.

2.3 COMPANY PENSION

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

An exception to this is the company pension of Mr Anthony James Firmin, who is due a company pension payment of EUR 72,000.00 per annum as a result of his long-standing service prior to his appointment as an Executive Board member. This amount will be paid when his statutory retirement commences. This will be further supplemented by the annual conversion of 20% of fixed annual remuneration into pension entitlements. Mr Firmin's entitlements under this company pension will be transferred to his surviving dependants to a limited extent after he is deceased.

With regard to Mr Ganz, who resigned from the Executive Board in the 2015 financial year, a company pension was in place in the form of an individual pension agreement. His annual pension is EUR 160,000.00 (gross). If the pension is drawn before the statutory retirement age is reached, the pension is reduced by 1% for every full year below the statutory retirement age. Mr Ganz's entitlements under this company pension will be transferred to his surviving dependants to a limited extent after he is deceased.

In addition, Mr Ganz has been guaranteed a transitional allowance equal to his existing pension entitlement in the event that he terminates his employment contract and, until such time as he reaches the statutory retirement age, does not enter into a new employment contract which is remunerated for the same amount as his entitlement or commence self-employed activities. All other income from self-employed or non-self-employed activities will be offset against the transitional allowance. Income from the payment of employer-funded pensions is also liable to be offset against the transitional benefit.

2.4 REGULATIONS IN THE EVENT THAT EXECUTIVE BOARD ACTIVITIES END

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

In accordance with the German Corporate Governance Code (DCGK), the employment contracts of the Executive Board members provide for a general cap on any severance payments. Accordingly, payments to an Executive Board member whose Executive Board activities end prematurely will not exceed two annual remunerations and must not remunerate more than the remaining term of the employment contract. In the event that an

Executive Board member's contract is terminated for cause pursuant to Section 626 BGB ("bad leaver"), the employment contracts do not provide for any severance payment or remuneration under the LTIP.

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

On 26 March 2015, Mr Peter Ganz stepped down as Chief Financial Officer (CFO) with effect from 31 March 2015. For the premature, mutual termination of his employment contract, Mr Ganz received his monthly fixed annual salary on a pro rata basis until the date of termination. He also received a lump sum of EUR 1,000,000.00 (gross) as payment in lieu of all his entitlements to annual variable remuneration for the 2015 financial year. This was paid to him immediately after his departure. In addition, Mr Ganz received a severance payment of EUR 314,400.00 (gross) for the loss of his employment.

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

(c) Change-of-control clause
The employment contracts of the Executive Board members do not contain any change-of-control clauses. The LTIP stipulates that the LTIP ceases in the event of a change of control as defined in the German Securities Acquisition and Takeover Act (WpÜG). The virtual shares granted until then become non-forfeitable when the change of control occurs and, pursuant to the conditions of the LTIP, are converted into a euro amount that is to be paid to the respective Executive Board member in the short term. If this amount falls below the relevant allocation amount for the Executive Board member, the Executive Board member receives a payment equal to the allocation amount instead.

2.5 REMUNERATION OF THE EXECUTIVE BOARD IN THE 2015 FINANCIAL YEAR

(a) Total remuneration of active Executive Board members pursuant to the German Commercial Code (HGB) and German Accounting Standard 17 (DRS 17)
The total remuneration granted to active Executive Board members in the financial year was EUR 6.5 million (2014: EUR 3.2 million). This includes shared-based payments from 2015 onwards with a fair value of EUR 2.2 million on the date when the remuneration was granted. The active Executive Board members were granted a total of 112,586 virtual shares in the financial year.

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

Remuneration of the Executive Board

in EUR	**Fixed remuneration**		**Variable remuneration**		**Total remuneration**
			Components with short-term incentive effects	Components with long-term incentive effects	
	Fixed salary	Fringe benefits	Bonuses	Share-based remuneration (LTIP 2015)	
Rolf Habben Jansen (Chairman of the Executive Board)					
2015	**750,000**	**172,041**	**381,274**	**700,000**	**2,003,315**
2014	562,500	112,763	375,000	0	1,050,263
Nicolás Burr (Member of the Board since 1 March 2015)					
2015	**375,000**	**298,711**	**300,000**	**500,000**	**1,473,711**
Anthony James Firmin					
2015	**441,667**	**21,641**	**220,206**	**500,000**	**1,183,514**
2014	200,000	9,608	100,000	0	309,608
Peter Ganz (Member of the Executive Board until 31 March 2015)					
2015	**100,000**	**10,016**	**1,000,000**	**0**	**1,110,016**
2014	400,000	10,805	200,000	0	610,805
Thorsten Haeser (Member of the Executive Board since 1 October 2015)					
2015	**112,500**	**37,891**	**75,000**	**500,000**	**725,391**
Total 2015	**1,779,167**	**540,300**	**1,976,480**	**2,200,000**	**6,495,947**
Total 2014	1,162,500	133,176	675,000	0	1,970,676

In the past financial year, no member of the Executive Board received payments or corresponding commitments from a third party with regard to their activities as an Executive Board member. In addition, there were no advance payments and loans to members of the Executive Board as at 31 December 2015.

With regard to pension commitments, the following obligations exist:

Pension plans (pension plans, transition and death grants) persuant to German Commercial Code (HGB)		
in EUR	**Present value**	**Personnel expenses**
Rolf Habben Jansen (Chairman of the Executive Board)		
2015	**2,694**	**2,694**
2014	0	0
Nicolás Burr (Member of the Executive Board since 1 March 2015)		
2015	**596**	**596**
Anthony James Firmin		
2015	**1,327,172**	**147,839**
2014	1,019,429	248,696
Peter Ganz (Member of the Executive Board until 31 March 2015)		
2015	**1,914,046**	**991,404**
2014	582,150	70,820
Thorsten Haeser (Member of the Executive Board since 1 October 2015)		
2015	**378**	**378**
Total		
2015	**3,244,886**	**1,142,911**
2014	1,601,579	319,516

(c) Disclosure of remuneration pursuant to the German Corporate Governance Code (DCGK)
The German Corporate Governance Code (DCGK) for listed companies also recommends disclosure of Executive Board remuneration in a table detailing the amounts granted and amounts paid.
Amounts granted for the financial year:

Remuneration granted	**Rolf Habben Jansen** (Chairman of the Executive Board) (Member of Executive Board since 01.04.2014; Chairman since 01.07.2014)				**Nicolás Burr** (Member of the Executive Board since 01.03.2015)			
in EUR	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)
Fixed salary	562,500	750,000	750,000	750,000	0	375,000	375,000	375,000
Fringe benefits	112,763	172,041	172,041	172,041	0	298,711	298,711	298,711
Total	**675,263**	**922,041**	**922,041**	**922,041**	**0**	**673,711**	**673,711**	**673,711**
One-year variable remuneration	375,000	381,274	125,000	1,500,000	0	300,000	300,000	750,000
Multiple-year variable remuneration								
LTIP 2015 (term: 2015-2018)	0	700,000	0	1,050,000	0	500,000	0	750,000
Total	**375,000**	**1,081,274**	**125,000**	**2,550,000**	**0**	**800,000**	**300,000**	**1,500,000**
Service cost	0	0	0	0	0	0	0	0
Total remuneration	**1,050,263**	**2,003,315**	**1,047,041**	**3,472,041**	**0**	**1,473,711**	**973,711**	**2,173,711**

Amounts paid for the financial year:

Remuneration disbursed	**Rolf Habben Jansen** (Chairman of the Executive Board) (Member of Executive Board since 01.04.2014; Chairman since 01.07.2014)		**Nicolás Burr** (Member of the Executive Board since 01.03.2015)	
in EUR	2015	2014	2015	2014
Fixed salary	750,000	562,500	375,000	0
Fringe benefits Fringe benefits	172,041	112,763	298,711	0
Total	**922,041**	**675,263**	**673,711**	**0**
One-year variable remuneration	381,274	375,000	300,000	0
Multiple-year variable remuneration				
LTIP 2015 (term: 2015-2018)	0	0	0	0
Other	0	0	0	0
Total	**381,274**	**375,000**	**300,000**	**0**
Service cost	0	0	0	0
Total remuneration	**1,303,315**	**1,050,263**	**973,711**	**0**

The reporting of minimum and maximum amounts for Executive Board remuneration is significantly affected by the switch to the new remuneration system. The maximum amount of one-year variable remuneration comprises the maximum possible amount paid out depending on the result after tax. At the time that the remuneration system was changed, as part of the IPO, it was apparent that this maximum amount would not be paid out for the 2015 financial year. Based on the result after tax recorded in the 2015 financial year and the maximum possible remuneration under the 2015 LTIP, the maximum total remuneration that could be granted to the individual Executive Board members for 2015 is as follows: EUR 2,353,315 for Mr Habben Jansen; EUR 1,723,711 for Mr Burr.
The reported minimum remuneration amounts for one-year variable remuneration in the financial year are essentially determined by the guaranteed bonuses applicable up until the switch to the new remuneration system. The minimum and maximum remuneration amounts to be reported in the 2016 financial year will change as a result of the switch to the new remuneration system.

Anthony J. Firmin (Member of the Executive Board since 01.07.2014)				Thorsten Haeser (Member of the Executive Board since 01.10.2015)				Peter Ganz (Member of the Executive Board until 31.03.2015)			
2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)	2014	2015	2015 (min.)	2015 (max.)
200,000	441,667	441,667	441,667	0	112,500	112,500	112,500	400,000	100,000	100,000	100,000
9,608	21,641	21,641	21,641	0	37,891	37,891	37,891	10,805	10,016	10,016	10,016
209,608	**463,308**	**463,308**	**463,308**	**0**	**150,391**	**150,391**	**150,391**	**410,805**	**110,016**	**110,016**	**110,016**
100,000	220,206	100,000	900,000	0	75,000	75,000	225,000	200,000	1,000,000	1,000,000	1,000,000
0	500,000	0	750,000	0	500,000	0	750,000	0	0	0	0
100,000	**720,206**	**100,000**	**1,650,000**	**0**	**575,000**	**75,000**	**975,000**	**200,000**	**1,000,000**	**1,000,000**	**1,000,000**
302,403	211,830	211,830	211,830	0	0	0	0	140,507	212,219	212,219	212,219
612,011	**1,395,344**	**775,138**	**2,325,138**	**0**	**725,391**	**225,391**	**1,125,391**	**751,312**	**1,322,235**	**1,322,235**	**1,322,235**

Anthony J. Firmin (Member of the Executive Board since 01.07.2014)		Thorsten Haeser (Member of the Executive Board since 01.10.2015)		Peter Ganz (Member of the Executive Board until 31.03.2015)	
2015	2014	2015	2014	2015	2014
441,667	200,000	112,500	0	100,000	400,000
21,641	9,608	37,891	0	10,016	10,805
463,308	**209,608**	**150,391**	**0**	**110,016**	**410,805**
220,206	100,000	75,000	0	1,000,000	200,000
0	0	0	0	0	0
0	0	0	0	0	0
220,206	**100,000**	**75,000**	**0**	**1,000,000**	**200,000**
211,830	302,403	0	0	212,219	140,507
895,344	**612,011**	**225,391**	**0**	**1,322,235**	**751,312**

The reporting of minimum and maximum amounts for Executive Board remuneration is significantly affected by the switch to the new remuneration system. The maximum amount of one-year variable remuneration comprises the maximum possible amount paid out depending on the result after tax. At the time that the remuneration system was changed, as part of the IPO, it was apparent that this maximum amount would not be paid out for the 2015 financial year. Based on the result after tax recorded in the 2015 financial year and the maximum possible remuneration under the 2015 LTIP, the maximum total remuneration that could be granted to the individual Executive Board members for 2015 is as follows: EUR 1,645,344 for Mr Firmin; EUR 975,391 for Mr Haeser.
The reported minimum remuneration amounts for one-year variable remuneration in the financial year are essentially determined by the guaranteed bonuses applicable up until the switch to the new remuneration system. The minimum and maximum remuneration amounts to be reported in the 2016 financial year will change as a result of the switch to the new remuneration system.

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

The total remuneration for former members of the Executive Board and their surviving dependants amounted to EUR 1,023,967.20 in the 2015 financial year (previous year: EUR 1,390,864.24). Provisions created under IFRS for current pensions and entitlements to pensions for former Executive Board members and their surviving dependants totalled EUR 18,236,251 in the 2015 financial year (previous year: EUR 15,280,967).

3. REMUNERATION OF THE SUPERVISORY BOARD

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

The amount of fixed annual remuneration differs for the Chairman (EUR 100,000.00), his deputies (EUR 75,000.00) and the other members (EUR 50,000.00). The Chairman of the Presidential and Personnel Committee and the Chairman of the Audit and Finance Committee each receive additional remuneration of EUR 20,000.00 and the other members of these committees each receive EUR 10,000.00. If Supervisory Board members receive remuneration for activities on the Supervisory Board of a subsidiary of Hapag-Lloyd AG, this remuneration is offset against the aforementioned remuneration.

The members of the Supervisory Board also receive an attendance fee of EUR 300.00 for every meeting of the Supervisory Board and its committees that they attend.

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

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

in EUR	Fixed remuneration		Remuneration for committtee service		Meeting allowance		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Andreas Bahn	50,000	50,000	./.	./.	1,800	1,200	51,800	51,200
Horst Baier	50,000	50,000	10,000	10,000	3,600	2,700	63,600	62,700
Michael Behrendt	100,000	8,333	20,000	1,667	2,100	./.	122,100	10,000
Karl-Heinz Biesold	75,000	75,000	10,000	10,000	2,100	1,800	87,100	86,800
Oliver Bringe	50,000	50,000	20,000	20,000	3,300	3,000	73,300	73,000
Renate Commerell	50,000	50,000	./.	./.	2,100	1,800	52,100	51,800
Jutta Diekamp	50,000	50,000	20,000	20,000	3,600	3,000	73,600	73,000
Karl Gernandt	75,000	75,000	30,000	30,000	3,000	3,000	108,000	108,000
Oscar Hasbún	50,000	4,167	10,000	./.	3,600	./.	63,600	4,167
Dr Rainer Klemmt-Nissen	50,000	50,000	10,000	10,000	1,500	1,800	61,500	61,800
Ulrich Leitermann	./.	50,000	./.	10,000	./.	1,500	./.	61,500
Arnold Lipinski	50,000	50,000	20,000	10,000	3,600	2,400	73,600	62,400
Francisco Pérez	50,000	4,167	10,000	./.	2,100	./.	62,100	4,167
Dr Andreas Rittstieg	./.	50,000	./.	./.	./.	1,800	./.	51,800
Dr Jürgen Weber	./.	100,000	./.	20,000	./.	1,800	./.	121,800
Total	700,000	716,667	160,000	141,667	32,400	25,800	892,400	884,134

The Supervisory Board remuneration and attendance fees for 2014 and 2015 have been included in the overview. For the Supervisory Board members who resigned or were appointed in 2014 and 2015, the amounts have been calculated pro rata. The Supervisory Board members did not receive any ancillary remuneration in the aforementioned period.
The Chairman of the Supervisory Board is provided with an office and assistant and a driver service so that he can perform his duties. If the Chairman of the Supervisory Board attends certain appointments and performs certain representative duties on behalf of Hapag-Lloyd AG to promote the business of the Company and foster a positive public image of the Company and does so for no fee, he may use the Company's internal resources to prepare for and perform these activities for no fee. He is reimbursed for expenses incurred in connection with these activities at an appropriate amount.

There were no advance payments and loans to members of the Supervisory Board as at 31 December 2015. Furthermore, the Supervisory Board members did not receive any remuneration in 2015 for their own services provided, in particular consultation and mediation services.

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

The declaration on corporate governance in accordance with Section 289a of the German Commercial Code (HGB) and the declaration of conformity in accordance with Section 161 of the German Stock Corporation Act (AktG) have been published and made continously available in the "Corporate Governance" section under "IR" of the Company's website, www.hapag-lloyd.com, at http://ir.hapag-lloyd.com/websites/hapaglloyd/English/8100/compliance-statement-corporate-governance-code.html.

ECONOMIC REPORT

MACROECONOMIC CONDITIONS

Close to 90% of goods transported around the world are carried by ship. In addition to tankers and general cargo ships, container ships play a significant role in handling the global transport volume. The pace at which the global economy grows and, by extension, at which global trade expands is therefore a significant factor that influences demand for container shipping services and thus the development of the container shipping companies' cargo volumes.

The performance of the global economy continues to be only very modest. In the opinion of economic experts at the International Monetary Fund (IMF), global economic growth as a whole is being held back by the poor economic developments in China and in the emerging markets of Asia and Latin America and by the sanctions imposed on Russia. The sharp drop in oil prices and the robust economic upswing in the USA do not provide enough impetus on their own to boost global economic growth rates more. Despite the weakening growth dynamic in China and the ongoing difficult economic situation in Latin America, the anticipated pace of economic growth in the emerging markets of Asia and Latin America will continue to comfortably outstrip growth rates in the established industrialised nations in 2016 and 2017.

In its latest economic outlook (January 2016), the IMF expects global economic growth to reach 3.4% overall in 2016 (2015: 3.1%) and for this to increase marginally to 3.6% in 2017. This means the current expectations for 2016 are 0.3 percentage points below the original growth forecasts (January 2015).

According to the IMF, the volume of global trade, which is key to the demand for container shipping services, is forecast to increase by 3.4% in the current year and by 4.1% in 2017. This means that global trade will grow at around the same pace as the global economy in 2016 and faster than it in 2017. Above all, imports and exports to and from the emerging markets and the US are expected to continue to rise at an above-average rate compared with global trade in the period under review.

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

(in %)	2017e	2016e	2015	2014	2013
Global economic growth	3.6	3.4	3.1	3.4	3.3
Industrialised countries	2.1	2.1	1.9	1.8	1.4
Developing and newly industrialised countries	4.7	4.3	4.0	4.6	5.0
World trading volume (goods and services)	4.1	3.4	2.6	3.4	3.3
Container transport volume (IHS)	4.9	3.5	1.0	4.3	2.3

Source: IMF, January 2016; IHS Global Insight, February 2016

The US dollar is the main invoicing currency for the international shipping industry. The USD/EUR exchange rate was volatile in the reporting period. Factors influencing this were slowing economic growth in the eurozone and an increasingly robust economic recovery in the USA. The US Federal Reserve raised its key interest rate on 16 December 2015 for the first time since 2006 and increased its target range to the current figure of 0.25 to 0.5%. The year-end exchange rate was approximately USD 1.09/EUR (2014: USD 1.22/EUR). The average USD/EUR exchange rate for the 2015 financial year was approximately USD 1.11/EUR (previous year: USD 1.33/EUR). In the course of 2015, the dollar reached a high of USD 1.21/EUR and a low of USD 1.05/EUR.

SECTOR-SPECIFIC CONDITIONS

With the world trading volume forecast to grow, demand for container shipping services is likewise expected to increase further over the next few years. For instance, IHS Global Insight (February 2016) expects a 3.5% increase in the global container shipping volume in 2016 and growth of 4.9% to approximately 140 million TEU in 2017. This would put the forecast rise in worldwide transport volumes in container shipping for 2016 and 2017 slightly above the rate of growth for global trade. Current forecasts put the expected compound annual growth rate (CAGR) for the period from 2016 to 2020 at 4.9%, compared with an average growth rate of 3.1% between 2010 and 2015. The volume of global container shipping could reach some 161.5 million TEU in 2020. As a result, container shipping will continue to be a growth industry in the medium to long term.

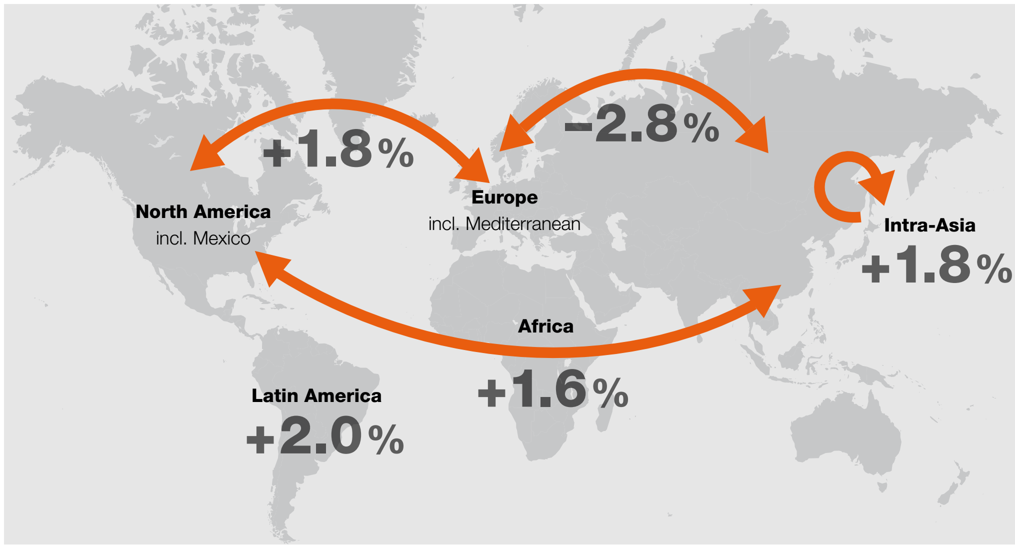
Development of global container transport volume, 2010–2020 (million TEU)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
(in million TEU)	110	118	120	122	128	129	133	140	147	154	161
Growth rate	16.2 %	6.7 %	1.4 %	2.3 %	4.3 %	1.0 %	3.5 %	4.9 %	4.9 %	4.9 %	4.9 %

Source: IHS Global Insight February 2016

Due to a generally only modest rate of global economic growth, the increase in global container shipping services was just 1.0% last year (2014: 4.3%), according to calculations by IHS Global Insight (February 2016). With the exception of the Far East trade, the various trades saw an increase in container shipping volumes in 2015: Transpacific (+1.6%), Far East (–2.8%), Intra-Asia (+1.8%), Atlantic (+1.8%) and Latin America (+2.0%).

Growth rates for global container traffic in 2015



Source: IHS Global Insight, February 2016

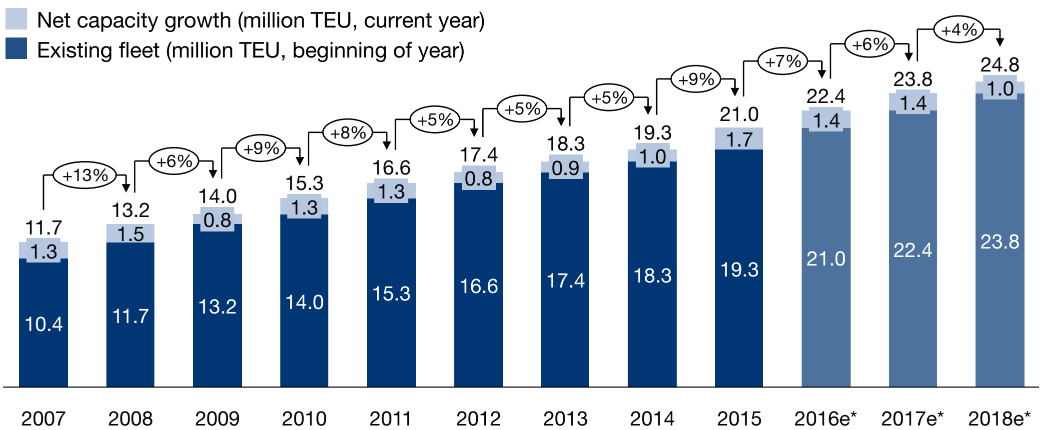
Transport volumes and freight rates in container liner shipping are subject to seasonal fluctuations. Demand for transport services is traditionally higher in the second and third quarter of any given year.

While the rate of global trade growth determines the demand for container shipping services, putting new vessels into service and scrapping inefficient ones are the most important factors influencing the supply of transport capacities. Supply has grown at a faster pace than demand in recent years as a result of new and particularly large container ships continually being put into service. This led to continued pressure on freight rates in all trades again in 2015.

The capacity of all the ship newbuilds on order as at 31 December 2015 totalled approximately 4.0 (2014: 3.2) million TEU. However, at around 19% of the global container fleet's capacity, the TEU capacity of the container ships on order in the fourth quarter of 2015 remained far below the record high of 56% seen in 2008. The heightened trend towards larger vessels is reflected in the distribution of the orders. Some 85% of ship newbuild orders are for vessels with a capacity of over 8,000 TEU (MDS Transmodal, February 2016). In 2015, around 87% of the ships delivered were vessels with capacity of over 8,000 TEU (approximately 1.7 million TEU).

With the total capacity of the world container ship fleet estimated at 21.0 million TEU at the end of 2015 (MDS Transmodal, February 2016), the supply capacity should – based on the current orders – see increases of 1.4 million TEU in both 2016 and 2017.

Development of global container fleet capacity



Source: MDS Transmodal; January 2016 and previous years; only vessels >399 TEU

*Based on existing orders.

Continuing pressure on freight rates in 2015 and disappointing volume developments in the second half of 2015 led to a dramatic increase in the idle fleet from the third quarter of 2015 onwards. The level of idle vessels at the end of 2015 came to around 1.36 million TEU (AXS-Alphaliner, January 2016), compared with "free" capacities of approximately 228,000 TEU at the end of 2014. The "free" capacities thus corresponded to approximately 6.5% of the global container fleet's total tonnage, the highest level since 2010. Of the 331 vessels idle at the end of 2015, only approximately 46% are smaller ships of up to 3,000 TEU at present (2014: 86%).

The projected nominal increase in the global container ship fleet's transport capacity is expected to be reduced due to the scrapping of older and less efficient vessels, delays in the delivery of ship newbuilds and the use of slow steaming (reducing the speed at which services operate).

According to the sector information service Drewry (December 2015), only container vessels with an aggregate transport capacity of around 150,000 TEU were scrapped in 2015 (2014: 381,000 TEU; 2013: 444,000 TEU). Scrapping activities in 2015 therefore fell well short of the level seen in the previous year. A scrapping level of 250,000 TEU is predicted for 2016. The continuing low level of scrapping may lead to increased pressure on freight rates.

Although the prospects for growth remain positive in the medium term, there may be temporary imbalances in supply and demand, which could have a substantial impact on the respective transport volumes and freight rates. For example, as more and more new vessels go into service, transport capacities will increase sharply, further affecting the development of freight rates in all the trades.

The world's 20 largest container shipping companies further intensified their cooperations and alliances back in 2014 in order to expand their networks, reduce costs and improve service for their customers. The world's two largest container liner shipping companies, Maersk Line and Mediterranean Shipping Company (MSC), created the 2M alliance in July 2014. This was implemented in 2015. In September 2014, the shipping companies CMA CGM, China Shipping Container Lines (CSCL) and United Arab Shipping Company (UASC) formed the Ocean Three alliance. On 1 March 2014, the Taiwanese shipping company Evergreen joined the CKYH Alliance (COSCO, K Line, Yang Mine and Hanjin Shipping).

Capacity share of the key alliances in selected trades

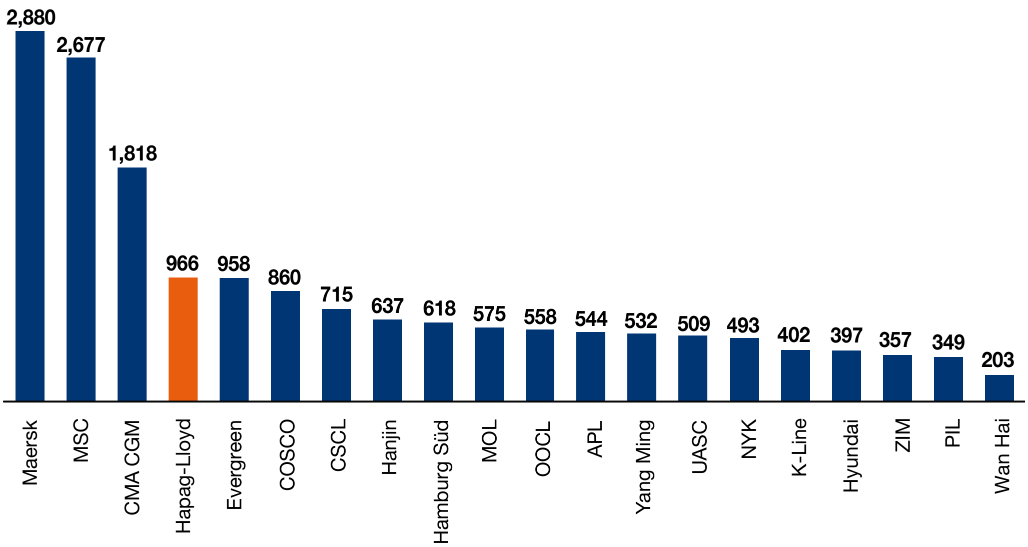
Capacity share alliances Transpacific		
Alliance	**2015**	**2014**
CKYHE	34%	35%
G6	30%	32%
2M	15%	16%
Ocean 3	14%	13%
Others	7%	4%

Capacity share alliances Far East–Europe		
Alliance	**2015**	**2014**
2M	34%	36%
CKYHE	25%	23%
Ocean 3	22%	20%
G6	18%	19%
Others	1%	2%

Source: AXS-Alphaliner, February 2016

The consolidation trend in container shipping is continuing. Hapag-Lloyd took over CSAV's container shipping activities back in December 2014. In December 2015, the French container shipping company CMA CGM announced a bid to take over the shipping company Neptune Orient Lines (NOL), Singapore. The takeover of NOL would significantly strengthen CMA CGM's competitive position as the third-largest container shipping company. The takeover is scheduled for completion in summer 2016, subject to the approval of the relevant regulatory authorities. In December 2015, the Chinese State Council also approved the merger of the two state-owned shipping companies China Ocean Shipping Company (COSCO) and China Shipping Container Lines Co. (CSCL). This created the fourth-largest global container shipping company. As at 4 January 2016, COSCO and China Shipping merged as China COSCO Shipping Corporation Limited. In February 2015, the container liner shipping companies United Arab Shipping Company (UASC), CMA CGM and Hamburg Süd announced a vessel sharing agreement for the North Atlantic trade. A further cooperation agreement between UASC and Hamburg Süd came into effect in April 2015. The agreement gives UASC access to the Latin America trade and affords Hamburg Süd access to the east-west trades.

Fleet capacity of the Top 20 container liner shipping companies (in TTEU)



Source: MDS Transmodal, January 2016
The operating fleet capacity (excluding chartered ships)

The bunker price is the most important factor influencing fuel costs, which is one of the main cost components for the container shipping industry. In the year under review, the average bunker consumption price (MFO) was USD 312 per tonne. This was USD 263 per tonne less than the average for the previous year. Quoted at approximately USD 127 per tonne (10 February 2016), the bunker price (MFO, 3.5% – Rotterdam) in the first few weeks of 2016 remained well below the level seen in the previous year.

Report on the Hapag-Lloyd Group’s development in 2015 compared with the forecast

The original forecast for the Company’s anticipated development included the container shipping activities acquired from CSAV. One-off transport volume and freight rate effects from this inclusion were therefore not taken into account in the forecast. In 2014, CSAV container ships transported a total volume of 1,924 TTEU. The average freight rate of CSAV’s container shipping activities in the course of 2014 was USD 1,174/TEU. CSAV’s container shipping activities were included in the 2014 consolidated financial statements from the time at which they were consolidated (2 December 2014) and are thus prorated for the month of December 2014.

The transport volume rose by 25.3% in total in the reporting period. If CSAV’s container shipping activities had been included for the whole of 2014, the transport volume would have fallen slightly by 3.6%. This means that neither the original forecast of a “moderately increasing” nor the revised forecast of a “largely unchanged” transport volume was achieved due to market-related weaker than expected volume developments in the fourth quarter of 2015.

It was not possible to meet the forecasts for average freight rates, due to the slower than expected rise in rates during the 2015 peak season, coupled with an industry environment that remained challenging. This was already stated in the interim management report for the period up to 30 September 2015.

Due to a sharp fall in the bunker price, the high level of synergies achieved in 2015 following the speedy integration of CSAV's container shipping activities, and the efficiency and cost-cutting measures implemented, Hapag-Lloyd's earnings position improved considerably in 2015, despite the difficult operating environment. The forecast of a "clear increase" in EBITDA and a "clearly positive" EBIT was therefore achieved. In the previous year, the adjusted EBIT of EUR –112.1 million was also reported in the forecast. The Company switched from (adjusted) EBIT to EBIT as part of the IPO. The forecast of a "clearly positive" (adjusted) EBIT was also achieved in 2015.

	Value 2014*	Value 2015	Change	Forecast in the management report as at 31.12.2014	Forecast in the interim management report as at 30.9.2015
Transport volume (TTEU)*	7,681	7,401	–3.6%	Increasing moderately	Largely unchanged
Average freight rate, Hapag-Lloyd (USD/TEU)*	1,369	1,225	–10.5%	Decreasing moderately	Clearly decreasing
EBITDA (million EUR)**	98.9	831.0	+732.1	Clearly increasing	Clearly increasing
EBIT (million EUR)**	–382.8	366.4	+749.2	Clearly positive	Clearly positive

* Pro forma values (including CSAV's container shipping activities for the whole of 2014) for transport volume and freight rate.
** The values as at 31 December 2014 relate to the figures reported in the 2014 annual report. These include CSAV's activities as of the consolidation date, 2 December 2014.

EARNINGS POSITION

Hapag-Lloyd AG's development in the 2015 financial year was dominated by the integration of the CCS container shipping activities in the first half of 2015. As part of the so-called voyage cut-over, the operating business of the acquired CSAV subsidiaries that had previously engaged in container shipping autonomously was transferred to Hapag-Lloyd AG, with the result that, as and from this point, the legal transactions of these companies are also conducted on behalf and on account of Hapag-Lloyd AG. This entailed CSAV Germany Container GmbH, which was the former controlling company of the container shipping activities acquired from CSAV, being merged with Hapag-Lloyd AG in the second quarter of 2015 with retrospective effect as at 1 January 2015.

Furthermore, the majority of the CSAV container shipping activities were then acquired from Norasia Container Lines Ltd. (Norasia), Malta, an indirectly wholly owned subsidiary of Hapag-Lloyd AG, as at 1 July 2015 for a purchase price of USD 376.0 million.

These transactions had a significant impact on Hapag-Lloyd AG's earnings, net asset and financial position, and therefore it can only be compared to that of the previous year to a limited degree.

The economic environment was shaped by muted growth in the global economy, in particular due to weak economic developments in China and Latin America. Sustained intense competitive pressure in container shipping considerably influenced the development of freight rates again in 2015. As in the previous year, the significant appreciation of the US dollar against the euro again weighed heavily on earnings in the 2015 financial year. At USD 1.09/EUR on 31 December 2015, the US dollar/euro exchange rate was considerably stronger year-on-year (USD 1.22/EUR), resulting in a substantial negative impact on earnings at the reporting date due to the valuation of financial liabilities, which are primarily quoted in US dollars. The positive operating earnings development as a result of the average US dollar/euro exchange rate for the year being much stronger year-on-year (2015: USD 1.11/EUR; previous year: USD 1.33/EUR) was by no means able to offset the earnings effects as at the reporting date. Netted, the exchange rate-related expenses and income resulted in a decrease in earnings of EUR 279.1 million (previous year: decrease of EUR 303.4 million).

Earnings were further depressed by one-time impairment allowances for the carrying amounts of investments and accounts receivable from affiliated companies in the amount of EUR 339.3 million. In particular, these impairment allowances were necessary following the integration of the CSAV container shipping activities into Hapag-Lloyd and the Group's internal restructuring for the subsidiaries that no longer had sufficient business.

Meanwhile, a clearly positive impact on the earnings position was had by bunker prices which had fallen again year-on-year and, in particular, by the effects of the realised synergies, cost reductions and efficiency improvements. In total, Hapag-Lloyd recorded a net loss of EUR 635.7 million in the financial year, which was EUR 209.5 million less than in the previous year.

Notes to the income statement

million EUR	**1.1.–31.12. 2015**	1.1.–31.12. 2014
Revenue	7,900.5	6,558.9
Increase/decrease in capitalised expenses for unfinished voyages	55.3	–21.4
Other operating income	1,056.2	475.8
Transport expenses	–6,887.7	–5,913.9
Personnel expenses	–235.8	–178.8
Depreciation, amortisation and impairment	–414.9	–339.9
Other operating expenses	–1,814.0	–1,185.4
Operating result	**–340.4**	**–604.7**
Financial result	–333.3	–137.7
thereof income result	–182.5	–182.3
Profit (loss) from ordinary activities	**–673.7**	**–742.4**
Extraordinary profit or loss	55.4	–88.2
Taxes	–17.4	–14.6
Income from the transfer or losses	0.0	0.0
Net loss for the year	–635.7	–845.2
Retained earnings brought forward	108.4	108.4
Withdrawal from the capital reserve	635.7	845.2
Balance sheet profit	**108.4**	**108.4**

Including CSAV's container shipping activities, the average freight rate for Hapag-Lloyd AG in the 2015 financial year was USD 1,232/TEU, which was USD 189/TEU less than in the previous year (USD 1,421/TEU). Besides the acquisition of CSAV's container shipping activities, which had a lower freight rate level overall, the main reason for the decline was the ongoing difficult market environment, with persisting pressure on freight rates.

Freight rates per trade*

USD/TEU	**1.1.–31.12. 2015**	1.1.–31.12. 2014
Atlantic	1,495	1,568
Transpacific	1,593	1,740
Far East	947	1,182
Latin America	1,091	1,372
Intra Asia	659	799
EMAO (Europe – Mediterranean – Africa – Oceania)	1,206	1,405
Total (weighted average)	**1,232**	**1,421**

* The trades have been restructured and the assignment of individual services amended as part of the CSAV integration. The prior period figures have been amended accordingly and also vary from the total reported figures of the previous year due to a further adjustment.

The transport volume increased from 5,702 TTEU to 6,581 TTEU in the last financial year due to the acquisition of CSAV's container shipping activities. This equates to an increase of 15.4%.

Transport volume per trade*

TTEU	**1.1.–31.12. 2015**	1.1.–31.12. 2014
Atlantic	1,468	1,389
Transpacific	1,381	1,315
Far East	1,188	1,116
Latin America	1,645	1,041
Intra Asia	537	484
EMAO (Europe – Mediterranean – Africa – Oceania)	362	357
Total	**6,581**	**5,702**

* The trades have been restructured and the assignment of individual services amended as part of the CSAV integration. The prior period figures have been amended accordingly and also vary from the total reported figures of the previous year due to a further adjustment.

Hapag-Lloyd AG generated revenue of EUR 7,900.5 million in the 2015 financial year, thereby eclipsing the previous year's figure of EUR 6,558.9 million by EUR 1,341.6 million. The increase in the transport volume following the acquisition of the CSAV container shipping activities was able to overcompensate for the clear downward trend in freight rates.

Other operating income increased from EUR 475.8 million in the previous year to EUR 1,056.2 million. In particular, this increase was the result of higher exchange rate gains year-on-year from currency translation relating to reporting date effects of the USD/EUR development in the amount of EUR 714.2 million (previous year: EUR 247.7 million), income from the recharging of costs totalling EUR 222.5 million (previous year: EUR 167.8 million) and the release of provisions in the amount of EUR 56.6 million (previous year:

EUR 25.3 million), which compared to the prior year increased primarily for outstanding invoices and guarantee, warranty and liability risks.

Transport expenses increased by EUR 973.8 million year-on-year in the last financial year to EUR 6,887.7 million. This was primarily attributable to the higher cost of purchased services for port, canal and terminal costs, chartering, leases and container rentals, and increased container transport costs. The cost of purchased services totalled EUR 6,005.1 million in the year under review (previous year: EUR 4,652.7 million). This increase was caused in particular by the higher transport volumes following the acquisition of CSAV's container shipping activities. Meanwhile, lower bunker consumption prices had a positive effect on the cost of raw materials and supplies in the 2015 financial year. The average bunker consumption price was USD 312 per tonne, which was USD 263 per tonne less than in the previous year. Overall, the increase in transport expenses in the year under review (+16.5%) was significantly lower than the rise in revenue (+20.5%). In addition to lower bunker prices, this was in particular the result of the effects of the realised synergies, cost reductions and efficiency improvements.

Personnel expenses increased by 31.9% year-on-year to total EUR 235.8 million (previous year: EUR 178.8 million). This was primarily due to the transfer of employees from CSAV's container shipping activities in Germany, Belgium and the Netherlands. As at 31 December 2015, a total of 3,262 people (including apprentices) were employed at Hapag-Lloyd (previous year: 2,989). Of this figure, 1,340 were employed in the marine division (previous year: 1,355) and 1,922 were shore-based staff (previous year: 1,634). However, at 3.0%, there was only a slight increase in the personnel expenses ratio compared to the 2014 financial year (previous year: 2.7%).

Depreciation and amortisation totalled EUR 414.9 million in the 2015 financial year (previous year: EUR 339.9 million). Of this figure, EUR 258.2 million related to the amortisation of intangible assets and depreciation of property, plant and equipment (previous year: EUR 339.9 million). The decline in the depreciation of property, plant and equipment was primarily the result of depreciation totalling EUR 105.6 million in the previous year in relation to the 2015 sale of a portfolio of older vessels ("Old Ladies"). Depreciation includes write-downs on current assets in the amount of EUR 156.7 million (previous year: EUR 0.0 million) for accounts receivable from affiliated companies.

Other operating expenses totalled EUR 1,814.0 million (previous year: EUR 1,185.4 million). This primarily comprises exchange rate losses from currency translation and bank charges totalling EUR 1,003.1 million (previous year: EUR 555.1 million). The sizeable increase in exchange rate losses was primarily a result of the valuation effect of translating liabilities denominated in US dollars at the reporting date. In addition, other operating expenses include commission and sales expenses totalling EUR 569.2 million (previous year: EUR 421.5 million), EDP expenses of EUR 81.1 million (previous year: EUR 63.9 million) and expenses for charges, fees and consultancy services in the amount of EUR 19.7 million, in particular in relation to the successful IPO (previous year: EUR 24.1 million).

Taking the effects described above into account, the operating result in the last financial year was EUR –340.4 million (previous year: EUR –604.7 million).

A financial result of EUR –333.3 million was reported at the end of 2015 (previous year: EUR –137.7 million). The year-on-year increase especially relates to amortisation of financial assets in the amount of EUR 182.5 million (previous year: EUR 0.0 million).

An extraordinary profit of EUR 55.4 million was generated in the 2015 financial year. The restructuring provision in the amount of EUR 88.2 million created in the previous year for the integration of CSAV's container shipping activities was released in the amount of EUR 56.1 million in the year under review, as it had been possible to implement certain measures at a lower cost than previously anticipated.

After the deduction of taxes totalling EUR 17.4 million (previous year: EUR 14.6 million), the net loss for the 2015 financial year amounted to EUR 635.7 million (previous year: net loss of EUR 845.2 million). EUR 635.7 million (previous year: EUR 845.2 million) was transferred from the available capital reserves to offset the net loss for the year, pursuant to Section 272 (2) (4) of the German Commercial Code (HGB). Following this transfer from capital reserves, the Company's retained earnings remained unchanged from the previous year and amounted to EUR 108.4 million. This sum was carried forward.

NET ASSET POSITION

The changes in the net asset position described below are reflected in the statement of financial position as at 31 December 2015.

million EUR	**31.12.2015**	31.12.2014
Fixed assets	5,229.4	4,929.9
thereof property, plant and equipment	3,825.6	3,465.7
Current assets	1,356.5	1,326.9
thereof cash and cash equivalents	426.4	552.5
Prepaid expenses	12.6	13.1
Excess of plan assets over post-employment benefit liability	3.5	10.1
Assets	**6,602.0**	**6,280.0**
Equity	1,345.3	1,716.4
Provisions	820.3	660.3
Financial liabilities	2,810.0	2,620.8
thereof short-term	516.2	306.7
Other liabilities	1,614.7	1,267.0
thereof short-term	1,319.7	955.5
Deferred income	11.7	15.5
Equity and liabilities	**6,602.0**	**6,280.0**
Asset coverage ratio I (equity/fixed assets)	25.7%	34.8%
Asset coverage ratio II ((equity+long-term debt)/fixed assets)	75.2%	88.1%
Liquidity ratio I (liquid assets/short-term debt)	23.2%	43.8%
Net financial position (liquid assets/financial debt)	–2,383.6	–2,068.3
Equity ratio (equity/total assets)	20.4%	27.3%

The balance sheet total amounted to EUR 6,602.0 million at the balance sheet date, equating to a year-on-year increase of EUR 322.0 million.

As at 31 December 2015, fixed assets had increased year-on-year by EUR 299.5 million to EUR 5,229.4 million (previous year: EUR 4,929.9 million). Within fixed assets, intangible assets increased to EUR 493.8 million, while financial assets fell from EUR 1,456.3 million to EUR 910.0 million. Intangible assets increased as a result of the merger of CSAV Germany Container GmbH with Hapag-Lloyd AG and the acquisition of Norasia's operating activities. This led to goodwill of EUR 503.1 million in total, which was reduced by amortisation in the amount of EUR 16.7 million in the last financial year. The change in property, plant and equipment primarily comprises investments of EUR 406.2 million in vessels and containers (previous year: EUR 255.6 million) and additions to property, plant and equipment resulting from the merger of CSAV Germany Container GmbH with Hapag-Lloyd AG (EUR 251.6 million). This effect was offset by depreciation on ships and containers totalling EUR 236.2 million (previous year: EUR 336.2 million) and disposals of EUR 61.0 million (previous year: EUR 5.2 million).

These disposals relate first and foremost to the sale of a portfolio of older vessels ("Old Ladies"). The decline in financial assets is attributable in particular to the disposal of the investment carrying amount of EUR 1,084.0 million for CSAV Germany Container GmbH and, in contrast, shares in affiliated companies worth EUR 320.0 million which were incorporated as part of the merger.

Current assets increased slightly to EUR 1,356.5 million (previous year: EUR 1,326.9 million).

Accounts receivable and other assets accounted for EUR 684.3 million of current assets (previous year: EUR 559.7 million). In addition to trade accounts receivable totalling EUR 170.6 million (previous year: EUR 161.0 million), they include accounts receivable from affiliated companies in the amount of EUR 424.8 million (previous year: EUR 314.1 million). The increase in accounts receivable from affiliated companies is first and foremost attributable to the accounts receivable acquired in the course of the merger of CSAV Germany Container GmbH with Hapag-Lloyd AG.

Cash and cash equivalents totalled EUR 426.4 million at the balance sheet date (previous year: EUR 552.5 million). Further details of cash inflows and outflows are provided in the explanatory notes to financing activities.

In the financial year, inventory stock increased by EUR 31.2 million to EUR 245.8 million (previous year: EUR 214.6 million). This was due to the greater capitalisation of expenses for unfinished voyages resulting above all from the increase in transport volumes following the acquisition of CSAV's container shipping activities.

At the balance sheet date, Hapag-Lloyd AG had equity totalling EUR 1,345.3 million (previous year: EUR 1,716.4 million). A cash capital increase was effected as part of the IPO concluded in November 2015. Subscribed capital increased by EUR 13.2 million to EUR 118.1 million due to the placement of 13.2 million new no-par-value registered shares. At the end of the subscription period, the issue price for the new shares was set at EUR 20.00 per share. The gross proceeds from the placement of the new shares therefore came to EUR 264.5 million. The new shareholders' contributions totalling EUR 251.3 million were allocated to the capital reserve pursuant to Section 272 (2) (1) of the German Commercial Code (HGB). The net loss for the year of EUR 635.7 million (previous year: a net loss of EUR 845.2 million) was offset by a withdrawal from the free capital reserves in accordance with Section 272 (2) (4) of the German Commercial Code (HGB). Taking into account the withdrawal from the capital reserves and retained earnings brought forward in the amount of EUR 108.4 million, retained earnings amounted to EUR 108.4 million on 31 December 2015.

Provisions increased from EUR 660.3 million to EUR 820.3 million in the reporting period. This was in particular attributable to increases of EUR 116.1 million in provisions for outstanding invoices and of EUR 51.0 million for guarantee, warranty and liability risks, essentially the result, in each case, of the acquisition of CSAV's container shipping activities. At the balance sheet date, provisions comprised provisions for pensions and similar obligations totalling EUR 125.5 million (previous year: EUR 106.2 million), tax provisions in the amount of EUR 2.9 million (previous year: EUR 0.8 million) and other provisions of EUR 691.9 million (previous year: EUR 553.3 million). Other provisions still include outstanding restructuring provisions relating to the integration of CSAV's container shipping activities and totalling EUR 14.8 million (previous year: EUR 88.2 million).

Financial liabilities came to EUR 2,810.0 million at the balance sheet date (previous year: EUR 2,620.8 million). They comprise bonds issued by Hapag-Lloyd AG and liabilities to banks. The year-on-year increase in financial debt relates first and foremost to new loans taken out to finance vessels and containers totalling EUR 287.4 million and to the loans taken over as a result of the merger in the amount of EUR 187.0 million. The raising of funds was offset by capital repayments totalling EUR 526.5 million. Of this sum, EUR 113.9 million was used for the early partial repayment of the USD bond due in 2017, thereby lowering the nominal volume of the bond to just EUR 114.8 million (USD 125.0 million) as at 31 December 2015. The balance sheet date valuation effects relating to financial liabilities denominated in US dollars resulted in a EUR 244.2 million increase in financial liabilities.

Other liabilities increased from EUR 1,267.0 million to EUR 1,614.7 million. Within this item, liabilities to affiliated companies increased by EUR 381.5 million to EUR 956.9 million (previous year: EUR 575.4 million) and include the liabilities assumed in the course of the merger. In addition to liabilities to affiliated companies, other liabilities in particular comprise trade accounts payable in the amount of EUR 293.7 million (previous year: EUR 302.3 million), container financing totalling EUR 190.8 million (previous year: EUR 151.5 million) and finance lease liabilities in the amount of EUR 155.0 million (previous year: EUR 212.3 million). Balance sheet date valuation effects relating to currency translation likewise boosted other liabilities as at 31 December 2015.

FINANCIAL POSITION

Principles and objectives of financial management

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

Maintaining an appropriate minimum liquidity level is a deciding factor. Efficient financial management is primarily based on optimising short and medium-term cash outflows. This is based on budgetary planning for a number of years and a rolling monthly liquidity plan that spans a period of a year. Financial management is carried out within the framework of relevant legislation as well as internal principles and regulations.

The Hapag-Lloyd Group is an international company that is active around the world. It is exposed to financial risks which result from the business operations of Hapag-Lloyd AG. In particular, these risks include currency risk, fuel price risk and interest rate risk. The transactions of the group companies are conducted mainly in US dollars. The euro, Canadian dollar, British pound, Swiss franc, Hong Kong dollar, Singapore dollar, Japanese yen, Chilean peso, Brazilian real, Chinese renminbi, Mexian peso, Indian rupee and the Australian dollar are also significant currencies. For the euro, this also applies to financial debt.

To hedge EUR exchange rate risks, derivative hedging transactions are concluded whose hedging effect is only felt within the Group. Wherever possible, changes in the bunker price are passed on to the customers as surcharges. In addition, derivative hedging instruments are partially used to limit fluctuations caused by changes in the prices of commodities. Interest rate risks which arise as a result of liquidity procurement on the international money and capital markets are centrally managed within the scope of interest rate management and can be limited using derivative interest rate hedging instruments on a case-by-case basis. Other disclosures about hedging strategies and risk management, as well as financial transactions and their scope as at the balance sheet date, can be found in the risk report section of the management report.

Issuer ratings

Rating/Outlook	**31.12.2015**	31.12.2014
Standard & Poor's	B+/stable	B+/stable
Moody's	B2/positive	B2/negative

Despite the persistently difficult economic environment in the 2015 financial year, especially in global shipping, the international rating agency Standard & Poor's reaffirmed its issuer rating for Hapag-Lloyd AG. The rating agency Moody's raised its outlook for the Company from stable to positive in its rating update on 29 September 2015, having already revised its outlook upwards from negative to stable on 17 June 2015.

Financing
Hapag-Lloyd AG covers the Group's financing requirements with cash inflows from operating activities and by assuming short, medium and long-term financial debt. Additional liquidity was generated by a cash capital increase of EUR 264.5 million on 6 November 2015 in conjunction with the IPO.

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

The focus in the 2015 financial year was on implementing and restructuring ship and container financing as well as the partial repayment of USD bonds as part of efforts to optimise the capital structure and reduce the interest burden.

Financing and investing activities
In addition to the IPO, the Company executed the following major financing and investing activities in the 2015 reporting year:

- The USD bond due in 2017 with an original nominal volume of USD 250.0 million was repaid on 30 December 2015 by the exercising of an early termination option in the amount of USD 125.0 million. The partial repayment was financed exclusively with available cash funds and was tied to the refinancing of a 2011 ship financing agreement with a new financing agreement in the amount of USD 115.0 million (EUR 105.1 million). These measures will achieve interest savings in the future.

- With the same aim of achieving interest savings, on 22 September 2015 the conditions of the ship financing K-Sure I having a residual debt of EUR 231.0 million and on 24 September 2015 the ship financing K-Sure II having a residual debt of EUR 681.8 million were optimised in favour of Hapag-Lloyd.

- The finance lease contracts for two ships were terminated in the 2015 financial year and ownership of the vessels was transferred to the Company. In this context, two new ship loans amounting to EUR 59.3 million were paid out. Lease contracts with repurchase agreements were concluded with an international leasing company for investments in new containers, which have been classified as loan contracts. This transaction increased financial liabilities by a total of EUR 42.5 million.

- Hapag-Lloyd AG committed to purchasing the containers leased within of existing operating lease contracts at the end of the financial year and by March and June 2017 respectively. The agreements were therefore continued as finance lease contracts. At the time in question, the additions to other liabilities as a result of this transaction totalled EUR 29.4 million, whereby some of the containers have already been purchased and therefore become the property of Hapag-Lloyd AG.

- Once again in 2015, containers held by the Company were sold to a group of investors on the basis of a Japanese operating lease contract and were then leased back for up to seven years, with the option of buying them back upon their respective maturity.

The lease contract is essentially a form of borrowing, with the containers transferred by way of security. The refinancing volume associated with this transaction amounted to EUR 38.1 million.

- Hapag-Lloyd AG received a cash inflow of EUR 75.1 million in connection with the sale of a portfolio of vessels to be decommissioned (“Old Ladies”). EUR 59.7 million of this cash inflow was used for an unscheduled repayment of the underlying ship financing.

- To boost the liquidity reserve, the existing line of credit, which had not been utilised at the balance sheet date, was increased from USD 95.0 million to USD 200.0 million. Additionally, a loan agreement in the form of a credit line to finance investments in containers of USD 135.0 million was concluded in the 2015 financial year, of which USD 94.0 million (EUR 86.3 million) had been utilised at the balance sheet date.

- In the course of the merger, a line of credit was transferred from CSAV Germany Container GmbH to Hapag-Lloyd AG, with EUR 82.3 million being drawn down from this credit facility following the merger.

- Additionally, an unsecured credit facility in the amount of USD 125.0 million (EUR 114.8 million) was granted in relation to the realisation of the IPO.

- On 30 September 2015, Hapag-Lloyd signed a loan agreement for EUR 332.1 million (USD 372.4 million) with a twelve-year term to secure the long-term financing of further ship investments. The Company will use the loan to finance five new vessels ordered in April 2015 and due for delivery between October 2016 and April 2017.

Covenant clauses of a type customary on the market have been agreed for existing financing from bonds or loans. These clauses primarily concern equity and liquidity at the Hapag-Lloyd Group level along with certain loan-to-value ratios for the financing of ship investments. As at 31 December 2015, all of the covenants were fulfilled. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

Off-balance-sheet obligations

Other financial obligations pertaining to purchase commitments relate to payment obligations to the shipyard for ordered container ships. There are currently five ships on the order book, each with a capacity of 10,500 TEU. There are plans to put the new vessels into service between October 2016 and April 2017.

In the course of its normal business activities, Hapag-Lloyd AG uses assets of which it is not the beneficial owner. These are, in particular, vessels and containers which are let within the framework of rental, lease and charter agreements as are customary in the industry.

A detailed presentation of the other financial obligations is provided in the notes (Note [15]).

STATEMENT ON THE OVERALL ECONOMIC POSITION

Despite the difficult market conditions, last year's result was in line with expectations. Notwithstanding the existing macroeconomic and sector-specific challenges, the Executive Board considered the Hapag-Lloyd Group's economic position to be positive at the time that the management report was being prepared. With its portfolio of services and financial profile, the Hapag-Lloyd Group is well positioned and has strengthened its market position with the integration of CSAV's container shipping activities. Business has developed in accordance with expectations in the first few weeks of 2016.

EVENTS AFTER THE BALANCE SHEET DATE

In the first quarter of 2016, Hapag-Lloyd will take delivery of two, modern 3,500-TEU ships with a special wide-beam design from the Dutch shipping company NileDutch. The wide-beam design of the hull means that the ships, which were built in 2015, maintain a comparatively high cargo capacity despite having a lower draught.

REPORT BY THE EXECUTIVE BOARD ON RELATIONSHIPS WITH AFFILIATED COMPANIES

Pursuant to Section 312 of the German Stock Corporation Act (AktG), the Executive Board of Hapag-Lloyd AG prepared a report on relationships with affiliated companies for the period from 1 January to 31 December 2015, which contains the following conclusion: "Our Company received appropriate compensation for each legal transaction listed in the report on relationships with affiliated companies in accordance with the circumstances known to us when the legal transactions were conducted. No actions required by or in the interests of the controlling companies or their affiliated companies subject to a reporting obligation were taken or omitted."

RISK AND OPPORTUNITY REPORT

Risk management and the strategic focus on business opportunities are designed to enhance the Company's value by providing stable, long-term growth, contribute to the attainment of its medium-term financial goals and ensure its long-term existence as a going concern. The following information relates to the Hapag-Lloyd Group.

Risk management

The objective of risk management is to recognise and assess risks of all kinds at an early stage and promptly minimise them by taking appropriate steps. Thanks to monitoring and control systems installed throughout the Group, business developments and their associated risks are regularly recorded, assessed and monitored with regard to their effects on Hapag-Lloyd. Risk management is decentralised in accordance with Hapag-Lloyd's organisational structure. Due to their overriding importance, however, strategic risks are generally addressed at the top management level and factored in to medium and long-term planning.

The Executive Board and operational management have integrated multilevel reporting systems at their disposal for risk management purposes. The planning and controlling system, for example, conducts a monthly analysis of how actual business developments have deviated from planned developments, and uses this analysis to identify and report risks early on that may jeopardise the operating result of the Company. As well as regular reporting on operational and financial risks, such as the development of freight rates, transport volumes and liquidity, an additional autonomous reporting system is incorporated into the risk management system and includes measures to identify risks to the Company's existence at an early stage.

The principles, structures and processes of risk management are defined in a Group guideline which is valid for the entire organisation. The Group's significant risk categories serve as a basis for specifying the structures and responsibilities within the entire process. Furthermore, regular quarterly reporting and ad-hoc reporting is conducted on the basis of mandatory regulations.

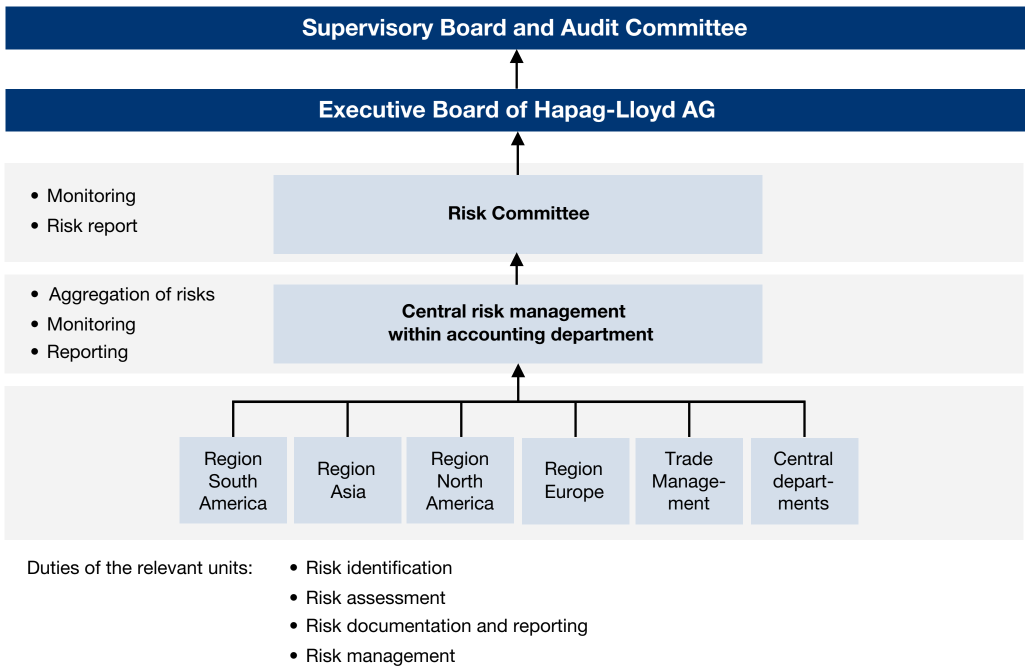
Within the context of the decentralised structure of risk management, risk managers are appointed across the Group and are responsible for continuously identifying, assessing, managing and monitoring operational and financial risks in the various regions and central departments (e.g. Treasury & Finance). These risk managers assess and document the risks identified, including the measures to reduce risks as part of risk reporting.

Risk reports are submitted on a regular quarterly basis to the central risk management unit in the Accounting department. Unscheduled reports must also be submitted if risks are newly identified or newly assessed, with the result that reporting thresholds are exceeded (ad-hoc reporting).

The central Risk Management unit monitors the regular reporting by risk managers and summarises the significant risks for the Risk Committee on a quarterly basis and, if urgent, on an unscheduled basis.

The Risk Committee discusses and assesses the risks present and subsequently reports on the overall risk situation to the Executive Board. In particular, it reports on the risk status of significant factors, such as the current development of freight rates and transport volumes, on the potential effects of significant fluctuations in these factors and on significant individual risks.

Risk management system chart of Hapag-Lloyd AG



The risks relating to the container shipping activities acquired from CSAV in 2014 were incorporated into this standard procedure in 2015. In the previous year, these risks were reviewed, included and analysed only on an aggregate basis for the fourth quarter of 2014 due to their late incorporation as at 2 December 2014.

The Audit department conducts regular checks of the risk management processes and – in particular – the early-warning system for risks, focusing on different aspects each time. In 2015, the internal audit focused on the risk reporting of the newly created South America region and its inclusion in the standard procedure.

In connection with the auditing of Hapag-Lloyd AG’s financial statements as at 31 December 2015, the external auditors examined the fundamental suitability of the early-warning system for risks to identify going-concern risks in accordance with the principles of Section 317 (4) of the German Commercial Code (HGB).

In risk management, the methods, systems and controls are adapted according to the type of risk and are continuously checked, enhanced and adapted to the constantly changing business conditions. As part of risk management, risks are hedged by the decentralised companies and central departments to the greatest extent possible. Insurance policies are concluded to cover claims and various other risks that arise in everyday business operations, insofar as these are economically justifiable. The Company also holds a number of insurance policies which are customary in the industry and tailored to the requirements of Hapag-Lloyd AG. These include third-party liability, property and personal insurance, as well as shipping insurance. The policies are examined regularly and adjusted if required.

DESCRIPTION OF THE SIGNIFICANT CHARACTERISTICS OF THE ACCOUNTING ICS/RMS PURSUANT TO SECTION 315 (2) (5) AND SECTION 289 (5) OF THE GERMAN COMMERCIAL CODE (HGB)

Concept and objectives

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

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

ORGANISATION AND SIGNIFICANT PROCESSES IN ACCOUNTING AND CONSOLIDATION

Hapag-Lloyd AG prepares its annual financial statements in accordance with German accounting standards and its consolidated financial statements in accordance with the requirements of IFRS. An accounting guideline is used and complemented with further detailing instructions and guidance. Changes to the legal provisions and standards are constantly monitored and the accounting guidelines and procedures are examined promptly for any adjustments that might be required. There is also a uniform chart of accounts for Hapag-Lloyd.

The Accounting department has overall responsibility for the consolidation process, the preparation of the financial statements and the internal and external Group and individual reporting.

Information is obtained from other departments and processed in the course of preparing the financial statements. This includes information from the Treasury department for the reporting of hedge relationships and financial derivatives, and information from the Controlling department pertaining to Company planning in relation to the impairment tests that are carried out.

Individual items are accounted for based on the input of external specialists and appraisers, such as actuaries for pension valuation.

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

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

Segregation of duties and a dual control principle have been implemented as fundamental process-integrated controls to ensure proper accounting. For example, entries are authorised by way of a multilevel approval and release procedure. Controls have also been implemented in the IT systems; the accounting systems, for example, can only be accessed by authorised employees due to the presence of an authorisation concept. In addition, reports concerning changes and exceptions, for example, are verified by means of monitoring checks for sensitive areas.

The Audit department has a fundamental supervisory role to play in the process-independent control measures. The Internal Audit department reports directly to the CEO of Hapag-Lloyd AG and has a wide range of informational, auditing and access rights to enable it to fulfil its role as an internal auditor and advisor. In 2012, the Corporate Audit department was subject to an independent quality assessment examining compliance with the professional regulations issued by the German Institute of Internal Auditors (DIIR). The subjects examined by the Internal Audit department are systematically selected using a risk-based approach to auditing. They regularly include processes and controls which are relevant to accounting. Furthermore, the external auditors of the financial statements complete an independent check of key accounting-related aspects of the ICS as part of their risk-based audit approach to auditing.

ICS verification process
Hapag-Lloyd AG has a procedure to confirm the effectiveness of the ICS ("ICS verification process"). This was introduced in 2010 and has been continuously conducted ever since. The results of the effectiveness verification are compiled each year in a report. The Hapag-Lloyd AG Audit Committee is kept abreast of the evaluation of the internal control system by the Executive Board.

RISKS

STRATEGIC RISKS

Macroeconomic risks

Container shipping is heavily dependent on the general prevailing conditions in the world's economies. Fluctuations in the economic climate have an above-average effect on this industry. The development of freight rates, which have a significant influence on Hapag-Lloyd's financial and earnings position, is particularly dependent on the transport volume and capacity supply in the various trades.

In light of the slowdown in the emerging markets and the rather hesitant recovery of the eurozone economy, the International Monetary Fund (IMF) had once again revised its growth forecasts downwards for the global economy and global trade in 2015. However, while global economic growth is expected to pick up in 2016, there continue to be a number of significant risks for the global economy. A detailed economic forecast can be found in the "General conomic conditions" chapter. The sluggish economic recovery in industrialised countries, especially in the eurozone, the continuing slowdown in China, the ongoing recession in Brazil and the economic sanctions imposed on Russia represent the most imminent risks for global economic growth in 2016. A slowdown in economic growth could lead to a significant decrease in global demand for container shipping services. According to IHS Global Insight, the rise in the global container shipping volume fell short of the original forecasts in the last three years. The main reason for this was the modest pace of global economic growth. The lower than anticipated increase in the transport volume, coupled with the sharp rise in capacity supply, has led to a marked decline in freight rates in all the main trades over the last four years. If the transport volume remains below expectations and freight rates fall further, this could have a considerable negative impact on Hapag-Lloyd's earnings developments.

Risks resulting from intense competition

Global container shipping is characterised by intense competition among the shipping companies. Some of the competitors are larger than Hapag-Lloyd in respect of business volume, fleet size, transport volume and capacities. Others have better capital resources. This means that these competitors can be better positioned on the market to achieve economies of scale and are able to invest in more efficient vessels. They would therefore be able to offer more cost-effective service and lower freight rates. This, in turn, might have an adverse effect on Hapag-Lloyd's market share.

Generally, Hapag-Lloyd does not conclude long-term or exclusive contracts with its customers. Many of the forwarders maintain similar business relationships with other shipping companies. Depending on the market circumstances, customers may partially or solely use other shipping companies' services. In global container shipping, there are no restrictions for competitors who want to expand their service to cover other trades or routes. Each of the competitors might therefore offer a comparable service on the routes where Hapag-Lloyd maintains a liner service and try to undercut the Group's freight rates. In view of the currently low charter rates for ships, new competitors could also emerge and provide a liner service with particularly low freight rates.

Risks resulting from further industry consolidation

Container shipping went through a phase of consolidation up to 2007. In December 2014, Hapag-Lloyd took over CSAV's container shipping activities. In December 2015, the French container shipping company CMA CGM announced a bid to take over the shipping company Neptune Orient Lines (NOL), Singapore. The takeover of NOL would significantly strengthen CMA CGM's competitive position as the third-largest container shipping company. In December 2015, the Chinese State Council also approved the merger of the two state-owned shipping companies China Ocean Shipping Company (COSCO) and China Shipping Lines Co. This creates the fourth-largest global container shipping company. If there is another round of consolidation measures, some individual shipping companies might achieve greater economies of scale and increase their financial strength, with the result that these companies could be more competitive in terms of price and more able to endure greater market volatility than Hapag-Lloyd.

Risks arising from changes in trade flows

The utilisation of the Group's capacities is influenced by the development of the trade flows between the various regions. In the case of transport between regions comprising net exporters and regions comprising net importers, capacity utilisation in the two directions is divergent. This results in empty legs and the costs that arise from them. An increase in the imbalances in global trade could further push up the costs associated with empty legs. In 2015, weakening exports in the Chinese economy in particular led to a lower than expected cargo volume in the Far East trades and a considerable drop in freight rates.

Risks arising from membership of alliances

Membership of the G6 Alliance and the Grand Alliance can involve risks alongside the opportunities described in the opportunity report. The conditions within the alliances could change or other shipping companies could relinquish or not renew their membership. For example, any member of the Grand Alliance can terminate its membership with six months' notice. The Grand Alliance's predecessor organisation – the Global Alliance – was established back in 1995. Membership agreements have been renewed regularly to date. The contract which currently applies will expire in 2018. In the event of a dissolution of the Grand Alliance, Hapag-Lloyd would lose the benefits it gains from the collaboration. This would considerably restrict the flexibility, capacities and available spectrum of liner services. The aforementioned risks apply equally to membership of the G6 Alliance. The agreement reached between the members of the G6 Alliance is due to expire in 2016. In 2014, most of the Grand Alliance's services were transferred to the G6 Alliance. In December 2015, the French shipping company CMA CGM announced a takeover bid for the shipping company Neptune Orient Lines (NOL). Neptune Orient Lines (NOL) is the parent company of the G6 Alliance member American President Lines (APL). If APL were to leave the G6 Alliance, this could have a negative impact on the services offered by the G6 Alliance and weaken Hapag-Lloyd's global service network.

Risks arising from competition due to alliance expansions

The world's 20 largest container shipping companies have further intensified their partner-ships and alliances since 2014. The world's two largest container liner shipping companies, Maersk Line and Mediterranean Shipping Company (MSC), announced the creation of a new alliance called 2M in July 2014. In September 2014, the shipping companies CMA CGM, China Shipping Container Lines (CSCL) and United Arab Shipping Company (UASC) founded the Ocean Three alliance. On 1 March 2014, the shipping company Evergreen joined the

CKYH Alliance (COSCO, K Line, Yang Mine and Hanjin Shipping). These various alliances have varying degrees of presence in the respective trades. Different cost advantages may arise as a result of the expansion of the networks and the range of services on offer to customers. Hapag-Lloyd may not be able to match the cost advantages offered by other container liner shipping companies. In February 2015, the container liner shipping companies United Arab Shipping Company (UASC), CMA CGM and Hamburg Süd announced a vessel sharing agreement for the North Atlantic trade. A further cooperation agreement between UASC and Hamburg Süd came into effect in April 2015. The agreement gives UASC access to the Latin America trade and affords Hamburg Süd access to the east–west trades.

OPERATING RISKS

Fuel price risks

Hapag-Lloyd's business activity exposes it to market price risks arising from the procurement of fuels (bunker fuel) for the container fleet. In the 2015 financial year, the cost of the vessels' fuel accounted for 10.4% (previous year: around 25%) of Hapag-Lloyd AG's revenue. In the 2015 financial year, the cost of the vessels' fuel accounted for 11.4% (previous year: 19.4%) of revenue in the Hapag-Lloyd Group. Bunker price fluctuations have a delayed effect on transport expenses, depending on when the bunker fuel was purchased. In the year under review, the average bunker consumption price (MFO) was USD 312 per tonne (previous year: USD 575 per tonne). This was USD 263 per tonne less than the average for the previous year. Changes in the price of bunker fuel are aligned with the price of crude oil.

The average freight rate contains bunker surcharges. These bunker surcharges vary, depending on the trade. Fluctuating bunker prices can therefore have a major impact on average freight rates, depending on the trade in question. To limit the effect that rising bunker prices have on its shipping costs, Hapag-Lloyd is endeavouring to offset a large proportion of the fluctuations in raw materials prices through freight rates. However, the extent to which this can be implemented depends very much on the prevailing market situation.

In addition, price risks from fuel procurement can be addressed by hedging up to a maximum of 80% of the Company's anticipated bunker requirements for the next twelve months, in accordance with the internal hedging strategy. The relevant basic features of financial risk management have been established and described in a financial guideline approved by the Executive Board. They are implemented by the Group's Treasury department. Please refer to the "Financial instruments" section in the Notes to the consolidated financial statements for more information on the scope and type of the hedging instruments used as at the balance sheet date. As at 2 February 2016, approximately 33% (previous year: approximately 21%) of the planned fuel consumption volumes for the 2016 financial year had been hedged.

Another method for limiting the risk from increasing bunker prices is reducing bunker fuel consumption with measures such as slow steaming or improved ship design. In connection with this, please refer additionally to the explanations in the chapter "Sustainability and quality management". The requirement to use marine diesel oil (MDO) as a result of stricter environmental regulations governing the traversing of coastal regions in Europe and North America may lead to a considerable rise in transport costs, given the significantly higher price of MDO.

Risk from fluctuations in charter rates

Within the framework of a charter contract, a shipowner puts a ship at the disposal of a container shipping company for a contractually agreed period, with the owner usually also providing the crew, insuring the vessel and being responsible for maintenance. As charter rates are subject to severe fluctuations influenced by how market participants anticipate that supply and demand will develop in the future – especially for short-term contracts – chartering ships in periods of increasing demand can be more expensive than operating own vessels. It cannot be ruled out that charter rates could rise sharply in the future and that it might not be possible to pass on these cost increases to customers in the form of higher freight rates. Charter rates are determined by the supply of and demand for ship capacities and by developments in freight rates. As a rule, charter rates shadow the trend in freight rates, which are dependent on expectations regarding the future development of the supply of and demand for transport capacities, with a time lag of several months.

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

The proportion of own and leased ships in terms of the total capacity (in TEU) of the Hapag-Lloyd fleet (Group) as at 31 December 2015 was approximately 54% (previous year: approximately 53%). The remaining 46% are chartered, of which 22 ships are chartered long-term, 30 medium-term and 54 short-term. As at 31 December 2014, 47% were chartered, of which 32 ships were chartered long-term, 24 medium-term and 53 short-term.

Risks resulting from fluctuating transport volumes and freight rates

In respect of the development of transport volumes and freight rates, there are differences between the various trades in which Hapag-Lloyd is active. The development of transport volumes depends heavily on economic activity in the regions linked together by the trades. Freight rate developments are also largely determined by the available transport capacities within a trade. In view of the fact that transport capacities are set to increase further in the near future, intensified competition between the shipping companies may again lead to greater price competition in individual trades in 2016, as was already the case in the preceding four years. Transport volumes and freight rates in container shipping are traditionally subject to sharp seasonal fluctuations. The so-called peak season, the third quarter of the calendar year, is of particular importance to the Company's performance and earnings.

Risks from capacity bottlenecks at individual ports

Over the past few years, capacities in container shipping have grown more quickly than the number of available berths at the ports. This leads to waiting times at the ports in question and results in a sometimes considerable amount of lost time during loading and unloading of the vessels. If capacities were further increased, the loss of time at the ports concerned could be even greater. This would make it harder to keep to the timetables and could put pressure on the Company's earnings and financial position. Decisions on whether to expand the ports are the responsibility of the respective governments and are therefore beyond the influence of Hapag-Lloyd.

The handling of cargo vessels was significantly impeded at a number of ports on the west coast of the USA, in particular in the fourth quarter of 2014 and the first quarter of 2015, due to industrial action there. Container ships were also affected. In the event of protracted labour disputes, handling delays can lead to higher transport expenses.

Risks from long delivery periods for newbuilds

The lead time between the ordering and delivery of newbuilds is two to three years, with the placement of the order being based on expectations of future demand for transport capacities. The market situation can change by the time new ships are delivered. There is also the risk that the available capacity will be too low and Hapag-Lloyd cannot meet its customers' demands. This would lead to falls in revenue and a loss of market share. If additional capacities had to be chartered to retain customers, higher charter rates would have to be paid as a consequence of increased demand, leading to an additional cost burden. If, on the other hand, capacity demand falls short of expectations, further overcapacity might develop.

Risks from the operation of ships

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

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

Risks caused by general political conditions and protectionism

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

Risks from piracy

Piracy has long had a considerable adverse effect on commercial shipping. Since 2008, there has been a significant increase in the levels of piracy in the Gulf of Aden, in the south of the Red Sea and across increasingly large swathes of the Indian Ocean. As was the case in previous years, there was a sharp drop in the number of attacks initiated and successfully completed by pirates in this region in 2015, thanks in part to greater use of armed security officers.

Since 2011, there has also been a rise in piracy off the western coast of Africa (Gulf of Guinea). While Somali pirates tend to hijack vessels and then demand a ransom, this was not the primary motive in the Gulf of Guinea and in the usual piracy areas such as the South China Sea. However, there has been an increase in demands for ransom resulting from piracy in this region since 2012, where violent attacks have also become more commonplace.

When Hapag-Lloyd employs its own or chartered vessels in these regions, the increased risks (of piracy) can result in significantly higher insurance premiums and can make it difficult or even impossible to secure the relevant insurance cover, including for possible ransom payments. The possibility of Hapag-Lloyd not being adequately insured for such cases, including the payment of ransom money, cannot be ruled out. An act of piracy could therefore have a significant impact on the business development and earnings position of Hapag-Lloyd.

Risks arising from the increased importance of the Latin America trade

The importance of the Latin America trade has risen significantly since CSAV's container shipping activities were integrated into the Hapag-Lloyd Group. According to the latest IMF forecast (January 2016), economic output in the region of Latin America and the Caribbean decreased by 0.3% in 2015 (2014: +1.3%).

A further decline of 0.3% is expected for 2016, followed by economic growth of 1.6% in 2017. The current slowdown in economic growth, especially the ongoing recession in Brazil, may have a negative impact on the region's import and export activities, and therefore also on demand for container shipments and consequently on the revenue and earnings performance of Hapag-Lloyd. Further pressure could result from the volatility of the local currencies, which fell sharply in value against the US dollar in 2015.

Risks arising from the loss of customers and employees

Following the integration of the activities acquired from CSAV, workflows and cost structures are being further optimised throughout the Group. This may result in an unwanted increase in employee and customer fluctuation. If Hapag-Lloyd is unsuccessful in binding key customers and employees to the Company over the long term, this may have negative consequences for the revenue and earnings position of Hapag-Lloyd.

Risks arising from the lower earnings contribution of projects

The successful implementation of the projects to improve efficiency and reduce costs and to boost revenue has a major impact on how earnings develop and whether the corporate objectives are achieved. If implementation of the CUATRO, Close the Cost Gap, Compete to Win and OCTAVE I + II projects does not deliver the expected contribution to earnings, this could have a significant negative effect on Hapag-Lloyd's earnings position and make it more difficult, or even impossible, to achieve the financial targets. Changes to internal structures (e.g. the structure of services in the respective trades) and the development of external factors, such as currency fluctuations, bunker prices and the development of freight rates, also have a substantial effect on the development of revenue and operating costs. These developments can either assist with, duplicate or counteract the implementation of the projects. The development of the income statement items may therefore only show the success of the strategic measures to a limited extent, if necessary.

IT risks

Hapag-Lloyd ensures that all necessary data on transport volumes, freight rates, transport costs, container locations and timetables is supplied by means of its own IT systems. The availability of the systems is necessary for the management of the fleet and the containers, for the efficient management of business processes and for cost control. An IT systems failure could hinder business processes and lead to higher costs.

The IT systems are protected in several ways. It can nevertheless not be ruled out that damage, such as that caused by fire, power failures, system errors, hacker attacks, cases of fraud or terrorism, could lead to the loss of data. The recovery of this data, if at all possible, could lead to increased costs and/or negatively affect the customer or partner relationship.

COMPLIANCE RISKS

Risks caused by regulatory frameworks

As a container shipping company, Hapag-Lloyd is confronted with numerous regulations with domestic and international applicability. The alteration or broadening of such regulations and the necessity of obtaining further authorisations can be a burden on the course of business and possibly require a change of strategy. The Company could face considerable compensation demands and fines if it infringes applicable regulations.

Container shipping is subject to numerous safety, security and customs regulations in the respective countries of origin, transit and destination. Checks by the authorities responsible could lead to the seizure of containers or their contents, and to delays in the loading or unloading of the ships.

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

Risks resulting from the tightening of climate protection regulations

The emission standards set by the International Maritime Organization (IMO), the US state of California and the EU provide for a further significant reduction in emissions. The legally stipulated use of particularly low-sulphur fuels in US coastal areas since January 2015 (and in the coastal areas of California since January 2014) as well as in Hong Kong and certain coastal areas around Europe may result in a dramatic rise in specific fuel prices. If the rise in costs cannot be passed on to the customers in the form of fuel surcharges, either wholly or in part, this will have a negative impact on the earnings position.

Legal disputes and legal risks

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

Hapag-Lloyd is subject to regular tax audits and these may lead to the payment of tax arrears. Investigations by local tax authorities concerning individual circumstances are currently taking place in a number of jurisdictions, such as in Mexico, India and Brazil. To the extent that the Company can expect to incur charges and these charges are quantifiable, these were accounted for by creating corresponding provisions.

Since May 2011, the European Commission has been examining whether EU competition law has been violated since the exemption regulation for liner conferences was abolished in October 2008. The Company believes that shipping services are provided in line with EU competition regulations.

Risks from taxation

Since it operates globally, Hapag-Lloyd has to comply with tax laws in many different countries. Tax laws and regulations can be interpreted differently and are subject to changes – including changes in how they are interpreted by tax authorities – which may also be applied retroactively. If, for example, double taxation agreements are terminated or interpreted differently, or if tax rates are increased, this could lead to a higher tax expense, while non-refundable value added tax could have a negative impact on operating costs.

In 1999, Hapag-Lloyd AG opted to calculate its profit based on tonnage. There are similar tax systems in a number of other European countries and several other jurisdictions outside of Europe. Under tonnage taxation, the German tax basis for container shipping activities is calculated based on the tonnage of the container ships, irrespective of the actual income. Hapag-Lloyd's tax expense is therefore primarily dependent on the tonnage of its container fleet and not on the profitability of its business. The main requirements for using the tonnage tax system are that a certain percentage of the ships are operated domestically, have been entered in a German ocean-going vessel register and are predominantly used for transporting cargo involving or between foreign ports, within a foreign port or between a foreign port and the high seas.

Any changes to or termination of the tonnage tax system or violation of the requirements of this system could lead to a discontinuation of tonnage taxation and significantly increase the tax burden.

Risks from being a listed company

As a listed company, Hapag-Lloyd is subject to a range of regulatory requirements. If Hapag-Lloyd does not comply with, or only partly complies with, the statutory regulations and the regulations under private law, it is at risk of incurring financial sanctions and a significant loss of reputation.

FINANCIAL RISKS

Management of financial risks

Hapag-Lloyd is represented with its business activities all over the world. Within the scope of its ordinary business activities, Hapag-Lloyd is primarily exposed to currency risks, interest rate risks, raw materials price risks and liquidity risks which can have a significant impact on its net asset, financial and earnings position.

The aim is to limit the currency and commodity price risks resulting from ordinary business operations by using hedging transactions. The individual rules, responsibility assignments and processes as well as the limits for transactions and risk positions are established in guidelines and implementation rules. Compliance with the guidelines and transaction limits is monitored on an ongoing basis. Hedging transactions are only concluded in order to hedge anticipated underlying transactions or such transactions recognised in the statement of financial position. Approved, standardised software is used for the recording, valuation and reporting of the hedging transactions concluded.

Currency risks

In international container shipping, the US dollar is the currency in which the bulk of services are usually invoiced. This applies not only to revenues, operating costs and fuel, but also to the financing of containers and ships. The US dollar is the functional currency within the Hapag-Lloyd Group. However, the Group is a business which conducts its operations worldwide and is therefore exposed to the risk of currency fluctuations because various currencies account for its income and expenses. This also applies to financial debt assumed in euros. The Canadian dollar, British pound, Swiss franc, Hong Kong dollar, Singapore dollar, Japanese yen, Chilean peso, Brazilian real, Chinese renminbi, Mexican peso, Indian rupee and Australian dollar are also significant currencies.

Key risks arising from exchange rate fluctuations are monitored on an ongoing basis. To limit the risks of changes in exchange rates, hedging transactions are carried out, insofar as this is possible and makes commercial sense. At the balance sheet date of 31 December 2015, this related to EUR/USD transactions only. Additional currency hedging transactions may also be effected as required. Despite this, fluctuations in exchange rates can have a significant influence on Hapag-Lloyd’s earnings position.

The reporting currency for the Hapag-Lloyd Group and the individual financial statements of Hapag-Lloyd AG is the euro. Changes in the EUR/USD exchange rate thus have a considerable impact on the key financial indicators reported in the annual and quarterly financial statements. As a result, the financial performance indicators reported in euros can be subject to significant fluctuations, depending on the exchange rate.

Interest rate risks

Interest rate risks which arise as a result of raising new funds are reduced with a balanced portfolio of fixed and variable interest rate structures. Interest rate hedges can also be effected, if necessary.

Risks resulting from changes in the lending values of vessels

The lending values for vessels financed by loans may change as a result of fluctuations in the market prices for vessels and changes in the costs for ship newbuilds. In agreement with the lending financial institutions, Hapag-Lloyd may make early repayments on its ship financing. This could have a negative impact on the Company's liquidity situation and could result in the need to take out unsecured loans at unfavourable conditions.

Liquidity risks

Liquidity risk, i.e. the risk of not being able to fulfil existing or future payment obligations, is managed centrally at Hapag-Lloyd. The Company secures an adequate liquidity reserve for itself by means of syndicated credit facilities and bilateral bank loans, as well as its portfolio of cash and cash equivalents. As at 31 December 2015, Hapag-Lloyd AG had a liquidity reserve (consisting of cash, cash equivalents and unused credit facilities) totalling EUR 962.4 million (2014: EUR 921.9 million). Arrangements with the banks to provide lines of credit are based on a rolling liquidity plan.

Bank default risk management also covers the Hapag-Lloyd Group's derivative financial instruments and financial investments with these institutes. The maximum default risk of the derivative financial instruments concluded is restricted to the sum of the positive market values of all of these instruments because the financial damages in the event of their non-fulfilment by the contractual partners would not exceed this amount. All the counterparties are subject to a credit rating or, alternatively, a corresponding internal credit assessment determined according to clear specifications. No default risks are expected as derivative financial instruments have been concluded with different borrowers of impeccable credit standing.

Nonetheless, the counterparty risk is monitored constantly and managed by means of internal bank limits. 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.

Credit default risks

In order to prevent or reduce bad debt losses, Hapag-Lloyd operates a uniform, centrally controlled receivables management system. Its components include a standardised approval procedure for granting loans, complete with a creditworthiness risk check by Dun & Bradstreet (the world's largest provider of business information and analyses), securing the customer receivables by means of credit insurance, and a centrally managed monthly reporting system for monitoring the outstanding amounts, including their age structure and the guidelines and rules of receivables management.

Risks arising from debt

As at 31 December 2015, the Company's financial debt amounted to EUR 3,907.3 million (previous year: EUR 3,717.1 million). The ability to finance the operating capital, debt servicing and other expenditure depends on the future course of business and the development of income. Due to the existing borrowed capital, a portion of income has to be used to pay interest and service debt. An increase in the total interest-bearing liabilities could possibly make it more difficult for the Company to fulfil the payment obligations for its bonds and loans taken out.

In addition, it may put Hapag-Lloyd at a disadvantage when it comes to raising new funds on favourable terms. Covenant clauses that are customary in the market and are based on IFRS financial statements and individual contractual agreements are in place for existing financing from bonds or loans.

They primarily require the Company to comply with minimum adjusted equity requirements, maintain a minimum liquidity level and comply with loan-to-value clauses. In the course of 2015 and as at 31 December 2015, all of the covenants were complied with. Based on current planning, the Executive Board expects that the covenants will also be adhered to during the next period.

Risks arising from the impairment of goodwill and other intangible assets

As at 31 December 2015, the goodwill recognised in the consolidated statement of financial position of the Hapag-Lloyd Group amounted to EUR 1,610.8 million (previous year: EUR 1,372.7 million). Other intangible assets totalled EUR 1,376.3 million at the balance sheet date of 31 December 2015 (previous year: EUR 1,309.7 million). Together, this corresponds to 27.0% (previous year: 26.6%) of the balance sheet total. Goodwill must be tested for impairment at least once a year under IFRS regulations. This test is based to a significant degree on the Hapag-Lloyd Group's ability to generate future earnings and cash flows. The impairment test conducted last year did not identify any need for an impairment charge. The earnings position of Hapag-Lloyd and the CSAV container shipping activities has been characterised by some significant losses in recent years. If a loss-making situation reoccurs in the future or if factors arise which impact on the Hapag-Lloyd Group's ability to generate future cash flows, this could lead to an impairment charge for goodwill or for other non-current assets and therefore have a significant negative effect on Hapag-Lloyd's net asset, financial and earnings position.

Risks arising from a low equity base of the Hapag-Lloyd AG

As at 31 December 2015, Hapag-Lloyd AG's equity in the individual financial statements prepared under German commercial law totalled EUR 1,345.3 million (previous year: EUR 1,716.4 million) and was therefore significantly lower than the Group's equity. The equity ratio under German commercial law had fallen to 20.4% as at 31 December 2015 (previous year: 27.3%). If a loss-making situation occurs, this could have an adverse effect on Hapag-Lloyd AG's equity base under German commercial law and its ability to pay dividends.

Risks from a downgrading of the rating

The bonds issued are assessed by the rating agencies Moody's and Standard & Poor's. In principle, the Company intends its future bond issues to be rated in the same way. The credit rating given by the rating agencies influences the Group's ability to take on additional financial debt. Any downgrading of the Hapag-Lloyd Group's rating or that of the bonds it issues could result in less favourable conditions for raising new funds and could adversely affect the price and the fungibility of the securities it has already issued.

In its rating updates on 29 September 2015, the international rating agency Standard & Poor's reaffirmed its issuer rating of B+ with a stable outlook for Hapag-Lloyd AG. Also on 29 September 2015, the rating agency Moody's issued an unchanged company rating of B2, although it raised the outlook from stable to positive. In 2015, both rating agencies took the view that the acquisition of CSAV's container shipping activities boosted Hapag-Lloyd's credit standing with regard to its competitiveness and the opportunity to achieve additional cost savings. However, if there is a sustained deterioration in the Hapag-Lloyd Group's earnings position, the rating agencies could downgrade Hapag-Lloyd's creditworthiness.

SUMMARISED OVERVIEW OF CORPORATE RISKS

The key risks relate to a possible decline in transport volume, a noticeably negative trend in average freight rates, a potentially sharp rise in average bunker prices above the average seen in 2015, a sustained depreciation of the US dollar against the euro, and liquidity developments that were much poorer than expected. The probability of the potential risks occurring and their potential impact on corporate development were classified on the basis of the system for assessing the Group's risk situation in internal Group risk management reports (based on internal sensitivity analyses and models). The operating risk situation was also compared and contrasted with that of the previous year. The details relating to possible effects on the operating result and net result of the Group after taxes are netted, i.e. after the effects of risk mitigation measures have been accounted for. The probability of possible risks occurring is based on the last budget approved by the Supervisory Board, supplemented by current market expectations and information for the 2016 financial year, and is classified as follows:

Low:	The probability of occurrence is 25% or less
Medium:	The probability of occurrence is more than 25% and up to 50%
High:	The probability of occurrence is more than 50%

After taking countermeasures into consideration, the possible effects on earnings before interest and taxes (EBIT) in the financial year are classified as follows:

Low:	In the event of occurrence, the negative impact on earnings before interest and taxes (EBIT) will be USD 25 million or less
Medium:	In the event of occurrence, the negative impact on earnings before interest and taxes (EBIT) will be more than USD 25 million and up to USD 100 million
High:	In the event of occurrence, the negative impact on earnings before interest and taxes (EBIT) will be more than USD 100 million

The assessment of the risk situation compared to the previous year results from the change in the probability of occurrence:

Lower: The probability of occurrence has considerably decreased
Equal: The probability of occurrence is unchanged
Higher: The probability of occurrence has considerably increased

Key risks

Risk	Probability of occurrence	Potential impact	Probability of occurrence in 2016 in comparison to the prior year
Decline in transport volume	Medium	Medium	Equal
Decline in average freight rate	High	High	Equal
Decline in USD vs. EUR	Medium	Medium	Equal
Increase in bunker prices	Low	High	Equal
Liquidity*	Low	High	Equal
Lower earnings contribution of efficiency projects	Low	High	n. a.

* The assessment relates to the impact on the covenants to be complied with and on the liquidity situation.

OPPORTUNITIES

Opportunities management – strategic focus on opportunities

At Hapag-Lloyd, recognising and exploiting opportunities are core elements of strategic management. Fundamentally, opportunities are identified by systematically observing and analysing developments on the markets relevant to the Company and general and sector-specific trends from which opportunities can be derived and assessed. This analysis and assessment forms the basis for the initiation of measures which are geared towards long-term profitable growth and are designed to contribute to a lasting increase in the Company's value. As one of the world's leading container liner shipping companies, Hapag-Lloyd is subject to a wide range of developments on the domestic and international markets. The general conditions described in this report and the information regarding market, competition and business developments reveal a diversity of potential opportunities.

By utilising and enhancing its own strengths and competitive advantages, Hapag-Lloyd strives to exploit any potential opportunities that arise to the greatest possible extent. The continuous identification of potential opportunities is an integral part of the strategy described in the chapter "Group objectives and strategy". Significant potential opportunities arise from the following developments:

STRATEGIC AND OPERATIONAL OPPORTUNITIES

Macroeconomic opportunities

Container shipping is heavily dependent on the general prevailing conditions in the world's economies. Fluctuations in the economic climate have an above-average effect on this industry. The development of freight rates, which have a significant influence on Hapag-Lloyd's financial and earnings position, is particularly dependent on the transport volume on routes and therefore on economic developments. According to IMF estimates, in 2016, the world trading volume may grow at a much faster pace of 3.4% than in 2015 (+2.6%). IHS Global Insight believes that the volume of global container shipments will rise by 3.5% in 2016 and therefore at a much faster rate than in 2015 (+1.0%). Furthermore, all trades can expect to see an increase in transport volumes again in 2016. If the economic recovery and, by extension, the demand for container shipping services progresses at a faster rate than forecast in the current year, this would present an opportunity to achieve additional volume growth.

Opportunities arising from changes in trade flows

The increasing industrialisation of the emerging economic regions in Latin America, Asia and Africa, and the rising consumption-related demand in these countries may result in more goods being exchanged between these countries and with industrialised nations. This could offer additional opportunities for growth in container shipping in 2016, particularly if the emerging markets are able to overcome their current weak growth in the course of 2016. Hapag-Lloyd is endeavouring to make the most of these opportunities with a suitable service network.

Opportunities arising from developments in ship and container capacities

Fluctuations in the supply of and demand for shipping services on the market can result in both opportunities and risks. For a description of the risks, see the subchapter "Risks". Opportunities result from the realisation of cost advantages and/or an increase in freight rates, both of which are described in the following examples:

- If the cost of ship newbuilds falls, the long lead time between ordering and keel laying provides the opportunity to realise cost advantages by retroactively increasing the order volume or by transforming and supplementing the order.
- If there is a large inventory of chartered ships, there may be cost advantages lasting several months if ships are chartered at favourable rates and the freight rates increase as a result of higher demand.
- Hapag-Lloyd is working continuously on the further development of IT-based forecast models in order to minimise empty legs and reduce the costs incurred because of them. This results in revenue advantages if efforts to reduce the empty leg ratio to below the market average prove to be successful.

Opportunities arising from membership of the Grand Alliance and the G6 Alliance

Hapag-Lloyd's membership of the Grand Alliance and the G6 Alliance puts it in a position to offer its own customers a more comprehensive network of liner services on important trades with regular departure times, which would not be possible with its own fleet. This means the Company is better able to capitalise on opportunities arising from developments in transport volumes and ship capacities.

Hapag-Lloyd established the G6 Alliance with five of the world's leading liner shipping companies from the Grand Alliance and the New World Alliance to serve the Far East–Europe trade. Since March 2012, this alliance has been operating multiple services between Asia and Europe and between Asia and the Mediterranean. The G6 Alliance partners extended their joint range of services to include the Transpacific–US Eastern Seaboard trade from May 2013 and extended them again to include the Transpacific–US Western Seaboard and North Atlantic trades from the second quarter of 2014. A possible expansion of the services offered by the G6 Alliance, e.g. into hinterland transport, could provide additional growth opportunities.

Opportunities arising from local market leadership

With its acquisition of CSAV's container shipping activities, Hapag-Lloyd has enhanced its market position in particular in the North and South America trades, and also its strong market position in the Transatlantic trade. This gives the Company the opportunity to increase its share of container shipments in these trades.

Opportunities arising from synergies and improvements to operating efficiency

The acquisition of CSAV's container shipping activities will make it possible to harness a wide range of synergies. These relate primarily to ship system costs, service procurement, the optimisation of services and personnel. Harnessing these synergies will enable Hapag-Lloyd to significantly improve its cost position. Annual synergies of USD 300 million are forecast from 2019 onwards, as per the original planning. The integration of CSAV's container shipping activities was largely completed by the end of the first half of 2015, which was earlier than planned and with lower than expected costs. As a result, the annual synergy potential targeted as part of the integration increased significantly to around USD 400 million. These synergies are expected to be fully realised from 2017 onwards.

In 2014, Hapag-Lloyd initiated an extensive range of projects with a view to increasing operating efficiency. These projects already contributed to a significant improvement in operating efficiency in 2015. Additional projects have also been launched. These aim to further strengthen operating efficiency and profitability in 2016 and subsequent years. If implemented successfully, these projects may result in the more efficient use of operating resources in 2016 and beyond, leading to improvements in efficiency and, potentially, to lower operating costs. If the efficiency improvements are greater than expected, this would have a substantial positive impact on the development and level of earnings.

Opportunities arising from industry consolidation

The merger of Hapag-Lloyd and the container shipping activities of the Chilean shipping company Compañía Sud Americana de Vapores (CSAV) was completed on 2 December 2014. In December 2015, the French shipping company CMA CGM announced a takeover bid for the shipping company Neptune Orient Lines (NOL), Singapore. The Chinese State Council also approved the merger of the two state shipping companies China Ocean Shipping Company (COSCO) and China Shipping Company Co. If Hapag-Lloyd were to take an active role in another process of consolidation, this could result in a stronger competitive position with a larger alliance of companies. This could then translate into additional revenue and earnings for the Company.

Opportunities arising from the trend towards sustainability and energy efficiency
Hapag-Lloyd sees the trend towards sustainability – in particular environmental protection and energy efficiency – as an opportunity. This trend provides Hapag-Lloyd with an opportunity to achieve cost advantages and cut carbon emissions by means of measures to reduce fuel consumption and optimise ship operations. In connection with this, please refer to the explanations in the chapter “Sustainability and quality management”.

With the launching of the “Hamburg Express” class vessels and seven ships with a transport capacity of 9,300 TEU each, the fuel efficiency of shipments as measured in terms of bunker consumption per slot improved further in 2015. A further reduction in bunker consumption per shipped container by using more efficient ships may lead to a decline in consumption-related costs. From the fourth quarter of 2016, Hapag-Lloyd will launch five new ships with a transport capacity of 10,500 TEU each.

FINANCIAL OPPORTUNITIES

Opportunities arising from improvements to financing possibilities in the shipping industry
A number of major banks continue to remain cautious with regard to providing ship loans. Although Hapag-Lloyd was able to successfully secure key financing in 2015, a less restrictive lending policy would give the Company additional options in raising financing for possible growth-related investments.

Opportunities arising from an improvement in the company rating
The rating agency Standard & Poor’s issued Hapag-Lloyd with an unchanged rating on 29 September 2015 of B+ with a stable outlook. The rating agency Moody’s raised its outlook on 29 September 2015 from stable to positive and reaffirmed its company rating of B2. If there is a further significant improvement in Hapag-Lloyd’s earnings position, the rating agencies could upgrade its company rating. An improved company rating could result in lower finance costs.

Opportunities arising from improved access to the capital market
The shares of Hapag-Lloyd AG have been listed on the Prime Standard segment of the Frankfurt Stock Exchange since 6 November 2015. Following its successful IPO, Hapag-Lloyd has strengthened its equity base and improved its access to the capital market. As a listed company, there will be a wider range of financing options available to Hapag-Lloyd if it needs to obtain financing in the future.

SUMMARISED OVERVIEW OF CORPORATE OPPORTUNITIES

In the opinion of Hapag-Lloyd's Executive Board, the key opportunities relate to a much more positive impact on earnings than anticipated from the synergy and efficiency improvements as a result of the CUATRO, OCTAVE, OCTAVE II, Compete to Win and Close the Cost Gap projects, a much sharper than expected increase in transport volume, a noticeably positive trend in average freight rates, a further appreciation of the US dollar against the euro, a possible continuation of the fall in bunker prices and a better than expected development in liquidity.

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

Key opportunities

Opportunities	Probability of occurrence	Potential impact	Probability of occurrence in 2016 in comparison to the prior year
Increase in transport volume	Low	Medium	Lower
Increase in average freight rate	Low	High	Equal
Increase in the USD vs. the EUR	Medium	Medium	Equal
Decrease in the bunker prices	High	High	Equal
Higher earnings contribution of the efficiency projects	High	High	n. a.

OVERALL ASSESSMENT OF RISKS AND OPPORTUNITIES

The assessment of Hapag-Lloyd's overall risk situation is the result of an examination of all of the Group's significant individual risks as they affect the Group as a whole. After the balance sheet date of 31 December 2015, there are currently no indications of any risks, either alone or in combination with other risks, that endanger the continued existence of Hapag-Lloyd as a going concern. The solid balance sheet and the more than sufficient liquidity situation provide a stable foundation for Hapag-Lloyd's expected organic growth. In light of the continuing macroeconomic and geopolitical uncertainties in 2016, the assessment of the overall risk situation remains unchanged from 2015.

The main risks facing Hapag-Lloyd in 2016 will again be the ongoing pressure on freight rates caused by strong competition and, in turn, the major impact this may have on the earnings position. The outlook for global economic growth in 2016 is expected to brighten somewhat, as should the outlook for global trade as the main driver behind any growth in demand for container shipping services.

TAKEOVER-RELEVANT INFORMATION AND EXPLANATION

REPORT PURSUANT TO SECTION 315 (4) AND SECTION 289 (4) OF THE GERMAN COMMERCIAL CODE (HGB)

1. Composition of the share capital

The share capital of the Company amounts to € 118,110,917 as of the end of the reporting period. It is divided into 118,110,917 no-par-value registered shares, each constituting € 1.00 of the authorised capital. All of the shares are ordinary shares; different classes of shares have not been issued, nor are they provided for in the Articles of Association. From the time of issue, each share bears voting rights and dividend entitlement. Each share counts for one vote at the Annual General Meeting (Section 15 (1) of the Articles of Association).

2. Restrictions on voting rights or on the transfer of shares

On 16 April 2014, CSAV Germany Container Holding GmbH, Hamburg ("**CG Hold Co**"), HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg ("**HGV**") and Kühne Maritime GmbH, Hamburg ("**Kühne**") (CG Hold Co., HGV and Kühne also referred to collectively as "**Anchor Shareholders**") concluded a shareholder agreement which (in the version as modified on 17 November 2014) was subsequently joined by Compañía Sud Americana de Vapores S.A., Santiago, Chile, ("**CSAV**") and Tollo Shipping Co. S.A., Panamá, Panama (the "**Shareholder Agreement**"). Under the Shareholder Agreement, the parties agreed to pool voting rights via a consortium, Hamburg Container Lines Holding GmbH & Co. KG, Hamburg. As part of their obligations under the Shareholder Agreement, CG Hold Co, HGV and Kühne have each undertaken to retain their respective shares for a period of ten years (although HGV may demand the release of 50% of its shares under the Shareholder Agreement after five years), and to pool voting rights relating to all decisions affecting the Company's business. By coordinating their voting rights, the shareholders will be in a position to exercise considerable influence over the annual general meeting, and consequently, on matters decided by the annual general meeting, including the appointment of the Company's Supervisory Board, the distribution of dividends, and planned capital increases.

3. Shareholdings exceeding 10% of voting rights

On the subject of shareholdings exceeding 10% of the voting rights, reference is made to the information contained in the notes (page 79) to the consolidated financial statements.

4. Bearers of shares with privileges

There are no shares with privileges granting control.

5. Type of voting right control for employee shareholdings

The Company is not aware of any employees with shareholdings not directly exercising control of voting rights.

6. Provisions on the appointment and dismissal of members of the Executive Board and on amendments to the Articles of Association

The appointment and dismissal of members of the Executive Board are governed by Sections 84, 85 of the German Stock Corporation Act (Aktiengesetz – AktG), and by Section 31 of the German Co-determination Act (Mitbestimmungsgesetz – MitbestG) in conjunction with Section 7 (1) of the Articles of Association.

Pursuant to Section 179 AktG, the Articles of Association may only be amended by a resolution adopted by the Annual General Meeting. The resolution by the Annual General Meeting requires a majority of at least three quarters of the equity capital represented; Sections 179 ff. AktG apply. Pursuant to Section of the Articles of Association, the Supervisory Board is authorised to make changes to the Articles of Association that affect the wording only. The Supervisory Board is also authorised to modify the wording of the Articles of Association following an increase in authorised capital from “Authorised Capital III”, or after expiry of the authorisation period, so that the wording reflects the size of the capital increase.

7. Authorisations of the Executive Board, in particular relating to issuing or buying back shares

In accordance with Section 5 (3) of the Articles of Association, the Executive Board is authorised, with the consent of the Supervisory Board, to increase the Company’s share capital by up to EUR 14,271,323 wholly or in partial amounts, on one or several occasions, by issuing up to 14,271,323 new registered shares of no par value (“Authorised Capital III”) against cash contributions by 17 September 2020. Shareholders must be granted subscription rights. The new shares may also be purchased by one or more banks on the undertaking that they offer the shares for purchase to shareholders.

The Company may only buy back shares under the conditions codified in Section 71 AktG. The Annual General Meeting has not authorised the Executive Board to acquire the company’s own shares pursuant to Section 71 AktG.

8. Significant agreements concluded by the Company that are contingent upon a change of control following a takeover bid, and the effects resulting from this

The following material agreements have been reached, which take effect upon a change of control in the Company:

a) Under the terms of three bonds issued by the Company with a combined value of EUR 765 million (USD 883 million), the Company is required to offer to buy back the bonds from each of the bond creditors at 101% of face value plus accrued interest if, among other things, a third party other than an Anchor Shareholder, IDUNA Vereinigte Lebensversicherung auf Gegenseitigkeit für Handwerk, Handel und Gewerbe, HSH Nordbank AG, HanseMerkur Krankenversicherung AG, HanseMerkur Lebensversicherung AG, M.M. Warburg & CO Gruppe (GmbH & Co) KGaA (referred to collectively as “**Key Shareholders**”) or TUI AG directly or indirectly acquires more than 50% of the voting rights in the shares of the Company.

b) Under various shipping, container and other bank loans with repayment amounts outstanding and firm loan commitments with a combined nominal value of EUR 3,051 million (USD 3,323 million), the lenders are entitled to terminate in the event of a qualified change in control of the Company. If the amounts outstanding after termination cannot be repaid or refinanced, the creditors can under certain circumstances have recourse against the assets funded by their lending.

c) In the event of a qualified change in control of the Company, the lenders under various syndicated credit lines with a combined nominal value of EUR 475 million (USD 517 million) are entitled to terminate their loan commitments and demand repayment of any funds already drawn down. If the amounts outstanding after termination cannot be repaid or refinanced, the creditors can to a certain extent have recourse against the secured assets.

A "qualified change of control" as mentioned in paragraphs b) and c) is when:

– the combined percentage of the voting rights in the Company held by the Key Shareholders, TUI AG and by other shareholders which have entered into a voting agreement or similar with a Key Shareholder or with TUI AG ("**Other Shareholder(s) with a Voting Agreement**") (i) falls to or below 25% of the total voting rights in the Company, or (ii) falls below the percentage of voting rights held by a third-party shareholder or by persons or groups who are acting in a concert with the said third-party shareholder within the meaning of Section 2 (5) of the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz – WpÜG), or
– the combined share of the voting rights held by the Key Shareholders and TUI AG falls below the percentage held by an Other Shareholder with a Voting Agreement; or
– one of the Anchor Shareholders (including all of that shareholder's related companies) individually holds (directly or indirectly) 50% or more of the voting rights in the Company.

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

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

OUTLOOK

The macroeconomic and sector-specific conditions which are of importance to container shipping are presented and analysed in detail in the “Economic report”. A summary of the most important external influencing factors is given below. In its latest economic outlook (January 2016), the International Monetary Fund (IMF) expects global economic growth to reach 3.4% in the current year. This forecast means that the global economy is set to grow at only a marginally faster rate in 2016 than in the previous year (+3.1%). According to the IMF, the volume of global trade, which is key to the demand for container shipping services, will increase by 3.4% in the current year (2015: +2.6%). This means that global trade will grow at around the same pace as the global economy in 2016. For instance, IHS Global Insight (February 2016) is forecasting that the global container shipping volume will increase by 3.5% to approximately 133 million TEU in 2016 (2015: 1.0%). As such, the forecast rise in worldwide transport volumes in container shipping for 2016 would be in line with the rate of growth for global trade.

Following a rise in transport capacities of approximately 1.7 million TEU to 21.0 million TEU in 2015, MDS Transmodal forecasts an increase in transport capacities of around 1.4 million TEU to approximately 22.4 million TEU for the current year. The further growth in supply capacity will likely make it difficult once again to push through freight rate increases in 2016.

Based on unchanged optimism about the macroeconomic and sector-specific conditions, Hapag-Lloyd expects its transport volume to increase slightly. Assuming that there is a sharp fall in the bunker consumption price in 2016, the average freight rate is forecast to decrease moderately. If synergy effects, additional cost savings, the planned improvement in revenue quality and moderate growth in volumes are achieved, and assuming that the peak season is better in 2016, Hapag-Lloyd expects to record a moderate increase in EBITDA and a clear rise in EBIT compared with the previous year.

The factors influencing Hapag-Lloyd AG’s operating result and that of the Group differ mainly as a result of the accounting principles used (IFRS and HGB) and of the different functional currencies (euro and US dollar). Hapag-Lloyd AG’s earnings position in 2015 was shaped by substantial exchange rate losses and by impairment allowances on investments in and on trade accounts receivable from subsidiaries. As a result of these, Hapag-Lloyd AG’s operating result was negative. Assuming that the USD/EUR exchange rate is largely stable, the planned “moderate increase” in the positive EBITDA at Group level should also lead to a sharp rise in the operating result in the individual financial statements of Hapag-Lloyd AG, as Hapag-Lloyd AG is the largest operating unit in the Hapag-Lloyd Group and makes the biggest contribution to the Group’s operating business.

Key benchmark figures for the 2016 outlook

Global economic growth	+3.4%
Increase in global trade	+3.4%
Increase in global container transport volume (IHS)	+3.5%
Change in transport volume, Hapag-Lloyd	Slightly increasing
Change in average bunker consumption price, Hapag Lloyd	Clearly decreasing
Change in average freight rate, Hapag Lloyd	Decreasing moderately
EBITDA (earnings before interest, taxes, depreciation and amortisation)	Increasing moderately
EBIT (earnings before interest and taxes)	Clearly increasing

The revenue and earnings forecast is based on the assumption of unchanged exchange rates.

In particular in the first half of 2015, Hapag-Lloyd's earnings development was determined by the positive development of key external factors, primarily the sharp fall in bunker prices, the significant increase in the US dollar against the euro, relatively stable freight rate developments and the achievement of initial synergy effects and cost savings. Given that the third quarter – the peak season – has a major impact on the earnings position, Hapag-Lloyd expects the focus of its earnings development in 2016 to be on the realisation of earnings in the second half of 2016.

Hapag-Lloyd has entered into long-term loan agreements to secure financing for all of the ship newbuilds ordered as at the balance sheet date of 31 December 2015. The launching of five 10,500-TEU vessels, which are set to be put into service by summer 2017, as well as further investments in containers, may lead to a moderate rise in net debt. Overall, Hapag-Lloyd expects its liquidity reserve to remain adequate for the 2016 financial year and for it to have balanced maturity dates.

Risks that may have an impact on the forecast for business development are described in detail in the risk report. Significant risks for the Group's revenue and earnings development include a further slowdown in global economic and trade volume growth, a significant and lasting rise in bunker prices extending beyond the average level seen in 2015, a sharp increase in the euro against the US dollar, and a sustained and considerable reduction in freight rates. The occurrence of one or more of these risks could have a significant negative impact on the industry in 2016 and, by extension, on the business development of Hapag-Lloyd in the current financial year. Additional risks could result from the consolidation of the industry and possible changes in the composition of global alliances.

Hamburg, 2 March 2016

Hapag-Lloyd AG
The Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

FINANCIAL STATEMENTS

BALANCE SHEET AS AT 31 DECEMBER 2015

Assets

EUR	Notes	31.12.2015	31.12.2014
A. Fixed assets	(1)		
I. Intangible assets		493,822,007.03	7,950,384.42
II. Property, plant and equipment		3,825,612,267.17	3,465,718,625.77
III. Financial assets	(2)	909,993,132.84	1,456,261,910.62
		5,229,427,407.04	**4,929,930,920.81**
B. Current assets			
I. Inventories	(3)		
1. Raw materials and supplies		77,680,986.53	97,809,313.80
2. Unfinished voyages		185,337,006.98	130,033,370.94
3. Prepayments received		1,945,884.19	3,104,444.88
4. Payments received on account of orders		–19,197,325.77	–16,303,879.79
		245,766,551.93	**214,643,249.83**
II. Accounts receivable and other assets	(4)		
1. Trade accounts receivable		170,607,467.92	161,034,197.37
2. Accounts receivables from affiliated companies		424,839,733.91	314,108,049.02
3. Accounts receivable from associated companies		4,134,304.02	3,036,485.85
4. Other assets		84,724,791.70	81,560,003.38
		684,306,297.55	**559,738,735.62**
III. Cash in hand, bank balances, and cheques	(5)	426,444,974.59	552,468,362.80
		1,356,517,824.07	**1,326,850,348.25**
C. Prepaid expenses	(6)	**12,556,797.23**	**13,082,101.34**
D. Excess of plan assets over post-employment benefit liability	(7)	**3,518,098.00**	**10,130,106.00**
		6,602,020,126.34	**6,279,993,476.40**

Equity and Liabilities

EUR	Notes	**31.12.2015**	31.12.2014
A. Equity			
I. Subscriped capital	(8)	118,110,917.00	104,882,240.00
II. Capital reserves	(9)	1,118,757,000.24	1,503,138,236.00
III. Retained earnings	(9)	108,403,937.87	108,403,937.87
		1,345,271,855.11	**1,716,424,413.87**
B. Provisions	(11)		
1. Provisions for pensions and similar obligations		125,528,185.00	106,234,986.00
2. Tax provisions		2,930,201.30	760,508.01
3. Other provisions		691,877,048.54	553,277,866.60
		820,335,434.84	**660,273,360.61**
C. Liabilities	(12)		
1. Bonds		785,536,635.34	875,804,780.84
2. Liabilities to banks		2,024,440,955.63	1,744,989,565.86
3. Trade accounts payable		293,653,970.26	302,316,644.96
4. Liabilities to affiliated companies		956,881,169.37	575,413,137.98
5. Liabilities to associated companies		5,718,709.12	4,744,237.09
6. Other liabilities (thereof for taxes EUR 2,626,044.67; prior year: EUR 2,539,877.50) (thereof for social security EUR 1,252,731.21; prior year: EUR 1,008,615.32)		358,469,378.38	384,559,292.75
		4,424,700,818.10	**3,887,827,659.48**
D. Deferred income	(13)	**11,712,018.29**	**15,468,042.44**
		6,602,020,126.34	**6,279,993,476.40**

INCOME STATEMENT

for the period 1 January to 31 December 2015

EUR			**1.1.–31.12.2015**	1.1.–31.12.2014
1.	Revenue	(16)	7,900,485,066.47	6,558,914,310.82
2.	Increase/decrease in capitalised expenses for unfinished voyages		55,303,636.04	–21,400,074.42
3.	Other operating income	(17)	1,056,257,205.08	475,772,692.10
			9,012,045,907.59	**7,013,286,928.50**
4.	Transport expenses	(18)	6,887,681,225.25	5,913,870,281.67
5.	Personnel expenses	(19)	235,834,394.08	178,786,512.73
6a.	Amortisation of intangible fixed assets and depreciation of property, plant and equipment	(20)	258,170,246.09	339,916,169.23
6b.	Write-downs of current assets in excess of normal depreciation and amortisation		156,732,764.16	0.00
7.	Other operating expenses	(21)	1,814,011,755.19	1,185,359,590.40
			9,352,430,384.77	**7,617,932,554.03**
8.	**Operating result**		**–340,384,477.18**	**–604,645,625.53**
9.	Income from profit transfer		1,687,983.35	1,633,485.60
10.	Income from investments		52,053,547.97	43,119,348.73
11.	Income from loans within financial assets		60,772.60	52,368.12
12.	Other interest and similar income		15,225,509.55	15,198,039.96
13.	Amortisation of financial assets		182,519,017.52	0.00
14.	Expenses from transfer of losses		22,090,186.65	183,392.52
15.	Interest and similar expenses		197,679,812.39	197,494,347.22
16.	**Financial result**	(23)	**–333,261,203.09**	**–137,674,497.33**
17.	**Result of ordinary business activities**		**–673,645,680.27**	**–742,320,122.86**
18.	Extraordinary income		56,073,386.73	0.00
19.	Extraordinary expenses		748,512.51	88,231,416.70
20.	**Extraordinary result**	(24)	**55,324,874.22**	**–88,231,416.70**
21.	Taxes on income	(25)	4,589,932.53	1,352,105.83
22.	Other taxes		12,815,360.18	13,290,144.89
23.	**Net loss for the year**		**–635,726,098.76**	**–845,193,790.28**
24.	Retained earnings brought forward		108,403,937.87	108,403,937.87
25.	Withdrawals from capital reserves		635,726,098.76	845,193,790.28
26.	**Retained earnings brought forward**	(31)	**108,403,937.87**	**108,403,937.87**

NOTES TO THE FINANCIAL STATEMENTS

GENERAL NOTES

The annual financial statements of Hapag-Lloyd AG were prepared in accordance with the German Commercial Code (HGB) and in accordance with the supplementary provisions of the German Stock Corporation Act (AktG). They are published in the online version of the German Federal Gazette. The financial year corresponds to the calendar year.

The annual financial statements, comprising the statement of financial position, the income statement and the Notes, are prepared in euros (EUR); the amounts are quoted in million euros (million EUR).

The income statement is prepared using the total cost method. For clarity of presentation, individual items have been summarised in the statement of financial position and the income statement and are listed separately and explained in the Notes.

Hapag-Lloyd AG held all the shares in CSAV Germany Container GmbH (CC Co) on 31 December 2014. This company, which was the former controlling company of the container shipping activities acquired from Compañía Sud Americana de Vapores S.A. (CSAV) in 2014, was incorporated into Hapag-Lloyd AG in the second quarter of 2015 with retrospective effect as of 1 January 2015 by means of an upstream merger.

In acquiring CC Co and therefore CSAV's container shipping activities in 2014, the Company also acquired indirect subsidiaries that operate their container shipping business autonomously. The operating activities of a key subsidiary were acquired by Hapag-Lloyd AG. The acquisition of the operating business generated goodwill in the amount of EUR 338.5 million.

In total, the merger and the acquisition of the operating business generated goodwill in the amount of EUR 503.1 million. The income statement and the statement of financial position are only comparable to those of the previous year to a limited extent due to the CC Co merger and the subsequent integration of the operating activities.

ACCOUNTING AND MEASUREMENT PRINCIPLES

The previous year's accounting and measurement principles and structure remained unchanged in the year under review.

Currency translation

In accordance with Section 256a of the German Commercial Code (HGB), currency receivables/liabilities, cash and cash equivalents, and provisions are carried at the mean spot exchange rate on the reporting date. Observance of the lowest/highest value principle for long-term other currency receivables/liabilities is guaranteed by comparing the acquisition and measurement exchange rates. The costs of acquisition of fixed assets purchased in foreign currency – primarily vessels and containers invoiced in US dollars – are calculated by converting them with the currency exchange rates valid at the time of their acquisition.

Fixed assets

Intangible assets

Intangible assets acquired in return for payment are recorded at cost, are written off on a straight-line basis over the course of their expected useful lives and are recognised as a disposal in the year in which they are written off in full. Trademark rights are not subject to amortisation due to the likelihood of an indefinite useful life. Internally generated intangible assets are not carried as assets.

In view of the durability of the customer portfolio and the anticipated synergy potential as a key driver of the value of goodwill and of earnings potential, goodwill is written off on a straight-line basis over a useful life of 20 years.

Property, plant and equipment

Property, plant and equipment are carried at acquisition or production cost less depreciation and, if applicable, impairment charges. Depreciation is recognised on a straight-line basis over the estimated useful operating life of an asset up to the anticipated residual/scrap value. Depreciation on additions to property, plant and equipment are recorded on a pro rata basis. Estimation of the residual value is based on the current realisable value for a comparable asset which has already reached the end of its useful life and which was used under similar circumstances. Ships are depreciated over a useful economic life of 25 years, taking their scrap values into account. Containers are depreciated to a residual value of 10% or 20% of their cost of acquisition depending on the container type over a useful economic life of 13 years. Impairment losses are recognised if probable ongoing impairment exists. Impairment losses are reversed up to the amount of the amortised cost if the reasons for ongoing impairment no longer apply.

Provided that Hapag-Lloyd AG as the lessee bears all the substantial risks and rewards associated with the lease, leased assets are included in the statement of financial position upon acquisition at the net present value of the minimum lease payments. They are subject to straight-line depreciation throughout the term of the lease or the longer useful life of the asset, provided that it is sufficiently certain at the beginning of the lease that legal ownership of the asset will be transferred to the Company once the contractual term expires.

Low-value assets with an acquisition or production cost of greater than EUR 150 and up to EUR 1,000 are recorded as a collective item for the financial year in accordance with Section 6 (2a) of the German Income Tax Act (EStG), this item being depreciated by 20% each financial year.

Financial assets

Shares in affiliated companies and holdings are carried at the lower of their cost or fair value. Impairment to a lower value is performed on the balance sheet date if the impairment is likely to be ongoing. Impairment losses are reversed up to the amount of the cost of acquisition if the reasons for ongoing impairment no longer apply.

Loans are carried at their nominal value. Appropriate specific valuation allowances are accrued to cover items subject to risk.

Current assets

Raw materials and supplies are carried at acquisition or production cost or at fair value, whichever is lower. Fuel inventories are measured on the basis of a moving-average price. A write-down on fuel inventories is recorded at the balance sheet date if the market price is below the carrying amount. Unfinished voyages are measured on the basis of the direct costs plus the minimum overhead costs required pursuant to commercial law; interest on borrowing costs is not included. Corrections are made to the capitalised expenses of loss-making unfinished voyages to adjust them for the anticipated losses. Prepayments received are offset against the inventories.

Accounts receivable, other assets and cash and cash equivalents are carried at their nominal value. Identifiable individual risks from receivables are taken into account by means of specific valuation allowances. The general credit risk is taken into account by means of a general allowance on the existing accounts receivable.

Derivative financial instruments are valued at the lower of their cost or their market value at the balance sheet date. The market values of currency and bunker options are calculated using the Black & Scholes model or the modified Turnbull & Wakeman model and are based on the current exchange rates, commodity prices, currency and commodity price volatility, yield curves and forward prices. Currency forward contracts are measured on the basis of their market-traded forward prices as at the reporting date.

Structured financial instruments are analysed to determine the existence of embedded derivatives. Embedded derivatives are recognised separately from their underlying contracts as independent assets and liabilities in accordance with the relevant commercial law requirements, if, based on economic criteria, instruments demonstrate significantly higher or additional risks or opportunities compared to the host instrument, and these characteristics are due to the presence of embedded derivatives. On initial recognition, the cost of a structured financial instrument is recognised in proportion to the fair value of its separate components. The market value of the embedded derivatives is calculated using the Hull-White model together with a trinomial decision tree based on current market values.

Cash in hand, bank balances, accounts receivable and other assets denominated in foreign currencies and with a maturity of up to one year are translated on the basis of the mean spot exchange rate on the balance sheet date.

Prepaid expenses

Expenses prior to the balance sheet date are recognised as prepaid expenses insofar as they constitute expenses for a specific period subsequent to this date.

Provisions

Provisions for pensions are determined in accordance with actuarial principles on the basis of the projected unit credit method, drawing on the 2005 G mortality tables devised by Prof. Klaus Heubeck. Discounting is based on the average market interest rate over the past seven years as published by the Bundesbank, with the assumption of a remaining term of 15 years. For measurement as at 31 December 2015, the interest rate based on the interest rate information published on 31 October 2015 is used as the basis of a forecast for 31 December 2015. This is 3.88% p.a. (previous year: 4.54% p.a.). The measurement is also based on the following assumptions: a salary trend of 2.5% p.a. (previous year: 2.5% p.a.), a pension trend of 5.5% every three years (previous year: 5.5% every three years), a fluctuation rate of 1.0% p.a. (previous year: 1.0% p.a.). Deviating from these figures, the provisions relating to the branch in the Netherlands are calculated using a pension trend of 2.0% p.a. (previous year: 2.0% p.a.) and a fluctuation rate of between 0% and 10% p.a. depending on the age of the employees (previous year: between 0% and 10% p.a.).

Reinsurance agreements exist in relation to some of the pension provisions, these being pledged to the retirees. Accordingly, the provisions and the equivalent amount of the reinsurance are recognised net in accordance with Section 246 (2) of the German Commercial Code (HGB). In addition, there are special-purpose funds in place for another portion of the pension provisions and for obligations relating to employees' pre-retirement part-time employment agreements. These are not available to other creditors. Plan assets are measured at their fair value and are offset against the underlying provisions. In the event of excess obligations, these are recognised under provisions. If the value of the securities exceeds the obligations, they are recognised on the assets side of the statement of financial position as excess of plan assets over post-employment benefit liability. Insofar as the fair value measurement of plan assets is above the historic cost of acquisition, the income generated by these assets is subject to the distribution restriction pursuant to Section 268 (8) (3) of the German Commercial Code (HGB).

Tax provisions and other provisions are calculated using the settlement amount estimated on the basis of prudent business judgement. All the identifiable risks are taken into account appropriately in the measurement of these provisions. Provisions with a remaining term of more than one year are discounted using discount rates for similar maturities published by the Deutsche Bundesbank. The discount rates used to discount the provisions in 2015 ranged between 2.16% and 3.09%, depending on their remaining terms.

Liabilities
Liabilities are recognised at their settlement amount. In the event that the settlement amount of a liability is greater than the issue price, the difference is recognised as a prepaid expense in the income statement on a pro rata basis over the term of the liability. In the event that the settlement amount of a liability is less than the issue price, the difference is recognised as deferred income in the income statement on a pro rata basis over the term of the liability.

In the event that a leased asset is capitalised, a lease obligation is recognised at the same time, with an initial carrying amount equivalent to that of the leased asset recognised. Each leasing rate is divided into an interest portion and a repayment element. The interest portion is recognised as an expense in the income statement; the repayment element reduces the lease obligation recognised.

Deferred income
Income prior to the balance sheet date is recognised as deferred income insofar as it constitutes income for a specific period subsequent to this date.

Deferred taxes
Deferred taxes resulting from temporary differences between the carrying amounts of assets, liabilities and prepaid expenses according to commercial law and tax law are determined using the balance sheet concept. Tax loss carry-forwards are taken into account in addition to the temporary differences. Deferred taxes are calculated on the basis of Hapag-Lloyd AG's combined income tax rate, which is currently at 19.1% (previous year: 19.1%), insofar as these relate to income from international commercial shipping operations. The combined income tax rate comprises corporate income tax, trade tax and the solidarity surcharge.
A resulting tax burden is carried as a deferred tax liability in the statement of financial position. As in the previous year, Hapag-Lloyd AG did not avail itself of the option of recognising deferred tax assets due to tax relief generated pursuant to Section 274 (1) (2) of the German Commercial Code (HGB). Overall in the 2015 financial year, there was an (unrecognised) deferred tax asset resulting from tax loss carry-forwards.

NOTES ON THE STATEMENT OF FINANCIAL POSITION – ASSETS

(1) Fixed assets

The asset items summarised in the statement of financial position and their development in the 2015 financial year can be found in the statement of fixed assets under Annexe I to the Notes.

The increase in intangible assets was primarily the result of the various acquisitions in the course of the merger of CC Co with Hapag-Lloyd AG and the acquisition of the operating activities of Norasia Container Lines Ltd. (Norasia), Valetta, Malta.

In the course of the retroactive merger of CC Co with Hapag-Lloyd AG, the assets and liabilities acquired were measured at the carrying amount of shares in CC Co being subsumed, in accordance with the cost of acquisition principle pursuant to Sections 253 (1) and 255 (1) of the German Commercial Code (HGB).

On calculating the fair values, changes were only made in relation to investments. The higher of the capitalised earnings value and the net asset value was used as the fair value in each case. The difference between the net assets of the Company being subsumed as calculated in this way and the carrying amount of the shares in Hapag-Lloyd AG being subsumed was recognised as goodwill in the amount of EUR 164.6 million pursuant to Section 246 (1) (4) of the German Commercial Code (HGB).

The table below compares the net assets of CC Co and the purchased goodwill with the total costs of acquisition.

million EUR	Transfered net assets of CC Co
Fixed assets	**754.0**
Property, plant and equipment	251.5
Financial assets	502.5
Current assets	**590.0**
Prepaid expenses	0.8
Total assets	**1,344.8**
Provisions	0.6
Liabilities	424.8
Total liabilities	**425.4**
Fair value of net assets	**919.4**
Goodwill	**164.6**
Total costs of acquisition	**1,084.0**

The additions were presented in the statement of fixed assets as additions resulting from the merger.

As part of the transfer of CSAV's container shipping activities to Hapag-Lloyd AG, Norasia's container shipping activities were acquired and transferred to Hapag-Lloyd AG in the second and third quarters of 2015, with the result that, as and from this point, the legal transactions of these companies are also conducted on behalf and on account of Hapag-Lloyd AG. The acquisition of the operating business generated goodwill in the amount of EUR 338.5 million.

In total, and due to the merger and acquisition of Norasia's business, goodwill amounted to EUR 503.1 million, which was reduced by amortisation in the amount of EUR 16.7 million in the last financial year.

(2) Financial assets

Hapag-Lloyd AG's main indirect and direct holdings are outlined in the list of holdings in Annexe II to the Notes.

(3) Inventories

million EUR	**31.12.2015**	31.12.2014
Raw materials and supplies	77.7	97.8
Unfinished voyages	185.3	130.0
Prepayments received	1.9	3.1
Payments received on account of orders	–19.2	–16.3
Total	**245.7**	**214.6**

(4) Accounts receivable and other assets

Accounts receivable from affiliated companies primarily comprise accounts receivable transferred to Hapag-Lloyd AG as the universal legal successor to CC Co as a result of the merger. These are in particular the accounts receivable from CSAV Austral SpA, Valparaíso, and from Rahue Investment Co. S.A. (Rahue), Panama City, Panama, which totalled EUR 179.0 million and EUR 66.0 million respectively on 31 December 2015. There is also a shareholder loan to Hapag-Lloyd Special Finance Limited in Dublin, Ireland, in the amount of EUR 123.0 million (previous year: EUR 107.7 million) relating to the existing asset securitisation.

million EUR	**31.12.2015**	thereof remaining duration > year	31.12.2014
Trade receivables	170.6	0.0	161.0
Accounts receivable from affiliated companies	424.8	0.0	314.1
Accounts receivable from associated companies	4.1	0.0	3.0
Other assets	84.8	10.7	81.6
Total	**684.3**	**10.7**	**559.7**

Among other things, **other assets** include derivative financial instruments, in particular for paid option premiums for the hedging of foreign currency and fuel risks. In addition, the derivative financial instruments include embedded derivatives in the form of buy-back options for the bonds issued. These are accounted for separately to the underlying host instruments. The carrying amount of the embedded derivatives came to EUR 10.7 million as at 31 December 2015.

The following derivative financial instruments with a positive fair value existed at the balance sheet date:

Derivatives million EUR	Nominal value as per 31.12.2015	**Fair value as per 31.12.2015**	Carrying amount as per 31.12.2015
Currency call-options	100.0	0.0	0.0
Commodity options	211.6	0.7	0.7
Embedded derivatives	0.0	10.7	10.7

The embedded derivatives in the amount of EUR 10.7 million (previous year: EUR 14.0 million) have a term of more than one year.

(5) Securities and cash and cash equivalents

No securities were held at the balance sheet date.

Cash and cash equivalents encompass cash in hand, bank balances and other financial investments that can be converted into defined cash amounts at any time. Utilised overdraft facilities are shown as liabilities to banks under current financial debt.

(6) Prepaid expenses

Prepaid expenses at the balance sheet date included EUR 0.1 million resulting from bond issue differences relating to the USD bond tranche issued in 2010 (previous year: EUR 0.4 million). This item also includes amounts recognised for charters, rental and lease expenses, and insurance premiums for subsequent years.

(7) Excess of plan assets over post-employment benefit liability

An excess of plan assets is recognised from the offsetting of pension provisions against a special-purpose fund for the pension commitments of the branch in the Netherlands and from the netting of the plan assets against the settlement amounts of the pre-retirement part-time employment provisions.

NOTES ON THE STATEMENT OF FINANCIAL POSITION – LIABILITIES

(8) Subscribed capital

Hapag-Lloyd AG has subscribed capital of EUR 118.1 million (previous year: EUR 104.9 million). It is divided into 118.1 million no-par registered shares with equal rights (previous year: 104.9 million); each individual share represents EUR 1.00 of the share capital (previous year: EUR 1.00).

Hapag-Lloyd AG announced its IPO intentions on 28 September 2015. The IPO comprised a total of 13.2 million new no-par registered shares in Hapag-Lloyd AG from the cash capital increase.

At the end of the subscription period, the issue price for the 13.2 million new shares issued was set at EUR 20 per share. The shares were issued primarily to institutional investors from Germany and elsewhere in Europe. On 6 November 2015, the share became listed on the regulated market (Prime Standard) of the Frankfurt and Hamburg Stock Exchanges.

Disclosures pursuant to Section 160 (1) (8) of the German Stock Corporation Act (AktG)

Between the start of the financial year and the time at which the financial statements were completed, we received the following notifications regarding Hapag-Lloyd AG holdings pursuant to Section 21 (1) or (1a) WpHG (Stock Exchange Trading Law):

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

TUI-Hapag Beteiligungs GmbH, Hanover, Germany, notified us on 5 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 12.33% (corresponding to 14,561,811 voting rights). 12.33% (corresponding to 14,561,811 voting rights) are held directly by the Company.

TUI AG in Hanover/Berlin, Germany, notified us on 5 November 2015 pursuant to Section 21 (1a) WpHG that its share of voting rights in Hapag-Lloyd AG, Ballindamm 25, 20095 Hamburg, Germany, as at 4 November 2015 was 12.33% (corresponding to 14,561,811 voting rights). 12.33% of the voting rights (corresponding to 14,561,811 voting rights) are attributable to the Company through TUI-Hapag Beteiligungs GmbH pursuant to Section 22 (1) (1) (1) WpHG, of which 3% or more are assigned.

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

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

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

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

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

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

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

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

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

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

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

Authorised share capital

Under a resolution approved at the Annual General Meeting on 23 September 2015, the information regarding authorised share capital in the Articles of Association was amended. Accordingly, the Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's share capital by up to EUR 12.5 million on one occasion up to 31 December 2017 by issuing new no-par registered shares in exchange for a minimum subscription fee of EUR 1.00 per share, payable in cash (Authorised Share Capital II). In addition, the Executive Board is, subject to the approval of the Supervisory Board, authorised to increase the Company's share capital by up to EUR 15.0 million on one or more occasion up to 17 September 2020 by issuing new no-par registered shares in exchange for a minimum subscription fee of EUR 1.00 per share, payable in cash (Authorised Share Capital III).

Under a resolution adopted by the Executive Board and approved by the Supervisory Board on 3 November 2015, the share capital was increased to EUR 118.1 million in exchange for cash contributions by fully utilising Authorised Share Capital II in the amount of EUR 12.5 million and partially utilising Authorised Share Capital III in the amount of EUR 0.7 million.

This puts the authorised share capital (Authorised Share Capital III) total at EUR 14.3 million.

(9) Capital reserves and retained earnings

The gross proceeds from the placement of the new shares came to EUR 264.5 million. The new shareholders' contributions totalling EUR 251.3 million were allocated to the capital reserves pursuant to Section 272 (2) (1) of the German Commercial Code (HGB). 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 on the basis of German commercial law. Taking into account a withdrawal of EUR 635.7 million from the capital reserves and retained earnings brought forward in the amount of EUR 108.4 million, the annual financial statements of Hapag-Lloyd AG reported retained earnings of EUR 108.4 million.

The net loss for the year of EUR 635.7 million was offset by the withdrawal from the capital reserve in accordance with Section 272 (2) (4) of the German Commercial Code (HGB). As such, capital reserves amounted to EUR 644.0 million in accordance with Section 272 (2) (1) of the German Commercial Code (HGB) and to EUR 474.8 million in accordance with Section 272 (2) (4) of the German Commercial Code (HGB).

Reconciliation of the net loss for the year with the retained earnings can be found in the supplement to the income statement pursuant to Section 158 the German Stock Corporation Act (AktG).

(10) Information regarding non-distributable amounts

The difference between the cost of acquisition and the plan assets of pension and pre-retirement part-time employment provisions as carried at their fair value resulted in a non-distributable amount totalling EUR 3.8 million.

This non-distributable amount is offset by freely available reserves in the amount of EUR 474.8 million. Freely available reserves comprise other revenue reserves and the capital reserves pursuant to Section 272 (2) (4) of the German Commercial Code (HGB). No distribution restriction is therefore imposed on the retained earnings of EUR 108.4 million.

(11) Provisions

Provisions for pensions and similar obligations include pension provisions in the amount of EUR 19.6 million (previous year: EUR 16.9 million) in relation to which the entitlements from reinsurance arrangements with a fair value of EUR 10.8 million (previous year: EUR 10.8 million) are pledged to the retirees. For pledged reinsurance arrangements the amortised costs equate to the fair value. The expenses from the discounting of pension obligations of EUR 0.8 million are offset by income from the valuation of the plan assets of EUR 0.5 million.

The settlement amount for the additional netted **provisions** totalled EUR 35.6 million on 31 December 2015 (previous year: EUR 40.7 million). The historical cost of all offset assets amounted to EUR 34.6 million (previous year: EUR 42.9 million), with their fair value amounting to EUR 39.1 million (previous year: EUR 50.8 million). Expenses relating to the discounting of pension obligations totalling EUR 1.3 million compare with income from the fair value measurement of the plan assets in the amount of EUR 0.8 million.

The expenses resulting from the change in the discount rate were recognised in the operation result (personnel expenses).

Other provisions totalling EUR 691.9 million (previous year: EUR 553.3 million) primarily include provisions for outstanding invoices in the amount of EUR 425.7 million (previous year: EUR 309.6 million), personnel expenses in the amount of EUR 38.1 million (previous year: EUR 20.7 million), maintenance of leased containers in the amount of EUR 69.8 million (previous year: EUR 32.9 million) and uninsured damage to third-party property and cargo totalling EUR 21.0 million (previous year: EUR 12.5 million) and overdue containers amounting to EUR 5.5 million (previous year: EUR 0.0 million). These also include provisions for other risks totalling EUR 131.7 million (previous year: EUR 177.6 million), which include country-specific risks (EUR 42.2 million; previous year: EUR 18.9 million) and obligations under a comfort letter issued for the benefit of a subsidiary for existing pension obligations there (EUR 7.9 million; previous year: EUR 13.5 million).

In addition, the provisions for other risks include restructuring costs totalling EUR 14.8 million. The restructuring provision in the amount of EUR 88.2 million created in the previous year for the integration of CSAV's container shipping activities was partially released in the year under review, as it had been possible to implement certain measures at a lower cost than previously anticipated.

Other provisions included the following contingent losses for derivative financial instruments at the balance sheet date:

Contingent liability from forward exchange contract million EUR	Nominal value as per 31.12.2015	**Fair value as per 31.12.2015**	Carrying amount as per 31.12.2015
Forward exchange contract	664.6	22.3	22.3

The currency forward contracts have a term to maturity of less than one year.

(12) Liabilities

million EUR	**31.12.2015**				31.12.2014			
		thereof with remaining duration				thereof with remaining duration		
	Total	less than 1 year	1–5 years	more than 5 years	Total	less than 1 year	1–5 years	more than 5 years
Financial liabilities								
Bonds	785.6	20.8	764.8	0.0	875.8	20.1	855.7	0.0
Liabilities to banks	2,024.4	495.4	1,019.2	509.8	1,745.0	286.6	906.6	551.8
thereof secured by liens and similar rights	1,918.1	389.1	1,019.2	509.8	1,721.9	271.1	899.0	551.8
	2,810.0	**516.2**	**1,784.0**	**509.8**	**2,620.8**	**306.7**	**1,762.3**	**551.8**
Other liabilities								
Liabilities to affiliated companies	956.9	956.9	0.0	0.0	575.4	575.4	0.0	0.0
Liabilities to associated companies	5.7	5.7	0.0	0.0	4.7	4.7	0.0	0.0
Trade accounts payable	293.7	293.7	0.0	0.0	302.3	302.3	0.0	0.0
Other liabilities	358.5	63.4	210.3	84.8	384.6	73.1	204.2	107.3
thereof for taxes	2.6	2.6	0.0	0.0	2.5	2.5	0.0	0.0
thereof for social security	1.3	1.3	0.0	0.0	1.0	1.0	0.0	0.0
thereof secured by liens and similar rights	345.7	50.6	210.3	84.8	363.5	52.0	204.2	107.3
	1,614.8	**1,319.7**	**210.3**	**84.8**	**1,267.0**	**955.5**	**204.2**	**107.3**
Total	**4,424.8**	**1,835.9**	**1,994.3**	**594.6**	**3,887.8**	**1,262.2**	**1,966.5**	**659.1**

The decline in **bonds** is the result of the early partial repayment in the amount of USD 125 million of a USD bond with an original nominal amount of USD 250 million at the end of December 2015. Hapag-Lloyd exercised its contractually agreed early termination option here. Expenses totalling EUR 3.5 million were incurred in relation to the early partial repayment of the USD bond.

The increase in **liabilities to banks** was first and foremost the result of the loan financing of ships and containers and from loan financing of ships transferred to Hapag-Lloyd AG in the course of the merger in its capacity as the universal legal successor to CC Co and also of the revaluation of the financial liabilities denominated in US dollars at the reporting date.

Liabilities to affiliated companies comprise liabilities to subsidiaries arising from ordinary operating activities and a liability to Hapag-Lloyd Special Finance Limited, Dublin, Ireland, in the amount of EUR 329.1 million (previous year: EUR 315.5 million) in connection with the receivables securitisation programme. There are no liabilities with a remaining term of more than one year.

The year-on-year reduction in **other liabilities** of EUR 26.1 million is primarily a result of the lower level of liabilities relating to finance lease agreements, which fell by EUR 57.3 million to EUR 155.0 million. This was due in particular to the scheduled repayment of finance lease contracts and the turning of such contracts into loans during the course of the year. Offsetting this was an increase in liabilities from loans and other financial debt of EUR 39.3 million.

(13) Deferred income

On the liabilities side, deferred income includes a bond-related difference of EUR 9.9 million (previous year: EUR 14.8 million). This includes EUR 8.4 million attributable to the embedded buy-back options accounted for separately (previous year: EUR 12.7 million). These differences are spread over the entire term of the bonds on a linear basis.

(14) Contingencies

million EUR	**31.12.2015**	31.12.2014
Liabilities from guarantees	607.1	580.8
thereof from affiliated companies	603.7	580.8
Liabilities from warranties	33.7	1.7
thereof from affiliated companies	33.7	1.7
Total	**640.8**	**582.5**

Guarantee liabilities are above all the result of bank loans taken out by subsidiaries of Hapag-Lloyd AG in order to finance ships, for which Hapag-Lloyd AG acts as the guarantor. As the loans are secured by ship mortgages and revenue is secured by means of long-term charter agreements with Hapag-Lloyd AG that cover interest and repayment, the guarantees are not expected to be utilised.

Liabilities relating to warranty agreements primarily comprise Hapag-Lloyd AG's suretyship for the Seaspan Corporation, Trust Company Complex, Ajeltake, Marshall Islands, in the form of a charter obligation for the benefit of Hapag-Lloyd USA LLC in Piscataway, USA, in the amount of EUR 32.9 million (previous year: EUR 72.3 million). A utilisation can be ruled out, as there is a charter relationship between Hapag-Lloyd USA and Hapag-Lloyd AG and the payments to the Seaspan Corporation, Trust Company Complex, Ajeltake, Marshall Islands, are made directly by Hapag-Lloyd AG.

(15) Other financial obligations

million EUR	**31.12.2015**	31.12.2014
Obligations from long-term leases and license agreements (nominal value)		
Less than 1 year	792.8	297.2
thereof from affiliated companies	190.8	11.9
1–5 years	1,313.2	264.3
thereof from affiliated companies	650.0	22.3
More than 5 years	470.3	54.6
thereof from affiliated companies	386.5	16.7
Purchase order commitments	347.2	0.0
Total	**2,923.5**	**616.1**

Other financial obligations include charter and lease obligations for vessels and lease and rental obligations for containers and business premises. Purchase commitments relate to payment obligations to the shipyard for container ships ordered but not yet delivered. The various maturities of the charter and lease obligations and the purchase commitments constitute both advantages and risks for the Company. While there may be advantages in terms of orders placed for newbuilds due to the anticipated increase in container shipping volumes, there are risks relating above all to the tying up of capacities in long-term contracts. Short-term charter agreements offer potential flexibility regarding market fluctuations, but constitute a risk in the event that market charter rates increase.

Purchase commitments for investments in property, plant and equipment totalled EUR 347.2 million as at 31 December 2015. The payment obligations relating to these are due in full in 2016 and 2017.

NOTES TO THE INCOME STATEMENT

(16) Revenue

Net freight revenue is broken down according to the trades. Other revenue includes slot charter revenue and income from demurrage and detention and other services.

Revenue per trade*

million EUR	1.1.–31.12.2015	1.1.–31.12.2014
Atlantic	1,976.9	1,669.8
Transpacific	1,982.9	1,754.9
Latin America	1,616.6	1,095.4
Far East	1,013.2	1,011.6
Intra-Asia	318.8	296.2
EMAO (Europe – Mediterranean – Africa – Oceania)	393.3	384.2
Others	598.8	346.8
Total	**7,900.5**	**6,558.9**

* The trades have been restructured and the assignment of individual services amended as part of the CSAV integration. The prior figures have been amended accordingly

(17) Other operating income

million EUR	1.1.–31.12.2015	1.1.–31.12.2014
Exchange rate gains	714.2	247.7
Income from recharged costs	222.5	167.8
Income from the release of provisions	56.6	25.3
Income from the disposal of fixed assets	18.5	3.2
Other income	44.5	31.8
Total	**1,056.3**	**475.8**

Exchange rate gains include income from currency translation (EUR 677.5 million; previous year: EUR 238.0 million) and from the valuation of derivative financial instruments (EUR 36.7 million; previous year: EUR 9.7 million).

(18) Transport expenses

million EUR	1.1.–31.12.2015	1.1.–31.12.2014
Cost of raw materials and supplies	882.6	1,261.2
Cost of purchased services	6,005.1	4,652.7
Total	**6,887.7**	**5,913.9**

(19) Personnel expenses/employees

million EUR	1.1.–31.12.2015	1.1.–31.12.2014
Wages and salaries	180.0	147.4
Social security, post-employment and other employee benefit costs	55.8	31.4
thereof for pensions	24.9	4.7
Total	**235.8**	**178.8**

The average number of employees developed as follows:

Annual average	1.1.–31.12.2015	1.1.–31.12.2014
Marine personnel	1,246	1,270
Shore-based personnel	1,704	1,529
Apprentices	206	186
Total	**3,156**	**2,985**

(20) Depreciation, amortisation and impairment of intangible assets and property, plant and equipment and of current assets insofar as they exceed the corporation's usual depreciation, amortisation and impairment

million EUR	1.1.–31.12.2015	1.1.–31.12.2014
Scheduled depreciation and amortisation		
Amortisation of intangible assets	19.5	1.8
Depreciation of property, plant and equipment	238.7	232.5
	258.2	**234.3**
Impairment losses		
Impairment losses persuant to Section 253 (3) (3) of the German Commercial Code (HGB)	0.0	105.6
Impairment losses persuant to Section 253 (4) of the German Commercial Code (HGB)	156.7	0.0
	156.7	**105.6**
Total	**414.9**	**339.9**

The depreciation of current assets pursuant to Section 253 (4) of the German Commercial Code (HGB) relates exclusively to the depreciation of accounts receivable from affiliated companies. These accounts receivable due in particular from Rahue were transferred to Hapag-Lloyd AG in the course of the merger in its capacity as the universal legal successor to CC Co. Impairment in the amount of EUR 156.7 million on the accounts receivable from Rahue was necessary, in particular as a result of the integration of CSAV's container shipping activities into Hapag-Lloyd AG and the Group's internal restructuring. Taking this impairment loss into account, the accounts receivable from Rahue totalled EUR 66.0 million as at 31 December 2015.

(21) Other operating expenses

million EUR	1.1.–31.12.2015	1.1.–31.12.2014
Exchange rate losses, incl. bank charges	1,003.1	555.1
Commissions / sales expenses	569.2	421.5
IT service expenses	81.1	63.9
Legal and consultancy expenses/costs	19.7	24.1
Factoring	18.3	14.5
Rent and lease expenses	12.7	11.8
Administrative expenses	11.3	8.5
Other socially related material and personnel costs	3.5	12.5
Other expenses	95.1	73.5
Total	**1,814.0**	**1,185.4**

Exchange rate losses include EUR 943.7 million from currency translation (previous year: EUR 497.8 million) and EUR 49.5 million from the valuation of derivative financial instruments (previous year: EUR 53.3 million). The significant increase in other operating expenses reflects not only exchange rate-related changes, but also and above all the increase in the business volume of Hapag-Lloyd AG.

(22) Income from other periods

Transport expenses include income from other periods relating to rebates for port, canal and terminal costs, affecting previous years, and container shipping costs totalling EUR 4.9 million (previous year: EUR 6.3 million). This item also includes the income from the release of provisions described in Note (17) and income from the disposal of fixed assets.

(23) Financial result

million EUR	**1.1.–31.12.2015**	1.1.–31.12.2014
Income from associated companies	52.0	43.1
thereof from affiliated companies	14.7	9.0
Income from loans from financial assets	0.1	0.1
thereof from affiliated companies	0.0	0.0
Income from a profit and loss transfer agreement	1.7	1.6
Other interest and similar income	15.2	15.2
thereof from affiliated companies	7.1	5.9
Expenses from the transfer of losses	22.1	0.2
Interest payable and similar expenses	197.7	197.5
thereof from affiliated companies	0.1	0.1
Impairment losses from long-term financial assets and current securities	182.5	0.0
Total	**–333.3**	**–137.7**

Income from investments primarily includes dividends of EUR 30.3 million (previous year: EUR 30.6 million) from HHLA Container Terminal Altenwerder GmbH, Hamburg.

Other interest and similar income includes income of EUR 1.1 million from discounting (previous year: EUR 0.2 million). Interest and similar expenditure includes costs of EUR 6.7 million from discounting (previous year: EUR 6.6 million).

The partial redemption of a USD loan due to mature in 2017 resulted in an amount of EUR 0.9 million being recorded in interest income and an amount of EUR 4.4 million being recorded in interest expense.

Expenses from the transfer of losses totalling EUR 22.1 million were the result of the control and profit transfer agreements completed in the 2015 financial year with the ship chartering companies First, Second and Third CSAV Ships Germany GmbH, Hamburg.

(24) Extraordinary profit or loss

On the one hand, this is extraordinary income from the release of the restructuring provision created in the previous year due to the integration of CSAV's container shipping activities. On the other hand, there were the losses of EUR 0.7 million due to the retroactive merger of Compañía Sud Americana de Vapores GmbH, Hamburg and CSAV North & Central Europe GmbH, Hamburg with Hapag-Lloyd AG as at 1 January 2015.

(25) Income taxes

Corporate income tax, the solidarity surcharge, trade tax and paid withholding tax are recognised as income taxes. As in the previous year, a corporate income tax rate of 15.0% and the solidarity surcharge of 5.5% on corporate income tax applied in the 2015 financial year. The trade earnings tax rate, which corresponds to the specific applicable municipal assessment rate, was 16.5% in 2014 and 2015. As a liner shipping company, Hapag-Lloyd AG, 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 ship fleet.

Prior-period tax income in the amount of EUR 0.4 million are included in the actual income taxes (previous year: expenses of EUR 1.9 million).

The income tax burden relating to extraordinary profit or loss is insignificant.

Tax expense/income does not include any deferred taxes. Overall in the 2015 financial year, there was an (unrecognised) deferred tax asset resulting from tax loss carry-forwards.

OTHER DISCLOSURES

(26) Government assistance

Germany's Federal Maritime and Hydrographic Agency awarded training subsidies and subsidies for marine personnel totalling EUR 9.1 million in the year under review (previous year: EUR 11.5 million); this amount is recorded as other operating income.

(27) Limitation of disposition rights and collateral for liabilities

Under the existing agreements for the financing of fixed assets, in particular ships and containers, Hapag-Lloyd AG has committed itself to observing specific restrictions customary on the market with regard to the disposition of these material collateral items. The secured loans amount in total to EUR 2,263.8 million (previous year: EUR 2,085.4 million).

Of the vessels of which Hapag-Lloyd AG is the beneficial owner, twelve had no encumbrances and were free of third-party rights at the reporting date. There are mortgages for all the other ships.

Collateral security provided for some of the liabilities to banks totalling EUR 233.9 million and for some of the other liabilities with a carrying amount of EUR 268.1 million is in the form of legal ownership of the containers being assigned to the creditors in question, while their economic ownership is attributable to Hapag-Lloyd AG. From an economic perspective, this is equivalent to a secured economic interest in the containers.

(28) Transactions with related parties

No significant transactions were effected in the financial year or the previous year which were not conducted on the basis of normal market terms and conditions.

(29) Group affiliation

Hapag-Lloyd AG is the parent company for the smallest and largest group of companies for which consolidated financial statements are prepared. The consolidated financial statements of Hapag-Lloyd AG, Hamburg, as at 31 December 2015 are to be published in the online version of the German Federal Gazette.

(30) Executive Board and Supervisory Board remuneration

The total remuneration granted to active Executive Board members in the financial year was EUR 6.5 million (2014: EUR 3.2 million). This includes share-based payments from 2015 onwards with a fair value of EUR 2.2 million on the date when the remuneration was granted. The active Executive Board members were granted a total of 112,586 virtual shares in the financial year. The total remuneration for former members of the Executive Board and their surviving dependants amounted to EUR 1.0 million in the 2015 financial year (previous year: EUR 1.4 million[1]). The emoluments of the active members of the Supervisory Board amounted to EUR 0.9 million (previous year: EUR 0.9 million[2]).

Pension provisions for former members of the Executive Board amount to EUR 18.2 million (previous year: EUR 15.3 million).

For details of the basic features of Executive Board and Supervisory Board remuneration and the individual members' emoluments, please refer to the management report.

Details of the members of the Executive Board and Supervisory Board can be found in Annexes III and IV to the Notes.

The membership of other supervisory boards and controlling bodies as per Section 125 (1) (5) of the German Stock Corporation Act (AktG) are detailed in Annexe V to the Notes.

(31) Retained earnings

With the net loss for the year having been settled by a withdrawal from the capital reserves pursuant to Section 272 (2) (4) of the German Commercial Code (HGB), retained earnings came to EUR 108.4 million.

[1] The emoluments of former members of the Executive Board and their surviving dependants were previously presented less income from reinsurance. This is no longer the case as of the 2015 financial year. The previous year's figures were adjusted accordingly.

[2] The emoluments for employee representatives on the Supervisory Board paid as part of their employment contracts are not included in the emoluments. The previous year's figures were adjusted accordingly.

(32) Declaration of conformity in accordance with Section 161 AktG

The declaration required under Section 161 of the German Stock Corporation Act (AktG) was issued by the Executive Board and Supervisory Board in November 2015 and has been made permanently available to shareholders in the “Corporate Governance” section under “IR” of the Company’s website, http://ir.hapag-lloyd.com/websites/hapaglloyd/English/8000/corporate-governance.html.

(33) Total auditors’ fees

The total fees charged by the Company’s auditors KPMG AG Wirtschaftsprüfungsgesellschaft are disclosed in the exempting consolidated financial statements of Hapag-Lloyd AG, broken down into auditing services, other assurance services, tax consultancy services and other services.

Hamburg, 2 March 2016

Hapag-Lloyd AG
Executive Board

Rolf Habben Jansen

Nicolás Burr

Anthony J. Firmin

Thorsten Haeser

APPENDIX I

Statement of fixed assets of Hapag-Lloyd Aktiengesellschaft for the 2015 financial year

	Acquisition/production costs				
EUR	01.01.2015	Additions	Additions from merger	Reclassifi-cations	Disposals
I. Intangible assets					
1. Purchased software	24,873,729.53	2,201,056.67	84,208.62	0.00	13,230.77
2. Purchased concessions, industrial property and similar rights and assets as well as licences in such rights and assets	3,500,000.00	0.00	0.00	0.00	0.00
3. Goodwill	0.00	338,494,778.50	164,588,934.31	0.00	0.00
4. Payments received on account of orders	87,249.42	0.00	0.00	0.00	0.00
	28,460,978.95	340,695,835.17	164,673,142.93	0.00	13,230.77
II. Property, plant and equipment					
1. Land, similar rights and buildings including buildings on leasehold land	1.51	0.00	0.00	0.00	0.00
2. Vessels	3,701,122,813.79	13,880,386.64	221,370,491.79	4,152,018.29	371,104,087.52
3. Improvements on leased vessels	4,701,197.48	0.00	0.00	0.00	0.00
4. Major spare parts for vessels	3,150,819.81	317,994.57	0.00	0.00	0.00
5. Containers, chassis, gensets	901,367,040.19	248,107,907.74	30,194,548.98	0.00	6,821,663.14
6. Machinery and equipment	9,036,170.35	0.00	0.00	0.00	0.00
7. Other equipment and office equipment	16,771,700.23	1,771,244.98	72,711.62	5,670.00	315,333.09
8. Payments received on account of orders	5,195,724.88	143,889,634.26	0.00	−4,157,688.29	0.00
	4,641,345,468.24	407,967,168.19	251,637,752.39	0.00	378,241,083.75
III. Financial assets					
1. Shares in affiliated companies	1,140,738,995.11	223,529,710.88	502,474,131.93	0.00	1,090,074,129.87
2. Holdings	319,358,205.52	259,755.20	0.00	0.00	1.00
3. Loans to associated companies	1,240,686.02	60,772.60	0.00	0.00	0.00
	1,461,337,886.65	223,850,238.68	502,474,131.93	0.00	1,090,074,130.87
	6,131,144,333.84	**972,513,242.04**	**918,785,027.25**	**0.00**	**1,468,328,445.39**

	Depreciation, amortisation and impairment					Carrying amounts	
31.12.2015	01.01.2015	Additions	Impairment reversals	Disposals	31.12.2015	31.12.2015	31.12.2014
27,145,764.05	20,510,594.53	2,805,539.29	0.00	13,230.77	23,302,903.05	3,842,861.00	4,363,135.00
3,500,000.00	0.00	0.00	0.00	0.00	0.00	3,500,000.00	3,500,000.00
503,083,712.81	0.00	16,691,816.20	0.00	0.00	16,691,816.20	486,391,896.61	0.00
87,249.42	0.00	0.00	0.00	0.00	0.00	87,249.42	87,249.42
533,816,726.28	20,510,594.53	19,497,355.49	0.00	13,230.77	39,994,719.25	493,822,007.03	7,950,384.42
1.51	0.51	0.00	0.00	0.00	0.51	1.00	1.00
3,569,421,622.99	939,719,967.79	145,876,552.97	1,474.00	311,916,605.52	773,678,441.24	2,795,743,181.75	2,761,402,846.00
4,701,197.48	2,313,559.48	2,047,314.00	0.00	0.00	4,360,873.48	340,324.00	2,387,638.00
3,468,814.38	1,727,534.06	291,249.90	0.00	0.00	2,018,783.96	1,450,030.42	1,423,285.75
1,172,847,833.77	217,341,054.44	88,033,484.24	8,696.32	4,963,979.24	300,401,863.12	872,445,970.65	684,025,985.75
9,036,170.35	893,383.35	904,905.00	0.00	0.00	1,798,288.35	7,237,882.00	8,142,787.00
18,305,993.74	13,631,342.84	1,519,384.49	0.00	311,940.09	14,838,787.24	3,467,206.50	3,140,357.39
144,927,670.85	0.00	0.00	0.00	0.00	0.00	144,927,670.85	5,195,724.88
4,922,709,305.07	1,175,626,842.47	238,672,890.60	10,170.32	317,192,524.85	1,097,097,037.90	3,825,612,267.17	3,465,718,625.77
776,668,708.05	0.00	182,519,017.52	0.00	0.00	182,519,017.52	594,149,690.53	1,140,738,995.11
319,617,959.72	4,259,524.01	0.00	0.00	0.00	4,259,524.01	315,358,435.71	315,098,681.51
1,301,458.62	816,452.02	0.00	0.00	0.00	816,452.02	485,006.60	424,234.00
1,097,588,126.39	5,075,976.03	182,519,017.52	0.00	0.00	187,594,993.55	909,993,132.84	1,456,261,910.62
6,554,114,157.74	**1,201,213,413.03**	**440,689,263.61**	**10,170.32**	**317,205,755.62**	**1,324,686,750.70**	**5,229,427,407.04**	**4,929,930,920.81**

APPENDIX II

List of holdings of Hapag-Lloyd Aktiengesellschaft as at 31 December 2015

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU [1]	Net profit/ loss for the year in TCU [1]
Head Office					
Hamburg-Amerika Linie GmbH	Hamburg	100.00	EUR	63	*
Hapag-Lloyd Grundstücksholding GmbH	Hamburg	94.90	EUR	30,045	*
Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	100.00	EUR	26	*
First CSAV Ships Germany GmbH	Hamburg	100.00	EUR	205,403	*
Second CSAV Ships Germany GmbH	Hamburg	100.00	EUR	32,745	*
Third CSAV Ships Germany GmbH	Hamburg	100.00	EUR	192,789	*
HHLA Container Terminal Altenwerder GmbH	Hamburg	25.10	EUR	80,433	*
Hamburg-Amerikanische Packetfahrt-Gesellschaft mbH	Hamburg	100.00	EUR	63	*
Zweite Hapag-Lloyd Schiffsvermietungsgesellschaft mbH	Hamburg	100.00	EUR	26	*
Europe					
Hapag-Lloyd Africa PTY Ltd.	Durban	100.00	ZAR	12,650	615
Hapag-Lloyd (Austria) GmbH	Vienna	100.00	EUR	1,189	41
Oy Hapag-Lloyd Finland AB	Helsinki	100.00	EUR	191	49
Hapag-Lloyd (France) S.A.S.	Asnières-sur-Seine	100.00	EUR	4,907	287
Hapag-Lloyd (Ireland) Ltd.	Dublin	100.00	EUR	253	27
Hapag-Lloyd (Italy) S.R.L.	Milan	100.00	EUR	2,235	269
Hapag-Lloyd Polska Sp.z.o.o.	Gdynia	100.00	PLN	719	–11
Hapag-Lloyd Portugal LDA	Lisbon	100.00	EUR	167	19
Hapag-Lloyd (Schweiz) AG	Basel	100.00	CHF	359	42
Hapag-Lloyd Special Finance Limited	Dublin	100.00	USD	73	26
Hapag-Lloyd (Sweden) AB	Gothenburg	100.00	SEK	3,529	405
Hapag-Lloyd Spain S.L.	Barcelona	90.00	EUR	864	53
Hapag-Lloyd (UK) Ltd.	Barking	100.00	GBP	3,644	128
CSAV Group Agencies South Africa (Pty) Ltd.	Durban	100.00	ZAR	–105	–7,784
CSAV Denizcilik Acentasi A.S.	Istanbul	100.00	TRY	6,631	5,731
CSAV Holding Europe S.L.	Barcelona	100.00	EUR	13,622	239
Norasia Container Lines Ltd.	Valetta	100.00	USD	–144,344	–102,791 [4]
CSAV UK & Ireland Limited	Liverpool	100.00	GBP	100	–36
Hapag-Lloyd Denizasiri Nakliyat A.S.	Izmir	50.00	USD	13,514	9,072
Hapag-Lloyd Container Ltd	Barking	100.00	EUR	3	1
Hapag-Lloyd Container (No. 2) Ltd.	Barking	100.00	EUR	3	1
Hapag-Lloyd Container (No. 3) Ltd.	Barking	100.00	EUR	**	**
Hapag-Lloyd Ships Ltd.	Barking	100.00	EUR	109	–3
Hapag-Lloyd Ships (No. 2) Ltd.	Barking	100.00	EUR	**	**
Norddeutscher Lloyd GmbH	Bremen	100.00	EUR	31	*
Asia					
Hapag-Lloyd Agency LLC.	Dubai	49.00 [2]	AED	17,242	16,792
Hapag-Lloyd (Australia) Pty.Ltd.	Pyrmont	100.00	AUD	2,054	81
Hapag-Lloyd (China) Ltd.	Hong Kong	100.00	HKD	7,219	841
Hapag-Lloyd (China) Shipping Ltd.	Shanghai	100.00	CNY	85,281	5,814
Hapag-Lloyd Global Services Pvt.Ltd.	Thane	100.00	INR	610,587	61,877
Hapag-Lloyd India Private Ltd.	Mumbai	100.00	INR	219,654	2,974
Hapag-Lloyd (Japan) K.K.	Tokyo	100.00	JPY	235,219	4,056
Hapag-Lloyd (Korea) Ltd.	Seoul	100.00	KRW	2,397,480	83,531
Hapag-Lloyd (Malaysia) Sdn.Bhd.	Kuala Lumpur	100.00	MYR	15	21
Hapag-Lloyd (New Zealand) Ltd.	Auckland	100.00	NZD	879	72
Hapag-Lloyd Pte.Ltd.	Singapore	100.00	USD	7,383	543
Hapag-Lloyd (South East Asia) Sdn. Bhd i.L.	Kuala Lumpur	100.00	MYR	2,292	–76
Hapag-Lloyd (Taiwan) Ltd.	Taipei	100.00	TWD	87,469	593
Hapag-Lloyd (Thailand) Ltd.	Bangkok	49.90	THB	6,035	–37
Hapag-Lloyd (Vietnam) Ltd.	Ho Chi Minh City	100.00	VND	6,719,758	1,723,813
CSAV Shipping LLC	Dubai	49.00 [3]	AED	3,475	–329
CSAV Agencies (Malaysia) Sdn Bhd. i.L.	Kuala Lumpur	100.00	MYR	846	578
CSAV Group (China) Shipping Co. Ltd.	Shanghai	100.00	CNY	42,156	–14,712
CSAV Group (Hong Kong) Ltd.	Hong Kong	100.00	HKD	5,760	1,760
CSAV Group Agencies (Hong Kong) Ltd.	Hong Kong	100.00	HKD	30,689	2,948
CSAV Group (India) Private Ltd.	Gurgaon	100.00	INR	157,521	26,638
CSAV Group Agencies (India) Private Ltd.	Mumbai	100.00	INR	126,361	3,213
Hapag-Lloyd Lanka (Pvt) Ltd	Colombo	40.00	LKR	139,656	120,769

Name of the company	Registered office	Shareholding in %	Currency unit (CU)	Equity in TCU [1]	Net profit/ loss for the year in TCU [1]
North America					
Hapag-Lloyd (America) LLC	Wilmington	100.00	USD	1,647	−1,023
Hapag-Lloyd (Canada) Inc.	Montreal	100.00	CAD	883	199
Hapag-Lloyd Mexico S.A. de C.V.	Mexico City	100.00	MXN	246,892	23,922
Hapag-Lloyd USA LLC	Wilmington	100.00	USD	285,595	36,947
Florida Vessel Management LLC	Wilmington	75.00	USD	29	2
Servicios Corporativos Portuarios S.A. de C.V.	Mexico City	100.00	MXN	−830	−3,255
CSAV Agency LLC	Wilmington	100.00	USD	11,727	−254
Agencias Grupo CSAV (Mexico) S.A. de C.V	Mexico City	100.00	MXN	−76,323	−69,832
Prestadora de servicios integrados de personal de SA de C.V.	Mexico City	100.00	MXN	−391	−1,019
CSAV Agency Ltd.	Montreal	100.00	CAD	1,282	−29
South America					
Hapag-Lloyd Argentina S.R.L.	Buenos Aires	100.00	ARS	17,901	−8,995
Hapag-Lloyd Colombia LTDA	Bogota	100.00	COP	1,768,488	1,659,383
Hapag-Lloyd Costa Rica S.A.	San Jose	100.00	CRC	869,746	11,931
Hapag-Lloyd Guatemala S.A.	Guatemala	100.00	GTQ	−26	126
Hapag-Lloyd (Peru) S.A.C.	Lima	60.00	PEN	16,455	32,770
Hapag-Lloyd Venezuela C.A.	Caracas	100.00	VEF	−4,842	−5,930
CSAV Austral SpA	Valparaíso	49.99	USD	**	**
Hapag-Lloyd Chile SpA (ex. CSAV Portacontenedores SpA)	Valparaíso	100.00	USD	6,715	1,291
CSAV Group Agencies Uruguay S.A.	Montevideo	100.00	UYU	20,047	6,295
CSAV Group Agency Colombia Ltda.	Bogota	100.00	COP	2,614,371	2,074,371
Servicios de Procesamiento Naviero S.R.L.	Montevideo	100.00	USD	664	−454
Libra Agency (Argentina) S.A.	Buenos Aires	100.00	ARS	55	−3,039
Invermar Management S.A	Panama City	100.00	USD	**	**
Companhia Libra de Navegacao S.A.	São Paulo	100.00	BRL	**	**
Andes Operador Multimodal Ltda.	São Paulo	100.00	BRL	**	**
Corvina Maritime Holding S.A.	Panama City	100.00	USD	**	**
Sea Lion Shipping Co. S.A.	Panama City	100.00	USD	**	**
Southern Shipmanagement Co. S.A.	Panama City	50.00	USD	941	530
Southern Shipmanagement (Chile) Ltda.	Valparaíso	50.50	USD	132	55
Wellington Holding Group S.A.	Road Town	100.00	USD	**	**
Compañía Libra de Navegación (Uruguay) S.A.	Montevideo	100.00	UYU	**	**
Inversiones CNP S.A.	Lima	100.00	USD	**	**
Torksey S.A.	Montevideo	100.00	USD	**	**
Lanco Investments Internacional Co. S.A.	Panama City	100.00	USD	**	**
Rahue Investment Co. S.A.	Panama City	100.00	USD	**	**
CNP Holding S.A.	Panama City	100.00	USD	**	**
Others					
CSAV Ships S.A.	Panama City	100.00	USD	**	**
CSBC Hull 900 Ltd.	Douglas	100.00	USD	1,077	−5,581 [4]
CSBC Hull 898 Ltd.	Douglas	100.00	USD	0	−2,017 [4]
Hull 1794 Co. Ltd.	Majuro	100.00	USD	0	−13,965 [4]
Hull 1796 Co. Ltd.	Majuro	100.00	USD	5,842	−10,628 [4]
Hull 1798 Co. Ltd.	Majuro	100.00	USD	3,767	−12,503 [4]
Hull 1800 Co. Ltd.	Majuro	100.00	USD	0	−17,652 [4]
Hull 1906 Co. Ltd.	Majuro	100.00	USD	−998	−13,542 [4]
Hull 1975 Co. Ltd.	Majuro	100.00	USD	3,355	812 [4]
Hull 1976 Co. Ltd.	Majuro	100.00	USD	2,015	−2,104 [4]
Hull 2082 Co. Ltd.	Majuro	100.00	USD	−86	547 [4]
Hull 2083 Co. Ltd.	Majuro	100.00	USD	58	690 [4]
Hull 2084 Co. Ltd.	Majuro	100.00	USD	−16	353 [4]
Hull 2085 Co. Ltd.	Majuro	100.00	USD	−86	274 [4]
Hull 2086 Co. Ltd.	Majuro	100.00	USD	−86	274 [4]
Hull 2087 Co. Ltd.	Majuro	100.00	USD	−86	274 [4]
Hull 2088 Co. Ltd.	Majuro	100.00	USD	−86	274 [4]
Bureo Shipping Co. S.A.	Majuro	100.00	USD	**	**
Norasia Alya S.A.	Panama City	100.00	USD	**	**
Malleco Shipping Co. S.A.	Panama City	100.00	USD	**	**
Maule Shipping Co. S.A.	Panama City	100.00	USD	**	**
Chacabuco Shipping Ltd.	Majuro	100.00	USD	**	**
Limarí Shipping Ltd.	Majuro	100.00	USD	**	**
Longavi Shipping Ltd.	Majuro	100.00	USD	**	**
Palena Shipping Ltd.	Majuro	100.00	USD	**	**

[1] TCU = thousands of currency units
[2] Another 2.00 percent held in trust for the Hapag-Lloyd Group.
[3] Another 51.00 percent held in trust for the Hapag-Lloyd Group.
[4] Financial year consists of 9 month.
* Profit and loss transfer agreement.
** No financial statements were available for these companies.

APPENDIX III

Executive Board of Hapag-Lloyd Aktiengesellschaft in the 2015 financial year

Rolf Habben Jansen, Chief Executive Officer (CEO)	**Hamburg**	
Peter Ganz, Member of the Executive Board Chief Financial Officer (CFO)	**Hamburg**	(until 31 March 2015)
Nicolás Burr, Member of the Executive Board Chief Financial Officer (CFO)	**Hamburg**	(since 26 March 2015)
Anthony J. Firmin, Member of the Executive Board Chief Operating Officer (COO)	**Hamburg**	
Thorsten Haeser, Member of the Executive Board Chief Commercial Officer (CCO)	**Hamburg**	(since 1 October 2015)

APPENDIX IV

Members of the Supervisory Board of Hapag-Lloyd Aktiengesellschaft

from 01.01.2015 to 31.12.2015

Michael Behrendt (Chairman)
Chairman of the Supervisory Board of Hapag-Lloyd AG, Hamburg

Karl-Heinz Biesold (1st Deputy Chairman)
Trade Union Secretary, ver.di Vereinte Dienstleistungsgewerkschaft, Berlin

Karl Gernandt (2nd Deputy Chairman)
Chairman of the Board of Directors, Kühne Holding AG, Schindellegi, Switzerland

Andreas Bahn
Trade Union Secretary, ver.di Vereinte Dienstleistungsgewerkschaft, Hamburg

Horst Baier
Member of the Executive Board, TUI AG, Hanover

Oliver Bringe
Commercial clerk, Hapag-Lloyd AG, Hamburg

Renate Commerell
Commercial clerk, Hapag-Lloyd AG, Hamburg

Jutta Diekamp
Commercial clerk, Hapag-Lloyd AG, Hamburg

Oscar Hasbún Martínez
Chief Executive Officer, Compañía Sud Americana de Vapores S.A., Santiago de Chile

Dr Rainer Klemmt-Nissen
Managing Director, HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH, Hamburg

Arnold Lipinski
Commercial clerk, Hapag-Lloyd AG, Hamburg

Francisco Pérez Mackenna
Managing Director, Quiñenco S.A., Santiago de Chile

APPENDIX V

List of current mandates of members of the Supervisory Board of Hapag-Lloyd Aktiengesellschaft
as of 31 December 2015; when leaving the Supervisory Board during the financial year the data relate to the date of retirement

Michael Behrendt
a) Barmenia Allgemeine Versicherungs AG – Deputy Chairman of the Supervisory Board
b) Barmenia Krankenversicherung AG – Deputy Chairman of the Supervisory Board
c) Barmenia Lebensversicherung AG – Deputy Chairman of the Supervisory Board
d) ESSO Deutschland GmbH – Member of the Supervisory Board
e) EXXON Mobil Central Europe Holding GmbH – Member of the Supervisory Board
d) MAN SE – Member of the Supervisory Board
f) MAN Diesel Turbo SE – Member of the Supervisory Board
g) MAN Truck & Bus AG – Member of the Supervisory Board
h) Renk AG – Member of the Supervisory Board

Andreas Bahn
a) HGV Hamburger Gesellschaft für Vermögens- und Beteiligungsmanagement mbH – Member of the Supervisory Board
b) HHLA Container Terminals GmbH – Member of the Supervisory Board

Horst Baier
a) TUI Deutschland GmbH – Member of the Supervisory Board
b) TUIfly GmbH – Member of the Supervisory Board
c) RIUSA II S.A. – President
d) TUI Canada Holdings Inc. – Director
e) Sunwing Travel Group Inc. – Director

Karl Gernandt
a) Kühne + Nagel International AG – Chairman of the Supervisory Board
b) Kühne Holding AG – Member of the Supervisory Board
c) HSV Fußball AG – Chairman of the Supervisory Board
d) Kühne Logistics University – Member of the Supervisory Board

Arnold Lipinski
a) Knappschaft Bahn See – Member of Delegates Conference
b) BG Verkehr – Member of Delegates Conference

Dr Rainer Klemmt-Nissen
a) Hamburger Hochbahn AG – Member of the Supervisory Board
b) HSH Nordbank AG – Member of the Supervisory Board
c) HMC Hamburg Messe und Congress GmbH – Member of the Supervisory Board
d) Vattenfall Wärme Hamburg GmbH – Member of the Supervisory Board

Francisco Pérez Mackenna

a) Compañia Sud Americana de Vapores S.A. – Member of the Supervisory Board
b) Compañía Cervecerías Unidas S.A. – Member of the Supervisory Board
c) Empresa Nacional de Energía Enex S.A. – Member of the Supervisory Board
d) Inversiones y Rentas S.A. – Member of the Supervisory Board
e) Invexans S.A. – Member of the Supervisory Board
f) LQ Inversiones Financieras S.A. – Member of the Supervisory Board
g) Sudamericana Agencias Aéreas y Marítimas S.A. – Member of the Supervisory Board
h) Tech Pack S.A. – Member of the Supervisory Board

Óscar Hasbún Martínez

a) Odfjell y Vapores S.A. – Member of the Supervisory Board
b) Sudamericana Agencias Aéreas y Marítimas S.A. – Member of the Supervisory Board
c) Inversiones Dalmacia Ltda. – Member of the Supervisory Board
d) Signus Capital Investments Ltd. – Member of the Supervisory Board

The Supervisory Board members not mentioned above do not hold offices in other supervisory boards or controlling bodies.

DECLARATION BY THE LEGAL REPRESENTATIVES

STATEMENT PURSUANT TO SECTION 264 (2) (3) AND SECTION 289 (1) (5) OF THE GERMAN COMMERCIAL CODE (HGB)

To the best of our knowledge and in accordance with the applicable reporting principles we assure that the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company, and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Hamburg, 2 March 2016

Hapag-Lloyd AG
Executive Board

Rolf Habben Jansen

Nicolás Burr   Anthony J. Firmin   Thorsten Haeser

AUDITOR'S REPORT

We have audited the annual financial statements – consisting of the statement of financial position, income statement and Notes to the financial statements – including the bookkeeping, and the management report of Hapag-Lloyd Aktiengesellschaft, Hamburg, for the financial year from 1 January to 31 December 2015. The bookkeeping and the preparation of the annual financial statements and the management report in accordance with the German Commercial Code are the responsibility of the Company's Executive Board. Our responsibility is to express an opinion on the annual financial statements, including the bookkeeping, and the management report on the basis of our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 of the German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements established by the Institute of Public Auditors in Germany (IDW). These stipulate that we plan and conduct the audit in such a way that misstatements which have a material impact on the presentation of the net asset, financial and earnings position as conveyed by the annual financial statements, taking account of the principles of proper bookkeeping, and by the management report are detected with a reasonable degree of certainty. Knowledge of the business activities and the economic and legal environment of the Company and expectations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the bookkeeping, annual financial statements and management report are examined primarily on a sample basis within the framework of the audit. The audit includes an assessment of the accounting principles used and significant estimates made by the Executive Board, as well as an assessment of the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the results of our audit, the annual financial statements are in compliance with the statutory provisions and give a true and fair view of the net asset, financial and earnings position of the Company in accordance with the principles of proper bookkeeping. The management report is consistent with the annual financial statements and as a whole provides an accurate picture of the Company's situation and an accurate description of the opportunities and risks of future development.

Hamburg, 2 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Heckert
Wirtschaftsprüfer (German Public Auditor)

Lippmann
Wirtschaftsprüfer (German Public Auditor)

IMPRINT

Hapag-Lloyd AG
Ballindamm 25
20095 Hamburg

Investor Relations
Telephone: +49 40 3001-2896
Fax: +49 40 3001-72896

Group Communications
Telephone: +49 40 3001-2529
Fax: +49 40 335360

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www.hapag-lloyd.com

Hapag-Lloyd AG · Ballindamm 25 · 20095 Hamburg · www.hapag-lloyd.com